

CITY OF SANFORD

NORTH CAROLINA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023

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

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

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City of Sanford, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2023

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 777-1112

November 16, 2023

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, 2023 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 31,224. 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. Limited Obligation Bonds were issued in April 2023 for the fire station and fire trucks and the construction contract was awarded the following month. Future tax rate increases may be necessary to pay for operating costs for the fire station.

City Council approved an increase of 6% in water and an increase of 3% in sewer rates in fiscal year 2023-24. 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 as well as other utility capital project needs.

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. Moody's assigned a rating of Aa3 to the Limited Obligation bonds in March 2023. 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 \$5,927,000 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 2025. 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 and Fuquay Varina as partners. The other towns will pay costs for additional capacity through ownership. The total estimated cost of the expansion is expected to be \$300 million. Each municipality will issue debt for their portion of the costs.

The City has entered into a merger agreement with Town of Pittsboro to own and operate Pittsboro's utility by June 30, 2024. This merger will allow for redundancy for Sanford customers as well as future capacity for Pittsboro customers.

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, 2022. 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 it has applied.

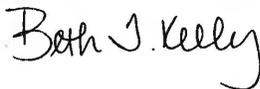
The City of Sanford also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2022. The GFOA established the Popular Annual Financial Reporting Awards Program to encourage and assist state and local governments to extract information 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.

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



GOVERNING BODY

THE HONORABLE REBECCA SALMON, MAYOR

MAYOR PRO TEM CHARLES TAYLOR

COUNCIL MEMBER JAMES G. WILLIAMS

COUNCIL MEMBER JIMMY HAIRE

COUNCIL MEMBER BYRON BUCKLES

COUNCIL MEMBER LINDA RHODES

COUNCIL MEMBER JEAN DABBS

COUNCIL MEMBER MARK AKINOSHO

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

BY

**Hal Hegwer
City Manager**

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

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CITY OF SANFORD, NORTH CAROLINA
FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the 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, 2023, 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, 2023, 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, 2023, 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 92 through 93, and the Other Postemployment Benefits' Schedules of Changes in the Net OPEB Liability and Related Ratios, City Contributions, and Investment Returns on pages 87 through 89, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 90 through 91 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 the 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, and the report of other auditors 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 16, 2023 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 16, 2023

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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, 2023. 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.

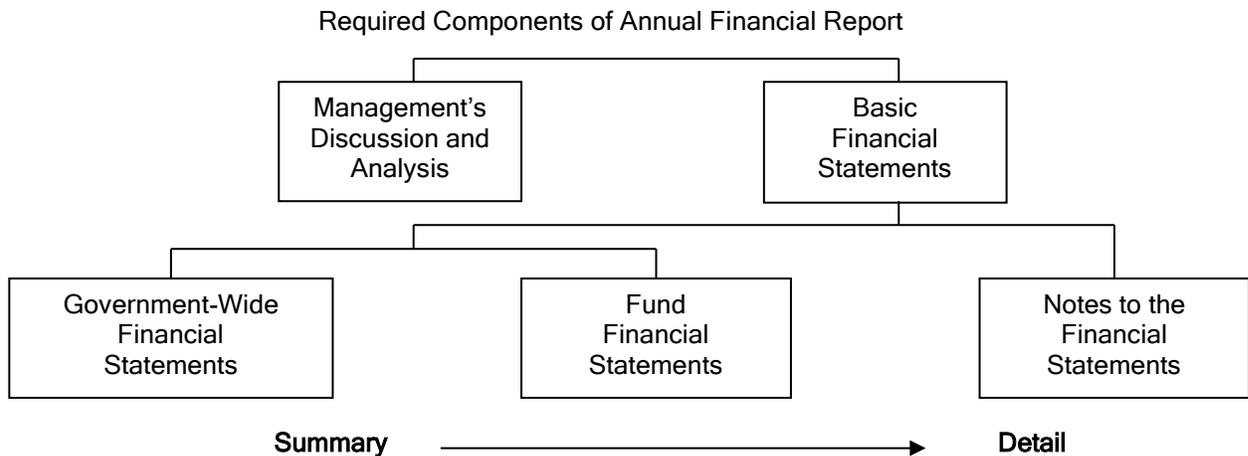
Financial Highlights

- 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 \$220,521,697 (net position).
- The government's total net position increased by \$70,055,843. This increase is due to \$32,504,137 in the governmental activities' net position and \$37,511,706 in the business-type activities' net position.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$51,916,851, with an increase of \$20,624,222 in fund balance. Of this amount 42.5%, or \$22,065,773, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$29,591,020, or 67.7% of total General Fund expenditures and other financing uses for the fiscal year.
- The City of Sanford's total net debt increased by \$8,625,265 during the fiscal year. The key factor in this increase was limited obligation bonds issued for the new fire station and related rolling stock.
- 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	
	2023	2022	2023	2022	2023	2022
Current assets and other assets	\$ 60,275,247	\$ 41,762,080	\$ 37,730,392	\$ 21,687,175	\$ 98,005,639	\$ 63,449,255
Capital assets	69,167,516	44,792,326	210,421,418	179,782,601	279,588,934	224,574,927
Total assets	<u>129,442,763</u>	<u>86,554,406</u>	<u>248,151,810</u>	<u>201,469,776</u>	<u>377,594,573</u>	<u>288,024,182</u>
Total deferred outflows of resources	12,937,388	12,446,883	4,084,523	3,934,461	17,021,911	16,381,344
Long-term liabilities	67,899,639	53,815,365	61,422,104	63,402,270	129,321,743	117,217,635
Other liabilities	7,261,947	4,685,069	13,241,973	5,362,889	20,503,920	10,047,958
Total liabilities	<u>75,161,586</u>	<u>58,500,434</u>	<u>74,664,077</u>	<u>68,765,159</u>	<u>149,825,663</u>	<u>127,265,593</u>
Deferred inflows of resources	14,696,860	20,483,287	9,572,264	6,190,792	24,269,124	26,674,079
Net position:						
Net investment in capital assets	53,121,751	33,978,733	150,808,050	126,428,450	203,929,801	160,407,183
Restricted	21,656,360	10,456,936	-	-	21,656,360	10,456,936
Unrestricted	(22,256,406)	(24,418,101)	17,191,942	4,019,836	(5,064,464)	(20,398,265)
Total net position	<u>\$ 52,521,705</u>	<u>\$ 20,017,568</u>	<u>\$ 167,999,992</u>	<u>\$ 130,448,286</u>	<u>\$ 220,521,697</u>	<u>\$ 150,465,854</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 \$220,521,697 as of June 30, 2023. The City's net position increased by \$70,055,843 for the fiscal year ended June 30, 2023. However, \$203,929,801 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, \$21,656,360 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 \$(5,064,464) 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 five 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 governmental activities and 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 99.2%.
- 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 and other various necessary capital projects.
- The increase is attributable to the sales tax revenue received.
- Expenses and accruals related to pension liabilities (LGERS and LEO).

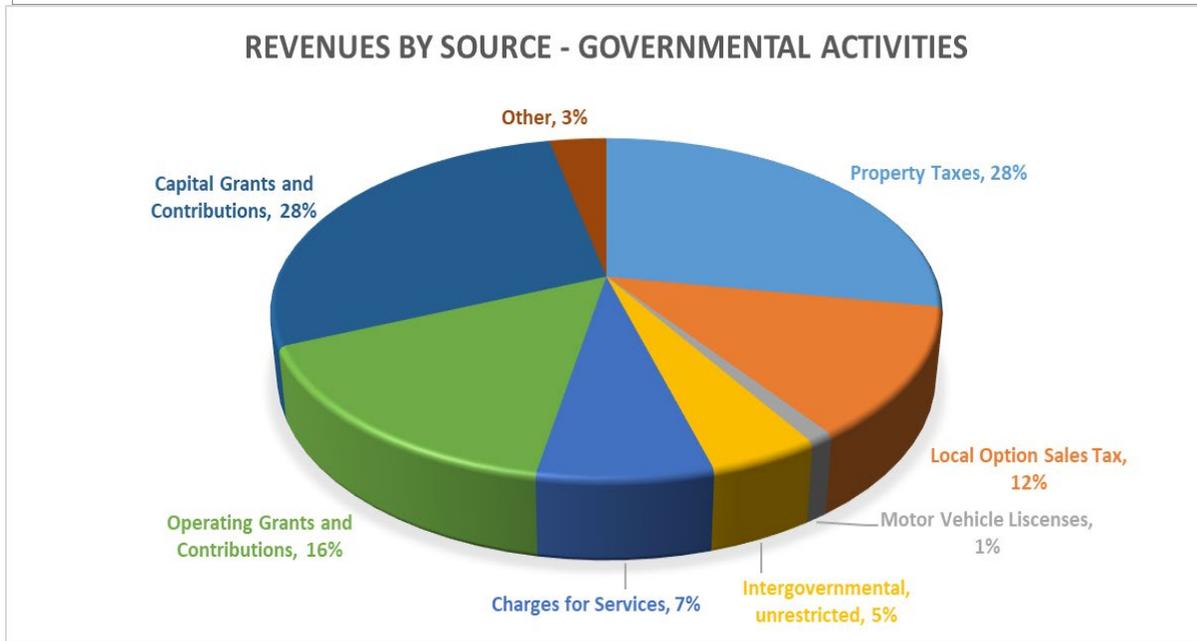
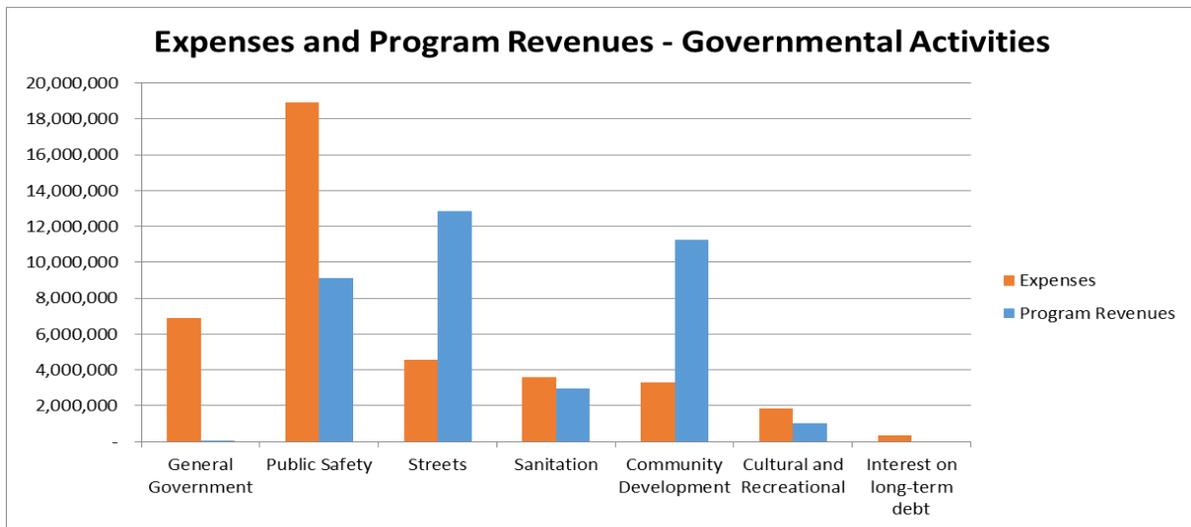
CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

City of Sanford's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 5,217,380	\$ 5,371,001	\$ 27,201,102	\$ 23,411,502	\$ 32,418,482	\$ 28,782,503
Operating grants and contributions	11,463,680	3,154,193	-	-	11,463,680	3,154,193
Capital grants and contributions	20,534,522	3,524,217	36,778,789	5,773,856	57,313,311	9,298,073
General revenues:						
Property taxes	19,929,894	18,942,896	-	-	19,929,894	18,942,896
Other taxes	9,720,568	8,964,680	-	-	9,720,568	8,964,680
Intergovernmental not restricted	3,271,893	2,507,755	-	-	3,271,893	2,507,755
Other	2,413,253	726,997	1,252,127	955,657	3,665,380	1,682,654
Total revenues	<u>72,551,190</u>	<u>43,191,739</u>	<u>65,232,018</u>	<u>30,141,015</u>	<u>137,783,208</u>	<u>73,332,754</u>
Expenses:						
General government	6,895,677	5,201,465	-	-	6,895,677	5,201,465
Public safety	18,901,810	16,543,793	-	-	18,901,810	16,543,793
Streets	4,550,980	4,102,928	-	-	4,550,980	4,102,928
Sanitation	3,579,547	3,262,148	-	-	3,579,547	3,262,148
Community development	3,290,096	2,601,108	-	-	3,290,096	2,601,108
Cultural and recreational	1,826,399	1,620,489	-	-	1,826,399	1,620,489
Interest on long-term debt	352,944	295,932	-	-	352,944	295,932
Utility	-	-	28,329,912	25,786,335	28,329,912	25,786,335
Total expenses	<u>39,397,453</u>	<u>33,627,863</u>	<u>28,329,912</u>	<u>25,786,335</u>	<u>67,727,365</u>	<u>59,414,198</u>
Increase (decrease) in net position before disposals and transfers	33,153,737	9,563,876	36,902,106	4,354,680	70,055,843	13,918,556
Transfers	<u>(649,600)</u>	<u>(138,543)</u>	<u>649,600</u>	<u>138,543</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	32,504,137	9,425,333	37,551,706	4,493,223	70,055,843	13,918,556
Net position, beginning	<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>
Net position, ending	<u>\$ 52,521,705</u>	<u>\$ 20,017,568</u>	<u>\$ 167,999,992</u>	<u>\$ 130,448,286</u>	<u>\$ 220,521,697</u>	<u>\$ 150,465,854</u>

