

CITY OF SANFORD

NORTH CAROLINA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2022

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

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

THIS PAGE LEFT BLANK INTENTIONALLY.

City of Sanford, North Carolina
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2022

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Letter of Transmittal	7
GFOA Certificate of Achievement	11
Organizational Chart	12
List of Elected and Appointed Officials	13
FINANCIAL SECTION	
Independent Auditor's Report	17
Management's Discussion and Analysis	21
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	33
Statement of Activities	34
Fund Financial Statements:	
Balance Sheet - Governmental Funds	35
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities	38
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	39
Statement of Net Position - Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	41
Statement of Cash Flows - Proprietary Funds	42
Statement of Fiduciary Net Position - Fiduciary Funds	43
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	44
Notes to Financial Statements	45
Required Supplementary Information:	
Schedule of Changes in Net OPEB Liability and Related Ratios Healthcare Benefits Plan	85
Schedule of Employer Contributions - Healthcare Benefits Plan	86
Schedule of Investment Returns - Healthcare Benefits Plan	87
City's Contributions - Local Government Employees' Retirement System	88
City's Proportionate Share of Net Pension Liability (Asset) - Local Government Employees' Retirement System	89
Schedule of Changes in Total Pension Liability-Law Enforcement Officers' Special Separation Allowance	90
Schedule of Total Pension Liability as a Percentage of Covered Payroll- Law Enforcement Officers' Special Separation Allowance	91
Combining and Individual Fund Statements and Schedules:	
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	95
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - ARP CSLFRF Fund	101

Combining Balance Sheet - Nonmajor Governmental Funds	105
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	106
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Community Development Fund	107
Municipal Service District Fund	110
Friends of Sanford-Blended Component Unit	111
Sanford Affordable Housing Development Corporation-Blended Component Unit	112
General Capital Projects Fund	113
Capital Reserve Fund	114
Schedules of Revenues and Expenditures - Budget and Actual:	
Utility Fund	117
Utility Capital Projects Fund - From Inception	120
Schedule of Revenues and Expenditures - Budget and Actual - Chatham Park Water Recovery Center Operations	121
Schedule of Revenues and Expenditures - Financial Plan and Actual - Health Insurance Internal Service Fund	122
Custodial Fund	
Combining Statement of Fiduciary Net Position	125
Combining Statement of Changes in Fiduciary Net Position	126
Other Supplemental Schedules:	
Schedule of Ad Valorem Taxes Receivable- General Fund	129
Supplemental Schedule of 2021 Tax Levy - General Fund	130
Schedule of Ad Valorem Taxes Receivable - Municipal Service District	131
Supplemental Schedule of 2021 Tax Levy - Municipal Service District	132

STATISTICAL SECTION

Net Position by Component	134
Changes in Net Position	135
Fund Balances of Governmental Funds	137
Changes in Fund Balances of Governmental Funds	138
General Fund Tax Revenue by Source	139
Assessed Value and Estimated Actual Value of Taxable Property	140
Direct and Overlapping Property Tax Rates	141
Principal Property Taxpayers	142
Property Tax Levies and Collections	143
Ratios of Outstanding Debt by Type	144
Ratios of General Bonded Debt Outstanding	145
Direct and Overlapping Governmental Activities Debt	146
Legal Debt Margin Information	147
Demographic and Economic Statistics	148
Principal Employers	149
Full-Time Equivalent City Government Employees by Function/Program	150
Operating Indicators by Function/Program	151

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	155
Independent Auditor's Report on Internal Compliance for the Major Federal Program Report on Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	157
Independent Auditor's Report on Internal Compliance for the Major State Program Report on Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	160
Schedule of Findings, Responses and Questioned Costs	163
Supplemental Schedule of Expenditures of Federal and State Awards	165

THIS PAGE LEFT BLANK INTENTIONALLY.



PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 777-1112

November 21, 2022

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, 2022 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 30,678. 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 5.5 % in June 2021 due to COVID-19 and it has decreased to 4.5% in June 2022. 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, and Audentes Therapeutics (life-science), an Astellas company based in San Francisco, California are both operating their facilities and will create over 600 jobs in our area. Estimated investment values of real and personal property are expected to be over \$280,000,000 over the next five year period.

Long-Term Financial Planning

In fiscal year 2021-22, the City Council purchased land and began the design for a new fire station to be located off of Colon Road. The design is expected to be complete by January 2022 and then the construction contract will be awarded. 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 it will request. The operating grants would help offset costs for the first three years of operations.

City Council approved an increase of 10% in water and an increase of 6% in sewer rates in fiscal year 2022-23. 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 was received in August 2022. City Council waited on the United States Treasury Final Ruling to finalize its discussions as to how it wants to spend these ARPA funds. The Final Ruling established the allowable costs and compliance requirements related to these funds. Council spent approximately \$500,000 of the ARPA funds on premium pay for qualified employees in January 2022 and has committed to spending approximately \$5,700,000 on affordable housing projects and transformative projects in our downtown area, including Depot Park renovations and the Sanford Area Marketplace building project.

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

VinFast, an electronic vehicle manufacturer, announced they would be locating at Triangle Innovation Point in Chatham County. The company plans to invest \$4 billion in the site and create 7,500 jobs over the next four years. City of Sanford will provide the water and wastewater to this company with a total estimated project cost of \$136 million. Grant funds and appropriations have been awarded to the City for \$133 million to offset these costs. Designs are underway for this project that is expected to be operational in 2024. This would be the City's top water and sewer customer once operational.

The City has started the design on the Water Filtration Plant upgrade and expansion and this project will include Town of Holly Springs, Fuquay Varina, and Town of Pittsboro as partners. The other towns will pay costs for additional capacity through ownership. The total estimated cost of the expansion is expected to be \$236 million. Each municipality will issue debt for their portion of the costs.

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, 2021. 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.

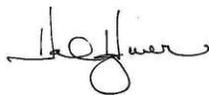
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to the Government Finance Officers Association to determine its eligibility 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, 2021. 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.

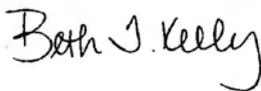
The City of Sanford also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2021. The GFOA established the Popular Annual Financial Reporting Awards Program to encourage and assist state and local governments to extract information 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**

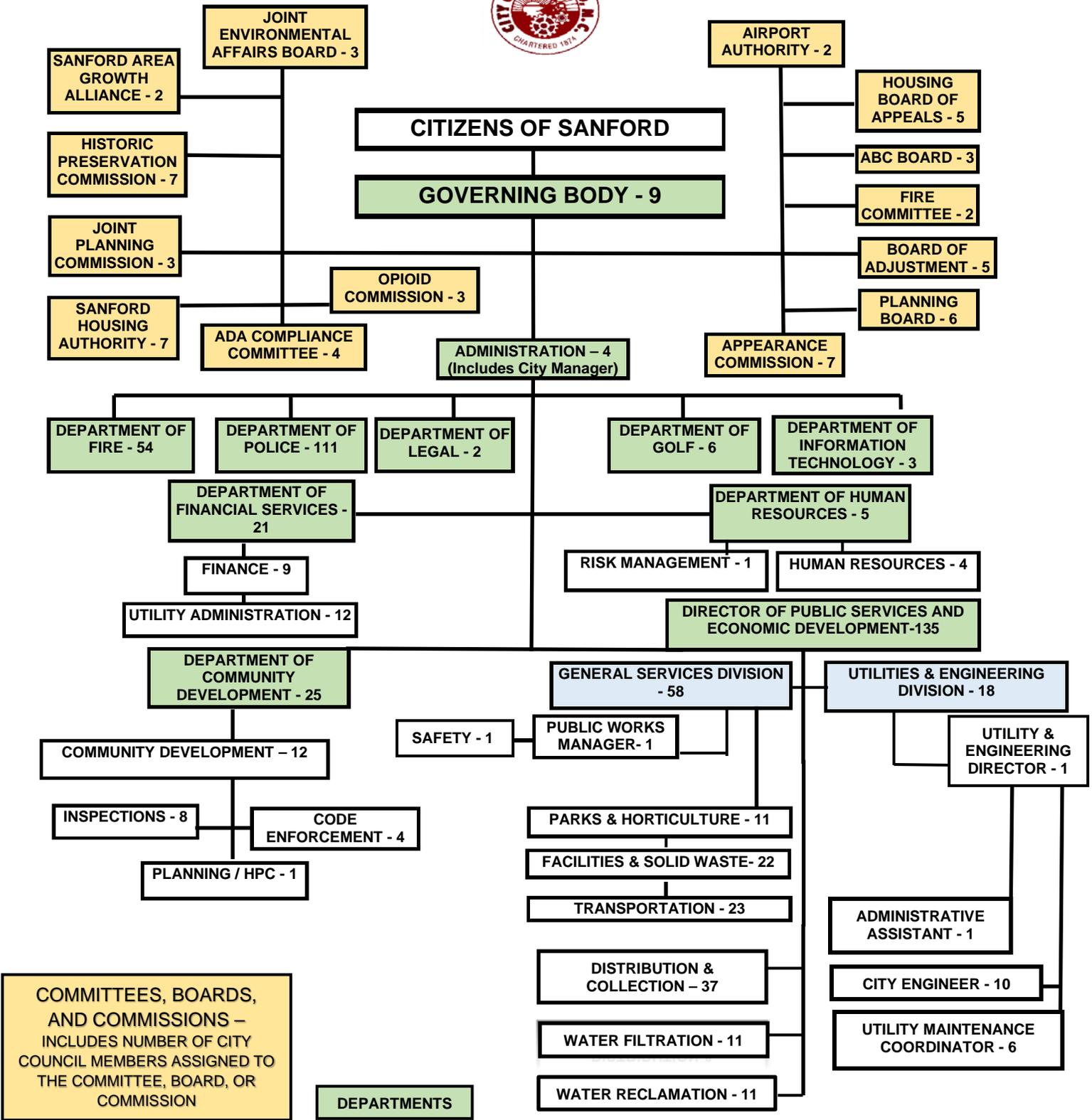
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

CITY OF SANFORD ORGANIZATIONAL CHART





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**

THIS PAGE LEFT BLANK INTENTIONALLY.



CITY OF SANFORD, NORTH CAROLINA
FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.



Certified Public Accountants

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 Audit of Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Sanford's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sanford as of June 30, 2022, and the respective changes in financial position, and cash flows where applicable thereof and the respective budgetary comparison for the General Fund and major, annually budgeted special revenue funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Sanford's ABC Board, which represent 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component unit, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Sanford's ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Sanford and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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 for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the City of Sanford's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards*, will always detect material misstatement when it exists. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material, if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City of Sanford's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sanford's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 21 through 32, 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-Employee Payroll on pages 90 through 91, and the Other Postemployment Benefits' Schedules of Changes in the Net OPEB Liability and Related Ratios, City Contributions, and Investment Returns on pages 85 through 87, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 88 through 89 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, required by 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanford's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2022 on our consideration of the 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 that 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 the effectiveness of City of Sanford's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sanford's internal control over financial reporting and compliance.


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 21, 2022

THIS PAGE LEFT BLANK INTENTIONALLY.

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, 2022. 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.

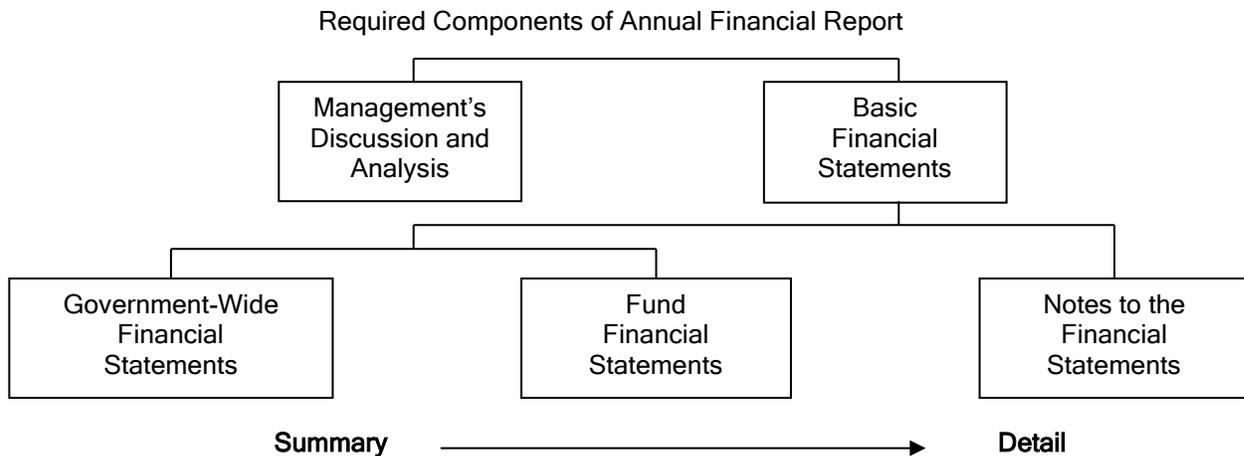
Financial Highlights

- 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 \$150,465,854 (net position).
- The government's total net position increased by \$13,918,556, largely due to increases in the governmental activities' net position.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$31,292,629, with an increase of \$5,540,979 in fund balance. Of this amount 36.0%, or \$11,259,806, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$19,747,493, or 57.7% of total General Fund expenditures and other financing uses for the fiscal year.
- The City of Sanford's total net debt decreased by \$4,152,780 during the fiscal year. The key factors in this decrease were no new debt issuances during the fiscal year and the outstanding balances were reduced by 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.

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	
	2022	2021	2022	2021	2022	2021
Current assets and other assets	\$ 41,762,080	\$ 31,060,905	\$ 21,687,175	\$ 21,712,220	\$ 63,449,255	\$ 52,773,125
Capital assets	44,792,326	41,772,057	179,782,601	177,633,987	224,574,927	219,406,044
Total assets	<u>86,554,406</u>	<u>72,832,962</u>	<u>201,469,776</u>	<u>199,346,207</u>	<u>288,024,182</u>	<u>272,179,169</u>
Total deferred outflows of resources	12,446,883	13,750,192	3,934,461	4,262,845	16,381,344	18,013,037
Long-term liabilities	53,815,365	67,136,214	63,402,270	70,561,125	117,217,635	137,697,339
Other liabilities	4,685,069	5,085,122	5,362,889	6,069,123	10,047,958	11,154,245
Total liabilities	<u>58,500,434</u>	<u>72,221,336</u>	<u>68,765,159</u>	<u>76,630,248</u>	<u>127,265,593</u>	<u>148,851,584</u>
Deferred inflows of resources	20,483,287	3,769,583	6,190,792	1,023,741	26,674,079	4,793,324
Net position:						
Net investment in capital assets	33,978,733	30,504,251	126,428,450	121,612,137	160,407,183	152,116,388
Restricted	10,456,936	8,062,742	-	-	10,456,936	8,062,742
Unrestricted	(24,418,101)	(27,974,758)	4,019,836	4,342,926	(20,398,265)	(23,631,832)
Total net position	<u>\$ 20,017,568</u>	<u>\$ 10,592,235</u>	<u>\$ 130,448,286</u>	<u>\$ 125,955,063</u>	<u>\$ 150,465,854</u>	<u>\$ 136,547,298</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 \$150,465,854 as of June 30, 2022. The City's net position increased by \$13,918,556 for the fiscal year ended June 30, 2022. However, \$160,407,183 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, \$10,456,936 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 \$(20,398,265) 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) and net increase in this liability equals \$7,174,480 over the last four fiscal years.

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 99.1%.
- The increase is attributable to the water and sewer rate increases implemented to prepare for the future debt service payments on the upcoming Water Plant Upgrade and Expansion project.
- The increase is attributable to the sales tax revenue received.
- Expenses and accruals related to pension liabilities (LGERS and LEO).

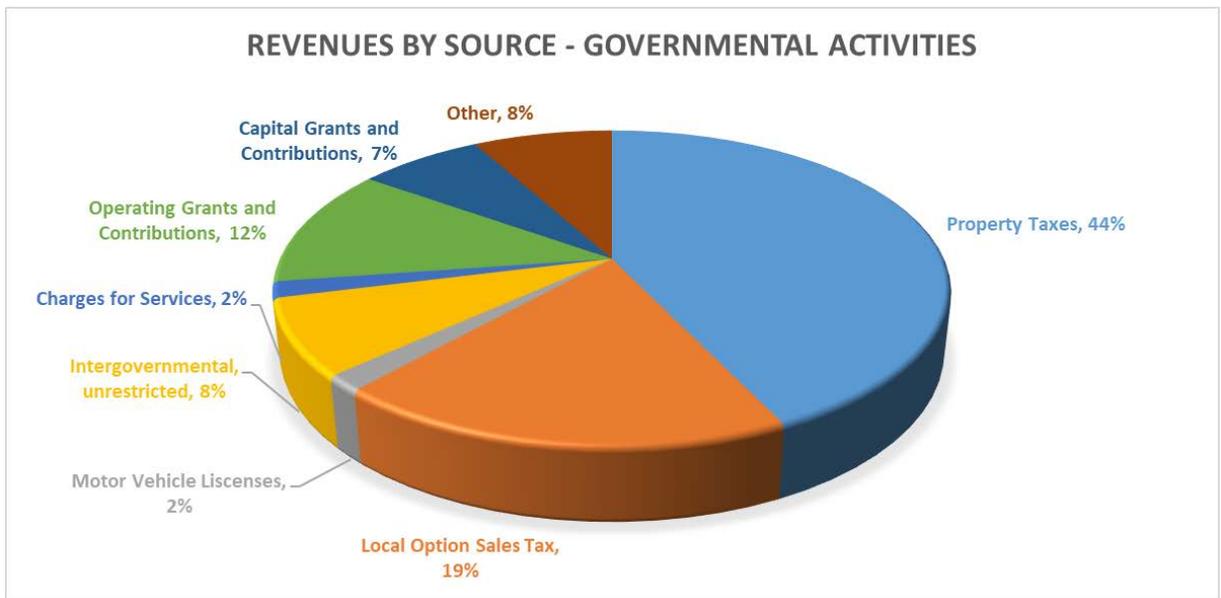
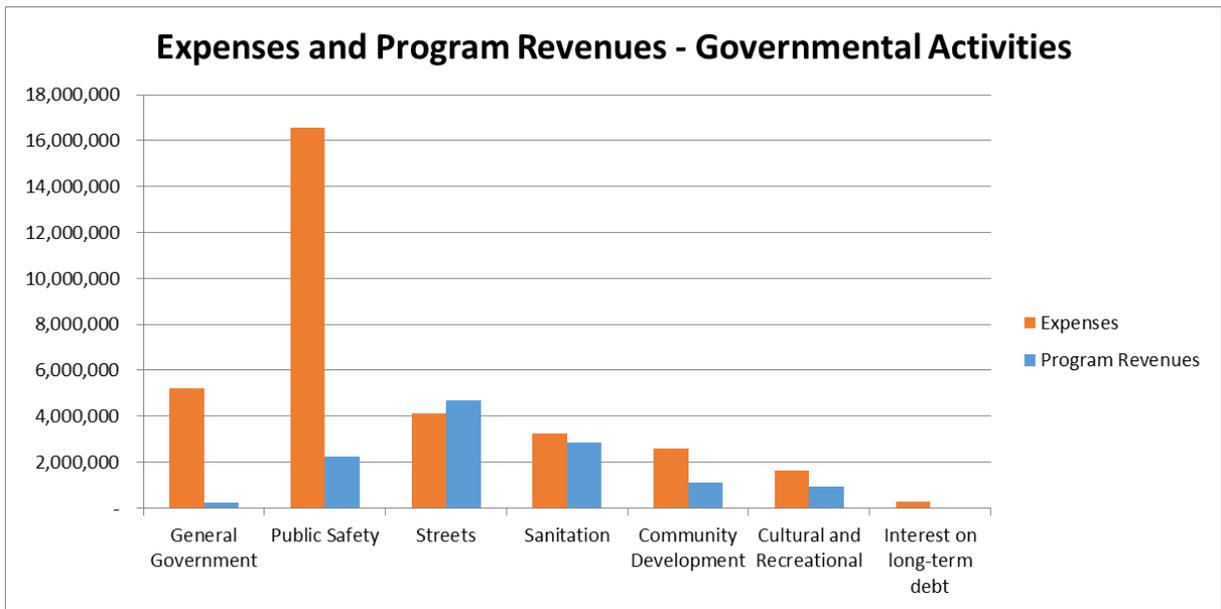
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