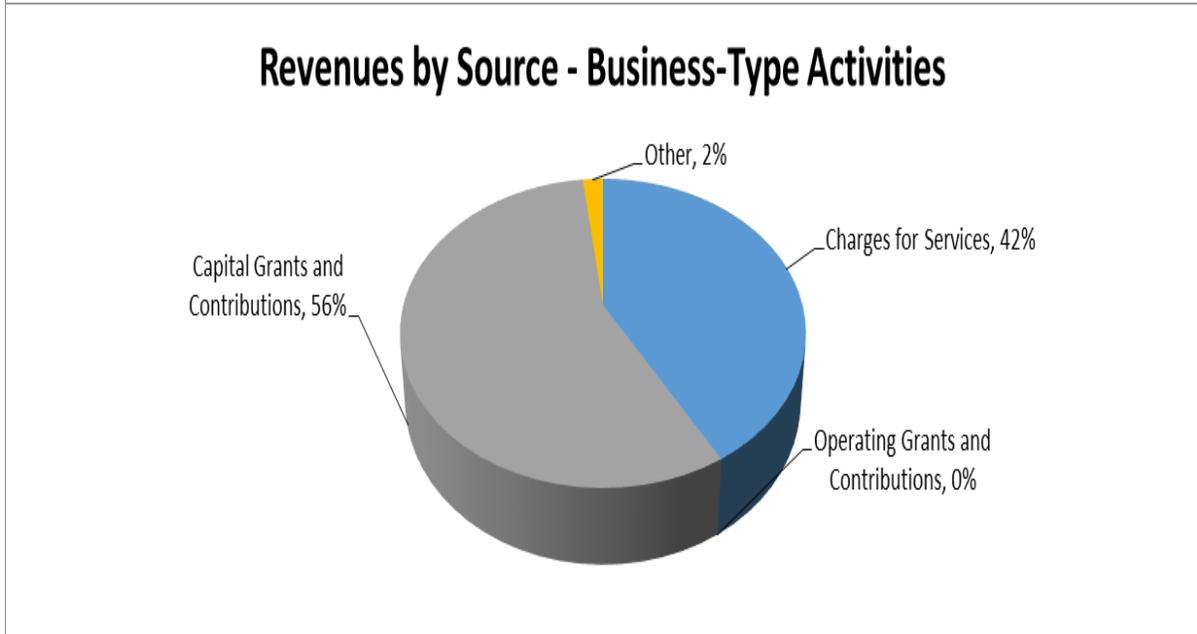
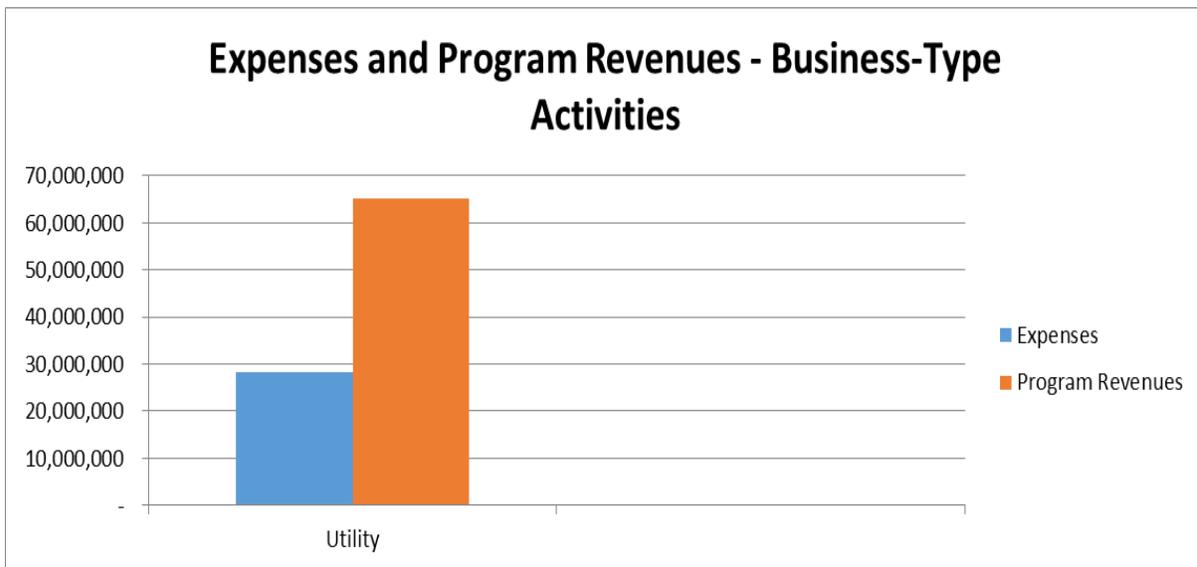
Governmental Activities. Governmental activities increased the City's net position by \$32,504,137. Key elements of this increase are as follows:

- Property tax revenues increased approximately \$986,998 compared to prior year due to growth in valuations, and stable tax collection rate.
- Local option sales tax revenues increased approximately \$725,708 compared to prior year.
- Increase in salary and benefit expenses due to insurance increases, retirement increases, and cost of living adjustment given.
- Capital grants and contributions in the amount of \$20,534,522 were received. This was primarily due to capital contributions for streets, capital project for fire station, and grant funds through the American Rescue Plan funding.



Business-Type Activities: Business-type activities increased the City of Sanford's net position by \$37,551,706, 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 \$2,234,636 compared to prior year. This increase was primarily due to a water and sewer rate increase.
- Capital grants and contributions in the amount of \$36,778,789 were received. This was primarily due to grants related to the Triangle Innovation Point Water and Sewer Improvements, CDBG - Washington Avenue utility project, and 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 \$24,687,022 while total fund balance reached \$38,257,025. The City currently has an available fund balance of 66.1% of General Fund expenditures, while total fund balance represents 87.5% of the same amount.

At June 30, 2023, the governmental funds of the City of Sanford reported a combined fund balance of \$51,916,851, a 65.9% increase from last year. Included in this change in fund balance is an increase of \$9,551,029 in the General Fund, \$11,037,927 in the General Capital Projects Fund, and an increase in the Non-Major Funds' fund balances of \$42,371.

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 \$8,887,742 increase in appropriations between the original and final amended budget. The increase is primarily because of the American Rescue Plan funding received and appropriated into projects as well as the fund balance that was re-appropriated in the amount of \$2,766,630. A one-time bonus was also appropriated out of fund balance for all employees. Large fuel price increases as well as increases in contractual services, professional services, chemicals, and repairs and maintenance to equipment added approximately \$470,000 to the budget. Also, \$1,745,234 was appropriated of fund balance to be able to front the costs related to the construction of the new fire station and fire trucks.

Revenue came in over budget. Due to economic conditions, the City remained conservative in estimating numerous revenues for fiscal year 2023, including ad valorem taxes, other taxes, golf revenues, and licenses and permit revenues which together were approximately \$3.8 million more than the budgeted amount. Tax revenues for the year increased primarily due to increased local option sales tax revenue received and increased property tax revenue, which grew as a result of approximately 5.5% in taxable property values, driven by increased commercial and residential construction. Total expenditures were less than the revised budget by approximately \$7 million. The majority of the savings in actual expenditures versus budget is due to vacancies in staffing and capital outlay that was ordered but not delivered by June 30th therefore will be paid for and expensed in next fiscal year.

On the expenditure side, \$2,432,793 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 \$17,078,942. The total change in net position for the Utility Fund was \$37,501,706, 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, 2023

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, 2023 totals \$279,588,934, (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 \$4,787,510.
- Water and sewer construction in progress current year amounts were approximately \$23,510,098 due to the Water Treatment Plant Expansion and Upgrade project and Triangle Innovation Point water and sewer project.
- Governmental type fund land and streets increased by approximately \$21,646,292 due to street paving, contributed capital from developers for streets and the related land. Construction in progress increased \$4,414,088 largely due to the new fire station project and the related fire trucks.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 16,720,901	\$ 7,524,758	\$ 2,774,715	\$ 2,497,422	\$ 19,495,616	\$ 10,022,180
Buildings	5,613,752	6,057,907	134,031	149,564	5,747,783	6,207,471
Plants	-	-	80,784,155	78,624,536	80,784,155	78,624,536
Tanks and lines	-	-	92,683,488	87,895,978	92,683,488	87,895,978
Streets	36,402,176	25,983,056	-	-	36,402,176	25,983,056
Equipment	4,829,297	4,547,407	1,370,752	1,462,673	6,200,049	6,010,080
Construction in progress	5,093,276	679,188	32,662,526	9,152,428	37,755,802	9,831,616
Intangible assets	508,114	150,739	11,751	39,955	519,865	190,694
Total	\$ 69,167,516	\$ 44,943,055	\$ 210,421,418	\$ 179,822,556	\$ 279,588,934	\$ 224,765,611

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, 2023, the City of Sanford had total bonded debt outstanding of \$49,500,000. Of this amount, \$33,790,000 is backed by revenues from water and sewer user charges. The other portion of the bonded debt includes \$6,500,000 in general obligation bonds that were approved through referendum and supported by the tax base and \$9,210,000 in limited obligation bonds for the new fire station and related rolling stock, The remainder of the City's debt represents notes payable and installment purchase agreements.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Bonds	\$ 15,710,000	\$ 7,050,000	\$ 33,790,000	\$ 35,470,000	\$ 49,500,000	\$ 42,520,000
Deferred amounts, net	1,913,782	643,153	4,196,479	4,534,904	6,110,261	5,178,057
Notes payable	-	-	12,826,739	13,865,679	12,826,739	13,865,679
Lease liabilities	451,317	49,857	-	-	451,317	49,857
IT Subscription liabilities	65,726	-	-	-	65,726	-
Installment purchase contracts	4,870,370	3,585,555	-	-	4,870,370	3,585,555
Total	\$ 23,011,195	\$ 11,328,565	\$ 50,813,218	\$ 53,870,583	\$ 73,824,413	\$ 65,199,148

The City of Sanford's total debt increased by \$8,625,265 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 \$221,707,085.

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 4.5% in June 2022 to 4.1% in June 2023.
- The City is seeing some industrial growth in the commercial sector. Residential growth is starting to increase as more projects are being approved and completed.

Budget Highlights for the Fiscal Year Ending June 30, 2024

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.

Three months of the cost of twenty-one firefighter positions were included in the budget to prepare for the opening of the new fire station planned for Fiscal Year 2024-2025. Also, the following additional positions were included in this year's budget: Assistant Golf Course Manager, Equipment Operation II, Maintenance Worker II, and Planner I. These positions were added to insure the City can continue to provide services to our citizens as our City grows.

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 sidewalks on Fields Drive (along with a Department of Transportation grant), other sidewalk replacements, park improvements at several parks, and street resurfacing. The City also plans to purchase a knuckleboom, leaf vacuum, dump truck, rubber tire loader, and various trucks and vehicles.

A salary adjustment was funded at 7% for all employees beginning on July 1, 2023; group health insurance increased by 2%; retirement increased by 0.75%. Also, the City will pay for vision and dental insurance for all employees beginning in Fiscal Year 2023-2024.

Tax rate was approved at 0.535 per \$100 assessed valuation. A motor vehicle fee remains in place at \$30 per vehicle and trailer. In response to a cost increase by GFL (vendor that provides our sanitation

services), the City increased the sanitation fee by \$20 per household bringing the annual fee to \$340 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 23-24 budget includes a 6-percent rate increase for water service and a 3-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, 2023.

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 added three positions in the Utility Fund: Utility Line Locator, Utility Accountant, and Director of Fiscal Operations. This is due to the growth of utility projects the City is seeing.

A salary adjustment was funded at 7% for all employees; group health insurance increased by 2%; retirement increased by 0.75%. Also, the city will pay for vision and dental insurance for all employees beginning in Fiscal Year 2023-2024.

Major utility fund expenses include \$1,500,000 for design of new Utility Building; \$360,000 for the Big Buffalo Dry Creek Outfall replacement; \$840,000 in water line replacements and/or relocations; and \$200,000 for the Carr Creek 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, 2023

	Primary Government			Component Units	
	Governmental	Business-Type	Total	ABC Board	Tourism Development Authority
	Activities	Activities			
Assets:					
Current assets:					
Cash, cash equivalents and investments	\$ 43,120,498	\$ 22,136,561	\$ 65,257,059	\$ 1,372,355	\$ 256,697
Property taxes receivable, net of allowance for uncollectible accounts	314,418	-	314,418	-	-
Accounts receivable, net of allowance for uncollectible accounts	264,144	6,621,163	6,885,307	-	-
Accrued interest receivable	-	1,359	1,359	-	-
Lease receivable	-	84,103	84,103	-	-
Due from other governmental agencies	3,646,100	2,990,789	6,636,889	-	60,011
Prepaid items	370,115	38,575	408,690	-	6,441
Deposits	36,900	-	36,900	-	-
Inventories	120,845	158,566	279,411	850,325	-
Note receivable	56,288	-	56,288	-	-
Restricted cash	11,909,624	4,684,007	16,593,631	-	-
Total current assets	59,838,932	36,715,123	96,554,055	2,222,680	323,149
Non-current assets:					
Note receivable-net of current portion	436,315	-	436,315	-	-
Lease receivable, non-current	-	1,015,269	1,015,269	-	-
Capital assets:					
Capital assets, non-depreciable	21,814,177	35,437,241	57,251,418	1,319,567	-
Capital assets, net of depreciation	46,845,225	174,972,426	221,817,651	472,989	-
Intangible right to use assets, net of amortization	508,114	11,751	519,865	-	50,233
Total non-current assets	69,603,831	211,436,687	281,040,518	1,792,556	50,233
Total assets	129,442,763	248,151,810	377,594,573	4,015,236	373,382
Deferred Outflows of Resources	12,937,388	4,084,523	17,021,911	235,539	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	3,810,474	9,489,555	13,300,029	442,158	59,590
Accrued interest payable	198,595	157,301	355,896	-	98
Current portion of long-term liabilities	3,252,878	3,416,417	6,669,295	-	23,936
Payable from restricted assets:					
Deposits	-	178,700	178,700	-	-
Total current liabilities	7,261,947	13,241,973	20,503,920	442,158	83,624
Non-current liabilities:					
Total pension liability LGERS	10,133,904	3,209,202	13,343,106	256,121	-
Total pension liability LEO	4,943,788	-	4,943,788	-	-
Net OPEB liability	30,896,039	10,379,710	41,275,749	192,327	-
Due in more than one year	21,925,908	47,833,192	69,759,100	-	26,670
Total non-current liabilities	67,899,639	61,422,104	129,321,743	448,448	26,670
Total liabilities	75,161,586	74,664,077	149,825,663	890,606	110,294
Deferred Inflows of Resources	14,696,860	9,572,264	24,269,124	1,082	-
Net Position:					
Net investment in capital assets	53,121,751	150,808,050	203,929,801	1,792,556	-
Restricted for:					
Stabilization by State statute	5,443,075	-	5,443,075	-	60,011
Community development	5,840,352	-	5,840,352	-	-
Inspections building permits	1,399,085	-	1,399,085	-	-
Public safety	7,742,145	-	7,742,145	-	-
Streets	1,231,703	-	1,231,703	-	-
Working capital	-	-	-	305,792	-
Unrestricted	(22,256,406)	17,191,942	(5,064,464)	1,260,739	203,077
Total net position	\$ 52,521,705	\$ 167,999,992	\$ 220,521,697	\$ 3,359,087	\$ 263,088

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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			ABC Board	Tourism Development Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental Activities:									
General government	\$ 6,895,677	\$ 5,681	\$ 34,788	\$ 16,810	\$ (6,838,398)	\$ -	\$ (6,838,398)	\$ -	\$ -
Public safety	18,901,810	34,562	9,064,536	-	(9,802,712)	-	(9,802,712)	-	-
Streets	4,550,980	194,498	903,764	11,749,007	8,296,289	-	8,296,289	-	-
Sanitation	3,579,547	2,963,927	2,544	-	(613,076)	-	(613,076)	-	-
Community development	3,290,096	1,015,177	1,458,048	8,768,705	7,951,834	-	7,951,834	-	-
Cultural and recreational	1,826,399	1,003,535	-	-	(822,864)	-	(822,864)	-	-
Interest on long-term debt	352,944	-	-	-	(352,944)	-	(352,944)	-	-
Total governmental activities	39,397,453	5,217,380	11,463,680	20,534,522	(2,181,871)	-	(2,181,871)	-	-
Business-Type Activities:									
Utility	28,329,912	27,201,102	-	36,778,789	-	35,649,979	35,649,979	-	-
Total primary government	\$ 67,727,365	\$ 32,418,482	\$ 11,463,680	\$ 57,313,311	\$ (2,181,871)	35,649,979	33,468,108	-	-
Component Units:									
Tourism Development Authority	\$ 389,782	\$ 29,400	\$ 19,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (340,734)
ABC Board	9,822,661	10,311,409	-	-	-	-	-	488,748	-
Total component units	\$ 10,212,443	\$ 10,340,809	\$ 19,648	\$ -	\$ -	\$ -	\$ -	488,748	\$ (340,734)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					19,929,894	-	19,929,894	-	-
Local option sales tax					8,978,248	-	8,978,248	-	-
Motor vehicle licenses					742,320	-	742,320	-	-
Tourism development tax					-	-	-	-	337,661
Intergovernmental revenues, unrestricted					3,271,893	-	3,271,893	-	-
Investment earnings					1,681,490	891,337	2,572,827	4,283	-
Miscellaneous					731,763	360,790	1,092,553	25	-
Total general revenues not including transfers					35,335,608	1,252,127	36,587,735	4,308	337,661
Transfers					(649,600)	649,600	-	-	-
Total general revenues and transfers					34,686,008	1,901,727	36,587,735	4,308	337,661
Change in net position					32,504,137	37,551,706	70,055,843	493,056	(3,073)
Net position - beginning					20,017,568	130,448,286	150,465,854	2,866,031	266,161
Net position, ending					\$ 52,521,705	\$ 167,999,992	\$ 220,521,697	\$ 3,359,087	\$ 263,088

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	General Capital Projects Fund		
Assets:				
Assets:				
Cash, cash investments, and investments	\$ 34,104,948	\$ 4,797,758	\$ 1,242,141	\$ 40,144,847
Cash, restricted	2,818,920	8,599,697	491,007	11,909,624
Property taxes receivable, net	312,402	-	2,016	314,418
Accounts receivable, net	221,513	-	12,760	234,273
Due from other funds	49,287	-	-	49,287
Due from other governmental agencies	3,424,398	14,393	207,309	3,646,100
Prepaid items	288,568	-	7,157	295,725
Inventories	120,845	-	-	120,845
Total assets	\$ 41,340,881	\$ 13,411,848	\$ 1,962,390	\$ 56,715,119
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,578,018	\$ 596,048	\$ 75,165	\$ 3,249,231
Due to other funds	-	-	49,287	49,287
Total liabilities	2,578,018	596,048	124,452	3,298,518
Deferred Inflows of Resources:				
Property taxes receivable	312,402	-	2,016	314,418
Sanitation fees receivable-net	81,630	-	-	81,630
Grants	-	991,896	-	991,896
Other receivables	111,581	-	-	111,581
Prepaid annual golf memberships	225	-	-	225
Total deferred inflows of resources	505,838	991,896	2,016	1,499,750
Fund Balances:				
Non-spendable:				
Inventories	120,845	-	-	120,845
Prepaid items	288,568	-	-	288,568
Restricted:				
Stabilization by State statute	5,437,897	-	5,178	5,443,075
Community development	7,240	4,262,426	1,570,686	5,840,352
Inspections building permits	1,399,085	-	-	1,399,085
Public Safety	180,667	7,561,478	-	7,742,145
Streets	1,231,703	-	-	1,231,703
Committed:				
Cultural and recreational	-	-	170,835	170,835
LEO Special Separation Allowance	1,908,734	-	-	1,908,734
Assigned:				
Downtown revitalization	-	-	91,913	91,913
Subsequent year's expenditures	2,995,264	-	36,207	3,031,471
Unassigned	24,687,022	-	(38,897)	24,648,125
Total fund balances	38,257,025	11,823,904	1,835,922	51,916,851
Total liabilities, deferred inflows of resources, and fund balances	\$ 41,340,881	\$ 13,411,848	\$ 1,962,390	\$ 56,715,119

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

	Total Governmental Funds
Fund balances - Total Governmental Funds	\$ 51,916,851
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.	68,659,402
Intangible right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	508,114
Deferred inflows of resources related to pensions are not reported in the funds	(784,257)
Deferred inflows of resources related to OPEB are not reported in the funds	(12,920,482)
Notes receivable are not current financial assets and, therefore are not reported in the funds	492,603
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements	507,629
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.	2,555,569
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Government bonds and notes payable	(20,580,370)
Premiums on bonds	(1,913,782)
Lease and subscription liabilities	(517,043)
Compensated absences	(2,167,591)
Total pension liability LGERS	(10,133,904)
Total pension liability LEO	(4,943,788)
Net OPEB liability	<u>(30,896,039)</u>
Deferred outflows of resources related to pensions are not reported in the funds	7,933,813
Deferred outflows of resources related to OPEB are not reported in the funds	5,003,575
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Accrued interest	<u>(198,595)</u>
Net position of governmental activities	<u>\$ 52,521,705</u>

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	ARP CSLFRF Fund	General Capital Projects Fund		
Revenues:					
Ad valorem taxes	\$ 19,740,543	\$ -	\$ -	\$ 84,616	\$ 19,825,159
Other taxes	9,723,278	-	-	-	9,723,278
Penalties and interest	78,397	-	-	-	78,397
License and permits	1,044,283	-	-	-	1,044,283
Intergovernmental revenues	4,793,779	9,093,331	28,506	745,278	14,660,894
Investment income	1,367,874	146,129	114,940	52,547	1,681,490
Sales and services	2,977,493	-	-	-	2,977,493
Miscellaneous revenues	1,299,096	-	45,644	395,459	1,740,199
Total revenues	41,024,743	9,239,460	189,090	1,277,900	51,731,193
Expenditures:					
Current operating:					
General government	7,126,059	-	-	-	7,126,059
Public safety	16,871,217	-	-	-	16,871,217
Streets	2,344,328	-	-	-	2,344,328
Sanitation	3,313,284	-	-	-	3,313,284
Community development	1,879,441	-	11,696	1,179,885	3,071,022
Cultural and recreational	1,471,927	-	-	-	1,471,927
Capital outlay	2,838,629	-	4,406,297	455,769	7,700,695
Debt service:					
Principal	1,174,825	-	-	257,574	1,432,399
Interest	311,682	-	-	8,605	320,287
Total expenditures	37,331,392	-	4,417,993	1,901,833	43,651,218
Revenues in excess of (less than) expenditures	3,693,351	9,239,460	(4,228,903)	(623,933)	8,079,975
Other Financing Sources (Uses):					
Insurance recovery	210,985	-	-	-	210,985
Bonds issued	-	-	9,210,000	-	9,210,000
Bond premium	-	-	1,318,500	-	1,318,500
Debt proceeds	-	-	2,015,000	-	2,015,000
Debt issuance costs	-	-	(317,790)	-	(317,790)
Subscription liabilities issued	101,272	-	-	-	101,272
Lease liabilities issued	518,128	-	-	-	518,128
Transfers in	11,224,986	-	5,669,141	666,304	17,560,431
Transfers (out)	(6,385,445)	(9,246,565)	(2,628,021)	-	(18,260,031)
Sale of property	187,752	-	-	-	187,752
Total other financing sources (uses)	5,857,678	(9,246,565)	15,266,830	666,304	12,544,247
Net change in fund balances	9,551,029	(7,105)	11,037,927	42,371	20,624,222
Fund balances, beginning of year	28,705,996	7,105	785,977	1,793,551	31,292,629
Fund balances, end of year	\$ 38,257,025	\$ -	\$ 11,823,904	\$ 1,835,922	\$ 51,916,851

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, 2023**

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)		\$ 20,624,222
<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	\$ 7,700,695	
Current year depreciation expense	(3,677,264)	
Current year amortization expense	<u>(160,753)</u>	3,862,678
Current receipts of prior loans are not revenues		(55,067)
<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		20,517,712
<p>The net effect of various miscellaneous transactions involving capital assets (i.e.-sales, trade-ins, and transfers) is to decrease net position</p>		
		(54,667)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		1,914,309
<p>Benefit payments paid for the LEOSSA are not included on the Statement of Activities</p>		
		414,027
<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	26,338	
Change in unavailable revenue - all others	<u>(13,056)</u>	13,282
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Long-term debt issued	(12,543,500)	
Long-term debt retired	1,280,185	
Lease and subscription liabilities issued	(619,400)	
Lease and subscription liabilities retired	152,214	
Amortization of bond premiums	47,871	
Accrued interest expense	<u>(80,528)</u>	(11,763,158)
<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	(194,262)	
Pension expense (LGRS)	(2,864,193)	
Pension expense (LEO)	(570,596)	
OPEB plan expense	<u>(153,640)</u>	(3,782,691)
<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>813,490</u>
Total changes in net position of governmental activities (Exhibit 2)		<u>\$ 32,504,137</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, 2023**

	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 18,874,256	\$ 18,874,256	\$ 19,740,543	\$ 866,287
Other taxes	8,577,197	8,577,197	9,723,278	1,146,081
Penalties and interest	50,000	50,000	78,397	28,397
Licenses and permits	736,400	736,400	1,044,283	307,883
Intergovernmental revenues	4,920,638	4,951,834	4,793,779	(158,055)
Investment income	16,000	16,000	1,367,874	1,351,874
Sales and services	3,074,240	3,074,240	2,977,493	(96,747)
Miscellaneous revenues	972,000	973,000	1,299,096	326,096
Total revenues	37,220,731	37,252,927	41,024,743	3,771,816
Expenditures:				
Current operating:				
General government	7,753,725	9,318,787	7,502,549	1,816,238
Public safety	18,784,397	19,566,383	17,301,104	2,265,279
Streets	3,801,424	5,283,979	3,580,910	1,703,069
Sanitation	3,485,403	4,105,316	3,573,110	532,206
Community development	2,045,817	2,880,437	2,318,475	561,962
Cultural and recreational	1,598,396	1,742,126	1,568,737	173,389
Debt service				
Principal retirement	1,272,611	1,440,170	1,174,825	265,345
Interest	301,301	317,242	311,682	5,560
Total expenditures	39,043,074	44,654,440	37,331,392	7,323,048
Revenues in excess of (less) than expenditures	(1,822,343)	(7,401,513)	3,693,351	11,094,864
Other Financing Sources (Uses):				
Insurance recovery	-	150,094	210,985	60,891
Subscription liabilities issued	-	138,000	101,272	(36,728)
Lease liabilities issued	-	532,000	518,128	(13,872)
Transfer from other funds	-	2,118,975	11,224,986	9,106,011
Transfer to other funds	(174,299)	(6,421,940)	(6,385,445)	36,495
Sale of property	165,000	165,000	187,752	22,752
Total other financing sources (uses)	(9,299)	(3,317,871)	5,857,678	9,175,549
Revenues and other financing sources less than expenditures and other financing sources	(1,831,642)	(10,719,384)	9,551,029	20,270,413
Appropriated fund balance	1,831,642	10,719,384	-	(10,719,384)
Net change in fund balance	\$ -	\$ -	9,551,029	\$ 9,551,029
Fund balance, beginning of year			28,705,996	
Fund balance, end of year			\$ 38,257,025	