City of Sanford's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 5,371,001	\$ 4,762,194	\$ 23,411,502	\$ 21,075,436	\$ 28,782,503	\$ 25,837,630
Operating grants and contributions	3,154,193	4,161,882	-	20,268	3,154,193	4,182,150
Capital grants and contributions	3,524,217	1,874,673	5,773,856	8,549,694	9,298,073	10,424,367
General revenues:						
Property taxes	18,942,896	17,803,540	-	-	18,942,896	17,803,540
Other taxes	8,964,680	7,903,928	-	-	8,964,680	7,903,928
Intergovernmental not restricted	2,507,755	2,418,091	-	-	2,507,755	2,418,091
Other	726,997	423,600	955,657	1,610,831	1,682,654	2,034,431
Total revenues	<u>43,191,739</u>	<u>39,347,908</u>	<u>30,141,015</u>	<u>31,256,229</u>	<u>73,332,754</u>	<u>70,604,137</u>
Expenses:						
General government	5,201,465	5,588,065	-	-	5,201,465	5,588,065
Public safety	16,543,793	17,903,610	-	-	16,543,793	17,903,610
Streets	4,102,928	4,140,957	-	-	4,102,928	4,140,957
Sanitation	3,262,148	3,308,770	-	-	3,262,148	3,308,770
Community development	2,601,108	4,537,967	-	-	2,601,108	4,537,967
Cultural and recreational	1,620,489	1,608,805	-	-	1,620,489	1,608,805
Interest on long-term debt	295,932	302,656	-	-	295,932	302,656
Utility	-	-	25,786,335	25,675,701	25,786,335	25,675,701
Total expenses	<u>33,627,863</u>	<u>37,390,830</u>	<u>25,786,335</u>	<u>25,675,701</u>	<u>59,414,198</u>	<u>63,066,531</u>
Increase (decrease) in net position before disposals and transfers	9,563,876	1,957,078	4,354,680	5,580,528	13,918,556	7,537,606
Transfers	(138,543)		138,543	-	-	-
Increase (decrease) in net position	<u>9,425,333</u>	<u>1,957,078</u>	<u>4,493,223</u>	<u>5,580,528</u>	<u>13,918,556</u>	<u>7,537,606</u>
Net position, beginning, a previously state	10,592,235	8,557,221	125,955,063	120,374,535	136,547,298	128,931,756
Restatement	-	77,936	-	-	-	77,936
Net position, beginning, restated	<u>10,592,235</u>	<u>8,635,157</u>	<u>125,955,063</u>	<u>120,374,535</u>	<u>136,547,298</u>	<u>129,009,692</u>
Net position, ending	<u>\$ 20,017,568</u>	<u>\$ 10,592,235</u>	<u>\$ 130,448,286</u>	<u>\$ 125,955,063</u>	<u>\$ 150,465,854</u>	<u>\$ 136,547,298</u>

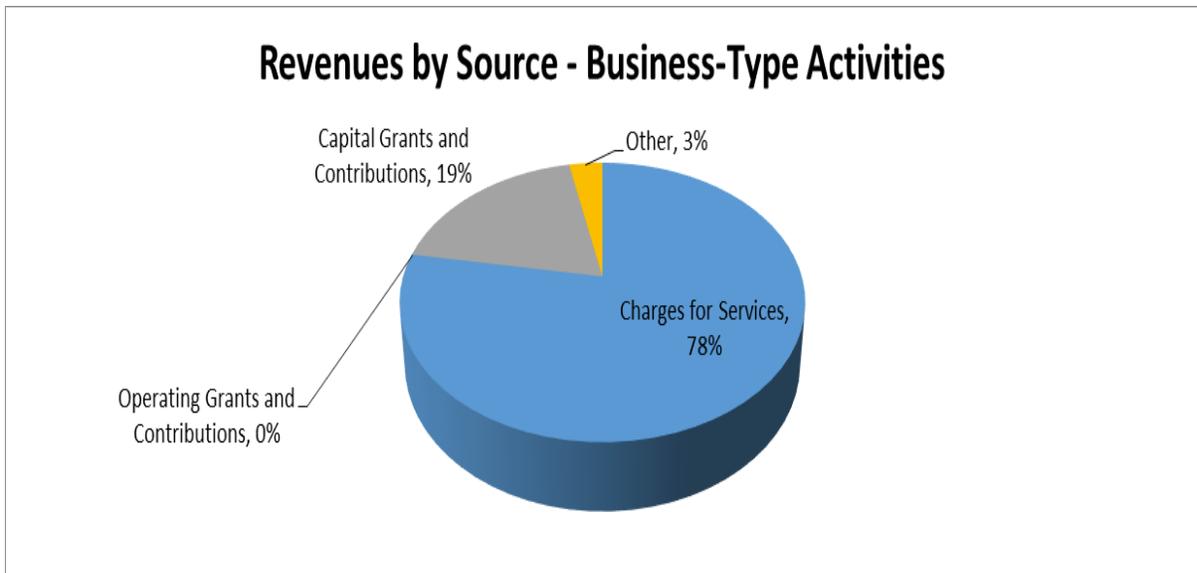
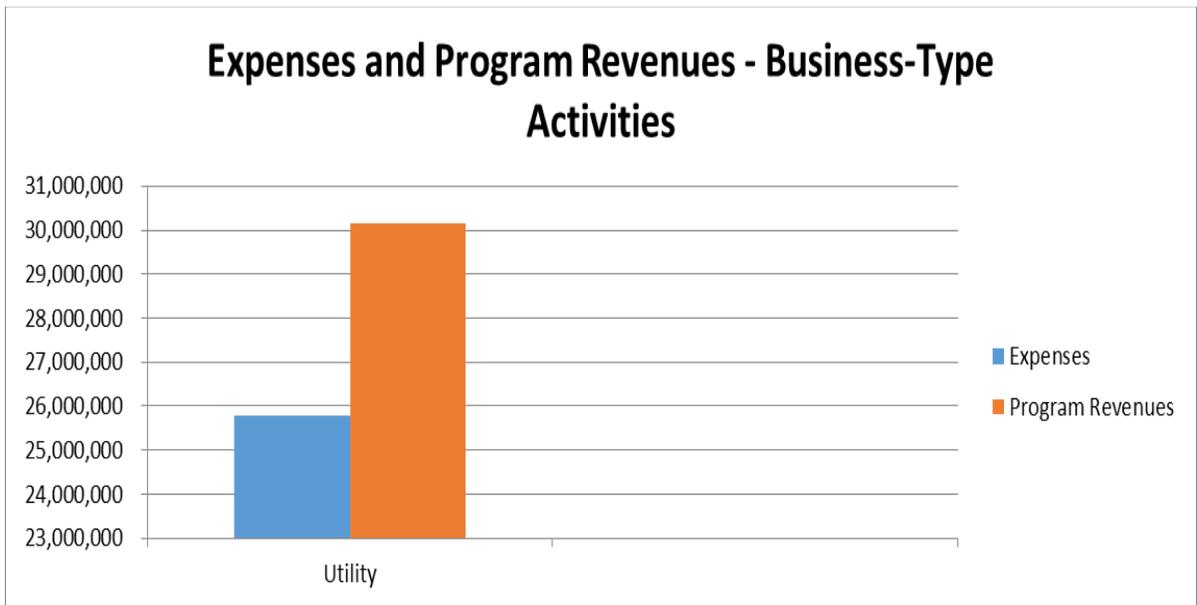
Governmental Activities. Governmental activities increased the City's net position by \$9,425,333. Key elements of this increase are as follows:

- Property tax revenues increased approximately \$1,133,749 compared to prior year due to the 2 cent tax rate increase, growth in valuations, and stable tax collection rate.
- Local option sales tax revenues increased approximately \$1,070,232 compared to prior year.
- Increase in salary and benefit expenses due to insurance increases, retirement increases, and cost of living adjustment given.



Business-Type Activities: Business-type activities increased the City of Sanford's net position by \$4,493,223, accounting for a portion of the growth in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by approximately \$2,336,066 compared to prior year. This increase was primarily due to a water and sewer rate increase.
- Capital grants and contributions in the amount of \$5,773,856 were received. This was primarily due to grants related to the Big Buffalo Water Reclamation Rehab project as well as the Water Treatment Plant Expansion project.



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 \$16,283,077 while total fund balance reached \$28,705,996. The City currently has an available fund balance of 48.9% of General Fund expenditures, while total fund balance represents 86.2% of the same amount.

At June 30, 2022, the governmental funds of the City of Sanford reported a combined fund balance of \$31,292,629, a 21.5% increase from last year. Included in this change in fund balance is an increase of \$4,526,824 in the General Fund and an increase in the Non-Major Funds' fund balances of \$1,007,050.

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 \$4,340,294 increase in appropriations between the original and final amended budget. The increase is primarily because of fund balance re-appropriated in the amount of \$2,609,333. Large fuel price increases as well as increases in contractual services, professional services, chemicals, and repairs and maintenance to equipment added approximately \$500,000 to the budget. Also, premium pay added approximately \$100,000 as well.

Revenue came in over budget. Due to economic conditions, the City remained conservative in estimating numerous revenues for fiscal year 2022, including ad valorem taxes, other taxes, golf revenues, and licenses and permit revenues which together were approximately \$3 million more than the budgeted amount. Tax revenues for the year increased primarily due to increased property tax revenue, which grew as a result of a 2% tax rate increase on all classes of property, as well as an average increase of approximately 4% in taxable property values, driven by increased commercial and residential construction. Total expenditures were less than the revised budget by approximately \$7 million. Both the conservative measures in estimating revenues and the efforts to reduce expenditures helped to compensate for negative variances in ABC revenue, sanitation fees, and beer and wine tax.

On the expenditure side, \$2,766,630 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 \$3,956,836. The total change in net position for the Utility Fund was \$4,460,223, 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, 2022

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, 2022 totals \$224,574,927, (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 \$11,440,000.
- Water and sewer construction in progress current year amounts were approximately \$10,800,000 due to several water line and sewer line/lift station projects.
- Governmental type fund land and land improvements increased by approximately \$770,000 due to street paving and land purchased for a new fire station.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 7,524,758	\$ 6,751,533	\$ 2,497,422	\$ 2,026,173	\$ 10,022,180	\$ 8,777,706
Buildings	6,057,907	6,334,343	149,564	162,150	6,207,471	6,496,493
Plants	-	-	78,624,536	77,640,329	78,624,536	77,640,329
Tanks and lines	-	-	87,895,978	79,549,854	87,895,978	79,549,854
Streets	25,983,056	23,517,406	-	-	25,983,056	23,517,406
Equipment	4,547,407	4,355,444	1,462,673	1,690,909	6,010,080	6,046,353
Construction in progress	679,198	813,331	9,152,428	16,564,572	9,831,626	17,377,903
Total	\$ 44,792,326	\$ 41,772,057	\$ 179,782,601	\$ 177,633,987	\$ 224,574,927	\$ 219,406,044

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, 2022, the City of Sanford had total bonded debt outstanding of \$42,520,000. Of this amount, \$35,470,000 is backed by revenues from water and sewer user charges. The other portion of the bonded debt is \$7,050,000 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	
	2022	2021	2022	2021	2022	2021
Bonds	\$ 7,050,000	\$ 7,600,000	\$ 35,470,000	\$ 37,070,000	\$ 42,520,000	\$ 44,670,000
Deferred amounts, net	643,153	680,037	4,534,904	4,873,329	5,178,057	5,553,366
Notes payable	-	-	13,865,679	14,976,471	13,865,679	14,976,471
Lease liabilities	49,857	-	-	-	49,857	-
Installment purchase contracts	3,585,555	4,152,091	-	-	3,585,555	4,152,091
Total	\$ 11,328,565	\$ 12,432,128	\$ 53,870,583	\$ 56,919,800	\$ 65,199,148	\$ 69,351,928

The City of Sanford's total debt decreased by \$4,152,780 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 \$217,419,682.

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 5.5% in June 2021 to 4.5% in June 2022.
- 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, 2023

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 positive industrial, commercial, and residential growth. This budget aims to meet the goals set forth by the Sanford City Council. The City strives to continue to offer consistent, uninterrupted services to our citizens.

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.

One additional position is included in the budget. One building inspector position is needed to keep pace with the increasing volume of the Inspections Department permits.

This budget also includes funding for 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 additional lighting for the US Highway #1 and Colon Road intersections, sidewalks on Woodland Avenue (along with a Department of Transportation grant), other sidewalk replacements, and street resurfacing. The City also plans to purchase 13 patrol vehicles, a street sweeper, and various trucks.

Cost of living was funded at 4%; merit increase was funded at 2%; group health insurance increased by 1%; retirement increased by 0.75%.

Tax rate remained at \$0.62 per \$100 assessed valuation. A motor vehicle fee remains in place at \$30 per vehicle and trailer. In response to a cost increase by Waste Industries, the City increased the sanitation fee by \$10 per household bringing the annual fee to \$320 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 22-23 budget includes a 10-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, 2022.

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.

The City's part-time Customer Service Representative position was changed to a full-time position in the FY 22-23 budget. This position is necessary to process the increasing workload caused by new customer accounts.

Cost of living was funded at 4%; merit increase was funded at 2%; group health insurance increased by 1%; retirement increased by 0.75%.

Major utility fund expenses include water and sewer rehabilitation (\$807,000); and \$150,000 for the Lemon Springs Pump Station upgrade and rehabilitation. The City also plans to purchase various trucks and trailers for several of our utility departments .

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, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority
Assets:					
Current assets:					
Cash, cash equivalents and investments	\$ 28,473,800	\$ 14,910,027	\$ 43,383,827	\$ 2,017,630	\$ 267,857
Property taxes receivable, net of allowance for uncollectible accounts	288,080	-	288,080	-	-
Accounts receivable, net of allowance for uncollectible accounts	337,182	3,618,742	3,955,924	-	-
Accrued interest receivable	-	1,396	1,396	-	-
Lease receivable	-	75,544	75,544	-	-
Due from other governmental agencies	3,237,742	1,060,071	4,297,813	-	64,631
Prepaid items	244,215	67,914	312,129	7,307	5,175
Deposits	36,900	-	36,900	-	-
Inventories	120,150	123,077	243,227	654,977	-
Note receivable	55,067	-	55,067	-	-
Restricted cash	8,426,874	731,032	9,157,906	-	-
Total current assets	41,220,010	20,587,803	61,807,813	2,679,914	337,663
Non-current assets:					
Note receivable-net of current portion	492,603	-	492,603	-	-
Lease receivable, non-current	-	1,099,372	1,099,372	-	-
Right to use leased assets, net of amortization	49,467	-	49,467	-	-
Capital assets, non-depreciable	8,203,956	11,649,850	19,853,806	271,049	-
Capital assets, net of depreciation	36,588,370	168,132,751	204,721,121	440,832	-
Total non-current assets	45,334,396	180,881,973	226,216,369	711,881	-
Total assets	86,554,406	201,469,776	288,024,182	3,391,795	337,663
Deferred Outflows of Resources					
	12,446,883	3,934,461	16,381,344	160,515	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	2,289,688	1,669,987	3,959,675	299,335	71,502
Accrued interest payable	118,067	167,417	285,484	-	-
Current portion of long-term liabilities	2,277,314	3,310,885	5,588,199	-	-
Payable from restricted assets:					
Deposits	-	214,600	214,600	-	-
Total current liabilities	4,685,069	5,362,889	10,047,958	299,335	71,502
Non-current liabilities:					
Total pension liability LGERS	2,803,971	797,066	3,601,037	67,018	-
Total pension liability LEO	5,450,838	-	5,450,838	-	-
Net OPEB liability	34,535,976	11,622,973	46,158,949	224,177	-
Due in more than one year	11,024,580	50,982,231	62,006,811	-	-
Total non-current liabilities	53,815,365	63,402,270	117,217,635	291,195	-
Total liabilities	58,500,434	68,765,159	127,265,593	590,530	71,502
Deferred Inflows of Resources					
	20,483,287	6,190,792	26,674,079	95,749	-
Net Position:					
Net investment in capital assets	33,978,733	126,428,450	160,407,183	711,881	-
Restricted for:					
Stabilization by State statute	5,547,800	-	5,547,800	-	64,631
Community development	2,311,575	-	2,311,575	-	-
Inspections building permits	1,374,954	-	1,374,954	-	-
Public safety	211,141	-	211,141	-	-
Streets	1,011,466	-	1,011,466	-	-
Working capital	-	-	-	287,429	-
Unrestricted	(24,418,101)	4,019,836	(20,398,265)	1,866,721	201,530
Total net position	\$ 20,017,568	\$ 130,448,286	\$ 150,465,854	\$ 2,866,031	\$ 266,161

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

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	\$ 5,201,465	\$ 8,920	\$ 208,468	\$ -	\$ (4,984,077)	\$ -	\$ (4,984,077)	\$ -	\$ -
Public safety	16,543,793	1,403,403	860,737	-	(14,279,653)	-	(14,279,653)	-	-
Streets	4,102,928	217,009	930,994	3,521,217	566,292	-	566,292	-	-
Sanitation	3,262,148	2,826,590	36,764	-	(398,794)	-	(398,794)	-	-
Community development	2,601,108	-	1,105,006	3,000	(1,493,102)	-	(1,493,102)	-	-
Cultural and recreational	1,620,489	915,079	12,224	-	(693,186)	-	(693,186)	-	-
Interest on long-term debt	295,932	-	-	-	(295,932)	-	(295,932)	-	-
Total governmental activities	33,627,863	5,371,001	3,154,193	3,524,217	(21,578,452)	-	(21,578,452)	-	-
Business-Type Activities:									
Utility	25,786,335	23,411,502	-	5,773,856	-	3,399,023	3,399,023		
Total primary government	\$ 59,414,198	\$ 28,782,503	\$ 3,154,193	\$ 9,298,073	\$ (21,578,452)	3,399,023	(18,179,429)	-	-
Component Units:									
Tourism Development Authority	\$ 509,347	\$ 60,265	\$ 6,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (442,982)
ABC Board	9,122,019	9,688,883	-	-	-	-	-	566,864	-
Total component units	\$ 9,631,366	\$ 9,749,148	\$ 6,100	\$ -	\$ -	\$ -	\$ -	\$ 566,864	\$ (442,982)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					18,942,896	-	18,942,896	-	-
Local option sales tax					8,252,540	-	8,252,540	-	-
Motor vehicle licenses					712,140	-	712,140	-	-
Tourism development tax					-	-	-	-	336,502
Intergovernmental revenues, unrestricted					2,507,755	-	2,507,755	-	-
Investment earnings					75,160	50,785	125,945	783	-
Miscellaneous					651,837	904,872	1,556,709	9,822	-
Total general revenues not including transfers					31,142,328	955,657	32,097,985	10,605	336,502
Transfers					(138,543)	138,543	-	-	-
Total general revenues and transfers					31,003,785	1,094,200	32,097,985	10,605	336,502
Change in net position					9,425,333	4,493,223	13,918,556	577,469	(106,480)
Net position - beginning					10,592,235	125,955,063	136,547,298	2,288,562	372,641
Net position, ending					\$ 20,017,568	\$ 130,448,286	\$ 150,465,854	\$ 2,866,031	\$ 266,161