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2023

	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	\$ 22,094,114	\$ 42,447	\$ 22,136,561	\$ 2,975,651
Accounts receivable, net of allowance for uncollectible accounts	6,546,281	74,882	6,621,163	29,871
Due from other governmental agencies	2,987,811	2,978	2,990,789	-
Accrued interest receivable	1,359	-	1,359	-
Lease receivable	84,103	-	84,103	-
Inventories	158,566	-	158,566	-
Prepaid items	38,575	-	38,575	74,390
Deposits	-	-	-	36,900
Restricted cash	4,684,007	-	4,684,007	-
Total current assets	36,594,816	120,307	36,715,123	3,116,812
Non-current assets:				
Capital assets, non-depreciable	35,437,241	-	35,437,241	-
Capital assets, net of depreciation	174,972,426	-	174,972,426	-
Lease receivable, net of current portion	1,015,269	-	1,015,269	-
Right to use assets, net of amortization	11,751	-	11,751	-
Total non-current assets	211,436,687	-	211,436,687	-
Total assets	248,031,503	120,307	248,151,810	3,116,812
Deferred Outflows of Resources:				
Pension deferrals	2,191,460	-	2,191,460	-
Advance refunding of bonds	226,691	-	226,691	-
OPEB deferrals	1,666,372	-	1,666,372	-
Total deferred outflows of resources	4,084,523	-	4,084,523	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	9,482,248	7,307	9,489,555	68,000
Current portion of long-term debt	3,154,582	-	3,154,582	-
Accrued interest payable	157,301	-	157,301	-
Compensated absences	261,835	-	261,835	-
Claims incurred but not reported	-	-	-	493,243
Payable from restricted assets:				
Customer deposits	178,700	-	178,700	-
Total current liabilities	13,234,666	7,307	13,241,973	561,243
Non-current liabilities:				
Long-term debt	47,658,636	-	47,658,636	-
Compensated absences	174,556	-	174,556	-
Net OPEB liability	10,379,710	-	10,379,710	-
Net pension liability	3,209,202	-	3,209,202	-
Total non-current liabilities	61,422,104	-	61,422,104	-
Total liabilities	74,656,770	7,307	74,664,077	561,243
Deferred Inflows of Resources:				
Pension deferrals	64,326	-	64,326	-
Lease deferrals	1,042,779	-	1,042,779	-
OPEB deferrals	4,343,877	-	4,343,877	-
Grants	4,116,010	-	4,116,010	-
Rents	5,272	-	5,272	-
Total deferred inflows of resources	9,572,264	-	9,572,264	-
Net Position:				
Net investment in capital assets	150,808,050	-	150,808,050	-
Unrestricted	17,078,942	113,000	17,191,942	2,555,569
Total net position	\$ 167,886,992	\$ 113,000	\$ 167,999,992	\$ 2,555,569

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, 2023

	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	\$ 24,869,836	\$ 307,170	\$ 25,177,006	\$ -
Monitoring fees	85,932	-	85,932	-
Connection and tap fees	247,527	-	247,527	-
Health insurance premiums	-	-	-	4,503,265
Other	1,640,637	50,000	1,690,637	-
Total operating revenues	26,843,932	357,170	27,201,102	4,503,265
Operating Expenses:				
Administration and engineering	5,157,322	-	5,157,322	-
Distribution and collection	6,505,818	-	6,505,818	-
Water plant operations	3,189,708	-	3,189,708	-
Sewer plant operations	3,333,520	-	3,333,520	-
Utility maintenance	977,410	-	977,410	-
Store expenses	162,651	-	162,651	-
Insurance claims and administrative fees	-	-	-	3,664,469
Wellness initiatives	-	-	-	124,737
Water reclamation	-	307,170	307,170	-
Depreciation and amortization	6,881,434	-	6,881,434	-
Total operating expenses	26,207,863	307,170	26,515,033	3,789,206
Operating income (loss)	636,069	50,000	686,069	714,059
Non-Operating Revenues (Expenses)				
Lease revenue	101,556	-	101,556	-
Investment earnings	891,337	-	891,337	99,431
Interest and other charges	(1,814,879)	-	(1,814,879)	-
Gain (loss) on disposal of capital assets	(79,191)	-	(79,191)	-
Amortization of bond premiums	338,425	-	338,425	-
Total non-operating revenue (expenses)	(562,752)	-	(562,752)	99,431
Income (loss) before contributions and transfers	73,317	50,000	123,317	813,490
Transfers from (to) other funds	649,600	-	649,600	-
Capital Contributions	36,778,789	-	36,778,789	-
Change in net position	37,501,706	50,000	37,551,706	813,490
Total net position - beginning	130,385,286	63,000	130,448,286	1,742,079
Total net position - ending	\$ 167,886,992	\$ 113,000	\$ 167,999,992	\$ 2,555,569

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, 2023

	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	\$ 21,920,383	\$ 300,014	\$ 22,220,397	\$ 4,474,889
Contributions from other agencies	-	47,720	47,720	-
Cash paid for goods and services	(3,572,482)	(212,011)	(3,784,493)	-
Customer deposits	(35,900)	-	(35,900)	-
Cash payments to employees	(7,562,492)	(94,271)	(7,656,763)	-
Cash paid for health insurance claims and wellness initiatives	-	-	-	(3,784,532)
Net cash provided by operating activities	10,749,509	41,452	10,790,961	690,357
Noncapital Financing Activities:				
Transfers in (out)	649,600	-	649,600	-
Net cash provided (used) by noncapital financing activities	649,600	-	649,600	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(29,110,856)	-	(29,110,856)	-
Disposal of capital assets	68,647	-	68,647	-
Contributions from other agencies	32,377,521	-	32,377,521	-
Principal paid on bond, lease, and equipment contracts	(2,758,895)	-	(2,758,895)	-
Interest paid on bond maturities and installment purchase debt	(1,804,387)	-	(1,804,387)	-
Cash received from water tank license agreements	99,305	-	99,305	-
Net cash used by capital and related financing activities	(1,128,665)	-	(1,128,665)	-
Cash Flow from Investing Activities:				
Interest on investments	867,613	-	867,613	99,431
Net change in cash and cash equivalents	11,138,057	41,452	11,179,509	789,788
Balances - beginning of the year	15,640,064	995	15,641,059	2,185,863
Balances - end of the year	\$ 26,778,121	\$ 42,447	\$ 26,820,568	\$ 2,975,651
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 636,069	\$ 50,000	\$ 686,069	\$ 714,059
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	6,881,434	-	6,881,434	-
Changes in asset and liabilities:				
Increase in accounts receivable	(2,995,265)	(7,156)	(3,002,421)	(28,376)
Increase in due from other governments	(1,928,438)	(2,280)	(1,930,718)	-
Increase in inventories	(35,489)	-	(35,489)	-
Decrease in prepaid items	29,339	-	29,339	(52,925)
Increase in deferred outflow of resources for pensions	(827,300)	-	(827,300)	-
Increase in net pension liability	2,412,136	-	2,412,136	-
Decrease in deferred inflow of resources for pensions	(1,272,246)	-	(1,272,246)	-
Decrease in deferred outflow of resources - OPEB	656,630	-	656,630	-
Decrease in net OPEB liability	(1,243,263)	-	(1,243,263)	-
Increase in deferred inflow of resources - OPEB	639,110	-	639,110	-
Increase in accounts payable and accrued liabilities	7,818,680	888	7,819,568	26,178
Increase in compensated absences	13,858	-	13,858	-
Increase in claims incurred but not reported	-	-	-	31,421
Increase in deferred rental income	154	-	154	-
Decrease in customer deposits	(35,900)	-	(35,900)	-
Total adjustments	10,113,440	(8,548)	10,104,892	(23,702)
Net cash provided by operating activities	\$ 10,749,509	\$ 41,452	\$ 10,790,961	\$ 690,357
Non-cash capital activities and non-capital financing activities:				
Contributed capital assets	\$ 8,517,278	\$ -	\$ 8,517,278	\$ -

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2023

	Custodial Funds	Other Post- Employment Benefits
Assets:		
Cash and cash equivalents	\$ 73,815	\$ -
Investments:		
Mutual funds	-	3,539,784
NC State Treasurer's Short Term Investment Fund (STIF)	-	778,512
Accounts receivable	60,011	-
Total assets	<u>133,826</u>	<u>4,318,296</u>
Liabilities:		
Due to other governments	<u>60,011</u>	<u>-</u>
Net Position:		
Restricted for:		
Postemployment benefits other than pensions	-	4,318,296
Individuals, organization, and other governments	73,815	-
Total fiduciary net position	<u>\$ 73,815</u>	<u>\$ 4,318,296</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, 2023

	<u>Custodial Funds</u>	<u>Other Post- Employment Benefits</u>
Additions:		
Net investment income	\$ 940	\$ 476,701
Occupancy tax	337,661	-
Contributions	8,254	-
Employer contributions	-	75,000
Total additions	<u>346,855</u>	<u>551,701</u>
Deductions:		
Benefit payments	49,091	-
Distributions	337,661	-
Administrative expense	-	647
Total deductions	<u>386,752</u>	<u>647</u>
Net decrease in fiduciary net position	(39,897)	551,054
Net position - beginning	<u>113,712</u>	<u>3,767,242</u>
Net position - ending	<u>\$ 73,815</u>	<u>\$ 4,318,296</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, 2023

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 31,224. 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, zoning, and cultural and recreation. 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 \$0.73 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, 2023

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.

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

The City reports the following non-major governmental funds:

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, 2023

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, 2023

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/amortization 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, acquisitions under leases and IT subscriptions 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, capitalized lease payments and capitalized Information Technology subscriptions, which benefit prior, current, and future periods, have been reclassified on the combined statements of revenues, expenditures, and changes in fund balance to present expenditures by department or function. The amounts presented on the budget comparison statement are classified within the department where budgeted.

Encumbrances – The City is required by State statute to record encumbrances in its budgetary accounting system. Encumbrances include purchase orders, contracts, and other commitments related to unperformed contracts for goods and services and are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are considered in the subsequent budget when determining fund balance appropriated and charged to appropriations in the ensuing year. Encumbrances included \$1,935,910 in the General Fund, \$8,897,521 in the General Capital Project Fund, \$1,168,783 in the Utility Fund, \$120,193,370 in the Utility Capital Project Fund and \$310,561 in the Community Development Fund at June 30, 2023.

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, 2023**

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 8.70 years at June 30, 2023. The MSCI ACWI EQ Index Non-Lendable Class B Fund is priced at \$31.82 per share at June 30, 2023.

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, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

City of Sanford Restricted Cash			
Governmental Activities:			
General Fund	Unexpended drug forfeitures	\$	179,074
	Unexpended grants and donations		8,833
	Unexpended building permit fees		1,399,085
	Unexpended vehicle fees		1,231,703
	Prepaid Golf Fees		225
General Capital Projects Fund	Unexpended debt proceeds		7,561,478
	Unexpended grants and donations		1,038,219
Non-major governmental Funds			
Community Development Fund	Unexpended grants		491,007
Total governmental funds			<u>11,909,624</u>
Business-Type Activities:			
Utility Fund	Customer deposits		178,702
Utility Capital Project Fund	Unexpended grants		4,505,305
Total business-type activities			<u>4,684,007</u>
Total restricted cash		\$	<u>16,593,631</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, 2022.

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. Leases Receivable

The City's leases receivable are measured at present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the leases. 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, 2023**

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.

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an intangible Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets are amortized on a straight-line basis over the subscription term.

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

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

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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. 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 2023 fiscal year and deferred costs from the advance refunding of bonds. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net 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.

10. 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.

11. 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.

12. 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

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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 was received in August 2022. For Fiscal Year 2023, City staff and the City Council have elected to use \$9,093,331 of the ARPA funds for revenue replacement salaries and benefits. \$8,443,731 was transferred to the General Fund and \$649,600 was transferred to the Utility Fund from the ARP CSLFRF fund.

13. **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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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, 2023, the City's deposits had a carrying amount of \$10,120,650 and a bank balance of \$10,367,655. Of the bank balance, \$899,613 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2023, the City's cash on hand totaled \$2,800.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

2. Investments

Investment balances as of June 30, 2023, were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2023</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	\$ 71,801,055	N/A	AAAm

Interest Rate Risk

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

Credit Risk

The City has no formal policy regarding credit risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City's investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023.

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, 2023, the City had no investments in commercial paper.

At June 30, 2023, the City's Healthcare Benefits Plan Fund had \$4,318,296 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust, pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 18.03 percent, State Treasurer's Bond Index Fund (BIF) 6.50 percent, and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund 75.47 percent (the equities were split with 62.20% in domestic securities and 37.80% 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 .7 years at June 30, 2023. The State Treasurers Bond Index Fund (BIF) is unrated and a weighted average maturity of 8.70 years at June 30, 2023.

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).

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

Property taxes receivable as of June 30, 2023, 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	\$ 642,115	\$ 2,421	\$ 644,536
Less: allowance for uncollectibles	329,713	405	330,118
Net property taxes receivable	<u>\$ 312,402</u>	<u>\$ 2,016</u>	<u>\$ 314,418</u>

Accounts receivables as of June 30, 2023, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>	<u>Utility Funds</u>	<u>Total</u>
Special assessments	\$ -	\$ 129,877	\$ 129,877
Waste management fees	85,153	-	85,153
Employee computer purchase	15,194	1,260	16,454
Demolition liens	79,034	-	79,034
Rental	12,760	-	12,760
Grants	-	2,960,578	2,960,578
Other	75,526	74,324	149,850
Utility user charges	-	4,848,556	4,848,556
Total receivables	<u>267,667</u>	<u>8,014,595</u>	<u>8,282,262</u>
Less: allowance for uncollectibles	3,523	1,393,432	1,396,955
Net total receivables	<u>\$ 264,144</u>	<u>\$ 6,621,163</u>	<u>\$ 6,885,307</u>

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2023, consist of amounts due, classified as follows:

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Utility Fund</u>	<u>Total</u>
Tax refunds	\$ 3,135,480	\$ 2,697	\$ 904	\$ 719,831	\$ 3,858,912
Grants	-	11,696	205,634	1,343,636	1,560,966
Reimbursements	288,918	-	771	927,322	1,217,011
Total	<u>\$ 3,424,398</u>	<u>\$ 14,393</u>	<u>\$ 207,309</u>	<u>\$ 2,990,789</u>	<u>\$ 6,636,889</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 2023, the City recognized \$16,618 of lease revenue and \$19,883 of interest revenue under the lease. The remaining lease receivable at June 30, 2023 was \$812,931 on this lease.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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 leasee had an extension option of 60 months. The lease was modified on August 5, 2014 giving the leasee 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 2023, the City recognized \$58,927 of lease revenue and \$3,877 of interest revenue under the lease. The remaining lease receivable at June 30, 2023 was \$286,441 on this lease.

5. **Capital Assets**

Primary Government

For the year ended June 30, 2023, capital asset activity was as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 7,524,758	\$ 9,196,143	\$ -	\$ 16,720,901
Construction in progress	679,198	4,841,518	427,440	5,093,276
Total non-depreciable capital assets	<u>8,203,956</u>	<u>14,037,661</u>	<u>427,440</u>	<u>21,814,177</u>
Depreciable Capital Assets:				
Municipal center and other buildings	13,884,758	71,368	58,006	13,898,120
Land improvements	3,669,330	-	-	3,669,330
Streets	59,349,009	12,450,148	17,248	71,781,909
Equipment	16,656,276	1,467,270	590,401	17,533,145
Total depreciable capital assets	<u>93,559,373</u>	<u>13,988,786</u>	<u>665,655</u>	<u>106,882,504</u>
Less Accumulated Depreciation:				
Municipal center and other buildings	9,954,296	310,736	39,031	10,226,001
Land improvements	1,541,885	185,812	-	1,727,697
Streets	33,365,953	2,031,028	17,248	35,379,733
Equipment	12,108,869	1,149,688	554,709	12,703,848
Total accumulated depreciation	<u>56,971,003</u>	<u>3,677,264</u>	<u>610,988</u>	<u>60,037,279</u>
Total capital assets being Depreciated, net	<u>36,588,370</u>	<u>10,311,522</u>	<u>54,667</u>	<u>46,845,225</u>
Capital Assets Being Amortized:				
Intangible right to use assets:				
Leased buildings	-	439,034	-	439,034
Leased equipment	67,681	79,094	-	146,775
IT subscriptions	101,272	-	-	101,272
Total capital assets being amortized	<u>168,953</u>	<u>518,128</u>	<u>-</u>	<u>687,081</u>
Less Accumulated Amortization for:				
Intangible right to use assets:				
Leased buildings	-	109,758	-	109,758
Leased equipment	18,214	22,339	-	40,553
IT subscriptions	-	28,656	-	28,656

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Total accumulated amortization	18,214	160,753	-	178,967
Total capital assets being amortized, net	150,739	357,375	-	508,114
Governmental activities				
Capital assets, net	\$ 44,943,065	\$ 24,706,558	\$ 482,107	\$ 69,167,516

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

Governmental Activities:	
General government	\$ 403,571
Public safety	585,544
Streets	2,139,990
Community development	162,183
Sanitation	215,533
Cultural and recreational	331,196
Total	\$ 3,838,017

4. **Capital Assets (continued)**

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Business-Type Activities:				
Utility Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,497,422	\$ 421,493	\$ 144,200	\$ 2,774,715
Construction in progress	9,152,428	28,716,150	5,206,052	32,662,526
Total capital assets, not being depreciated	11,649,850	29,137,643	5,350,252	35,437,241
Capital Assets, Being Depreciated:				
Treatment plants	123,548,971	5,206,052	-	128,755,023
Water tanks and lines	66,385,689	2,840,926	-	69,226,615
Sewer lines	71,290,565	5,254,858	-	76,545,423
Equipment	5,020,068	394,706	175,844	5,238,930
Buildings	514,524	-	15,053	499,471
Total capital assets, being depreciated	266,759,817	13,696,542	190,897	280,265,462
Less Accumulated Depreciation for:				
Treatment plants	44,924,435	3,046,433	-	47,970,868
Water tanks and lines	28,014,617	1,703,974	-	29,718,591
Sewer lines	21,765,659	1,604,300	-	23,369,959
Equipment	3,557,395	486,627	175,844	3,868,178
Buildings	364,960	11,896	11,416	365,440
Total accumulated depreciation	98,627,066	6,853,230	187,260	105,293,036
Total Utility Fund capital assets, being Depreciated, net	168,132,751	6,843,312	3,637	174,972,426
Capital Assets Being Amortized				
Right to use assets:				
IT subscriptions	39,955	-	-	39,955
Less Accumulated Amortization for:				
IT subscriptions	-	28,204	-	28,204
Total capital assets being amortized, net	39,955	(28,204)	-	11,751
Total Utility Fund capital assets, net	\$ 179,822,556	\$ 35,952,751	\$ 5,353,889	\$ 210,421,418

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

II. DETAIL NOTES ON ALL FUNDS (continued):

Construction Commitments

At June 30, 2023 the City had contractual commitments as follows:

Project	Spent to Date	Remaining Commitment
General Capital Projects	\$ 635,622	\$ 8,897,522
Utility Capital Projects	31,435,488	120,193,368

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

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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, 2023, was 13.04% of compensation for law enforcement officers and 12.10% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Sanford were \$2,544,270 for the year ended June 30, 2023.

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, 2023, the City reported a liability of \$13,343,106 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the City's proportion was .23652% (which was a increase of .00171% from its proportion measured as of June 30, 2021).

For the year ended June 30, 2023, the City recognized pension expense of \$3,780,813. At June 30, 2023, 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	\$ 574,942	\$ 56,370
Changes of assumptions	1,331,343	-
Net difference between projected and actual earnings pension plan investments	4,410,036	-
Changes in proportion and differences between City contributions and proportionate share of contributions	148,308	69,609
City contributions subsequent to the measurement date	2,544,270	-
Total	<u>\$ 9,008,899</u>	<u>\$ 125,979</u>

\$2,544,270 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

II. DETAIL NOTES ON ALL FUNDS (continued):

Year ended June 30:

2024	\$	1,972,908
2025		1,718,854
2026		545,864
2027		2,101,024
Total	\$	<u>6,338,650</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 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 percent to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011, through December 31, 2015.

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, 2023 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	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.6%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

II. DETAIL NOTES ON ALL FUNDS (continued):

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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 2.50%. All rates of return and inflation are annualized.

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

	<u>1% Decrease (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)	\$ 24,082,587	\$ 13,343,106	\$ 4,493,149

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, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	26
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>70</u>
Total	<u>96</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

II. DETAIL NOTES ON ALL FUNDS (continued):

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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, 2021.

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 \$403,708 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, 2023, the City reported a total pension liability of \$4,943,788. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$560,932.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 386,467	\$ 16,376
Changes of assumptions	531,439	706,228
City benefit payments and plan administrative expense made subsequent to the measurement date	<u>198,468</u>	<u>-</u>
Total	<u>\$ 1,116,374</u>	<u>\$ 722,604</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

\$198,468 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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$	197,474
2025		126,009
2026		(44,332)
2027		(83,036)
2028		(813)

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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	\$ 5,302,686	\$ 4,943,788	\$ 4,615,921

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

	2023
Beginning balance	\$ 5,450,838
Service cost	195,759
Interest on the total pension liability	117,986
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	368,724
Changes of assumptions or other inputs	(775,492)
Benefit payments	(414,027)
Other changes	-
Ending balance of the total pension liability	\$ <u>4,943,788</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, 2021 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

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

II. DETAIL NOTES ON ALL FUNDS (continued):

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	\$ 3,780,813	\$ 560,932	\$ 4,341,745
Pension Liability	13,343,106	4,943,788	18,286,894
Proportionate share of the net pension liability	.23652%	N/A	
 Deferred Outflows of Resources			
Differences between expected and actual experience	574,942	386,467	961,409
Changes of assumptions	1,331,343	531,439	1,862,782
Net difference between projected and actual earnings on plan investments	4,410,036	-	4,410,036
Changes in proportion and differences between contributions and proportionate share of contributions	148,308	-	148,308
Benefit payments and administrative costs paid subsequent to the measurement date	2,544,270	198,468	2,742,738
 Deferred Inflows of Resources			
Differences between expected and actual experience	56,370	16,376	72,746
Changes of assumptions	-	706,228	706,228
Changes in proportion and differences between contributions and proportionate share of contributions	69,609	-	69,609

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, 2023, were \$369,832, which consisted of \$251,167 from the City and \$118,665 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.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

II. DETAIL NOTES ON ALL FUNDS (continued):

The City contributes each month an amount equal to five percent of eligible employees' salary. Contributions for the year ended June 30, 2023 were \$1,193,815, which consisted of \$767,353 from the City and \$426,462 from employees.

Other Employment Benefits

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

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.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

II. DETAIL NOTES ON ALL FUNDS (continued):

Plan membership. At June 30, 2023 and June 30, 2022, the HCB Plan membership consisted of the following:

	<u>2023</u>	<u>2022</u>
Inactive plan members currently receiving benefit payments	139	135
Inactive plan members entitled to not yet receiving benefit payments	-	-
Active plan members	<u>326</u>	<u>325</u>
Total	<u><u>465</u></u>	<u><u>460</u></u>

Benefits Provided

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

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 \$979,718 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, 2022 and June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Bond Index Fund	10.0%	10.0%	6.11%	4.98%
Equity Index Fund	65.0%	65.0%	6.11%	4.98%
Short Term Investment Fund	25.0%	25.0%	6.11%	4.98%
Total	<u>100.0%</u>	<u>100.0%</u>		

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Rate of return.

For the year ended June 30, 2023, the annual money weighted rate of return on investments, net of investment expense, was 11.8 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2023 were as follows:

Total OPEB Liability	\$	45,594,045
Plan fiduciary net position		<u>4,318,296</u>
City's net OPEB Liability	\$	<u><u>41,275,749</u></u>
Plan fiduciary net position as a Percentage of the total OPEB liability		9.47%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 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	6.11 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 2032

The total OPEB liability was rolled forward to June 30, 2023 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, 2022 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.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Discount rate. The discount rate used to measure the total OPEB liability June 30, 2022 and June 30, 2023 was 3.59 and 3.77 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 6.11% for periods through 2032 and a municipal bond rate which is 3.65 percent for periods after 2032.

The following presents the net OPEB liability of the City at June 30, 2023, 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 (2.77 percent) or 1-percentage-point higher (4.77 percent) than the current discount rate:

	1% Decrease (2.77 percent)	Discount Rate (3.77 percent)	1% Increase (4.77 percent)
Net OPEB liability	\$ 49,967,680	\$ 41,275,749	\$ 34,494,764

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, 2023, 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	\$ 33,635,195	\$ 41,275,749	\$ 51,258,180

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2023 the City reported a net OPEB liability of \$41,275,749. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2023, the components of the net OPEB liability of the City, measured as of June 30, 2023, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2022	\$ 49,926,191	\$ 3,767,242	\$ 46,158,949
Changes for the Year:			
Service cost	1,526,020	-	1,526,020
Interest	1,774,919	-	1,774,919
Differences between Expected and Actual experience	(6,087,933)	-	(6,087,933)
Changes of assumptions	(565,434)	-	(565,434)
Contributions	-	1,054,718	(1,054,718)
Net investment income	-	476,054	(476,054)
Benefit Payments	(979,718)	(979,718)	-
Net Changes	(4,332,146)	551,054	(4,883,200)
Balances at June 30, 2022	\$ 45,594,045	\$ 4,318,296	\$ 41,275,749

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.59 percent in 2022 to 3.77 percent in 2023. 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

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

II. DETAIL NOTES ON ALL FUNDS (continued):

plans that are above the thresholds set by the Affordable Care Act are effective in 2023 and have been reflected.