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	ARP CSLFRF		
Assets:				
Assets:				
Cash, cash investments, and investments	\$ 23,662,166	\$ 7,105	\$ 2,618,666	\$ 26,287,937
Cash, restricted	3,107,192	4,299,325	1,020,357	8,426,874
Property taxes receivable, net	286,426	-	1,654	288,080
Accounts receivable, net	314,334	-	21,353	335,687
Due from other funds	48,349	-	(48,349)	-
Due from other governmental agencies	3,235,926	-	1,816	3,237,742
Prepaid items	217,605	-	5,145	222,750
Inventories	120,150	-	-	120,150
Total assets	\$ 30,992,148	\$ 4,306,430	\$ 3,620,642	\$ 38,919,220
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,760,934	\$ -	\$ 25,110	\$ 1,786,044
Deferred Inflows of Resources:				
Property taxes receivable	286,426	-	1,654	288,080
Sanitation fees receivable-net	95,196	-	-	95,196
Grants	-	4,299,325	1,014,350	5,313,675
Other receivables	111,071	-	-	111,071
Prepaid annual golf memberships	32,525	-	-	32,525
Total deferred inflows of resources	525,218	4,299,325	1,016,004	5,840,547
Fund Balances:				
Non-spendable:				
Inventories	120,150	-	-	120,150
Prepaid items	217,605	-	-	217,605
Restricted:				
Stabilization by State statute	5,546,081	-	1,719	5,547,800
Community development	11,991	-	2,299,584	2,311,575
Inspections building permits	1,374,954	-	-	1,374,954
Public Safety	211,141	-	-	211,141
General Government	465,115	-	-	465,115
Streets	1,011,466	-	-	1,011,466
Committed:				
Cultural and recreational	-	-	139,238	139,238
LEO Special Separation Allowance	1,632,774	-	-	1,632,774
Assigned:				
Downtown revitalization	-	-	128,734	128,734
Subsequent year's expenditures	1,831,642	-	10,253	1,841,895
Unassigned	16,283,077	7,105	-	16,290,182
Total fund balances	28,705,996	7,105	2,579,528	31,292,629
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,992,148	\$ 4,306,430	\$ 3,620,642	\$ 38,919,220

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

	Total Governmental Funds
	<u> </u>
Fund balances - Total Governmental Funds	\$ 31,292,629
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.	44,792,326
Right to use leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,467
Deferred inflows of resources related to pensions are not reported in the funds	(4,087,746)
Deferred inflows of resources related to OPEB are not reported in the funds	(11,049,341)
Notes receivable are not current financial assets and, therefore are not reported in the funds	547,670
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements	494,347
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.	1,742,079
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Government bonds and notes payable	(10,635,555)
Premiums on bonds	(643,153)
Lease liability	(49,857)
Compensated absences	(1,973,329)
Total pension liability LGERS	(2,803,971)
Total pension liability LEO	(5,450,838)
Net OPEB liability	<u>(34,535,976)</u>
Deferred outflows of resources related to pensions are not reported in the funds	5,520,872
Deferred outflows of resources related to OPEB are not reported in the funds	6,926,011
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Accrued interest	<u>(118,067)</u>
Net position of governmental activities	<u>\$ 20,017,568</u>

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	ARP CSLFRF Fund		
Revenues:				
Ad valorem taxes	\$ 18,769,491	\$ -	\$ 83,705	\$ 18,853,196
Other taxes	8,966,725	-	-	8,966,725
Penalties and interest	71,082	-	-	71,082
License and permits	1,399,181	-	-	1,399,181
Intergovernmental revenues	4,686,274	494,682	523,669	5,704,625
Investment income	57,757	7,105	10,298	75,160
Sales and services	2,829,948	-	-	2,829,948
Miscellaneous revenues	1,263,138	-	694,187	1,957,325
Total revenues	38,043,596	501,787	1,311,859	39,857,242
Expenditures:				
Current operating:				
General government	5,643,134	-	-	5,643,134
Public safety	15,318,410	-	-	15,318,410
Streets	2,208,743	-	-	2,208,743
Sanitation	3,080,332	-	-	3,080,332
Community development	1,658,453	-	907,735	2,566,188
Cultural and recreational	1,295,356	-	-	1,295,356
Capital outlay	2,647,589	-	246,807	2,894,396
Debt service:				
Principal	1,114,557	-	19,803	1,134,360
Interest	334,555	-	11,033	345,588
Total expenditures	33,301,129	-	1,185,378	34,486,507
Revenues in excess of (less than) expenditures	4,742,467	501,787	126,481	5,370,735
Other Financing Sources (Uses):				
Insurance recovery	112,427	-	-	112,427
Transfers in	356,139	-	880,569	1,236,708
Transfers (out)	(930,569)	(494,682)	-	(1,425,251)
Sale of property	246,360	-	-	246,360
Total other financing sources (uses)	(215,643)	(494,682)	880,569	170,244
Net change in fund balances	4,526,824	7,105	1,007,050	5,540,979
Fund balances, beginning of year	24,179,172	-	1,572,478	25,751,650
Fund balances, end of year	\$ 28,705,996	\$ 7,105	\$ 2,579,528	\$ 31,292,629

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, 2022

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)		\$	5,540,979
<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	\$	2,894,396	
Current year depreciation expense		(3,293,341)	
Current year amortization expense		<u>(18,214)</u>	(417,159)
Current receipts of prior loans are not revenues			(465,473)
<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			3,524,217
<p>The net effect of various miscellaneous transactions involving capital assets (i.e.-sales, trade-ins, and transfers) is to decrease net position</p>			
			(105,003)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>			
			1,682,232
<p>Benefit payments paid for the LEOSSA are not included on the Statement of Activities</p>			
			393,064
<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		18,618	
Change in unavailable revenue - all others		<u>3,351</u>	21,969
<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 retired		1,116,536	
Lease liability retired		17,824	
Amortization of bond premiums		36,884	
Accrued interest expense		<u>12,772</u>	1,184,016
<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		(87,640)	
Pension expense (LGERS)		(1,149,864)	
Pension expense (LEO)		(622,437)	
OPEB plan expense		<u>(1,192,788)</u>	(3,052,729)
<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>			
			<u>1,119,220</u>
Total changes in net position of governmental activities (Exhibit 2)		\$	<u>9,425,333</u>

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, 2022**

	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 17,920,594	\$ 18,142,344	\$ 18,769,491	\$ 627,147
Other taxes	7,376,936	7,376,936	8,966,725	1,589,789
Penalties and interest	48,000	48,000	71,082	23,082
Licenses and permits	611,400	647,645	1,399,181	751,536
Intergovernmental revenues	4,789,923	4,879,635	4,686,274	(193,361)
Investment income	15,100	15,100	57,757	42,657
Sales and services	2,886,410	2,886,410	2,829,948	(56,462)
Miscellaneous revenues	942,500	972,654	1,263,138	290,484
Total revenues	34,590,863	34,968,724	38,043,596	3,074,872
Expenditures:				
Current operating:				
General government	6,462,539	8,479,828	6,334,408	2,145,420
Public safety	17,194,048	17,546,925	15,739,236	1,807,689
Streets	4,160,710	4,870,763	3,175,057	1,695,706
Sanitation	4,103,665	4,262,800	3,572,696	690,104
Community development	2,032,272	2,176,123	1,709,143	466,980
Cultural and recreational	1,286,278	1,414,290	1,321,477	92,813
Debt service				
Principal retirement	1,262,036	1,301,236	1,114,557	186,679
Interest	310,106	310,906	334,555	(23,649)
Total expenditures	36,811,654	40,362,871	33,301,129	7,061,742
Revenues in excess of (less) than expenditures	(2,220,791)	(5,394,147)	4,742,467	10,136,614
Other Financing Sources (Uses):				
Insurance recovery	-	47,942	112,427	64,485
Issuance of debt	1,467,642	1,467,642	-	(1,467,642)
Lease liabilities issued	-	200,000	-	(200,000)
Transfer from other funds	-	368,641	356,139	(12,502)
Transfer to other funds	(149,492)	(938,569)	(930,569)	8,000
Sale of property	146,000	176,450	246,360	69,910
Total other financing sources (uses)	1,464,150	1,322,106	(215,643)	(1,537,749)
Revenues and other financing sources less than expenditures and other financing sources	(756,641)	(4,072,041)	4,526,824	8,598,865
Appropriated fund balance	756,641	4,072,041	-	(4,072,041)
Net change in fund balance	\$ -	\$ -	4,526,824	\$ 4,526,824
Fund balance, beginning of year			24,179,172	
Fund balance, end of year			\$ 28,705,996	

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2022

	Business-Type Activities			Governmental-Type Activities
	Major	Non-Major	Total	
	Utility Fund	Chatham Park Water Recovery Center	Business-Type Activities	Internal Service Fund Health Insurance
Assets:				
Current assets:				
Cash, cash equivalents and investments	\$ 14,909,032	\$ 995	\$ 14,910,027	\$ 2,185,863
Accounts receivable, net of allowance for uncollectible accounts	3,551,016	67,726	3,618,742	1,495
Due from other governmental agencies	1,059,373	698	1,060,071	-
Accrued interest receivable	1,396	-	1,396	-
Lease receivable	75,544	-	75,544	-
Inventories	123,077	-	123,077	-
Prepaid items	67,914	-	67,914	21,465
Deposits	-	-	-	36,900
Restricted cash	731,032	-	731,032	-
Total current assets	20,518,384	69,419	20,587,803	2,245,723
Non-current assets:				
Capital assets, non-depreciable	11,649,850	-	11,649,850	-
Capital assets, net of depreciation	168,132,751	-	168,132,751	-
Lease receivable, net of current portion	1,099,372	-	1,099,372	-
Total non-current assets	180,881,973	-	180,881,973	-
Total assets	201,400,357	69,419	201,469,776	2,245,723
Deferred Outflows of Resources:				
Pension deferrals	1,364,160	-	1,364,160	-
Advance refunding of bonds	247,299	-	247,299	-
OPEB deferrals	2,323,002	-	2,323,002	-
Total deferred outflows of resources	3,934,461	-	3,934,461	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	1,663,568	6,419	1,669,987	41,822
Current portion of long-term debt	3,057,365	-	3,057,365	-
Accrued interest payable	167,417	-	167,417	-
Compensated absences	253,520	-	253,520	-
Claims incurred but not reported	-	-	-	461,822
Payable from restricted assets:				
Customer deposits	214,600	-	214,600	-
Total current liabilities	5,356,470	6,419	5,362,889	503,644
Non-current liabilities:				
Long-term debt	50,813,218	-	50,813,218	-
Compensated absences	169,013	-	169,013	-
Net OPEB liability	11,622,973	-	11,622,973	-
Net pension liability	797,066	-	797,066	-
Total non-current liabilities	63,402,270	-	63,402,270	-
Total liabilities	68,758,740	6,419	68,765,159	503,644
Deferred Inflows of Resources:				
Pension deferrals	1,336,572	-	1,336,572	-
Lease deferrals	1,144,335	-	1,144,335	-
OPEB deferrals	3,704,767	-	3,704,767	-
Rents	5,118	-	5,118	-
Total deferred inflows of resources	6,190,792	-	6,190,792	-
Net Position:				
Net investment in capital assets	126,428,450	-	126,428,450	-
Unrestricted	3,956,836	63,000	4,019,836	1,742,079
Total net position	\$ 130,385,286	\$ 63,000	\$ 130,448,286	\$ 1,742,079

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, 2022

	Business-Type Activities			Governmental-Type Activities
	Major	Non-Major	Total	
	Utility Fund	Chatham Park Water Recovery Center	Business-Type Activities	Internal Service Fund Health Insurance
Operating Revenues:				
User charges	\$ 22,864,358	\$ 196,664	\$ 23,061,022	\$ -
Monitoring fees	88,704	-	88,704	-
Connection and tap fees	261,776	-	261,776	-
Health insurance premiums	-	-	-	4,583,973
Other	602,864	-	602,864	-
Total operating revenues	23,817,702	196,664	24,014,366	4,583,973
Operating Expenses:				
Administration and engineering	4,757,133	-	4,757,133	-
Distribution and collection	5,766,091	-	5,766,091	-
Water plant operations	2,602,780	-	2,602,780	-
Sewer plant operations	2,918,106	-	2,918,106	-
Utility maintenance	1,034,395	-	1,034,395	-
Store expenses	141,765	-	141,765	-
Insurance claims and administrative fees	-	-	-	3,339,553
Wellness initiatives	-	-	-	128,631
Water reclamation	-	196,664	196,664	-
Depreciation	6,450,977	-	6,450,977	-
Total operating expenses	23,671,247	196,664	23,867,911	3,468,184
Operating income (loss)	146,455	-	146,455	1,115,789
Non-Operating Revenues (Expenses)				
Investment earnings	50,785	-	50,785	3,431
Interest and other charges	(1,918,424)	-	(1,918,424)	-
Gain (loss) on disposal of capital assets	(36,417)	-	(36,417)	-
Amortization of bond premiums	338,425	-	338,425	-
Total non-operating revenue (expenses)	(1,565,631)	-	(1,565,631)	3,431
Income (loss) before contributions and transfers	(1,419,176)	-	(1,419,176)	1,119,220
Transfers from (to) other funds	105,543	33,000	138,543	-
Capital Contributions	5,773,856	-	5,773,856	-
Change in net position	4,460,223	33,000	4,493,223	1,119,220
Total net position - beginning	125,925,063	30,000	125,955,063	622,859
Total net position - ending	\$ 130,385,286	\$ 63,000	\$ 130,448,286	\$ 1,742,079

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, 2022

	Business-Type			Governmental-Type
	Major	Non-Major	Total	Activities -
	Utility Fund	Chatham Park Water Recovery Center	Business-Type Activities	Internal Service Fund Health Insurance
Cash Flows from Operating Activities:				
Cash received from customers	\$ 23,893,720	\$ 144,981	\$ 24,038,701	\$ 4,583,632
Contributions from other agencies	-	-	-	-
Cash paid for goods and services	(10,454,797)	(190,720)	(10,645,517)	-
Customer deposits	17,300	-	17,300	-
Cash payments to employees	(7,297,241)	-	(7,297,241)	-
Cash paid for health insurance claims and wellness initiatives	-	-	-	(3,569,452)
Net cash provided (used) by operating activities	6,158,982	(45,739)	6,113,243	1,014,180
Noncapital Financing Activities:				
Transfers in (out)	105,543	33,000	138,543	-
Net cash provided (used) by noncapital financing activities	105,543	33,000	138,543	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(5,284,421)	-	(5,284,421)	-
Disposal of capital assets	1	-	1	-
Contributions from other agencies	2,422,268	-	2,422,268	-
Principal paid on bond maturities and installment purchase debt	(2,710,792)	-	(2,710,792)	-
Interest paid on bond maturities and installment purchase debt	(1,905,122)	-	(1,905,122)	-
Net cash used by capital and related financing activities	(7,478,066)	-	(7,478,066)	-
Cash Flow from Investing Activities:				
Interest on investments	50,785	-	50,785	3,431
Net change in cash and cash equivalents	(1,162,756)	(12,739)	(1,175,495)	1,017,611
Balances - beginning of the year	16,802,820	13,734	16,816,554	1,168,252
Balances - end of the year	\$ 15,640,064	\$ 995	\$ 15,641,059	\$ 2,185,863
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ 146,455	\$ -	\$ 146,455	\$ 1,115,789
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	6,450,977	-	6,450,977	-
Changes in asset and liabilities:				
(Increase) decrease in accounts receivable	(257,331)	(50,985)	(308,316)	(341)
(Increase) decrease in due from other governments	360,208	(698)	359,510	-
Increase in accrued interest receivable	(1,396)	-	(1,396)	-
Increase in lease receivable	(1,174,916)	-	(1,174,916)	-
Increase in inventories	(17,938)	-	(17,938)	-
Increase in prepaid items	(7,394)	-	(7,394)	(58,365)
Increase in deferred outflow of resources for pensions	(192,095)	-	(192,095)	-
Decrease in net pension liability	(1,306,382)	-	(1,306,382)	-
Increase in deferred inflow of resources for pensions	1,316,736	-	1,316,736	-
Decrease in deferred outflow of resources - OPEB	499,871	-	499,871	-
Decrease in net OPEB liability	(2,797,391)	-	(2,797,391)	-
Increase in deferred inflow of resources - OPEB	2,700,862	-	2,700,862	-
Increase in deferred inflow of resources - lease deferrals	1,144,335	-	1,144,335	-
Increase (decrease) in accounts payable and accrued liabilities	(733,745)	5,944	(727,801)	(90,400)
Increase in compensated absences	5,708	-	5,708	-
Increase in claims incurred but not reported	-	-	-	47,497
Increase in deferred rental income	5,118	-	5,118	-
Increase in customer deposits	17,300	-	17,300	-
Total adjustments	6,012,527	(45,739)	5,966,788	(101,609)
Net cash provided by operating activities	\$ 6,158,982	\$ (45,739)	\$ 6,113,243	\$ 1,014,180
Non-cash capital activities and non-capital financing activities:				
Contributed capital assets	\$ 3,351,588	\$ -	\$ 3,351,588	\$ -

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2022

	<u>Custodial Funds</u>	<u>Other Post- Employment Benefits</u>
Assets:		
Cash and cash equivalents	\$ 113,705	\$ -
Investments:		
Mutual funds	-	3,031,652
NC State Treasurer's Short Term Investment Fund (STIF)	-	735,590
Accounts receivable	62,940	-
Total assets	<u>176,645</u>	<u>3,767,242</u>
Liabilities:		
Due to other governments	<u>62,933</u>	<u>-</u>
Net Position:		
Restricted for:		
Postemployment benefits other than pensions	-	3,767,242
Individuals, organization, and other governments	<u>113,712</u>	<u>-</u>
Total fiduciary net position	<u>\$ 113,712</u>	<u>\$ 3,767,242</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, 2022

	<u>Custodial Funds</u>	<u>Other Post- Employment Benefits</u>
Additions:		
Net investment income (loss)	\$ 90	\$ (530,439)
Occupancy tax	336,502	-
Contributions	8,738	-
Employer contributions	-	75,000
Total additions	<u>345,330</u>	<u>(455,439)</u>
Deductions:		
Benefit payments	109,420	-
Distributions	336,502	-
Administrative expense	445	824
Total deductions	<u>446,367</u>	<u>824</u>
Net decrease in fiduciary net position	(101,037)	(456,263)
Net position - beginning	214,749	4,223,505
Net position - ending	<u>\$ 113,712</u>	<u>\$ 3,767,242</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, 2022

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 30,678. 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 \$0.76 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. Due to the City’s

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

control of their board 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 and blended component units. 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.

ARP CSLFRF Fund. This fund is a Special Revenue Fund used to account for American Rescue Plan Coronavirus State and Local Fiscal Recovery funds (ARP Funds) received by the City and transfers made to other funds for eligible expenditures.

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.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Municipal Service District Fund. This fund is used to account for a special tax levied on property located in the Municipal Service District of the City. The levy is restricted to improvements of the Municipal Service 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 Water Recovery Center 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, 2022

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 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

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 Municipal Service District Fund, and the Enterprise Funds. All appropriations lapse at year-end. Project ordinances are adopted for the Community Development Fund, ARP CSLFRF 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 \$2,153,739 in the General Fund, \$1,050,126 in the General Capital Project Fund, \$893,674 in the Utility Fund, \$12,190,926 in the Utility Capital Project Fund and \$449,157 in the Community Development Fund at June 30, 2022.

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 and its component units 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, 2022**

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 North Carolina Capital Management Trust (NCCMT), which consists of SEC-registered mutual funds (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market fund (2a7) and maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. 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 8.75 years at June 30, 2022. The MSCI ACWI EQ Index Non-Lendable Class B Fund is priced at \$27.23 per share at June 30, 2022.

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. Unexpended vehicle fees are restricted for future construction, improvements, and repairs to municipal streets. 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, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

City of Sanford Restricted Cash			
Governmental Activities:			
General Fund	Unexpended drug forfeitures	\$	208,673
	Unexpended grants and donations		14,459
	Unexpended building permit fees		1,374,954
	Unexpended debt proceeds		465,115
	Unexpended vehicle fees		1,011,466
	Prepaid Golf Fees		32,525
ARP CSLFRF Fund	Unexpended Grants		4,299,325
Non-major governmental Funds			
Community Development Fund	Unexpended grants		491,007
General Capital Projects Fund	Unexpended grants		529,350
Total governmental funds			<u>8,426,874</u>
Business-Type Activities:			
Utility Fund	Customer deposits		214,600
	Unexpended debt proceeds		516,432
Total business-type activities			<u>731,032</u>
Total restricted cash		\$	<u>9,157,906</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

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. Lease Receivable

The City's lease receivable is measured at present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. 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).

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

8. Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure, are reported in the government-wide and proprietary fund financial statements. Capital assets of the City generally have an initial cost of more than \$5,000 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.

9. Right to use assets

The City has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

10. 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 assets that applies to future periods 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 2022 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

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to future periods 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, leases and other pension or OPEB related deferrals.

11. Long-Term Obligations

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

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

12. 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.