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,267,469. At June 30, 2023, 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	\$ 191,604	\$ 6,622,452
Changes of assumptions	6,448,121	10,641,907
Net difference between projected and actual earnings on plan investments	<u>30,222</u>	<u>-</u>
Total	<u>\$ 6,669,947</u>	<u>\$ 17,264,359</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:	
2024	\$ (1,846,873)
2025	(1,703,551)
2026	(1,701,196)
2027	(3,227,498)
2028	(1,974,195)
Thereafter	(141,099)

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)	\$ 2,544,270
Benefit payments made and administrative expenses (LEO)	198,468
Differences between expected and actual experience (LGERS)	574,942
Differences between expected and actual experience (LEO)	386,467
Differences between expected and actual experience (OPEB)	191,604
Changes of assumptions (LGERS)	1,331,343
Changes of assumptions (LEO)	531,439
Changes of assumptions (OPEB)	6,448,121
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	148,308
Net difference between projected and actual earnings on plan investments (LGERS)	4,410,036
Net difference between projected and actual earnings on plan investments (OPEB)	30,222
Debt refunding costs	<u>226,691</u>
Total	<u>\$ 17,021,911</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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)	\$ -	\$ 312,402
Taxes Receivable (Special Revenue Fund)	-	2,016
Leases Receivable (Utility Fund)	1,042,779	-
Sanitation Fees (General Fund)	-	81,630
Grants (Utility Fund)	4,116,010	-
Grants (General Capital Project Fund)	991,896	991,896
Demolition and other Fees (General Fund)	-	111,581
Prepaid Golf Fees (General Fund)	225	225
Rents (Water/Sewer Fund)	5,272	-
Differences between expected and actual experience (LEO)	16,376	-
Differences between expected and actual experience (LGERS)	56,370	-
Changes in assumptions (LEO)	706,228	-
Changes in assumptions (OPEB)	10,641,907	-
Differences between expected and actual experience (OPEB)	6,622,452	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	69,609	-
Total	\$ 24,269,124	\$ 1,499,750

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, 2023

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	
	2023	2022
Unpaid claims, beginning	\$ 461,822	\$ 508,221
Incurred claims	3,042,555	2,815,266
Claim payments	(3,011,134)	(2,861,665)
Unpaid claims, ending	<u>\$ 493,243</u>	<u>\$ 461,822</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, 2023. At year-end, the City’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Garbage Collection and Disposal	\$ 3,277,296	\$ 9,781,250
Cultural and Recreational	42,035	303,293
Public Safety	188,420	660,833
Streets	10,985	479,640
General Government	256,863	1,422,554
Community Development	251,147	697,086
General Capital Projects	635,622	8,897,522
Water and Sewer Operations	1,006,164	1,202,646
Water and Sewer Projects	31,435,448	120,193,368
Total	<u>\$ 37,103,980</u>	<u>\$ 143,638,192</u>

Claims and Judgments – At June 30, 2023, 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, 2023

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

5. Long-Term Obligations

Leases

The City has entered into an agreements to lease certain equipment and real property. The leases agreement qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed in the prior fiscal year, to lease equipment. The initial lease term was 45 months with a term of 21 months remaining at June 30, 2023. The City was required to make monthly fixed payments of \$1,530 in fiscal year 2023. There are no variable payment components of the lease. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of .893% was used to discount the remaining minimum lease payments. The liability balance as of June 30, 2023 is \$31,868.

The second agreement was executed during the current fiscal year, to lease real property. The initial term was 48 months with a term of 36 months remaining at June 30, 2023. The City was required to make monthly fixed payments of \$8,566 in fiscal year 2023. Payments increase to \$9,619 monthly in fiscal year 2024 and then have a 3% annual increase thereafter through the end of the lease term. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.275% was used to discount the remaining lease payments. The liability balance as of June 30, 2023 is \$344,409.

The third agreement was executed during the current fiscal year, to lease office equipment. The initial term was 60 months with a term of 48 to 59 months remaining at June 30, 2023, for the individual items. The City monthly payments of up to \$1,396 in fiscal year 2023, increasing as individual items were delivered. Payments total \$1,396 monthly through the remaining lease period and there is no variable components of the lease. The lease does not contain a stated interest rate. Accordingly, the City's incremental borrowing rate at the time of equipment delivery was used to discount the remaining lease payments. This incremental borrowing rate ranged from 2.31% to 2.682%. The liability balance as of June 30, 2023 is \$75,040.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

Year Ending June 30:	Principal Payments	Interest Payments	Total
2024	\$ 142,020	\$ 8,521	\$ 150,541
2025	143,949	5,465	149,414
2026	136,841	2,370	139,211
2027	16,256	496	16,752
2028	12,251	131	12,382
Total	\$ 451,317	\$ 16,983	\$ 468,300

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.	\$ 1,842,105
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.	1,013,265

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Installment purchase with Bank of America; issued June 22, 2013, in the amount of \$2,015,000; semi-annual interest payments with interest at 3.45% with annual principal payments of \$170,000 increasing to \$241,000 over the life of the loan; secured by fire trucks.	<u>2,015,000</u>
Total installment purchase contracts	\$ <u>4,870,370</u>

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2023, are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 616,368	\$ 127,027	\$ 743,395
2025	619,367	115,117	734,484
2026	626,367	99,050	725,417
2027	634,368	82,741	717,109
2028	641,368	66,155	707,523
2029-2033	1,498,708	166,840	1,665,548
2034-2038	233,824	8,920	242,744
Total	<u>\$ 4,870,370</u>	<u>\$ 665,850</u>	<u>\$ 5,536,220</u>

There is also a note payable from the Sanford Affordable Housing Development Corporation to the City of Sanford totaling \$278,460 at June 30, 2023. This balance is shown on Exhibit 3 but not on Exhibit 1 since the Sanford Affordable Housing Development Corporation is a blended component unit and this is eliminated in the consolidation of the governmental funds. This consists of two loans. A \$36,000 loan has interest accruing at 3% and is repayable December 3, 2032 or upon the sale of the Wilrik Apartments, whichever occurs first. The second loan of \$242,460 has interest accruing at 3% and is repayable April 12, 2033 or upon the sale of the Wilrik Apartments, whichever occurs first.

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%	\$ 1,600,000
General Obligation Bonds, Series 2015 issued for \$8,500,000 for public improvements; principal installments are due annually on February 1 with semi-annual interest payments due on August 1 and February 1, at an annual interest rate of 3.48%	<u>4,900,000</u>
Total general obligation bonds	\$ <u>6,500,000</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The annual requirements to retire all general obligation bond liability outstanding as of June 30, 2023, are as follows:

Governmental-Type Activities			
Year Ended June 30	Principal	Interest	Total
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	545,000	133,450	678,450
2029-2033	2,725,000	407,000	3,132,000
2034-2038	945,000	73,350	1,018,350
2039-2043	100,000	3,000	103,000
Total	\$ <u>6,500,000</u>	\$ <u>1,324,300</u>	\$ <u>7,824,300</u>

Limited Obligation Bonds

Limited Obligation Bonds, Series 2023 issued for \$9,210,000 for fire station construction and related equipment; principal installments are due annually on April 1 with semi-annual interest payments due on October 1 and April 1, at an annual interest rate of 5.0%

\$ 9,210,000

The annual requirements to retire these limited obligation bond liability outstanding as of June 30, 2023, are as follows:

Governmental-Type Activities			
Year Ended June 30	Principal	Interest	Total
2024	\$ 505,000	\$ 436,196	\$ 941,196
2025	510,000	435,250	945,250
2026	515,000	409,750	924,750
2027	520,000	384,000	904,000
2028	530,000	358,000	888,000
2029-2033	2,760,000	1,385,750	4,145,750
2034-2038	1,945,000	772,500	2,717,500
2039-2043	1,925,000	288,750	2,213,750
Total	\$ <u>9,210,000</u>	\$ <u>4,470,196</u>	\$ <u>13,680,196</u>

Notes Payable

	Business-Type Activities
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	\$ 316,254
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>9,765,860</u>
Total notes payable-business type activities	\$ <u>10,082,114</u>

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The annual requirements to retire all notes payable outstanding as of June 30, 2023, are as follows:

<u>Business-Type Activities</u>			
<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	917,768	142,106	1,059,874
2029-2033	4,749,842	413,986	5,163,828
2034-2038	927,270	20,400	947,670
Total	\$ <u>10,082,114</u>	\$ <u>1,328,751</u>	\$ <u>11,410,865</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

\$ 2,744,625

The annual requirements to retire all installment purchase contracts as of June 30, 2023, are as follows:

<u>Business-Type Activities</u>			
<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	211,133	40,271	251,404
2029-2033	1,055,601	132,319	1,187,920
2034-2038	633,357	24,163	657,520
Total	\$ <u>2,744,625</u>	\$ <u>403,865</u>	\$ <u>3,148,490</u>

Revenue Bonds

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

\$ 33,790,000

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2023, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
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	2,095,000	1,046,000	3,141,000
2029-2033	12,155,000	3,550,750	15,705,750
2034-2038	7,290,000	1,299,900	8,589,900
2039-2043	3,215,000	647,850	3,862,850
2044-2048	1,460,000	88,200	1,548,200
Total	\$ <u>33,790,000</u>	\$ <u>11,785,950</u>	\$ <u>45,575,950</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, 2023, is as follows:

Debt service calculation:	
Operating revenues	\$ 26,843,932
Operating expenses	<u>26,207,863</u>
Operating income	636,069
Non-operating revenues (expenses)	<u>(821,986)</u>
Income before transfers and capital contributions	(185,917)
Adjustments	
Depreciation and amortization expenses (net)	6,881,434
Interest expense	1,814,879
Decrease in other post-employment benefits accruals	52,477
Decrease in net pension accruals	<u>312,590</u>
Income available for debt service	\$ <u>8,875,463</u>
Parity debt service (revenue bonds only)	\$ 3,184,750
Parity debt services coverage ratio	2.79
G.O., subordinate, and all other indebtedness	<u>1,329,688</u>
Total debt service**	\$ <u>4,514,438</u>
Total debt service coverage ratio	1.97

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 \$45,575,950. Interest payments for the current year totaled \$1,508,750 with principal payments of \$1,680,000.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

II. DETAIL NOTES ON ALL FUNDS (continued):

Subscriptions

For the year ended June 30, 2023 the City implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

Subscriptions in affect at the end of the prior fiscal year had their assets and liabilities initially measured at the present value of the subscription payments expected over the remaining term of the Subscription after July 1, 2022. The City had a total of three existing Subscriptions in the Governmental Funds and one in the Utility Funds.

The first agreement was in place at June 30, 2022 and is for a Subscription used to track and calculate leasing agreements and Subscriptions. The initial term of the agreement was three years. The remaining term at June 30, 2023 is 21 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.1843% was used to discount the subscription payments. As a result, the amount of \$19,451 was added as a right-to use subscription asset and a subscription liability as of July 1, 2022. This restatement had no effect on equity. The liability balance at June 30, 2023 was \$10,019.

The second agreement was in place at June 30, 2022 and is for a Subscription used for law enforcement camera evidence storage. The initial term of the agreement was five years. The remaining term at June 30, 2023 is 33 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.2753% was used to discount the subscription payments. As a result, the amount of \$70,277 was added as a right-to use subscription asset and a subscription liability as of July 1, 2022. This restatement had no effect on equity. The liability balance at June 30, 2023 was \$47,113.

The third agreement was in place at June 30, 2022 and is for a Subscription is for law enforcement surveillance software used on cell phones. The initial term of the agreement was eleven years. The remaining term at June 30, 2023 is 37 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 1.71% was used to discount the subscription payments. As a result, the amount of \$11,544 was added as a right-to use subscription asset and a subscription liability as of July 1, 2022. This restatement had no effect on equity. The liability balance at June 30, 2023 was \$8,594.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2023, were as follows:

Year Ended June 30	Principal	Interest	Total
2024	\$ 36,127	\$ 1,438	\$ 37,565
2025	26,686	641	27,327
2026	2,913	50	2,963
Total	\$ 65,726	\$ 2,129	\$ 67,855

The City had a fourth agreement that was in place at June 30, 2022 and is for a Subscription used for advanced utility metering. The initial term of the agreement was three years. This agreement was completed during fiscal year. The Subscription did not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 1.7103% was used to discount the subscription payments. As a

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

II. DETAIL NOTES ON ALL FUNDS (continued):

result, the amount of \$39,955 was added as a right-to use subscription asset and a subscription liability as of July 1, 2022. This restatement had no effect on equity. There was no liability balance at June 30, 2023.

Changes in Long-Term Obligations

	Beginning Of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 7,050,000	\$ -	\$ 550,000	\$ 6,500,000	\$ 550,000
Limited obligation bonds	-	9,210,000	-	9,210,000	505,000
Unamortized bond premiums	643,153	1,318,500	47,871	1,913,782	102,808
IT Subscription liabilities	-	101,272	35,546	65,726	36,127
Lease liabilities	49,857	518,128	116,668	451,317	142,020
Installment purchase contracts	3,585,555	2,015,000	730,185	4,870,370	616,368
Compensated absences	1,973,329	1,944,408	1,750,146	2,167,591	1,300,555
Net pension liability (LGERS)	2,803,971	9,253,162	1,923,229	10,133,904	-
Net pension obligation (LEO)	5,450,838	-	507,050	4,943,788	-
Other post-employment benefits	34,535,976	-	3,639,937	30,896,039	-
Total governmental activities	<u>\$ 56,092,679</u>	<u>\$ 24,360,470</u>	<u>\$ 9,300,632</u>	<u>\$ 71,152,517</u>	<u>\$ 3,252,878</u>
Business-Type Activities:					
Utility Fund:					
Revenue bonds	\$ 35,470,000	\$ -	\$ 1,680,000	\$ 33,790,000	\$ 1,760,000
Unamortized bond premium	4,534,904	-	338,425	4,196,479	338,425
IT Subscription liabilities	-	39,955	39,955	-	-
Notes payable	10,909,920	-	827,806	10,082,114	845,024
Installment purchase contracts	2,955,759	-	211,134	2,744,625	211,133
Net pension liability	797,066	3,033,177	621,041	3,209,202	-
Compensated absences	422,533	423,997	410,139	436,391	261,835
Other post-employment benefits	11,622,973	-	1,243,263	10,379,710	-
Total business-type activities	<u>\$ 66,713,155</u>	<u>\$ 3,497,129</u>	<u>\$ 5,371,763</u>	<u>\$ 64,838,521</u>	<u>\$ 3,416,417</u>

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 \$221,707,085.

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2023 is as follows:

	Governmental-Type Activities	Business-Type Activities
Capital assets	\$ 69,167,516	\$ 210,421,418
Less: Related debt	16,045,765	59,613,368
Net investment in capital assets	<u>\$ 53,121,751</u>	<u>\$ 150,808,050</u>

Business type activities is net of unexpended bond proceeds of \$3, while Government type activities are net of unexpended bond proceeds of \$7,561,478.

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, 2023

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

A summary of these transactions for the year ended June 30, 2023 follows:

From the General Fund to the Municipal Service District Fund - program support	\$ 65,344
From the General Fund to the Community Development Fund - program support	297,500
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	5,669,141
From the General Capital Projects Fund to the General Fund - to reimburse from debt proceeds	2,628,021
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	8,596,965
From the ARP CSLFRF Special Revenue Fund to the Utility Fund - to reimburse expenditures	649,600
From the Utility Capital Project Fund to the Utility Fund - transfer excess amounts	2,412,593
From the Utility Fund to the Utility Capital Project Fund - fund current improvements	2,073,384
From the Utility Fund to the Other Post Employment Benefits Trust Fund - fund future expenses	<u>25,000</u>
Total	<u>\$ 22,492,548</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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	\$ 38,257,025
Less:	
Inventories	(120,845)
Prepaid items	(288,568)
Stabilization by State statute	(5,437,897)
Restricted for Inspections	(1,399,085)
Restricted for Public Safety	(180,667)
Restricted for Streets	(1,231,703)
Restricted for Community Development	(7,240)
Committed - LEO Special Separation	
Allowance	(1,908,734)
Assigned - Subsequent Year's Expenditures	(2,995,264)
Unassigned fund balance	<u>\$ 24,687,022</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 \$11,855 to the Council during the fiscal year ended June 30, 2023. 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, 2023.

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, 2023.

Complete financial statements for the Airport may be obtained from the Airport's Secretary/Treasurer at 700 Rod Sullivan Road, Sanford, NC 27330.

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, 2023 have been submitted to the IRS and their determination of their tax exempt status is still pending.

VI. CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was implemented for the current year. However, the implementation did not have an affect on equity for the current year. Accordingly, there is no restatement to report. See Note II Detail Notes on All Funds; B. Liabilities: 5. Long-Term Obligations, Subscriptions for further discussion.



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

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CITY OF SANFORD, NORTH CAROLINA

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability							
Service Cost	\$ 1,526,020	\$ 2,262,844	\$ 2,541,127	\$ 1,663,761	\$ 1,511,842	\$ 1,616,367	\$ 1,850,988
Interest	1,774,919	1,329,929	1,351,333	1,588,389	1,602,870	1,474,120	1,329,795
Differences between expected and actual experience	(6,087,933)	(304,074)	(1,860,478)	143,702	(1,098,204)	698,486	-
Changes of assumptions	(565,434)	(13,917,013)	(225,975)	12,613,937	2,962,872	(2,617,252)	(4,696,849)
Benefit payments	<u>(979,718)</u>	<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	(4,332,146)	(11,526,272)	985,037	14,940,626	3,676,890	(274,955)	(2,592,667)
Total OPEB liability - beginning	<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>	<u>44,717,532</u>
Total OPEB liability - ending	<u>\$ 45,594,045</u>	<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	\$ 1,054,718	\$ 972,958	\$ 895,970	\$ 1,144,163	\$ 1,377,490	\$ 1,521,676	\$ 1,076,601
Net investment income	476,054	(531,263)	894,648	88,033	150,383	200,161	293,647
Benefit payments	<u>(979,718)</u>	<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 plan fiduciary net position	551,054	(456,263)	969,648	163,033	225,383	275,161	293,647
Plan fiduciary net position - beginning	<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>	<u>2,296,633</u>
Plan fiduciary net position - ending	<u>\$ 4,318,296</u>	<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>\$ 41,275,749</u>	<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	9.47%	7.55%	6.87%	5.38%	6.79%	6.85%	6.15%
Covered payroll	\$ 18,482,606	\$ 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	223.32%	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 SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 2,451,556	\$ 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	1,054,718	972,958	895,970	1,144,163	1,377,490	1,521,676	1,076,601
Contribution deficiency (excess)	<u>\$ 1,396,838</u>	<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	\$ 18,482,606	\$ 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	5.71%	5.74%	5.29%	6.75%	8.13%	9.70%	6.67%

Notes to the Required Schedules:

Valuation date: June 30, 2022

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	24 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 2032
Salary increases	3.25% to 8.41% including inflation and productivity factor
Investment rate of return	6.11% net of OPEB plan investment expense, including inflation
Retirement Age	In the 2022 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2019 Health Annuitant Mortality Table.
Mortality	In the 2022 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 SIX FISCAL YEARS

	<u>2023</u>	<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	11.78%	-13.30%	23.93%	2.78%	5.05%	7.34%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,544,270	\$ 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	2,544,270	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	\$ 20,386,926	\$ 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	12.48%	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 TEN FISCAL YEARS*

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Sanford's proportion of the net pension liability (asset) (%)	0.23652%	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) (\$)	\$ 13,343,106	\$ 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	\$ 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	\$ 15,843,137
Sanford's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	68.62%	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)	84.14%	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 SEVEN FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 5,450,838	\$ 5,662,346	\$ 4,550,148	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569	\$ 3,525,508
Service cost	195,759	193,121	129,533	127,870	138,665	129,921	121,976
Interest on the total pension liability	117,986	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	368,724	6,432	(37,922)	305,794	227,795	140,855	-
Changes of assumptions or other inputs	(775,492)	(123,487)	1,167,508	118,256	(143,824)	235,565	(78,738)
Benefit payments	(414,027)	(393,064)	(290,520)	(262,335)	(205,752)	(177,928)	(175,898)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 4,943,788</u>	<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 SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 4,943,788	\$ 5,450,838	\$ 5,662,346	\$ 4,550,148	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569
Covered payroll	4,542,554	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	108.83%	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.

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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.

CAPITAL PROJECTS FUNDS:

Capital Projects Fund – The Capital Projects Fund is used to account for the activities of major capital facilities and improvements to the City's infrastructure funded by the City.

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CITY OF SANFORD, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year levy	\$ 18,814,256	\$ 19,632,365	\$ 818,109	\$ 18,655,058
Prior year's levy	60,000	108,178	48,178	114,433
Total - ad valorem taxes	18,874,256	19,740,543	866,287	18,769,491
Other taxes:				
Privilege licenses	2,000	2,710	710	2,045
Motor vehicle fees	685,500	742,320	56,820	712,140
Local option sales tax	7,889,697	8,978,248	1,088,551	8,252,540
Total - other taxes	8,577,197	9,723,278	1,146,081	8,966,725
Penalties and interest	50,000	78,397	28,397	71,082
Licenses and permits:				
Building permits	670,900	951,358	280,458	1,288,151
Zoning fees	35,500	63,819	28,319	78,972
Fire permits	30,000	29,106	(894)	32,058
Total - licenses and permits	736,400	1,044,283	307,883	1,399,181
Intergovernmental revenues:				
Utilities sales tax	2,003,917	2,187,149	183,232	2,073,935
Beer and wine tax	60,887	69,712	8,825	60,322
State shared cable fees	156,433	157,923	1,490	168,534
Powell Bill allocation	884,716	903,764	19,048	903,490
Court costs and fees	4,000	5,456	1,456	4,222
Law Enforcement - Drug Forfeiture Program	110,000	56,991	(53,009)	25,110
Mowing reimbursement program	32,020	34,788	2,768	32,020
Disposal tax	23,504	24,799	1,295	22,919
911 surcharge reimbursement	373,551	68,618	(304,933)	211,281
State grants	31,196	27,353	(3,843)	6,628
Alcoholic beverage control	180,000	180,000	-	180,000
Other local governments	1,091,610	1,077,226	(14,384)	997,813
Total - intergovernmental revenues	4,951,834	4,793,779	(158,055)	4,686,274
Investment income	16,000	1,367,874	1,351,874	57,757
Sales and service:				
Waste management fees	3,074,240	2,977,493	(96,747)	2,829,948

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Miscellaneous revenues:				
Golf revenues	\$ 684,500	\$ 1,003,535	\$ 319,035	\$ 915,079
Street charges	225,000	194,498	(30,502)	217,009
Civil violation fines	500	600	100	1,272
Parking fine	3,000	12,138	9,138	4,148
Sundry	60,000	88,325	28,325	125,630
Total - miscellaneous revenues	973,000	1,299,096	326,096	1,263,138
Total revenues	37,252,927	41,024,743	3,771,816	38,043,596
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits	355,950	340,874	15,076	302,639
Current operating expenditures	158,869	131,764	27,105	78,813
Capital outlay	6,000	-	6,000	-
Total - governing body	520,819	472,638	48,181	381,452
Less: interfund reimbursements	(81,120)	(81,120)	-	(83,292)
Net - governing body	439,699	391,518	48,181	298,160
Administration:				
Salaries and benefits	555,365	547,096	8,269	483,866
Current operating expenditures	45,455	41,083	4,372	34,021
Total - administration	600,820	588,179	12,641	517,887
Less: interfund reimbursements	(162,902)	(162,902)	-	(158,327)
Net - administration	437,918	425,277	12,641	359,560
Human resources:				
Salaries and benefits	329,007	327,791	1,216	305,500
Current operating expenditures	147,876	77,765	70,111	60,766
Capital outlay	2,050	-	2,050	-
Total - human resources	478,933	405,556	73,377	366,266
Less: interfund reimbursements	(84,474)	(84,473)	(1)	(80,937)
Net - human resources	394,459	321,083	73,376	285,329
Risk management :				
Salaries and benefits	108,488	114,751	(6,263)	97,451
Current operating expenditures	57,067	27,928	29,139	20,397
Total - risk management	165,555	142,679	22,876	117,848
Less: interfund reimbursements	(51,298)	(51,298)	-	(50,212)
Net - risk management	114,257	91,381	22,876	67,636
Elections	24,666	24,546	120	-

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance :				
Salaries and benefits	\$ 938,359	\$ 838,952	\$ 99,407	\$ 753,702
Current operating expenditures	659,000	522,470	136,530	447,364
Capital outlay	22,000	19,450	2,550	-
Total - finance	1,619,359	1,380,872	238,487	1,201,066
Less: interfund reimbursements	(542,116)	(542,116)	-	(525,038)
Net - finance	1,077,243	838,756	238,487	676,028
Information systems :				
Salaries and benefits	395,383	390,244	5,139	366,574
Current operating expenditures	141,486	120,650	20,836	117,329
Capital outlay	101,780	95,334	6,446	21,854
Total - information systems	638,649	606,228	32,421	505,757
Less: interfund reimbursements	(111,177)	(111,177)	-	(107,349)
Net - information systems	527,472	495,051	32,421	398,408
Legal:				
Salaries and benefits	274,969	277,440	(2,471)	262,546
Current operating expenditures	196,208	161,163	35,045	95,464
Total - legal	471,177	438,603	32,574	358,010
Less: interfund reimbursements	(158,224)	(158,224)	-	(146,327)
Net - legal	312,953	280,379	32,574	211,683
Public buildings:				
Salaries and benefits	200,763	198,903	1,860	190,686
Current operating expenditures	1,316,110	1,103,644	212,466	937,823
Capital outlay	103,944	103,944	-	629,019
Total - public buildings	1,620,817	1,406,491	214,326	1,757,528
Less: interfund reimbursements	(310,116)	(310,116)	-	(258,866)
Net - public buildings	1,310,701	1,096,375	214,326	1,498,662
Central mimeograph:				
Current operating expenditures	31,925	26,436	5,489	26,549
Less: interfund reimbursements	(9,833)	(9,833)	-	(8,563)
Net - central mimeograph	22,092	16,603	5,489	17,986
Fleet maintenance:				
Salaries and benefits	479,635	432,909	46,726	439,986
Current operating expenditures	1,273,368	885,287	388,081	841,552
Capital outlay	118,533	111,026	7,507	-
Total - fleet maintenance	1,871,536	1,429,222	442,314	1,281,538
Less: interfund reimbursements	(91,598)	(91,598)	-	(93,652)
Less: charges to other departments	(750,000)	(784,478)	34,478	(780,531)
Net - fleet maintenance	1,029,938	553,146	476,792	407,355

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Beautification:				
Salaries and benefits	\$ 472,979	\$ 466,487	\$ 6,492	\$ 375,424
Current operating expenditures	523,625	491,631	31,994	415,948
Capital outlay	49,737	46,736	3,001	40,401
Total - beautification	1,046,341	1,004,854	41,487	831,773
Other appropriations and contingencies:				
Associations and memberships	42,377	39,954	2,423	39,474
Regional and community support	583,402	194,025	389,377	25,900
Economic development	876,283	788,553	87,730	309,497
Intergovernmental transfers	142,943	142,943	-	112,528
Other post-employment benefits	920,543	798,105	122,438	794,429
Contingency	15,500	-	15,500	-
Total - other appropriations	2,581,048	1,963,580	617,468	1,281,828
Total general government	9,318,787	7,502,549	1,816,238	6,334,408
Community Development:				
Salaries and benefits	1,163,386	1,109,396	53,990	955,018
Current operating expenditures	577,624	256,940	320,684	296,124
Capital outlay	475,000	439,034	35,966	25,345
Total - community development	2,216,010	1,805,370	410,640	1,276,487
Code enforcement :				
Salaries and benefits	326,150	293,848	32,302	238,612
Current operating expenditures	116,259	81,006	35,253	43,668
Capital outlay	-	-	-	25,345
Total - code enforcement	442,409	374,854	67,555	307,625
Planning/historic preservation:				
Salaries and benefits	111,762	112,735	(973)	103,682
Current operating expenditures	36,512	25,516	10,996	21,349
Capital outlay	73,744	-	73,744	-
Total - downtown/historic preservation	222,018	138,251	83,767	125,031
Total community development	2,880,437	2,318,475	561,962	1,709,143
Public Safety:				
Police:				
Salaries and benefits	10,326,233	9,581,066	745,167	8,690,159
Current operating expenditures	1,732,234	1,210,619	521,615	1,055,632
Capital outlay	847,740	429,887	417,853	96,590
Total - police	12,906,207	11,221,572	1,684,635	9,842,381
Fire :				
Salaries and benefits	4,840,206	4,581,218	258,988	4,285,785
Current operating expenditures	727,428	599,030	128,398	552,771
Capital outlay	-	-	-	313,397
Total - fire	5,567,634	5,180,248	387,386	5,151,953