13. Reimbursements for Pandemic-related Expenditures

In fiscal year ending June 30, 2021 the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenues for the eligible state, local, territorial and tribal governments. The City was allocated \$9,588,013 of fiscal recovery funds to be paid in two equal installments. The first installment of \$4,794,006 was received in August of 2021. The second installment will be received in August 2022. City staff and the City Council have elected to use \$494,682 of the ARPA funds for premium pay. The City plans on using the rest of the funds for revenue replacement in Fiscal Year 2023. Of the \$494,682, \$356,139 was transferred to the General Fund and \$138,543 was transferred to the Utility Fund from the ARP CSLFRF fund. Revenue replacement funds will be transferred to the appropriate funds once the intended use of the funds is determined.

14. Net Position/Fund Balances

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State statute – 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. 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 and that is restricted for specific uses as imposed by the donor.

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 Streets - \$25 of the City's \$30 annual vehicle fee is restricted by state law to be used for construction, improvements, and repairs to municipal streets. This amount represents the unexpended balance of these 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Restricted fund balance/net position on Exhibit 1 varies from Exhibit 3 by the amount of unexpended loan proceeds of \$465,115.

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 Municipal Service District.

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.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

15. 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 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, 2022, the City's deposits had a carrying amount of \$5,982,186 and a bank balance of \$6,274,377. Of the bank balance, \$914,909 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2022, the City's cash on hand totaled \$2,900.

2. Investments

Investment balances as of June 30, 2022, were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2022</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	\$ 46,670,352	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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

II. DETAIL NOTES ON ALL FUNDS (continued):

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, 2022.

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, 2022, the City had no investments in commercial paper.

At June 30, 2022, the City's Healthcare Benefits Plan Fund had \$3,767,242 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) 19.53 percent, State Treasurer's Bond Index Fund (BIF) 7.53 percent, and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund 72.94 percent (the equities were split with 60.68% in domestic securities and 39.32% in international securities.)

Interest Rate Risk

The City does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's Short-Term Investment Fund (STIF) is unrated and had a weighted average maturity of .9 years at June 30, 2022. The State Treasurers Bond Index Fund (BIF) is unrated and a weighted average maturity of 8.75 years at June 30, 2022.

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, 2022, 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	\$ 590,475	\$ 2,049	\$ 592,524
Less: allowance for uncollectibles	304,049	395	304,444
Net property taxes receivable	<u>\$ 286,426</u>	<u>\$ 1,654</u>	<u>\$ 288,080</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Accounts receivables as of June 30, 2022, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds	Utility Funds	Total
Special assessments	\$ -	\$ 110,304	\$ 110,304
Waste management fees	98,348	-	98,348
Employee computer purchase	19,425	7,296	26,721
Demolition liens	72,844	-	72,844
Rental	21,353	-	21,353
Other	128,363	56,162	184,525
Utility user charges	-	4,784,193	4,784,193
Total receivables	<u>340,333</u>	<u>4,957,955</u>	<u>5,298,288</u>
Less: allowance for uncollectibles	3,151	1,339,213	1,342,364
Net total receivables	<u>\$ 337,182</u>	<u>\$ 3,618,742</u>	<u>\$ 3,955,924</u>

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2022, consist of amounts due, classified as follows:

	General Fund	Non-major Governmental Funds	Utility Fund	Total
Tax refunds	\$ 2,965,605	\$ 850	\$ 248,953	\$ 3,215,408
Grants	-	-	811,118	811,118
Alcohol Beverage	45,000	-	-	45,000
Reimbursements	225,321	966	-	226,287
Total	<u>\$ 3,235,926</u>	<u>\$ 1,816</u>	<u>\$ 1,060,071</u>	<u>\$ 4,297,813</u>

4. Leases Receivable

The City has two leases for space rented on City water tanks from utility companies.

The first lease started in a previous year and is being recognized for the current fiscal year due to the implementation of GASB 87. On June 23, 2018, the City entered into a 60 month lease as lessor with the utility company. The lessee has 4 extension options, each for 60 months. Under this lease the vendor pays the City amounts ranging from \$3,042 per month currently with costs adjustments every 5 years up to a maximum of \$5,320 per month with the lease expiring June 23, 2043. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.419%, which is the City's incremental borrowing rate. In fiscal year 2022, the City recognized \$17,641 of lease revenue and \$18,860 of interest revenue under the lease. The remaining lease receivable at June 30, 2022 was \$829,548 on this lease.

The second lease also started in a previous year and is being recognized for the current fiscal year due to the implementation of GASB 87. On October 3, 2007 the City entered into a 60 month lease as lessor with the utility company in which the lessee had an extension option of 60 months. The lease was modified on August 5, 2014 giving the lessee 3 additional extension options of 60 months. Under this lease the vendor pays the City amounts ranging from \$3,919 per month currently with costs adjustments annually up to a maximum of \$5,934 per month with the lease expiring October 25, 2027. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.217%, which is the City's incremental borrowing rate. In fiscal year 2022, the City

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

recognized \$53,333 of lease revenue and \$4,490 of interest revenue under the lease. The remaining lease receivable at June 30, 2022 was \$345,368 on this lease.

5. **Capital Assets**

Primary Government

For the year ended June 30, 2022, capital asset activity was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 6,751,533	\$ 774,225	\$ 1,000	\$ 7,524,758
Construction in progress	813,331	210,906	345,039	679,198
Total non-depreciable capital assets	<u>7,564,864</u>	<u>985,131</u>	<u>346,039</u>	<u>8,203,956</u>
Depreciable Capital Assets:				
Municipal center and other buildings	13,666,475	218,283	-	13,884,758
Land improvements	3,669,330	-	-	3,669,330
Streets	55,105,551	4,273,558	30,100	59,349,009
Equipment	16,098,785	1,286,681	729,190	16,656,276
Total depreciable capital assets	<u>88,540,141</u>	<u>5,778,522</u>	<u>759,290</u>	<u>93,559,373</u>
Less Accumulated Depreciation:				
Municipal center and other buildings	9,645,390	308,906	-	9,954,296
Land improvements	1,356,073	185,812	-	1,541,885
Streets	31,588,145	1,793,485	15,677	33,365,953
Equipment	11,743,340	1,005,138	639,609	12,108,869
Total accumulated depreciation	<u>54,332,948</u>	<u>\$ 3,293,341</u>	<u>\$ 655,286</u>	<u>56,971,003</u>
Total capital assets being Depreciated, net	<u>34,207,193</u>			<u>36,588,370</u>
Governmental activities Capital assets, net	<u>\$ 41,772,057</u>			<u>\$ 44,792,326</u>

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

Governmental Activities:	
General government	\$ 334,884
Public safety	593,782
Streets	1,845,761
Community development	40,201
Sanitation	158,310
Cultural and recreational	320,403
Total	<u>\$ 3,293,341</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

4. Capital Assets (continued)

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Business-Type Activities:				
Utility Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,026,173	\$ 471,249	\$ -	\$ 2,497,422
Construction in progress	16,564,572	4,343,822	11,755,966	9,152,428
Total capital assets, not being depreciated	<u>18,590,745</u>	<u>4,815,071</u>	<u>11,755,966</u>	<u>11,649,850</u>
Capital Assets, Being Depreciated:				
Treatment plants	119,653,801	3,895,170	-	123,548,971
Water tanks and lines	57,663,577	8,750,312	28,200	66,385,689
Sewer lines	68,598,937	2,691,628	-	71,290,565
Equipment	4,846,221	212,776	38,929	5,020,068
Buildings	514,524	-	-	514,524
Total capital assets, being depreciated	<u>251,277,060</u>	<u>15,549,886</u>	<u>67,129</u>	<u>266,759,817</u>
Less Accumulated Depreciation for:				
Treatment plants	42,013,472	2,910,963	-	44,924,435
Water tanks and lines	26,499,741	1,533,676	18,800	28,014,617
Sewer lines	20,212,919	1,552,740	-	21,765,659
Equipment	3,155,311	441,013	38,929	3,557,395
Buildings	352,375	12,585	-	364,960
Total accumulated depreciation	<u>92,233,818</u>	<u>\$ 6,450,977</u>	<u>\$ 57,729</u>	<u>98,627,066</u>
Total Utility Fund capital assets, being Depreciated, net	<u>159,043,242</u>			<u>168,132,751</u>
Total Utility Fund capital assets	<u>\$ 177,633,987</u>			<u>\$ 179,782,601</u>

Construction Commitments

At June 30, 2022 the City had contractual commitments as follows:

Project	Spent to Date	Remaining Commitment
General Capital Projects	\$ 158,538	\$ 1,050,126
Utility Capital Projects	8,176,889	12,185,926

5. Right to Use Leased Assets

The City has a recorded right to use leased assets. The assets are right to use assets for equipment. The lease is discussed in the Leases section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the lease.

Right to use asset activity for the City for the year ended June 30, 2022, was as follows;

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets- Leased equipment	\$ -	\$ 67,681	\$ -	\$ 67,681
Less accumulated amortization for: Leased equipment	-	18,214	-	18,214
Right to use assets, net	<u>\$ -</u>	<u>\$ 49,467</u>	<u>\$ -</u>	<u>\$ 49,467</u>

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

B. **Liabilities**

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

Local Governmental Employees' Retirement System

Plan Description

The City of Sanford is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, 2022, was 12.04% of compensation for law enforcement officers and 11.35% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

II. DETAIL NOTES ON ALL FUNDS (continued):

expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Sanford were \$2,256,515 for the year ended June 30, 2022.

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, 2022, the City reported a liability of \$3,601,037 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 (measurement date), the City's proportion was .23481% (which was a decrease of .00961% from its proportion measured as of June 30, 2020).

For the year ended June 30, 2022, the City recognized pension expense of \$1,515,730. At June 30, 2022, 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	\$ 1,145,619	\$ -
Changes of assumptions	2,262,371	-
Net difference between projected and actual earnings pension plan investments	-	5,144,800
Changes in proportion and differences between City contributions and proportionate share of contributions	3,113	119,493
City contributions subsequent to the measurement date	2,256,515	-
Total	<u>\$ 5,667,618</u>	<u>\$ 5,264,293</u>

\$2,256,515 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (136,663)
2024	(354,637)
2025	(1,361,890)
Total	<u>\$ (1,853,190)</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

II. DETAIL NOTES ON ALL FUNDS (continued):

Actuarial Assumptions. The total pension liability in the December 31, 2020 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

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, 2020 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, 2022 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 2020 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.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 13,978,925	\$ 3,601,037	\$ (4,939,392)

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, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	20
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	73
Total	<u>93</u>

Summary of Significant Accounting Policies

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

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 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, 2020.

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 \$412,332 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, 2022, the City reported a total pension liability of \$5,450,838. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$642,352.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 208,463	\$ 23,558
Changes of assumptions	800,165	136,467
City benefit payments and plan administrative expense made subsequent to the measurement date	208,786	-
Total	<u>\$ 1,217,414</u>	<u>\$ 160,025</u>

\$208,786 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, 2023. 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
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

II. DETAIL NOTES ON ALL FUNDS (continued):

Year ended June 30:

2023	\$	327,724
2024		278,665
2025		207,200
2026		36,859
2027		(1,845)

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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate 2.25%</u>	<u>1% Increase (3.25%)</u>
Total pension liability	\$ 5,847,933	\$ 5,450,838	\$ 5,085,904

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

	2022
Beginning balance	\$ 5,662,346
Service cost	193,121
Interest on the total pension liability	105,490
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	6,432
Changes of assumptions or other inputs	(123,487)
Benefit payments	(393,064)
Other changes	-
Ending balance of the total pension liability	\$ <u>5,450,838</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, 2020 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, 2022

II. DETAIL NOTES ON ALL FUNDS (continued):

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	\$ 1,515,730	\$ 642,352	\$ 2,158,082
Pension Liability	3,601,037	5,450,838	9,051,875
Proportionate share of the net pension liability	.23481%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	1,145,619	208,463	1,354,082
Changes of assumptions	2,262,371	800,165	3,062,536
Changes in proportion and differences between contributions and proportionate share of contributions	3,113	-	3,113
Benefit payments and administrative costs paid subsequent to the measurement date	2,256,515	208,786	2,465,301
Deferred Inflows of Resources			
Differences between expected and actual experience	-	23,558	23,558
Changes of assumptions	-	136,467	136,467
Net difference between projected and actual earnings on plan investments	5,144,800	-	5,144,800
Changes in proportion and differences between contributions and proportionate share of contributions	119,493	-	119,493

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, 2022, were \$325,905, which consisted of \$231,533 from the City and \$94,372 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, 2022 were \$1,138,269, which consisted of \$740,741 from the City and \$397,528 from employees.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022 and June 30, 2021, the HCB Plan membership consisted of the following:

	<u>2022</u>	<u>2021</u>
Inactive plan members currently receiving benefit payments	139	125
Inactive plan members entitled to not yet receiving benefit payments	-	-
Active plan members	<u>326</u>	<u>340</u>
Total	<u><u>465</u></u>	<u><u>465</u></u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 \$897,958 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, 2021 and June 30, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Bond Index Fund	10.0%	10.0%	4.98%	7.03%
Equity Index Fund	65.0%	65.0%	4.98%	7.03%
Short Term Investment Fund	25.0%	25.0%	4.98%	7.03%
Total	<u>100.0%</u>	<u>100.0%</u>		

Rate of return.

For the year ended June 30, 2022, the annual money weighted rate of return on investments, net of investment expense, was (13.3) 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, 2022

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, 2022 were as follows:

Total OPEB Liability	\$	49,926,191
Plan fiduciary net position		<u>3,767,242</u>
City's net OPEB Liability	\$	<u>46,158,949</u>
Plan fiduciary net position as a Percentage of the total OPEB liability		7.55%

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	4.98 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, 2021 and June 30, 2022 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, 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, 2021 and June 30, 2022 was 2.18 and 3.59 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 4.98% for periods through 2029 and a municipal bond rate which is 3.54 percent for periods on and after 2029.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

The following presents the net OPEB liability of the City at June 30, 2022, 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 (2.56 percent) or 1-percentage-point higher (4.59 percent) than the current discount rate:

	1% Decrease (2.59 percent)	Discount Rate (3.59 percent)	1% Increase (4.59 percent)
Net OPEB liability	\$ 55,495,253	\$ 46,158,949	\$ 38,856,998

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, 2022, 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 or 1-percentage-point higher 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	\$ 37,495,401	\$ 46,158,949	\$ 57,522,039

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2022 the City reported a net OPEB liability of \$46,158,949. 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, 2022 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2022, the components of the net OPEB liability of the City, measured as of June 30, 2022, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2021	\$ 61,452,463	\$ 4,223,505	\$ 57,228,958
Changes for the Year:			
Service cost	2,262,844	-	2,262,844
Interest	1,329,929	-	1,329,929
Differences between Expected and Actual experience	(304,074)	-	(304,074)
Changes of assumptions	(13,917,013)	-	(13,917,013)
Contributions	-	972,958	(972,958)
Net investment income	-	(531,263)	531,263
Benefit Payments	(897,958)	(897,958)	-
Net Changes	(11,526,272)	(456,263)	(11,070,009)
Balances at June 30, 2022	\$ 49,926,191	\$ 3,767,242	\$ 46,158,949

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.18 percent in 2021 to 3.59 percent in 2022. 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 2023 and have been reflected.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

II. DETAIL NOTES ON ALL FUNDS (continued):

For the year ended June 30, 2022, the City recognized OPEB expense of \$2,569,088. At June 30, 2022, 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	\$ 306,734	\$ 2,019,464
Changes of assumptions	8,626,696	12,734,644
Net difference between projected and actual earnings on plan investments	<u>315,583</u>	<u>-</u>
Total	<u>\$ 9,249,013</u>	<u>\$ 14,754,108</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:	
2023	\$ (707,952)
2024	(704,175)
2025	(560,853)
2026	(558,498)
2027	(2,084,800)
Thereafter	(888,817)

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)	\$ 2,256,515
Benefit payments made and administrative expenses (LEO)	208,786
Differences between expected and actual experience (LGERS)	1,145,619
Differences between expected and actual experience (LEO)	208,463
Differences between expected and actual experience (OPEB)	306,734
Changes of assumptions (LGERS)	2,262,371
Changes of assumptions (LEO)	800,165
Changes of assumptions (OPEB)	8,626,696
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	3,113
Net difference between projected and actual earnings on plan investments (OPEB)	315,583
Debt refunding costs	<u>247,299</u>
Total	<u>\$ 16,381,344</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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)	\$ -	\$ 286,426
Taxes Receivable (Special Revenue Fund)	-	1,654
Leases Receivable (Utility Fund)	1,144,335	-
Sanitation Fees (General Fund)	-	95,196
Grants (ARP CSLFRF Fund)	4,299,325	4,299,325
Grants (Community Development Fund)	10,000	10,000
Grants (General Capital Project Fund)	1,004,350	1,004,350
Demolition and other Fees (General Fund)	-	111,071
Prepaid Golf Fees (General Fund)	32,525	32,525
Rents (Water/Sewer Fund)	5,118	-
Differences between expected and actual experience (LEO)	23,558	-
Changes in assumptions (LEO)	136,467	-
Changes in assumptions (OPEB)	12,734,644	-
Differences between expected and actual experience (OPEB)	2,019,464	-
Net difference between projected and actual earnings on plan investments (LGERS)	5,144,800	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	119,493	-
Total	<u>\$ 26,674,079</u>	<u>\$ 5,840,547</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 and auto liability in excess of \$1,000,000, property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess, and stop-loss policies purchased by the Board of Trustees may be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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, 2022**

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	
	2022	2021
Unpaid claims, beginning	\$ 508,221	\$ 556,897
Incurred claims	2,815,266	3,140,320
Claim payments	(2,861,665)	(3,188,996)
Unpaid claims, ending	<u>\$ 461,822</u>	<u>\$ 508,221</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, 2022. 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	\$ 11,442,908	\$ 11,451,802
Cultural and Recreational	20,605	8,749
Public Safety	75,367	211,446
Streets	1,143	1,219,177
General Government	184,281	869,626
Community Development	1,921,243	472,068
General Capital Projects	158,538	1,050,126
Water and Sewer Operations	489,468	893,674
Water and Sewer Projects	8,176,889	12,185,926
Total	<u>\$ 22,470,442</u>	<u>\$ 28,362,594</u>

Claims and Judgments – At June 30, 2022, 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, 2022

II. DETAIL NOTES ON ALL FUNDS (continued):

5. Long-Term Obligations

Leases

The City has entered into an agreement to lease certain equipment. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payment as of the date of its inception.

The agreement was executed in the prior fiscal, to lease equipment and at July 1, 2021 requires 45 monthly payments of \$1,530. There are no variable payment components of the lease. The lease liability is measured at a discount rate of .893% which is the City's incremental borrowing rate. As a result of the lease, the City has recorded a right to use asset with a net book value of \$49,467 at June 30, 2022. The right to use asset is discussed in more detail in the note II.5.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending June 30:	Principal Payments	Interest Payments	Total
2023	\$ 17,988	\$ 372	\$ 18,360
2024	18,150	210	18,360
2025	13,719	51	13,770
Total	\$ 49,857	\$ 633	\$ 50,490

Installment Purchase

	Governmental Activities
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.	\$ 2,210,526
Installment purchase with Truist Bank; assumed October 1, 2020 (Sanford Affordable Housing Development Corporation debt) with balance on assumption of \$290,631. Monthly payments of \$2,372 including interest of 3.75% with final payment due July 5, 2023. Secured by real estate.	257,575
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.	1,091,211
Installment purchase with Truist 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.	26,243
Total installment purchase contracts	\$ 3,585,555

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

II. DETAIL NOTES ON ALL FUNDS (continued):

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2022, are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 488,446	\$ 79,685	\$ 568,131
2024	688,106	61,564	749,670
2025	446,357	51,465	497,822
2026	446,368	41,366	487,734
2027	446,367	31,267	477,634
2028-2032	758,151	63,645	821,796
2033-2037	311,760	15,291	327,051
Total	\$ 3,585,555	\$ 344,283	\$ 3,929,838

General Obligation Bonds

General Obligation Bonds, Series 2022 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% \$ 1,700,000

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% 5,350,000

Total general obligation bonds \$ 7,050,000

The annual requirements to retire all general obligation bond liability outstanding as of June 30, 2022, are as follows:

Year Ended June 30	Governmental-Type Activities		
	Principal	Interest	Total
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	545,000	150,800	695,800
2028-2032	2,725,000	492,750	3,217,750
2033-2037	1,390,000	115,050	1,505,050
2038-2042	200,000	9,000	209,000
Total	\$ 7,050,000	\$ 1,553,800	\$ 8,603,800

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

II. DETAIL NOTES ON ALL FUNDS (continued):

Notes Payable

	<u>Business-Type Activities</u>
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	\$ 361,433
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>10,548,487</u>
Total notes payable-business type activities	<u>\$ 10,909,920</u>

The annual requirements to retire all notes payable outstanding as of June 30, 2022, are as follows:

<u>Business-Type Activities</u>			
<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	898,984	160,889	1,059,873
2028-2032	4,694,719	514,288	5,209,007
2033-2037	1,900,160	62,203	1,962,363
Total	<u>\$ 10,909,920</u>	<u>\$ 1,560,817</u>	<u>\$ 12,470,737</u>

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	\$ <u>2,955,759</u>
---	---------------------

The annual requirements to retire all installment purchase contracts as of June 30, 2022, are as follows:

<u>Business-Type Activities</u>			
<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 211,133	\$ 63,285	\$ 274,418
2024	211,133	58,682	269,815
2025	211,134	54,079	265,213
2026	211,133	49,477	260,610
2027	211,134	44,874	256,008
2028-2032	1,055,631	155,331	1,210,962
2033-2037	844,461	41,422	885,883
Total	<u>\$ 2,955,759</u>	<u>\$ 467,150</u>	<u>\$ 3,422,909</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

II. DETAIL NOTES ON ALL FUNDS (continued):

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%

\$ 35,470,000

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2022, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
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	2,030,000	1,147,500	3,177,500
2028-2032	11,575,000	4,129,500	15,704,500
2033-2037	9,380,000	1,581,300	10,961,300
2038-2042	3,115,000	747,900	3,862,900
2043-2047	2,145,000	174,000	2,319,000
Total	\$ <u>35,470,000</u>	\$ <u>13,294,700</u>	\$ <u>48,764,700</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.

The debt service coverage ratio calculation for the year ended June 30, 2022, is as follows:

Debt service calculation:	
Operating revenues	\$ 23,817,702
Operating expenses	<u>23,671,247</u>
Operating income	146,455
Non-operating revenues (expenses)	<u>(1,867,639)</u>
Income before transfers and capital contributions	(1,721,184)
Adjustments	
Depreciation and amortization expenses (net)	6,450,977
Interest expense	1,918,424
Decrease in other post-employment benefits accruals	(181,741)
Increase in net pension accruals	403,342
Income available for debt service	\$ <u><u>6,869,818</u></u>
Parity debt service (revenue bonds only)	\$ 3,188,750
Parity debt services coverage ratio	2.15
G.O., subordinate, and all other indebtedness	<u>1,427,164</u>
Total debt service**	\$ <u><u>4,615,914</u></u>
Total debt service coverage ratio	1.49

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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 \$48,764,700. Interest payments for the current year totaled \$1,558,750 with principal payments of \$1,600,000.

Changes in Long-Term Obligations

	Beginning Of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 7,600,000	\$ -	\$ 550,000	\$ 7,050,000	\$ 550,000
Unamortized bond premiums	680,037	-	36,884	643,153	36,883
Lease liabilities	-	67,681	17,824	49,857	17,988
Installment purchase contracts	4,152,091	-	566,536	3,585,555	488,446
Compensated absences	1,885,689	1,785,342	1,697,702	1,973,329	1,183,997
Net pension liability (LGERS)	6,630,720	-	3,826,749	2,803,971	-
Net pension obligation (LEO)	5,662,346	181,556	393,064	5,450,838	-
Other post-employment benefits	42,808,594	-	8,272,618	34,535,976	-
Total governmental activities	\$ 69,419,477	\$ 2,034,579	\$ 15,361,377	\$ 56,092,679	\$ 2,277,314
Business-Type Activities:					
Utility Fund:					
Revenue bonds	\$ 37,070,000	\$ -	\$ 1,600,000	\$ 35,470,000	\$ 1,680,000
Unamortized bond premiums	4,873,329	-	338,425	4,534,904	338,425
Notes payable	11,818,380	-	908,460	10,909,920	827,807
Installment purchase contracts	3,158,091	-	202,332	2,955,759	211,133
Net pension liability	2,103,448	-	1,306,382	797,066	-
Compensated absences	416,825	394,227	388,519	422,533	253,520
Other post-employment benefits	14,420,364	-	2,797,391	11,622,973	-
Total business-type activities	\$ 73,860,437	\$ 394,227	\$ 7,541,509	\$ 66,713,155	\$ 3,310,885

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

The legal debt margin for the City of Sanford is \$217,419,682.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2022 is as follows:

	Governmental-Type Activities	Business-Type Activities
Capital assets	\$ 44,792,326	\$ 179,782,601
Less: Long-term debt	10,813,593	53,354,151
Net investment in capital assets	\$ 33,978,733	\$ 126,428,450

Business type activities is net of unexpended bond proceeds of \$516,432 while Governmental type activities are net of unexpended loan proceeds of \$465,115.

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.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

A summary of these transactions for the year ended June 30, 2022 follows:

From the General Fund to the Municipal Service District Fund - program support	\$ 66,492
From the General Fund to the Community Development Fund - program support	7,500
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 Projects Fund - fund current improvements	781,577
From the General Fund to the General Capital Reserve Fund - fund future improvements	25,000
From the ARP CSLFRF Special Revenue Fund to the General Fund - to reimburse expenditures	356,139
From the ARP CSLFRF Special Revenue Fund to the Utility Fund - to reimburse expenditures	138,543
From the Utility Fund to the Chatham Park Water Recovery Center Fund - fund operations	33,000
From the Utility Fund to the Utility Capital Project Fund - fund current improvements	5,490,030
From the Utility Fund to the Other Post Employment Benefits Trust Fund - fund future expenses	<u>25,000</u>
Total	<u>\$ 6,973,281</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

II. DETAIL NOTES ON ALL FUNDS (continued):

D. Fund Balance

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

Total fund balance - General Fund	\$ 28,705,996
Less:	
Inventories	(120,150)
Prepaid items	(217,605)
Stabilization by State statute	(5,546,081)
Restricted for Inspections	(1,374,954)
Restricted for Public Safety	(211,141)
Restricted - unspent debt proceeds	(465,115)
Restricted for Streets	(1,011,466)
Restricted for Community Development	(11,991)
Committed - LEO Special Separation	
Allowance	(1,632,774)
Assigned - Subsequent Year's Expenditures	(1,831,642)
Unassigned fund balance	<u>\$ 16,283,077</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 \$11,714 to the Council during the fiscal year ended June 30, 2022. 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, 2022.

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, 2022.

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

V. SUBSEQUENT EVENTS

The City of Sanford took over operations of the Sanford Affordable Housing Development Corporation effective as of October 1, 2020 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 taking over the operations of the Sanford Affordable Housing Development Corporation application for the reinstatement of this exempt status as well as applicable income tax returns through June 30, 2022 have been submitted to the IRS and their determination of their tax exempt status is still pending.

THIS PAGE LEFT BLANK INTENTIONALLY.



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 Benefits 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-Employee Payroll

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service Cost	\$ 2,262,844	\$ 2,541,127	\$ 1,663,761	\$ 1,511,842	\$ 1,616,367	\$ 1,850,988
Interest	1,329,929	1,351,333	1,588,389	1,602,870	1,474,120	1,329,795
Differences between expected and actual experience	(304,074)	(1,860,478)	143,702	(1,098,204)	698,486	-
Changes of assumptions	(13,917,013)	(225,975)	12,613,937	2,962,872	(2,617,252)	(4,696,849)
Benefit payments	<u>(897,958)</u>	<u>(820,970)</u>	<u>(1,069,163)</u>	<u>(1,302,490)</u>	<u>(1,446,676)</u>	<u>(1,076,601)</u>
Net change in total OPEB liability	(11,526,272)	985,037	14,940,626	3,676,890	(274,955)	(2,592,667)
Total OPEB liability - beginning	61,452,463	60,467,426	45,526,800	41,849,910	42,124,865	44,717,532
Total OPEB liability - ending	<u>\$ 49,926,191</u>	<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	\$ 972,958	\$ 895,970	\$ 1,144,163	\$ 1,377,490	\$ 1,521,676	\$ 1,076,601
Net investment income	(531,263)	894,648	88,033	150,383	200,161	293,647
Benefit payments	(897,958)	(820,970)	(1,069,163)	(1,302,490)	(1,446,676)	(1,076,601)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	<u>(456,263)</u>	<u>969,648</u>	<u>163,033</u>	<u>225,383</u>	<u>275,161</u>	<u>293,647</u>
Plan fiduciary net position - beginning	4,223,505	3,253,857	3,090,824	2,865,441	2,590,280	2,296,633
Plan fiduciary net position - ending	<u>\$ 3,767,242</u>	<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>\$ 46,158,949</u>	<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	7.55%	6.87%	5.38%	6.79%	6.85%	6.15%
Covered payroll	\$ 16,937,013	\$ 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	272.53%	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 SIX FISCAL YEARS

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 2,451,556	\$ 2,281,610	\$ 2,281,610	\$ 2,966,951	\$ 2,966,951	\$ 1,750,985
Contributions in relation to the actuarially determined contribution	972,958	895,970	1,144,163	1,377,490	1,521,676	1,076,601
Contribution deficiency (excess)	<u>\$ 1,478,598</u>	<u>\$ 1,385,640</u>	<u>\$ 1,137,447</u>	<u>\$ 1,589,461</u>	<u>\$ 1,445,275</u>	<u>\$ 674,384</u>
Covered payroll	\$ 16,937,013	\$ 16,937,013	\$ 16,939,485	\$ 16,939,485	\$ 15,682,087	\$ 15,682,087
Contributions as a percentage of covered payroll	5.74%	5.29%	6.75%	8.13%	9.70%	6.67%

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	4.98% 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 FIVE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	-13.30%	23.93%	2.78%	5.05%	7.34%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,256,515	\$ 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	2,256,515	1,915,634	1,667,138	1,430,608	1,363,502	1,290,220	1,139,107	1,152,110	1,118,587
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Sanford's covered payroll	\$ 19,445,471	\$ 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 payroll	11.60%	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 NINE FISCAL YEARS***

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Sanford's proportion of the net pension liability (asset) (%)	0.23481%	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) (\$)	\$ 3,601,037	\$ 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	\$ 18,394,849	\$ 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 payroll	19.58%	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 (asset)	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.47%	94.35%

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

CITY OF SANFORD, NORTH CAROLINA

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 5,662,346	\$ 4,550,148	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569	\$ 3,525,508
Service cost	193,121	129,533	127,870	138,665	129,921	121,976
Interest on the total pension liability	105,490	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	6,432	(37,922)	305,794	227,795	140,855	-
Changes of assumptions or other inputs	(123,487)	1,167,508	118,256	(143,824)	235,565	(78,738)
Benefit payments	(393,064)	(290,520)	(262,335)	(205,752)	(177,928)	(175,898)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 5,450,838</u>	<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-EMPLOYEE PAYROLL
 LAST SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 5,450,838	\$ 5,662,346	\$ 4,550,148	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569
Covered payroll	4,371,895	4,409,078	4,652,747	4,725,235	4,694,220	4,303,085
Total pension liability as a percentage of covered-employee payroll	124.68%	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.

THIS PAGE LEFT BLANK INTENTIONALLY.



CITY OF SANFORD, NORTH CAROLINA

MAJOR GOVERNMENTAL FUNDS

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.

ARP CSLFRF Fund – The ARP CSLFRF Fund is a special revenue fund used to account for American Rescue Plan Coronavirus State and Local Fiscal Recovery Funds received by the City and transfers made to other funds for eligible expenditures.

THIS PAGE LEFT BLANK INTENTIONALLY.

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, 2022
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year levy	\$ 18,082,344	\$ 18,655,058	\$ 572,714	\$ 17,507,957
Prior year's levy	60,000	114,433	54,433	127,785
Total - ad valorem taxes	18,142,344	18,769,491	627,147	17,635,742
Other taxes:				
Privilege licenses	2,000	2,045	45	2,265
Motor vehicle fees	685,500	712,140	26,640	721,620
Local option sales tax	6,689,436	8,252,540	1,563,104	7,182,308
Total - other taxes	7,376,936	8,966,725	1,589,789	7,906,193
Penalties and interest	48,000	71,082	23,082	86,360
Licenses and permits:				
Building permits	617,645	1,367,123	749,478	971,489
Fire permits	30,000	32,058	2,058	33,825
Total - licenses and permits	647,645	1,399,181	751,536	1,005,314
Intergovernmental revenues:				
Utilities sales tax	2,036,444	2,073,935	37,491	1,986,475
Beer and wine tax	72,650	60,322	(12,328)	62,725
State shared cable fees	166,981	168,534	1,553	164,144
Powell Bill allocation	813,645	903,490	89,845	761,327
Court costs and fees	5,000	4,222	(778)	4,365
Law Enforcement - Drug Forfeiture Program	-	25,110	25,110	70,716
Mowing reimbursement program	35,401	32,020	(3,381)	15,080
Disposal tax	16,888	22,919	6,031	22,482
911 surcharge reimbursement	470,601	211,281	(259,320)	191,490
Federal grants	-	-	-	465,196
State grants	-	6,628	6,628	-
Alcoholic beverage control	210,000	180,000	(30,000)	180,000
Other local governments	1,052,025	997,813	(54,212)	1,026,866
Total - intergovernmental revenues	4,879,635	4,686,274	(193,361)	4,950,866
Investment income	15,100	57,757	42,657	18,422
Sales and service:				
Waste management fees	2,886,410	2,829,948	(56,462)	2,793,856

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, 2022
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Miscellaneous revenues:				
Golf revenues	\$ 674,550	\$ 915,079	\$ 240,529	\$ 789,294
Street charges	225,000	217,009	(7,991)	163,043
Civil violation fines	500	1,272	772	380
Parking fine	3,000	4,148	1,148	5,038
Sundry	69,604	125,630	56,026	20,260
Total - miscellaneous revenues	972,654	1,263,138	290,484	978,015
Total revenues	34,968,724	38,043,596	3,074,872	35,374,768
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits	302,485	302,639	(154)	288,395
Current operating expenditures	131,421	78,813	52,608	49,850
Capital outlay	4,700	-	4,700	-
Total - governing body	438,606	381,452	57,154	338,245
Less: interfund reimbursements	(83,292)	(83,292)	-	(82,424)
Net - governing body	355,314	298,160	57,154	255,821
Administration:				
Salaries and benefits	495,280	483,866	11,414	479,382
Current operating expenditures	52,658	34,021	18,637	21,322
Total - administration	547,938	517,887	30,051	500,704
Less: interfund reimbursements	(158,327)	(158,327)	-	(148,004)
Net - administration	389,611	359,560	30,051	352,700
Human resources:				
Salaries and benefits	305,317	305,500	(183)	288,559
Current operating expenditures	80,363	60,766	19,597	63,668
Total - human resources	385,680	366,266	19,414	352,227
Less: interfund reimbursements	(80,937)	(80,937)	-	(81,864)
Net - human resources	304,743	285,329	19,414	270,363
Risk management :				
Salaries and benefits	97,333	97,451	(118)	92,102
Current operating expenditures	42,232	20,397	21,835	18,269
Total - risk management	139,565	117,848	21,717	110,371
Less: interfund reimbursements	(50,212)	(50,212)	-	(45,113)
Net - risk management	89,353	67,636	21,717	65,258

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, 2022
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance :				
Salaries and benefits	\$ 846,126	\$ 753,702	\$ 92,424	\$ 741,561
Current operating expenditures	526,658	447,364	79,294	402,994
Total - finance	1,372,784	1,201,066	171,718	1,144,555
Less: interfund reimbursements	(525,038)	(525,038)	-	(446,742)
Net - finance	847,746	676,028	171,718	697,813
Information systems :				
Salaries and benefits	367,725	366,574	1,151	345,446
Current operating expenditures	138,742	117,329	21,413	118,126
Capital outlay	137,000	21,854	115,146	15,159
Total - information systems	643,467	505,757	137,710	478,731
Less: interfund reimbursements	(107,349)	(107,349)	-	(103,803)
Net - information systems	536,118	398,408	137,710	374,928
Legal:				
Salaries and benefits	260,679	262,546	(1,867)	247,881
Current operating expenditures	164,091	95,464	68,627	92,547
Capital outlay	27,000	-	27,000	-
Total - legal	451,770	358,010	93,760	340,428
Less: interfund reimbursements	(146,327)	(146,327)	-	(128,907)
Net - legal	305,443	211,683	93,760	211,521
Public buildings:				
Salaries and benefits	191,421	190,686	735	175,349
Current operating expenditures	1,390,749	937,823	452,926	824,673
Capital outlay	874,601	629,019	245,582	131,375
Total - public buildings	2,456,771	1,757,528	699,243	1,131,397
Less: interfund reimbursements	(258,866)	(258,866)	-	(306,544)
Net - public buildings	2,197,905	1,498,662	699,243	824,853
Central mimeograph:				
Current operating expenditures	34,064	26,549	7,515	23,506
Less: interfund reimbursements	(8,563)	(8,563)	-	(8,317)
Net - central mimeograph	25,501	17,986	7,515	15,189
Fleet maintenance:				
Salaries and benefits	453,402	439,986	13,416	360,844
Current operating expenditures	1,011,339	841,552	169,787	618,835
Capital outlay	43,685	-	43,685	-
Total - fleet maintenance	1,508,426	1,281,538	226,888	979,679
Less: interfund reimbursements	(93,652)	(93,652)	-	(88,757)
Less: charges to other departments	(600,000)	(780,531)	180,531	(503,359)
Net - fleet maintenance	814,774	407,355	407,419	387,563

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, 2022
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Beautification:				
Salaries and benefits	\$ 408,583	\$ 375,424	\$ 33,159	\$ 375,954
Current operating expenditures	450,612	415,948	34,664	395,552
Capital outlay	26,401	40,401	(14,000)	-
Total - beautification	885,596	831,773	53,823	771,506
Other appropriations and contingencies:				
Associations and memberships	42,186	39,474	2,712	39,358
Regional and community support	188,400	25,900	162,500	25,900
Economic development	542,225	309,497	232,728	261,878
Intergovernmental transfers	112,528	112,528	-	105,530
Other post-employment benefits	842,385	794,429	47,956	744,137
Total - other appropriations	1,727,724	1,281,828	445,896	1,176,803
Total general government	8,479,828	6,334,408	2,145,420	5,404,318
Community Development:				
Salaries and benefits	1,104,581	955,018	149,563	959,127
Current operating expenditures	518,895	296,124	222,771	336,328
Capital outlay	27,100	25,345	1,755	-
Total - community development	1,650,576	1,276,487	374,089	1,295,455
Code enforcement :				
Salaries and benefits	239,731	238,612	1,119	216,471
Current operating expenditures	82,138	43,668	38,470	89,693
Capital outlay	27,100	25,345	1,755	-
Total - code enforcement	348,969	307,625	41,344	306,164
Planning/historic preservation:				
Salaries and benefits	105,355	103,682	1,673	98,265
Current operating expenditures	36,223	21,349	14,874	26,005
Capital outlay	35,000	-	35,000	25,888
Total - downtown/historic preservation	176,578	125,031	51,547	150,158
Total community development	2,176,123	1,709,143	466,980	1,751,777
Public Safety:				
Police:				
Salaries and benefits	9,699,151	8,690,159	1,008,992	8,086,565
Current operating expenditures	1,412,457	1,055,632	356,825	1,153,910
Capital outlay	208,441	96,590	111,851	400,090
Total - police	11,320,049	9,842,381	1,477,668	9,640,565
Fire :				
Salaries and benefits	4,406,113	4,285,785	120,328	4,115,787
Current operating expenditures	654,390	552,771	101,619	568,997
Capital outlay	324,368	313,397	10,971	404,021
Total - fire	5,384,871	5,151,953	232,918	5,088,805

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, 2022
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Inspection:				
Salaries and benefits	\$ 744,916	\$ 662,966	\$ 81,950	\$ 553,828
Current operating expenditures	86,250	71,097	15,153	76,883
Capital outlay	10,839	10,839	-	56,603
Total - inspection	842,005	744,902	97,103	687,314
Total public safety	17,546,925	15,739,236	1,807,689	15,416,684
Streets:				
Salaries and benefits	1,133,051	979,946	153,105	980,806
Current operating expenditures	1,378,385	1,228,797	149,588	1,146,739
Capital outlay	2,359,327	966,314	1,393,013	119,772
Total - streets and sidewalks	4,870,763	3,175,057	1,695,706	2,247,317
Sanitation:				
Refuse:				
Salaries and benefits	1,190,026	1,115,537	74,489	1,078,618
Current operating expenditures	812,828	754,868	57,960	710,005
Capital outlay	1,017,946	492,364	525,582	233,689
Total - refuse	3,020,800	2,362,769	658,031	2,022,312
Sanitation:				
Contracted services	1,242,000	1,209,927	32,073	1,174,280
Total sanitation	4,262,800	3,572,696	690,104	3,196,592
Cultural and Recreational:				
Parks and Recreation:				
Salaries and benefits	316,104	291,827	24,277	284,734
Current operating expenditures	240,097	224,577	15,520	132,486
Capital outlay	26,000	26,121	(121)	18,718
Total - parks and recreation	582,201	542,525	39,676	435,938
Golf:				
Salaries and benefits	541,257	529,297	11,960	496,667
Current operating expenditures	258,832	249,655	9,177	223,944
Capital outlay	32,000	-	32,000	398,400
Total - golf	832,089	778,952	53,137	1,119,011
Total cultural and recreational	1,414,290	1,321,477	92,813	1,554,949
Debt Service:				
Principal retirement	1,301,236	1,114,557	186,679	1,019,898
Interest	310,906	334,555	(23,649)	342,643
Debt issuance costs	-	-	-	15,410
	1,612,142	1,449,112	163,030	1,377,951
Total expenditures	40,362,871	33,301,129	7,061,742	30,949,588

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, 2022
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenue in excess of (less than) expenditures	\$ (5,394,147)	\$ 4,742,467	\$ 10,136,614	\$ 4,425,180
Other Financing Sources (Uses):				
Transfers from other funds:				
General Capital Project Fund	-	-	-	171,821
ARP CSLRF Special Revenue Fund	368,641	356,139	(12,502)	-
Transfers (to) other funds:				
Capital Reserve Fund	(25,000)	(25,000)	-	(114,000)
Central Business Tax District	(74,492)	(66,492)	8,000	(55,090)
Community development	(7,500)	(7,500)	-	(5,000)
General Capital Project Fund	(781,577)	(781,577)	-	-
Sanford Affordable Housing Development Corporation	-	-	-	(40,100)
Other Post Employment Benefits	(50,000)	(50,000)	-	(50,000)
Installment purchase issuance	1,467,642	-	(1,467,642)	1,165,909
Lease liabilities issued	200,000	-	(200,000)	-
Sale of property	176,450	246,360	69,910	218,891
Insurance recovery	47,942	112,427	64,485	47,117
Total - other financing sources (uses)	1,322,106	(215,643)	(1,537,749)	1,339,548
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(4,072,041)	4,526,824	8,598,865	5,764,728
Appropriated fund balance	4,072,041	-	(4,072,041)	-
Net Change in Fund Balance	<u>\$ -</u>	<u>4,526,824</u>	<u>\$ 4,526,824</u>	5,764,728
Fund balance, beginning of year		<u>24,179,172</u>		
Fund balance, end of year		<u>\$ 28,705,996</u>		

CITY OF SANFORD, NORTH CAROLINA

ARP CSLFRF FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022

	Project Budget	Current Year	Prior Years	Total to June 30, 2022
Revenues:				
ARP - CSLFRF Funds	\$ 9,588,013	\$ 494,682	\$ -	\$ 494,682
Investment income	-	7,105	-	7,105
Total revenues	9,588,013	501,787	-	501,787
Expenditures:				
General Government				
Unassigned ARP - CSLFRF Expenditures	9,065,853	-	-	-
Total expenditures	9,065,853	-	-	-
Revenues in excess of expenditures	522,160	501,787	-	501,787
Other Financing Sources (Uses):				
Transfer out - General Fund	(368,641)	(356,139)	-	(356,139)
Transfer out - Utility Fund	(153,519)	(138,543)	-	(138,543)
Total other financing sources (uses):	(522,160)	(494,682)	-	(494,682)
Revenues and other uses over (under) expenditures				
Net change in fund balance	<u>\$ -</u>	7,105	<u>\$ -</u>	<u>\$ 7,105</u>
Fund balance, beginning of year		<u>-</u>		
Fund balance, end of year		<u>\$ 7,105</u>		

THIS PAGE LEFT BLANK INTENTIONALLY.



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.

Municipal Service District Fund – The Municipal Service 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.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

	Special Revenue Funds				General Capital Projects Fund	General Capital Reserve Fund	Total
	Community Development	Municipal Service District	Friends of Sanford	Sanford Affordable Housing Development Corporation			
Assets:							
Cash, cash equivalents and investments	\$ 952,751	\$ 144,886	\$ 106,958	\$ 587	\$ 1,274,246	\$ 139,238	\$ 2,618,666
Cash, restricted	491,007	-	-	-	529,350	-	1,020,357
Accounts receivable	-	-	-	21,353	-	-	21,353
Property taxes receivable, net	-	1,654	-	-	-	-	1,654
Due from governmental agencies	97	1,719	-	-	-	-	1,816
Prepaid expenses	-	-	-	5,145	-	-	5,145
Total assets	\$ 1,443,855	\$ 148,259	\$ 106,958	\$ 27,085	\$ 1,803,596	\$ 139,238	\$ 3,668,991
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities:							
Accounts payable	\$ -	\$ 5,899	\$ 10	\$ 5,932	\$ 13,269	\$ -	\$ 25,110
Due to other funds	(3,093)	-	-	51,442	-	-	48,349
Total liabilities	(3,093)	5,899	10	57,374	13,269	-	73,459
Deferred Inflows of Resources:							
Unavailable revenue - property taxes	-	1,654	-	-	-	-	1,654
Grants	10,000	-	-	-	1,004,350	-	1,014,350
Total deferred inflows of resources	10,000	1,654	-	-	1,004,350	-	1,016,004
Fund Balances:							
Restricted:							
Stabilization by State statute	-	1,719	-	-	-	-	1,719
Community development	1,436,948	-	106,948	(30,289)	785,977	-	2,299,584
Committed:							
Cultural and recreational	-	-	-	-	-	139,238	139,238
Assigned:							
Downtown revitalization	-	128,734	-	-	-	-	128,734
Subsequent year's expenditures	-	10,253	-	-	-	-	10,253
Total fund balances	1,436,948	140,706	106,948	(30,289)	785,977	139,238	2,579,528
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,443,855	\$ 148,259	\$ 106,958	\$ 27,085	\$ 1,803,596	\$ 139,238	\$ 3,668,991

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds				General Capital Projects Fund	General Capital Reserve Fund	Total
	Community Development	Municipal Service District	Friends of Sanford	Sanford Affordable Housing Development Corporation			
Revenues:							
Ad valorem taxes:							
Current year	\$ -	\$ 80,638	\$ -	\$ -	\$ -	\$ -	\$ 80,638
Prior years	-	3,067	-	-	-	-	3,067
Intergovernmental revenues:							
State of North Carolina	129,919	-	-	-	-	-	129,919
Federal grants	393,750	-	-	-	-	-	393,750
Contributions	5,000	-	34,285	-	25,000	-	64,285
Rental income	-	-	-	180,610	-	-	180,610
Investment income	9,055	246	-	-	768	229	10,298
Miscellaneous income	441,369	420	-	7,503	-	-	449,292
Total revenues	979,093	84,371	34,285	188,113	25,768	229	1,311,859
Expenditures:							
Current:							
Downtown revitalization	-	143,218	-	-	-	-	143,218
Community development:							
Other prior program expenditures	599,859	-	4,424	160,234	-	-	764,517
Capital outlay	7,526	-	-	35,901	203,380	-	246,807
Debt service							
Interest	-	-	-	11,033	-	-	11,033
Principal retirement	-	-	-	19,803	-	-	19,803
Total expenditures	607,385	143,218	4,424	226,971	203,380	-	1,185,378
Revenues over (under) expenditures	371,708	(58,847)	29,861	(38,858)	(177,612)	229	126,481
Other Financing Sources:							
Transfers in - General Fund	7,500	66,492	-	-	781,577	25,000	880,569
Net change in fund balances	379,208	7,645	29,861	(38,858)	603,965	25,229	1,007,050
Fund balances, beginning of year	1,057,740	133,061	77,087	8,569	182,012	114,009	1,572,478
Fund balances, end of year	\$ 1,436,948	\$ 140,706	\$ 106,948	\$ (30,289)	\$ 785,977	\$ 139,238	\$ 2,579,528

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, 2022

	Project Budget	Current Year	Prior Years	Total to June 30, 2022
Revenues:				
Intergovernmental revenues:				
N.C. Urgent Repair (URP2034)				
Grant-N.C. Housing Finance Agency (C2101)	\$ 100,000	\$ 99,547	\$ -	\$ 99,547
Lee County	5,000	5,000	-	5,000
Total - N.C. Urgent Repair Program (URP 2034)	105,000	104,547	-	104,547
N.C. Urgent Repair (URP2131)				
Grant-N.C. Housing Finance Agency (C2131)	100,000	-	-	-
Lee County	7,500	-	-	-
Total - N.C. Urgent Repair Program (URP 2131)	107,500	-	-	-
2018 Essential Single Family Rehab (C1902)				
Federal grants	377,750	25,300	178,375	203,675
2021 Essential Single Family Rehab (C2103)				
Federal grants	190,000	-	-	-
CDBG Neighborhood Revitalization (C1903)				
Federal grants	750,000	368,450	377,279	745,729
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
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)				
Foundation grant	89,000	-	89,000	89,000
State grant	964,600	30,372	934,228	964,600
Lee County	700,000	-	700,000	700,000
Total - Project Forge Site Preparation/Roadway (G2002)	1,753,600	30,372	1,723,228	1,753,600
State Construction and Infrastructure Fund Mural Project (G2201)				
State grants	10,000	-	-	-
Total - State Construction and Infrastructure Fund Mural Project (G2201)	10,000	-	-	-

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, 2022

	Project Budget	Current Year	Prior Years	Total to June 30, 2022
Miscellaneous				
Interest income	\$ 175,703	\$ 9,055	\$ 210,353	\$ 219,408
Program income	110,647	441,369	506,552	947,921
Total miscellaneous revenue	286,350	450,424	716,905	1,167,329
Total revenues	3,724,450	979,093	3,078,399	4,057,492
Expenditures:				
Intergovernmental expenditures:				
N.C. Urgent Repair Program (URP2034) (C2101)				
Rehabilitation	100,000	99,550	-	99,550
Local Match	10,000	10,000	-	10,000
Total - N.C. Urgent Repair Program (URP2034)	110,000	109,550	-	109,550
N.C. Urgent Repair Program (URP2131) (C2201)				
Rehabilitation	100,000	-	-	-
Local Match	15,000	-	-	-
Total - N.C. Urgent Repair Program (URP2131)	115,000	-	-	-
2018 Essential Single Family Rehab (C1902)				
Rehabilitation	287,750	25,300	118,375	143,675
Soft costs	90,000	-	60,000	60,000
Total - 2018 Essential Single Family Rehab (C1902)	377,750	25,300	178,375	203,675
2021 Essential Single Family Rehab (C2103)				
Rehabilitation	140,000	-	-	-
Soft costs	50,000	-	-	-
Total - 2021 Essential Single Family Rehab (C2103)	190,000	-	-	-
CDBG Neighborhood Revitalization (C1903)				
Administrative	75,000	20,305	50,425	70,730
Rehabilitation	444,067	343,989	100,078	444,067
Capital outlay	230,933	4,156	226,776	230,932
Total-CDBG Neighborhood Revitalization (C1903)	750,000	368,450	377,279	745,729
Sanford Mural Restoration and Public Art (G1801)				
Mural restoration	40,000	-	40,000	40,000
Public art	36,329	-	36,330	36,330
Capital outlay	18,671	3,370	15,300	18,670
Total - Sanford Mural Restoration and Public Art (G1801)	95,000	3,370	91,630	95,000
Triad Corrugated Metal Building Reuse (G2001)				
Grant administration	8,500	2,500	6,000	8,500
Building Repairs	89,250	-	27,612	27,612
Total - Triad Corrugated Metal Building Reuse (G2001)	97,750	2,500	33,612	36,112

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, 2022

	Project Budget	Current Year	Prior Years	Total to June 30, 2022
Project Forge Site Preparation/Roadway (G2002)				
Engineering-site preparation	\$ 116,730	\$ -	\$ 114,985	\$ 114,985
Engineering-roadway	39,800	2,400	30,632	33,032
Site preparation construction	1,355,967	-	1,135,136	1,135,136
Public roadway NCDOT	1,151,626	54,079	949,388	1,003,467
Roadway easement	204,014	-	204,014	204,014
Private roadway	1,059,330	41,661	911,031	952,692
Contingency	51,133	-	-	-
Total - Project Forge Site Preparation/Roadway (G2002)	3,978,600	98,140	3,345,186	3,443,326
State Construction and Infrastructure Fund Mural Project (G2201)				
Mural project	10,000	-	-	-
Total - State Construction and Infrastructure Fund Mural Project (G2201)	10,000	-	-	-
Other prior program expenditures:				
Rehabilitation	46,460	75	42,209	42,284
Land disposition	31,841	-	26,334	26,334
Homelessness project	97,090	-	96,735	96,735
Local match	242	-	242	242
Total - other prior program expenditures	175,633	75	165,520	165,595
Total expenditures	5,899,733	607,385	4,191,602	4,798,987
Revenues in excess of expenditures	(2,175,283)	371,708	(1,113,203)	(741,495)
Other Financing Sources (Uses):				
Transfer from General Fund	2,286,000	7,500	2,278,500	2,286,000
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)	2,175,283	7,500	2,170,943	2,178,443
Net changes in fund balance	\$ -	379,208	\$ 1,057,740	\$ 1,436,948
Fund balance, beginning of year		1,057,740		
Fund balance, end of year		\$ 1,436,948		

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - MUNICIPAL SERVICE DISTRICT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2022
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year	\$ 77,318	\$ 80,638	\$ 3,320	\$ 78,594
Prior year	-	3,067	3,067	2,356
Investment earnings	100	246	146	39
Penalties and interest	100	420	320	503
Contributions	-	-	-	5,000
Total revenues	<u>77,518</u>	<u>84,371</u>	<u>6,853</u>	<u>86,492</u>
Expenditures:				
Operating expenditures	128,300	121,440	6,860	112,777
Downtown Façade Reimbursement Program	35,000	21,778	13,222	29,666
Capital outlay	5,000	-	5,000	-
Total expenditures	<u>168,300</u>	<u>143,218</u>	<u>25,082</u>	<u>142,443</u>
Excess of revenues over expenditures	<u>(90,782)</u>	<u>(58,847)</u>	<u>31,935</u>	<u>(55,951)</u>
Other Financing Sources:				
Transfer from General Fund	74,492	66,492	(8,000)	55,090
Appropriated fund balance	16,290	-	(16,290)	-
Total other financing sources	<u>90,782</u>	<u>66,492</u>	<u>(24,290)</u>	<u>55,090</u>
Net change in fund balance	<u>\$ -</u>	<u>7,645</u>	<u>\$ 7,645</u>	<u>(861)</u>
Fund balance, beginning of year		<u>133,061</u>		<u>133,922</u>
Fund balance, end of year		<u>\$ 140,706</u>		<u>\$ 133,061</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, 2022

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Donations	\$ 75,000	\$ 34,285	\$ (40,715)	\$ 34,746
Expenditures:				
Advertising and marketing	-	115	(115)	-
Events	-	2,648	(2,648)	978
Office supplies	-	860	(860)	755
Merchant fees	-	-	-	79
Printing and postage	-	11	(11)	257
Supplies	-	790	(790)	393
Community development	75,000	-	75,000	-
Total expenditures	75,000	4,424	70,576	2,462
Net change in fund balance	\$ -	29,861	\$ 29,861	32,284
Fund balance, beginning of year		77,087		44,803
Fund balance, end of year		\$ 106,948		\$ 77,087

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, 2022

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Rental income	\$	\$ 180,610	\$	\$ 103,662
Miscellaneous income		7,503		1,085
Total revenues	275,000	188,113	(86,887)	104,747
Expenditures:				
Commissions		34,597		15,085
Contractual services		25,361		54,712
Insurance		16,150		13,731
Repairs and maintenance		50,658		50,973
Legal and professional services		1,136		-
Printing and postage		25		69
Supplies		5,791		6,070
Utilities		22,598		14,762
Merchant fees		264		218
Property taxes		3,654		3,257
Capital outlay		35,901		37,853
Debt service				
Interest		11,033		8,094
Principal retirement		19,803		13,254
Total expenditures	275,000	226,971	48,029	218,078
Other Financing Sources:				
Transfers in - General Fund		-		40,100
Transfers in - Community Development Fund		-		77,557
Total other financing sources	-	-	-	117,657
Net change in fund balance	\$ -	(38,858)	\$ (38,858)	4,326
Fund balance, beginning of year		8,569		4,243
Fund balance, end of year		\$ (30,289)		\$ 8,569

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, 2022

	Project Budget	Prior Years	Current Year	Total to June 30, 2022
REVENUES				
Grants	\$ 1,085,600	\$ -	\$ -	\$ -
Contribution	530,000	650	25,000	25,650
Interest Income	-	-	768	768
Total revenues	1,615,600	650	25,768	26,418
Expenditures:				
Greenway:				
Land acquisition-easements	40,032	-	-	-
Engineering	441,298	391,318	-	391,318
Wicker Street Sidepath:				
Construction	464,000	-	-	-
Sanford Agricultural Marketplace:				
Construction	577,625	650	-	650
Flood study	51,330	-	43,461	43,461
Audio visual	25,000	-	-	-
Machinery and equipment	137,645	-	-	-
Fire Station No. 5:				
Design	395,753	-	159,919	159,919
Depot Park Improvements:				
Engineering	110,000	-	-	-
Construction	390,000	-	-	-
NC Highway 42 Sidewalks and Bike Lanes:				
Sidewalk improvements	112,500	-	-	-
Bike lanes	195,716	-	-	-
Street improvements	29,608	-	-	-
Total expenditures	2,970,507	391,968	203,380	595,348
Revenues under expenditures	(1,354,907)	(391,318)	(177,612)	(568,930)
Other Financing Sources (Uses):				
Transfers in - General Fund	1,354,907	573,330	781,577	1,354,907
Net change in fund balance	\$ -	\$ 182,012	\$ 603,965	\$ 785,977

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, 2022

	Budget	Prior Years	Current Year	Total to Date	Variance with Final Budget Over/Under
Revenues:					
Interest income	\$ -	\$ 9	\$ 229	\$ 238	\$ 238
Other Financing Sources (Uses):					
Transfers in - General Fund	114,000	114,000	25,000	139,000	25,000
Transfers out - General Fund	(114,000)		-	-	114,000
Total other financing sources	-	114,000	25,000	<u>\$ 139,000</u>	139,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 114,009</u>	25,229		<u>\$ 139,238</u>
Fund balance, beginning of year			<u>114,009</u>		
Fund balance, end of year			<u>\$ 139,238</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 Water Recovery Center Operations Fund – This fund is used to account for Chatham Park Water Recovery Center 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.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges:				
Water	\$ 13,182,187	\$ 13,655,103	\$ 472,916	\$ 12,051,341
Sewer	8,167,842	9,278,359	1,110,517	8,647,485
Total user charges	21,350,029	22,933,462	1,583,433	20,698,826
Monitoring fees	80,000	88,704	8,704	88,704
Connection and tap fees	200,000	261,776	61,776	256,989
Contributions from other agencies	5,500	-	(5,500)	-
FEMA - Federal	-	-	-	6,861
FEMA - State	-	-	-	2,287
Federal grants	-	-	-	11,120
Investment income	4,000	50,690	46,690	4,596
Other	493,535	568,045	74,510	1,271,838
Charges to other funds	30,000	34,273	4,273	35,066
Total revenues	22,163,064	23,936,950	1,773,886	22,376,287
Expenditures:				
Engineering:				
Salaries and benefits	1,033,807	968,481	65,326	897,603
Maintenance of infrastructure and related equipment	3,500	3,764	(264)	3,325
Other operating expenditures	237,468	195,799	41,669	96,064
Capital outlay	26,816	26,332	484	34,695
Total - engineering	1,301,591	1,194,376	107,215	1,031,687
Utility administration:				
Salaries and benefits	1,004,051	825,161	178,890	795,732
Operating expenditures	748,479	588,372	160,107	465,260
Capital outlay	53,088	11,000	42,088	-
Interfund reimbursment	1,512,563	1,512,562	1	1,440,474
Total - utility administration	3,318,181	2,937,095	381,086	2,701,466
Public works administration:				
Salaries and benefits	629,594	632,834	(3,240)	545,473
Maintenance of infrastructure and related equipment	2,000	606	1,394	307
Other operating expenditures	47,545	24,064	23,481	26,462
Total - public works administration	679,139	657,504	21,635	572,242
Water plant operations:				
Salaries and benefits	902,548	828,566	73,982	866,885
Maintenance of infrastructure and related equipment	54,000	44,397	9,603	333,525
Other operating expenditures	1,802,053	1,442,660	359,393	1,368,574
Capital outlay	12,500	12,237	263	174,946
Total - water plant operations	2,771,101	2,327,860	443,241	2,743,930

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2022
 WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Sewer plant operations:				
Salaries and benefits	\$ 927,495	\$ 871,399	\$ 56,096	\$ 971,414
Maintenance of infrastructure and related equipment	77,200	30,022	47,178	226,687
Other operating expenditures	1,888,882	1,480,296	408,586	1,312,891
Capital outlay	-	-	-	10,630
Total - sewer plant operations	2,893,577	2,381,717	511,860	2,521,622
Distribution and collection:				
Salaries and benefits	2,767,353	2,706,060	61,293	2,722,553
Maintenance of infrastructure and related equipment	99,250	82,376	16,874	84,218
Other operating expenditures	3,115,001	2,881,104	233,897	2,994,512
Capital outlay	458,932	143,187	315,745	468,344
Total - distribution and collection	6,440,536	5,812,727	627,809	6,269,627
Utility maintenance:				
Salaries and benefits	479,886	411,524	68,362	-
Maintenance of infrastructure and related equipment	488,376	487,134	1,242	-
Other operating expenditures	177,449	101,086	76,363	-
Capital outlay	57,721	31,020	26,701	-
Total - distribution and collection	1,203,432	1,030,764	172,668	-
Store:				
Salaries and benefits	74,954	76,232	(1,278)	69,693
Purchases and supplies	323,000	281,237	41,763	263,801
Maintenance of infrastructure and related equipment	475	606	(131)	47
Other operating expenditures	11,338	9,925	1,413	9,436
Total - store	409,767	368,000	41,767	342,977
Less charges to other departments	(208,000)	(229,731)	21,731	(241,349)
Net store	201,767	138,269	63,498	101,628
Capital improvements:				
Capital outlay	855,141	727,823	127,318	690,365
Contractual services	1,032,518	642,193	390,325	795,249
Total capital improvements	1,887,659	1,370,016	517,643	1,485,614
Debt service:				
Interest	1,905,123	1,905,122	1	1,935,468
Bonds principal	1,600,000	1,600,000	-	1,525,000
Loan principal	1,110,793	1,110,792	1	891,975
Other fees	22,500	1,000	21,500	1,000
Total debt service	4,638,416	4,616,914	21,502	4,353,443
Total expenditures	25,335,399	22,467,242	2,868,157	21,781,259
Revenues in excess of (less than) expenditures	(3,172,335)	1,469,708	4,642,043	595,028

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2022

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Other financing sources (uses):				
Transfers in:				
Capital Project Fund	\$ -	\$ 35,312	\$ 35,312	\$ 5,464,902
ARP CSLFRF Special Revenue Fund	153,519	138,543	(14,976)	-
Transfers (out):				
Capital Project Fund	(5,490,030)	(5,490,030)	-	(1,162,922)
Chatham Park Utility Fund	(60,000)	(33,000)	27,000	(30,000)
Other Post Employment Benefits	(25,000)	(25,000)	-	(25,000)
Debt issuance	332,300	-	(332,300)	-
Insurance recovery	-	500	500	-
Appropriated fund balance	8,261,546	-	(8,261,546)	-
Total other financing sources (uses)	<u>3,172,335</u>	<u>(5,373,675)</u>	<u>(8,546,010)</u>	<u>4,246,980</u>
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(3,903,967)</u>	<u>\$ (3,903,967)</u>	<u>\$ 4,842,008</u>

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

Reconciling items:

Capital outlay	\$ 951,599
Capital contributions - contractors	3,351,588
Principal payments on debt	2,710,792
Decrease in accrued interest	7,306
Depreciation	(6,450,977)
Bad debt allowance	(69,104)
Bond premium amortization	338,425
Disposal of capital assets	(36,418)
Intrafund transfers	5,454,718
Increase in deferred outflows of resources - pensions	192,095
Decrease in net pension liability	1,306,382
Increase in deferred inflows of resources - pensions	(1,316,736)
Increase in compensated absences	(5,708)
Decrease in deferred outflows of resources - OPEB	(499,871)
Decrease in net OPEB liability	2,797,391
Increase in deferred inflows of resources - OPEB	(2,700,862)
Deferred outflows from debt refunding	(20,608)
Utility Capital Projects Fund	
Grant funds	1,138,515
Contributions from other governments	1,283,753
Interest income	95
Non-capitalized expenditures	<u>(68,185)</u>
Change in net position	<u>\$ 4,460,223</u>

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, 2022

	Project Budget	Prior Years	Closed Projects	Current Year	Total to Date
Revenues:					
Grants	\$ 5,798,623	\$ 3,831,588	\$ (2,024,858)	\$ 1,138,515	\$ 2,945,245
Contributions from other governments	9,292,620	454,981	-	1,283,753	1,738,734
Interest income	63,727	63,739	(63,726)	95	108
Total revenues	15,154,970	4,350,308	(2,088,584)	2,422,363	4,684,087
Expenditures:					
Water capital project - capital outlay	20,738,739	7,386,273	(6,809,152)	2,112,875	2,689,996
Sewer capital project - capital outlay	14,292,275	8,638,786	(4,427,048)	2,219,947	6,431,685
Non-capitalized expenditures	436,575	342,923	(342,875)	67,455	67,503
Total expenditures	35,467,589	16,367,982	(11,579,075)	4,400,277	9,189,184
Revenues less than expenditures	(20,312,619)	(12,017,674)	9,490,491	(1,977,914)	(4,505,097)
Other Financing Sources (Uses):					
Transfer from Utility Fund	21,457,463	15,967,433	(7,205,661)	5,490,030	14,251,802
Transfer to Utility Fund	(9,256,363)	(9,221,049)	5,310,986	(35,312)	(3,945,375)
Debt issuance costs	(43,094)	(41,740)	42,470	(730)	-
Debt proceeds	8,154,613	8,154,610	(7,638,286)	-	516,324
Total other financing sources (uses)	20,312,619	14,859,254	(9,490,491)	5,453,988	10,822,751
Revenues and other financing sources in excess of (less than) expenditures	\$ -	\$ 2,841,580	\$ -	\$ 3,476,074	\$ 6,317,654

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

CITY OF SANFORD, NORTH CAROLINA

CHATHAM PARK - WATER RECOVERY CENTER OPERATIONS
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL - FROM INCEPTION AND
 FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Chatham Park	\$ 348,758	\$ 196,664	\$ (152,094)	\$ 27,861
Expenditures:				
Salaries and benefits	14,880	39,868	(24,988)	5,115
Maintenance of infrastructure and related equipment	138,180	3,154	135,026	-
Other operating expenditures	195,698	153,642	42,056	22,746
Total expenditures	348,758	196,664	152,094	27,861
Revenues less than expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfer from Utility Fund	-	33,000	33,000	30,000
Total other financing sources (uses)	-	33,000	33,000	30,000
Revenues and other financing sources in excess of expenditures	\$ -	\$ 33,000	\$ 33,000	\$ 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, 2022

	Financial Plan	Actual	Variance with Final Budget Over/Under
Revenues:			
Health insurance premiums	\$ 3,537,342	\$ 4,583,973	\$ 1,046,631
Interest income	-	3,431	3,431
Total revenues	<u>3,537,342</u>	<u>4,587,404</u>	<u>1,050,062</u>
Expenditures:			
Health insurance claims	2,983,281	2,908,064	75,217
Wellness initiatives	116,778	128,631	(11,853)
Health savings account contributions	14,063	17,375	(3,312)
Administration	423,220	460,513	(37,293)
Total expenditures	<u>3,537,342</u>	<u>3,514,583</u>	<u>22,759</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 1,072,821</u>	<u>\$ 1,072,821</u>
Reconciliation from financial plan (modified accrual) to full accrual:			
Revenues in excess of expenditures		\$ 1,072,821	
Reconciling items:			
Decrease in claims incurred but not reported		<u>46,399</u>	
Change in net position		<u>\$ 1,119,220</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, 2022

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
Assets:				
Cash and cash equivalents	\$ 92,495	\$ 21,210	\$ -	\$ 113,705
Accounts receivable	7	-	62,933	62,940
Total assets	<u>92,502</u>	<u>21,210</u>	<u>62,933</u>	<u>176,645</u>
Liabilities:				
Due to other governments	-	-	62,933	62,933
Total liabilities	<u>-</u>	<u>-</u>	<u>62,933</u>	<u>62,933</u>
Net Position:				
Restricted for:				
Individuals, organizations, and other governments	92,502	21,210	-	113,712
Total net position	<u>\$ 92,502</u>	<u>\$ 21,210</u>	<u>\$ -</u>	<u>\$ 113,712</u>

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2022

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
Additions:				
Interest income	\$ 56	\$ 34	\$ -	\$ 90
Occupancy tax	-	-	336,502	336,502
Contributions	-	8,738	-	8,738
Total additions	56	8,772	336,502	345,330
Deductions:				
Benefits paid	106,452	2,968	-	109,420
Insurance	445	-	-	445
Distributions	-	-	336,502	336,502
Total deductions	106,897	2,968	336,502	446,367
Net increase (decrease) in fiduciary net position	(106,841)	5,804	-	(101,037)
Net position, beginning	199,343	15,406	-	214,749
Net position, ending	\$ 92,502	\$ 21,210	\$ -	\$ 113,712

THIS PAGE LEFT BLANK INTENTIONALLY.



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 2021 Tax Levy
- Municipal Service District Schedule of Ad Valorem Taxes Receivable
- Municipal Service District Supplemental Schedule of 2021 Tax Levy

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SUPPLEMENTAL SCHEDULE OF 2021 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2022

	City - Wide			Total Levy	
	Property	Rate	Total	Property	Registered
	Valuation		Levy	excluding	Motor
				Registered	Motor
				Motor	Vehicles
				Vehicles	Vehicles
Original levy:					
Property taxed at current rate \$	2,958,314,194	0.62	\$ 18,341,548	\$ 16,602,509	\$ 1,739,039
Utilities	56,622,258	0.62	351,058	351,058	-
Penalties	-		86,991	86,991	-
Total	<u>3,014,936,452</u>		<u>18,779,597</u>	<u>17,040,558</u>	<u>1,739,039</u>
Discoveries:					
Current years taxes	11,507,742	0.62	71,348	71,348	-
Gap bills	5,422,742	0.62	33,621	33,621	-
Penalties	-		3,341	3,341	-
Total	<u>3,031,866,936</u>		<u>18,887,907</u>	<u>17,148,868</u>	<u>1,739,039</u>
Abatements	<u>(7,855,484)</u>	0.62	<u>(48,704)</u>	<u>(48,704)</u>	<u>-</u>
Total property valuation	<u>\$ 3,024,011,452</u>				
Net levy			18,839,203	17,100,164	1,739,039
Uncollected taxes at June 30, 2022			<u>164,222</u>	<u>133,314</u>	<u>30,908</u>
Current year's taxes collected			<u>\$ 18,674,981</u>	<u>\$ 16,966,850</u>	<u>\$ 1,708,131</u>
Current levy collection percentage			<u>99.1%</u>	<u>99.2%</u>	<u>98.2%</u>

CITY OF SANFORD, NORTH CAROLINA

MUNICIPAL SERVICE DISTRICT
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2022

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2020-2021	\$ -	\$ 82,465	\$ 81,952	\$ 513
2020-2021	1,319	-	971	348
2019-2020	815	-	594	221
2018-2019	364	-	177	187
2017-2018	395	-	24	371
2016-2017	120	-	17	103
2015-2016	83	-	1	82
2014-2015	49	-	3	46
2013-2014	75	-	2	73
2012-2013	108	-	3	105
2011-2012	263	-	263	-
Total	\$ 3,591	\$ 82,465	\$ 84,007	2,049

Less: Allowance for uncollectible accounts:

Central Business Tax District 395

Ad valorem taxes receivable - net \$ 1,654

Reconcilement with revenues:

Ad valorem taxes - Central Business Tax District \$ 83,705

Reconciling items:

Taxes released and written off 302

Total collections and credits \$ 84,007

CITY OF SANFORD, NORTH CAROLINA

MUNICIPAL SERVICE DISTRICT
SUPPLEMENTAL SCHEDULE OF 2021 TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2022

	City - Wide			Total Levy	
	Property	Rate	Total	Property	Registered
	Valuation		Levy	excluding	Motor
				Registered	Registered
				Motor	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current rate	\$ 74,542,727	0.11	\$ 81,997	\$ 78,265	\$ 3,732
Penalties			258	258	-
Discoveries and late lists	196,364	0.11	216	216	-
Abatements	<u>(5,455)</u>	0.11	<u>(6)</u>	<u>(6)</u>	<u>-</u>
Total property valuation	\$ <u>74,733,636</u>		<u>82,465</u>	<u>78,733</u>	<u>3,732</u>
Net levy			82,465	78,733	3,732
Uncollected taxes at June 30, 2022			<u>513</u>	<u>513</u>	<u>-</u>
Current year's taxes collected			\$ <u>81,952</u>	\$ <u>78,220</u>	\$ <u>3,732</u>
Current levy collection percentage			<u>99.4%</u>	<u>99.3%</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.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 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	\$ 33,978,733
Restricted	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	10,456,936
Unrestricted	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)	(24,418,101)
Total governmental activities net position	\$ 28,267,936	\$ 24,777,526	\$ 27,486,230	\$ 29,239,014	\$ 25,791,258	\$ 6,349,067	\$ 8,375,570	\$ 8,557,221	\$ 10,592,235	\$ 20,017,568
Business-type activities										
Net investment in capital assets	\$ 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	\$ 126,428,450
Unrestricted	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	4,019,836
Total business-type activities net position	\$ 106,086,276	\$ 111,004,647	\$ 115,348,462	\$ 115,544,984	\$ 116,979,023	\$ 113,453,668	\$ 117,463,236	\$ 120,374,535	\$ 125,955,063	\$ 130,448,286
Primary government										
Net investment in capital assets	\$ 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	\$ 160,407,183
Restricted	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	10,456,936
Unrestricted	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)	(20,398,265)
Total primary government net position	\$ 134,354,212	\$ 135,782,173	\$ 142,834,692	\$ 144,783,998	\$ 142,770,281	\$ 119,802,735	\$ 125,838,806	\$ 128,931,756	\$ 136,547,298	\$ 150,465,854

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 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	\$ 5,201,465
Public safety	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	16,543,793
Streets	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	4,102,928
Sanitation	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	3,262,148
Community development	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	2,601,108
Cultural and recreational	-	-	-	-	-	-	1,043,892	1,420,848	1,608,805	1,620,489
Interest on long-term debt	22,348	20,451	219,692	285,362	262,234	318,914	298,688	325,374	302,656	295,932
Total governmental activities expenses	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	33,627,863
Business-type activities:										
Utility	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	25,786,335
Golf	826,763	820,350	801,895	780,163	-	-	-	-	-	-
Total business-type activities expenses	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	25,786,335
Total primary government expenses	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	59,414,198
Program Revenues										
Governmental activities:										
Charges for services:										
General government	894,690	831,559	82,128	77,977	640,998	633,298	9,849	7,745	9,918	8,920
Public safety	507,856	468,407	44,831	49,328	55,606	689,143	34,380	34,531	38,190	1,403,403
Streets	271,876	174,497	189,993	224,649	234,558	215,402	177,391	139,400	163,043	217,009
Sanitation	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	2,826,590
Community development	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	915,079
Operating grants & contributions	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	3,154,193
Capital grants & contributions	1,126,887	187,186	-	168,632	521,943	3,804,509	1,547,367	1,309,175	1,874,673	3,524,217
Total governmental activities program revenue	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	12,049,411
Business-type activities:										
Charges for services	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	23,411,502
Operating grants & contributions	1,014,919	892,864	891,902	896,713	442,230	6,888	338,932	316,022	20,268	-
Capital grants & contributions	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	5,773,856
Total business-type activities program revenues	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	29,185,358
Total primary government program revenues	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	41,234,769
Net (Expense)/Revenue										
Governmental activities	(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)	(21,578,452)
Business-type activities	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	3,399,023
Total primary government net expense	(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)	(18,179,429)

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 18,942,896
Other taxes	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	8,964,680
Intergovernmental not restricted	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	2,507,755
Other	396,129	452,661	314,713	418,630	305,067	410,080	603,109	364,025	423,600	726,997
Total governmental activities	<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>	<u>31,142,328</u>
Business-type activities:										
Other	712,634	33,919	15,550	54,457	85,759	247,151	991,306	1,228,036	1,610,831	955,657
Total business-type activities	<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>	<u>955,657</u>
Total primary government	<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>	<u>32,097,985</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	(106,890)	(72,258)	(121,149)	(157,141)	22,216	10,250	-	-	-	(138,543)
Business activities	106,890	72,258	121,149	157,141	(22,216)	(10,250)	-	-	-	138,543
Change in Net Position										
Governmental activities	(3,852,682)	(3,490,410)	(476,858)	732,268	(1,060,369)	3,702,795	2,026,503	181,651	1,957,078	9,425,333
Business-type activities	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	4,493,223
Total primary government	<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>	<u>\$ 13,918,556</u>

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

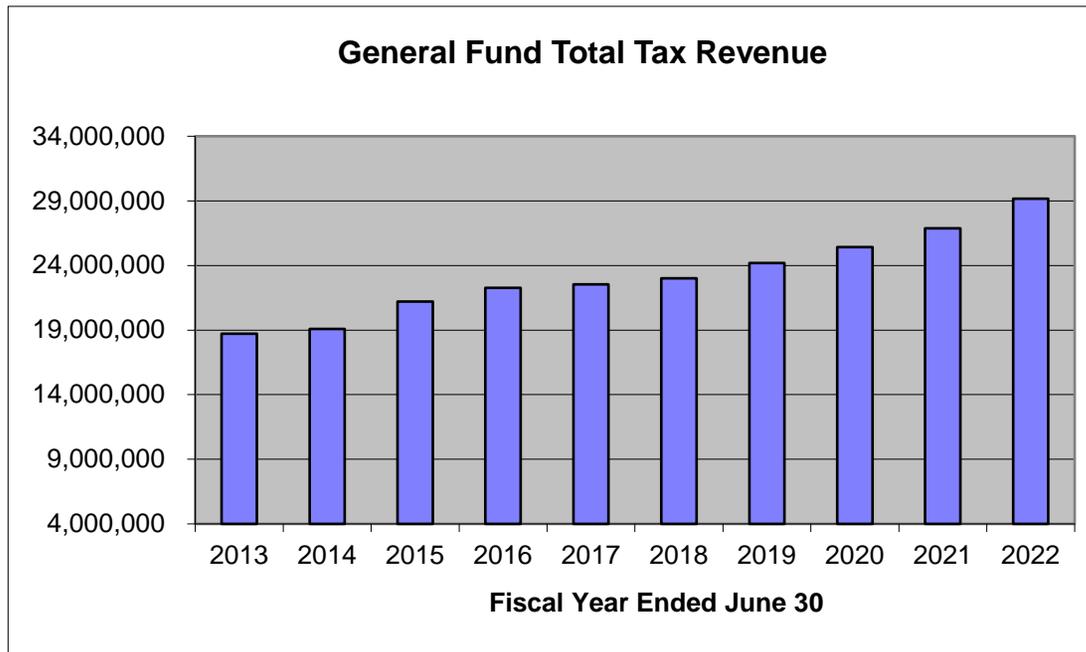
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Non-spendable										
Inventories	\$ 86,407	\$ 94,157	\$ 74,785	\$ 88,160	\$ 98,911	\$ 105,321	\$ 113,598	\$ 81,703	\$ 108,005	\$ 120,150
Prepaid expenses	50,816	81,239	51,875	100,604	112,323	52,118	128,922	111,962	156,974	217,605
Restricted										
Stabilization by State statute	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	5,546,081
Community Development	-	-	-	-	-	-	-	-	-	11,991
Inspections building permits	-	-	-	-	-	167,791	100,860	668,020	857,120	1,374,954
Public Safety	77,231	63,249	-	97,858	45,617	60,866	65,449	110,813	185,954	211,141
Powell Bil	-	-	-	-	-	-	-	-	193,574	-
General government	-	-	-	-	-	-	-	-	1,164,322	465,115
Streets	-	-	-	-	-	-	-	-	-	1,011,466
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	1,632,774
Assigned										
Subsequent year's expenditures	876,074	184,922	624,788	851,510	-	58,300	235,504	48,104	756,641	1,831,642
Unassigned	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	16,283,077
Total General Fund	\$ 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	\$ 28,705,996
All Other Governmental Funds										
Restricted										
Stabilization by State statute	\$ 443,325	\$ 94,585	\$ 651	\$ 3,254	\$ 1,366	\$ 5,921	\$ 1,579	\$ 1,185	\$ 1,474	\$ 1,719
Community development	390,520	428,853	449,181	502,184	584,354	660,096	613,848	2,028,984	1,325,408	2,299,584
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	139,238
Assigned										
Subsequent year's expenditures	-	-	-	-	-	-	-	15,349	11,290	10,253
Downtown revitalization	80,555	92,866	103,916	105,468	87,884	89,514	99,605	117,388	120,297	128,734
Unassigned	(56,852)	(45,238)	16,195	16,195	-	-	-	-	-	7,105
Total All Other Governmental Funds	\$ 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	\$ 2,586,633

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Ad valorem taxes	\$ 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	\$ 18,853,196
Other taxes	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	8,966,725
Penalties and interest	60,830	79,295	77,529	80,210	57,417	54,395	53,163	48,240	86,360	71,082
Licenses and permits	320,529	336,949	400,860	671,132	737,715	682,409	598,721	1,256,186	1,005,314	1,399,181
Intergovernmental revenues	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	5,704,625
Investment income	36,937	30,099	20,320	88,545	122,504	216,637	407,883	235,439	25,910	75,160
Sales and service	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	2,829,948
Miscellaneous revenues	938,496	640,484	787,041	933,020	1,038,797	974,355	952,905	961,428	1,134,298	1,957,325
Total revenues	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	39,857,242
Expenditures										
General government	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	5,643,134
Public safety	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	15,318,410
Streets	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	2,208,743
Sanitation	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	3,080,332
Community development	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	2,566,188
Cultural and recreational	-	-	-	-	-	-	751,910	1,044,494	1,137,831	1,295,356
Capital outlay	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	2,894,396
Debt service										
Principal	145,555	172,208	235,533	781,766	761,920	767,095	956,570	1,095,594	1,033,152	1,134,360
Interest	22,251	21,978	24,217	314,974	299,318	276,143	335,782	350,897	350,737	345,588
Bond issuance costs	-	-	-	-	-	-	90,826	-	-	-
Total expenditures	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	34,486,507
Excess (deficiency) of revenues over expenditures	(2,033,353)	167,987	(441,212)	(7,581,392)	(2,540,407)	(239,001)	1,302,869	1,765,195	3,449,755	5,370,735
Other Financing Sources (Uses)										
Insurance recovery	-	-	-	71,775	29,817	12,822	89,637	52,651	47,117	112,427
Transfers in (out)	(106,890)	(72,258)	(121,149)	(160,687)	(45,000)	(80,750)	(50,000)	(50,000)	(50,000)	(188,543)
Sale of Property	-	-	(205,454)	-	-	361,833	165,017	32,761	218,891	246,360
Miscellaneous	-	-	-	-	-	-	-	-	-	-
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)	843,110	(72,258)	9,952,234	(88,912)	(15,183)	3,750,155	2,366,057	35,412	1,366,507	170,244
Net change in fund balances	\$ (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	\$ 5,540,979
Debt service as a percentage of noncapital expenditures	0.70%	0.84%	1.14%	4.32%	3.88%	3.78%	4.55%	4.79%	4.36%	4.68%

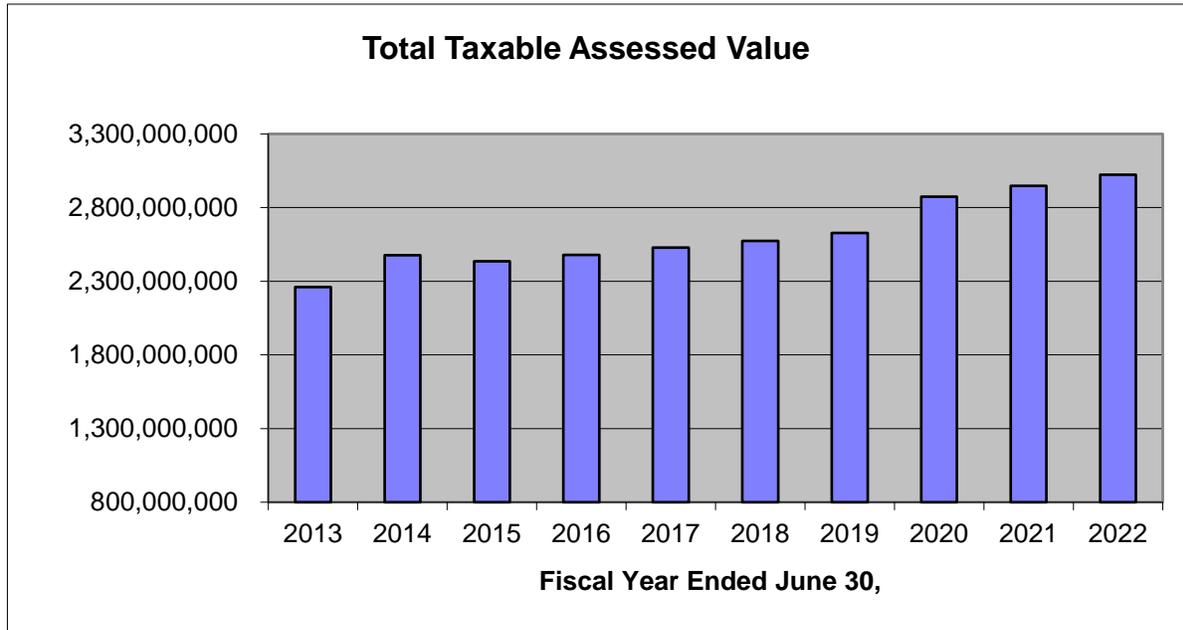
CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Ad valorem taxes	Sales tax	Utility franchise/sales tax	Privilege licenses	Wine and beer tax	Assessments	Total
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
2022	18,769,491	8,252,540	2,073,935	2,045	60,322	-	29,158,333



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
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	748,611,126	54,339,500	2,946,939,000	0.60	93.57%
2022	2,196,823,033	770,566,161	56,622,258	3,024,011,452	0.62	89.88%



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	Municipal Service District	Lee County	
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
2022	0.62	0.11	0.760	1.490

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 Municipal Service District apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the Municipal Service District).

CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL PROPERTY TAX PAYERS
 JUNE 30, 2022 COMPARED TO JUNE 30, 2012

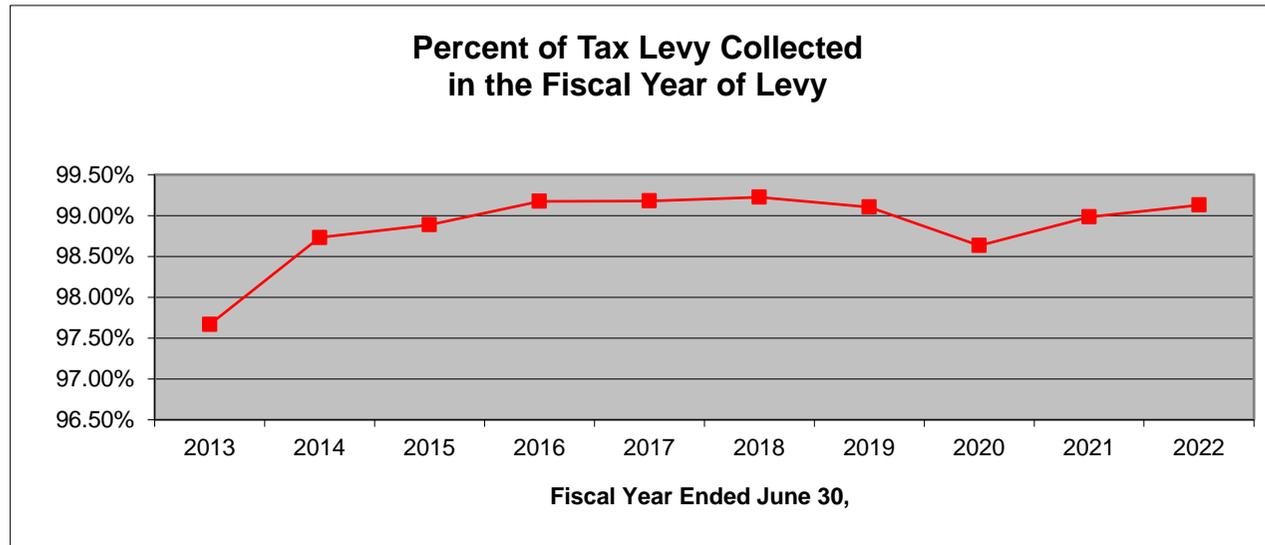
Taxpayer	2022			2012		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	\$ 92,278,309	1	3.05%	\$ 102,388,524	1	4.62%
Frontier Spinning Mills	82,267,785	2	2.72%	72,619,307	2	3.28%
Simpson & Simpson	68,408,774	3	2.26%	63,854,619	3	2.88%
Magneti Marelli USA, INC.	44,081,622	4	1.46%	29,601,031	5	1.33%
Moen, Inc.	41,337,187	5	1.37%	32,279,810	4	1.46%
AMISUB/Central Carolina Hospital	35,285,522	6	1.17%	22,003,115	9	0.99%
Tyson	32,686,928	7	1.08%			
South Park Village, LLC	31,276,600	8	1.03%			
Pentair	30,810,660	9	1.02%	22,197,474	8	1.00%
Ryder Downs, LLC	25,450,300	10	0.84%			
The Pantry				29,517,415	6	1.33%
Static Control				26,098,585	7	1.18%
Windstream				21,333,223	10	0.96%
Total	\$ 483,883,687		16.00%	\$ 421,893,103		19.03%

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
2013	2012	12,280,705	11,994,033	97.67%	280,670	12,274,703	99.95%
2014	2013	13,380,720	13,210,856	98.73%	158,401	13,369,257	99.91%
2015	2014	14,685,766	14,522,406	98.89%	134,181	14,656,587	99.80%
2016	2015	14,881,565	14,758,667	99.17%	89,590	14,848,257	99.78%
2017	2016	15,195,824	15,071,109	99.18%	91,530	15,162,639	99.78%
2018	2017	15,475,098	15,354,949	99.22%	79,929	15,434,878	99.74%
2019	2018	16,324,178	16,177,770	99.10%	89,541	16,267,311	99.65%
2020	2019	17,263,421	17,027,314	98.63%	134,924	17,162,238	99.41%
2021	2020	17,704,119	17,524,116	98.98%	65,157	17,589,273	99.35%
2022	2021	18,839,203	18,674,981	99.13%	(1)	18,674,981	99.13%

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			
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
2022	7,050,000	643,153	3,585,555	-	4,534,904	10,909,920	35,470,000	2,955,759	65,149,291	9.09%	2,124

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
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
2022	7,693,153	0.25%	251

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

CITY OF SANFORD, NORTH CAROLINA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2022

<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	\$ 11,278,707	100%	\$ 11,278,707
Lee County	<u>85,627,474</u>	49%	<u>41,957,462</u>
Total direct and overlapping debt	<u>\$ 96,906,181</u>		<u>\$ 53,236,169</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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Limit	\$ 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	\$ 241,920,916
Total net debt applicable to limit	20,159,041	19,844,153	18,615,895	25,530,275	23,938,844	25,827,129	26,010,497	24,039,057	26,728,562	24,501,234
Legal debt margin	<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>	<u>\$ 217,419,682</u>
Total net debt applicable to limit as a percentage of debt limit	11.10%	10.02%	9.55%	12.88%	11.83%	12.55%	12.37%	10.45%	11.34%	10.13%

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed value	\$ 3,024,011,452
Debt limit 8% of assessed value	241,920,916
Amount of debt applicable to debt limit:	42,520,000
Outstanding debt not evidenced by bonds:	
Notes	10,909,920
Installment purchase contracts	6,541,314
	<u>59,971,234</u>
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	<u>35,470,000</u>
	<u>24,501,234</u>
Legal Debt Margin	<u>\$ 217,419,682</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
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%
2022	30,678	716,975,538	23,371	38.60	9,159	4.6%

Sources of Information:

Population, personal income and median age information 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, 2022 COMPARED TO JUNE 30, 2012

<u>Employer</u>	<u>2022</u>		<u>2012</u>	
	Employees	Rank	Employees	Rank
Catepillar	1000+	1	374	10
Lee County Schools	1000+	2		
Pentair	500-999	3	600	4
Pilgrims Pride	500-999	4	1,100	2
Central Carolina Community College	500-999	5		
County of Lee	500-999	6		
Bear Creek Arsenal	250-499	7		
Tyson Mexican Original	250-499	8	443	8
Kelly Services Inc	250-499	9		
Frontier Yarns Inc	250-499	10	470	5
Static Control			1,250	1
Coty			795	3
Arden			457	6
Pfizer			450	7
Moen			375	9

Source: NC Department of Commerce

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>Function/Program</u>										
General Government	34	36	37	38	37	37	34	34	36	37
Public Safety										
Police Officers	75	84	82	83	81	80	78	72	68	66
Police Civilians	15	19	18	21	23	22	24	24	22	21
Firefighters and Officers	51	51	52	52	52	47	49	48	48	47
Fire Civilians	1	1	1	1	1	4	4	4	4	4
Inspections	5	5	5	5	6	5	6	6	6	8
Streets	17	17	18	16	17	18	15	15	16	12
Sanitation	16	17	17	16	17	17	16	17	16	18
Community Development	14	13	13	13	13	13	13	14	14	13
Cultural and Recreation	5	5	5	5	5	5	9	10	10	11
Utility	77	84	85	81	83	84	83	89	88	88
Total	<u>310</u>	<u>332</u>	<u>333</u>	<u>331</u>	<u>335</u>	<u>332</u>	<u>331</u>	<u>333</u>	<u>328</u>	<u>325</u>

Source: The City of Sanford Human Resources department

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>Function/Program</u>										
Police										
Physical arrests	2,842	2,952	2,704	2,400	2,124	2,316	2,043	2,010	2,015	1,928
Parking violations	481	461	332	44	563	270	270	151	237	239
Traffic violations	4,573	4,769	4,374	3,761	2,969	2,565	2,541	2,400	2,379	2,020
Fire										
Emergency responses	1,016	954	1,054	1,196	1,344	1,295	1,431	162	1,432	1,781
Fires extinguished	128	114	115	113	111	126	123	106	75	126
Inspections	1,428	1,424	1,832	1,528	1,303	1,037	1,040	911	718	617
Inspections										
Building permits issued	412	333	416	467	586	514	590	761	911	871
Building inspections conducted	6,509	5,786	5,848	6,617	8,030	8,337	6,381	10,214	12,301	13,194
Street										
Street resurfacing (miles)	5.87	-	4.60	0.396	2.594	3.49	-	3.83	-	1.80
Refuse collection										
Refuse collected (tons per day)	30.00	28.75	28.31	30.42	33.76	32.17	29.91	33.94	33.14	32.65
Utility										
New Water connections	204	155	75	101	111	122	114	115	160	165
Water main breaks	215	158	119	182	133	116	52	88	63	134
Average daily consumption (mgd)	6.825	8.160	6.900	7.1	7.813	7.295	7.256	7.498	7.440	7,480
Golf										
Rounds	29,296	26,966	24,649	24,440	27,406	27,341	26,083	29,189	33,243	37,585

Sources: Various City of Sanford departments

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

<u>Function/Program</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>	<u>2022</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)	135.82	135.82	135.70	135.70	135.70	137.61	138.33	139.23	139.73	141.23
Water Water mains (miles)	577.16	578.00	579.00	582.00	582.80	585.09	585.09	588.82	610.00	612.60
Fire hydrants	2,990	3,001	3,006	3,006	3,040	3,081	3,102	3,136	3,105	3,105
Storage capacity (thousands of gallons)	5,500	5,500	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550
Sewer Sanitary sewers (miles)	254.50	255.00	226.00	232.00	232.08	236.61	232.78	234.05	234.05	245.37
Golf Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments



CITY OF SANFORD, NORTH CAROLINA
COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

**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, 2022 and the related notes to the financial statements, which collectively comprises the City of Sanford's basic financial statements and have issued our report thereon dated November 21, 2022.

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.

Report on Compliance and Other Matters

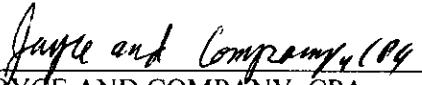
As part of obtaining reasonable assurance about whether the City of Sanford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 21, 2022


JOYCE AND COMPANY, CPA
Cary, North Carolina

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Sanford's major federal programs for the year ended June 30, 2022. 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.

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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Sanford and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Sanford's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rule and provisions of contracts or grant agreements applicable to the City of Sanford federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Sanford's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Sanford's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Sanford's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Sanford's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Sanford's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

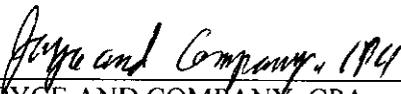
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



JOYCE AND COMPANY, CPA
Cary, North Carolina

November 21, 2022

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Sanford's major state programs for the year ended June 30, 2022. The City of Sanford's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of its major state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

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 the audit requirements of 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Sanford and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City of Sanford's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Sanford state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Sanford's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Sanford's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Sanford's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Sanford's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Sanford's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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

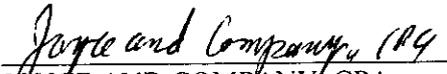
internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

November 21, 2022


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, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

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

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

Identification of major federal programs:

CFDA No(s) Names of Federal Program or Cluster
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 no

State Awards

Internal control over major state program:

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

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

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

Identification of major state programs: Powell Bill

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

Section IV. State Award Findings and Questioned Costs

None.

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<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	368,450	-	-	334,706
Passed-through N. C. Dept. of Environmental Quality CDBG East Sanford Sewer Line Rehab	14.228	CDBG 19-I-3113	124,753	-	-	-
Total CDBG			<u>493,203</u>	-	-	-
Passed-through N.C. Housing Finance Agency Essential Single Family Rehab	14.239	ESFRLP18	25,300	-	-	-
<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	5,584	-	-	-
<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	756,133	252,044	-	-
<u>U.S. Department of Treasury</u>						
Passed-through N.C. Pandemic Recovery Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	NC0407	<u>494,682</u>	-	-	-
Total Assistance - Federal Programs			<u>\$ 1,774,902</u>	<u>\$ 252,044</u>	<u>\$ -</u>	<u>\$ 334,706</u>
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	2020 URP 20	-	99,550	10,000	-
<u>N.C. Department of Environmental Quality</u>						
Sanford 2021 CWRAR Grant	N/A	CW20904	-	6,628	-	-
<u>N.C. Department of Transportation</u>						
Powell Bill Funds Economic Development Agreement	N/A	32570	-	1,097,084	-	-
Project Forge Tabitha Lane Roadway Improvements	N/A	WBS Element 48943	-	30,372	-	-
Total State Assistance			<u>\$ 1,774,902</u>	<u>\$ 1,485,678</u>	<u>\$ 10,000</u>	<u>\$ 334,706</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Sanford under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. 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, 2022. 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.