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, 2023
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Inspection:				
Salaries and benefits	\$ 924,289	\$ 803,268	\$ 121,021	\$ 662,966
Current operating expenditures	122,853	96,016	26,837	71,097
Capital outlay	45,400	-	45,400	10,839
Total - inspection	1,092,542	899,284	193,258	744,902
Total public safety	19,566,383	17,301,104	2,265,279	15,739,236
Streets:				
Salaries and benefits	1,210,286	943,965	266,321	979,946
Current operating expenditures	1,493,598	1,400,363	93,235	1,228,797
Capital outlay	2,580,095	1,236,582	1,343,513	966,314
Total - streets and sidewalks	5,283,979	3,580,910	1,703,069	3,175,057
Sanitation:				
Refuse:				
Salaries and benefits	1,235,364	1,105,149	130,215	1,115,537
Current operating expenditures	930,361	930,627	(266)	754,868
Capital outlay	628,482	259,826	368,656	492,364
Total - refuse	2,794,207	2,295,602	498,605	2,362,769
Sanitation:				
Contracted services	1,311,109	1,277,508	33,601	1,209,927
Total sanitation	4,105,316	3,573,110	532,206	3,572,696
Cultural and Recreational:				
Parks and Recreation:				
Salaries and benefits	353,034	325,142	27,892	291,827
Current operating expenditures	431,553	321,735	109,818	224,577
Capital outlay	57,317	41,317	16,000	26,121
Total - parks and recreation	841,904	688,194	153,710	542,525
Golf:				
Salaries and benefits	582,887	579,689	3,198	529,297
Current operating expenditures	257,735	245,361	12,374	249,655
Capital outlay	59,600	55,493	4,107	-
Total - golf	900,222	880,543	19,679	778,952
Total cultural and recreational	1,742,126	1,568,737	173,389	1,321,477
Debt Service:				
Principal retirement	1,440,170	1,174,825	265,345	1,114,557
Interest	317,242	311,682	5,560	334,555
	1,757,412	1,486,507	270,905	1,449,112
Total expenditures	44,654,440	37,331,392	7,323,048	33,301,129

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, 2023
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenue in excess of (less than) expenditures	\$ (7,401,513)	\$ 3,693,351	\$ 11,094,864	\$ 4,742,467
Other Financing Sources (Uses):				
Transfers from other funds:				
General Capital Project Fund	1,965,741	2,628,021	662,280	-
ARP CSLRF Special Revenue Fund	153,234	8,596,965	8,443,731	356,139
Transfers (to) other funds:				
Capital Reserve Fund	(25,000)	(25,000)	-	(25,000)
Central Business Tax District	(99,299)	(65,344)	33,955	(66,492)
Community development	(297,500)	(297,500)	-	(7,500)
General Capital Project Fund	(5,669,141)	(5,669,141)	-	(781,577)
Sanford Affordable Housing Development Corporation	(281,000)	(278,460)	2,540	-
Other Post Employment Benefits	(50,000)	(50,000)	-	(50,000)
Lease liabilities issued	532,000	518,128	(13,872)	-
Subscription liabilities issued	138,000	101,272	(36,728)	-
Sale of property	165,000	187,752	22,752	246,360
Insurance recovery	150,094	210,985	60,891	112,427
Total - other financing sources (uses)	(3,317,871)	5,857,678	9,175,549	(215,643)
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(10,719,384)	9,551,029	20,270,413	4,526,824
Appropriated fund balance	10,719,384	-	(10,719,384)	-
Net Change in Fund Balance	<u>\$ -</u>	<u>9,551,029</u>	<u>\$ 9,551,029</u>	4,526,824
Fund balance, beginning of year		<u>28,705,996</u>		
Fund balance, end of year		<u><u>\$ 38,257,025</u></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, 2023

	Project Budget	Prior Years	Current Year	Total to June 30, 2023
Revenues:				
ARP - CSLFRF Funds	\$ 9,588,013	\$ 494,682	\$ 9,093,331	\$ 9,588,013
Investment income	153,234	7,105	146,129	153,234
Total revenues	<u>9,741,247</u>	<u>501,787</u>	<u>9,239,460</u>	<u>9,741,247</u>
Expenditures:				
General Government	-	-	-	-
Revenues in excess of expenditures	<u>9,741,247</u>	<u>501,787</u>	<u>9,239,460</u>	<u>9,741,247</u>
Other Financing Sources (Uses):				
Transfer out - General Fund	(8,953,104)	(356,139)	(8,596,965)	(8,953,104)
Transfer out - Utility Fund	(788,143)	(138,543)	(649,600)	(788,143)
Total other financing sources (uses):	<u>(9,741,247)</u>	<u>(494,682)</u>	<u>(9,246,565)</u>	<u>(9,741,247)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,105</u>	<u>(7,105)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>7,105</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF SANFORD, NORTH CAROLINA

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, 2023

	Project Budget	Prior Years	Current Year	Total to June 30, 2023
Revenues:				
Grants	\$ 7,097,573	\$ -	\$ 28,506	\$ 28,506
Contribution	757,400	25,650	45,644	71,294
Interest Income	-	768	114,940	115,708
Total revenues	<u>7,854,973</u>	<u>26,418</u>	<u>189,090</u>	<u>215,508</u>
Expenditures:				
Greenway				
Land acquisition-easements	40,032	-	-	-
Engineering	441,298	391,318	-	391,318
Total - Greenway	<u>481,330</u>	<u>391,318</u>	<u>-</u>	<u>391,318</u>
Wicker Street Sidepath				
Construction	464,000	-	-	-
Sanford Agricultural Marketplace				
Administrative Expense	45,000	-	-	-
Engineering	415,400	-	11,002	11,002
Construction	3,669,830	650	20	670
Feasibility Study	46,295	-	46,294	46,294
Construction Administration	101,100	-	-	-
Flood study	51,330	43,461	-	43,461
Audio visual	25,000	-	-	-
Machinery and equipment	137,645	-	-	-
Total - Sanford Agricultural Marketplace	<u>4,491,600</u>	<u>44,111</u>	<u>57,316</u>	<u>101,427</u>
Fire Station No. 5				
Design	395,753	159,919	192,763	352,682
Construction	7,884,562	-	563,160	563,160
Construction Administration	102,250	-	8,528	8,528
Capital Outlay - Vehicles	3,567,721	-	3,567,720	3,567,720
Total - Fire Station No. 5	<u>11,950,286</u>	<u>159,919</u>	<u>4,332,171</u>	<u>4,492,090</u>
Depot Park Improvements				
Engineering	110,000	-	16,810	16,810
Construction	1,093,000	-	-	-
Total - Depot Park Improvements	<u>1,203,000</u>	<u>-</u>	<u>16,810</u>	<u>16,810</u>
NC Highway 42 Sidewalks and Bike Lanes				
Sidewalk improvements	112,500	-	-	-
Bike lanes	195,716	-	-	-
Street improvements	29,608	-	-	-
Total - NC Highway 42 Sidewalks and Bike Lanes	<u>337,824</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF SANFORD, NORTH CAROLINA

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, 2023

	Project Budget	Prior Years	Current Year	Total to June 30, 2023
CDBG Neighborhood Revitalization - Washington Ave.				
Administrative Expense - non-capitalized	\$ 55,556	\$ -	\$ 4,062	\$ 4,062
Street Improvements	400,400	-	-	-
Flood & Drainage	396,400	-	-	-
Pedestrian Improvements	131,000	-	-	-
Total - CDBG Neighborhood Revitalization - Washington Ave.	983,356	-	4,062	4,062
CDBG Neighborhood Revitalization - Jackson Heights				
Administrative Expense - non-capitalized	405,129	-	7,634	7,634
Street Improvements	1,158,413	-	-	-
Flood & Drainage	2,613,500	-	-	-
Pedestrian Improvements	279,375	-	-	-
Total - CDBG Neighborhood Revitalization - Jackson Heights	4,456,417	-	7,634	7,634
Kiwanis Park Project:				
Engineering	2,000	-	-	-
Electrical Upgrades	4,500	-	-	-
Machinery and Equipment	93,500	-	-	-
	100,000	-	-	-
Total expenditures	24,467,813	595,348	4,417,993	5,013,341
Revenues under expenditures	(16,612,840)	(568,930)	(4,228,903)	(4,797,833)
Other Financing Sources (Uses):				
Transfers in - General Fund	7,024,048	1,354,907	5,669,141	7,024,048
Transfers out - General Fund	(2,628,022)	-	(2,628,021)	(2,628,021)
Bonds Issued	9,210,000	-	9,210,000	9,210,000
Bond Premium	1,318,500	-	1,318,500	1,318,500
Debt Proceeds	2,015,000	-	2,015,000	2,015,000
Debt Issuance Cost	(326,686)	-	(317,790)	(317,790)
Total Other Financing Sources (Uses):	16,612,840	1,354,907	15,266,830	16,621,737
Net change in fund balance	\$ -	\$ 785,977	\$ 11,037,927	\$ 11,823,904

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CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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 RESERVE FUNDS:

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

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CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue Funds					General Capital Reserve Fund	Total
	Community Development	Municipal Service District	Friends of Sanford	Sanford Affordable Housing Development Corporation			
Assets:							
Cash, cash equivalents and investments	\$ 831,526	\$ 132,279	\$ 101,596	\$ 5,905	\$ 170,835	\$ 1,242,141	
Cash, restricted	491,007	-	-	-	-	491,007	
Accounts receivable	-	-	-	12,760	-	12,760	
Property taxes receivable, net	-	2,016	-	-	-	2,016	
Due from governmental agencies	205,634	1,675	-	-	-	207,309	
Prepaid expenses	-	-	-	7,157	-	7,157	
Total assets	<u>\$ 1,528,167</u>	<u>\$ 135,970</u>	<u>\$ 101,596</u>	<u>\$ 25,822</u>	<u>\$ 170,835</u>	<u>\$ 1,962,390</u>	
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities:							
Accounts payable	\$ 62,147	\$ 656	\$ -	\$ 12,362	\$ -	\$ 75,165	
Due to other funds	(3,093)	-	23	52,357	-	49,287	
Total liabilities	<u>59,054</u>	<u>656</u>	<u>23</u>	<u>64,719</u>	<u>-</u>	<u>124,452</u>	
Deferred Inflows of Resources:							
Unavailable revenue - property taxes	-	2,016	-	-	-	2,016	
Fund Balances:							
Restricted:							
Stabilization by State statute	-	5,178	-	-	-	5,178	
Community development	1,469,113	-	101,573	-	-	1,570,686	
Committed:							
Cultural and recreational	-	-	-	-	170,835	170,835	
Assigned:							
Downtown revitalization	-	91,913	-	-	-	91,913	
Subsequent year's expenditures	-	36,207	-	-	-	36,207	
Unassigned:	-	-	-	(38,897)	-	(38,897)	
Total fund balances	<u>1,469,113</u>	<u>133,298</u>	<u>101,573</u>	<u>(38,897)</u>	<u>170,835</u>	<u>1,835,922</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,528,167</u>	<u>\$ 135,970</u>	<u>\$ 101,596</u>	<u>\$ 25,822</u>	<u>\$ 170,835</u>	<u>\$ 1,962,390</u>	

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds				General Capital Reserve Fund	Total
	Community Development	Municipal Service District	Friends of Sanford	Sanford Affordable Housing Development Corporation		
Revenues:						
Ad valorem taxes:						
Current year	\$ -	\$ 83,277	\$ -	\$ -	\$ -	\$ 83,277
Prior years	-	1,339	-	-	-	1,339
Intergovernmental revenues:						
State of North Carolina	301,472	-	-	-	-	301,472
Federal grants	443,806	-	-	-	-	443,806
Contributions	132,500	-	56,692	-	-	189,192
Rental income	-	-	-	182,641	-	182,641
Investment income	39,862	6,088	-	-	6,597	52,547
Miscellaneous income	21,351	322	-	1,953	-	23,626
Total revenues	<u>938,991</u>	<u>91,026</u>	<u>56,692</u>	<u>184,594</u>	<u>6,597</u>	<u>1,277,900</u>
Expenditures:						
Current:						
Downtown revitalization	-	163,778	-	-	-	163,778
Community development:						
Other prior program expenditures	776,887	-	62,067	177,153	-	1,016,107
Capital outlay	427,439	-	-	28,330	-	455,769
Debt service						
Interest	-	-	-	8,605	-	8,605
Principal retirement	-	-	-	257,574	-	257,574
Total expenditures	<u>1,204,326</u>	<u>163,778</u>	<u>62,067</u>	<u>471,662</u>	<u>-</u>	<u>1,901,833</u>
Revenues over (under) expenditures	(265,335)	(72,752)	(5,375)	(287,068)	6,597	(623,933)
Other Financing Sources:						
Transfers in - General Fund	<u>297,500</u>	<u>65,344</u>	<u>-</u>	<u>278,460</u>	<u>25,000</u>	<u>666,304</u>
Net change in fund balances	32,165	(7,408)	(5,375)	(8,608)	31,597	42,371
Fund balances, beginning of year	<u>1,436,948</u>	<u>140,706</u>	<u>106,948</u>	<u>(30,289)</u>	<u>139,238</u>	<u>1,793,551</u>
Fund balances, end of year	<u>\$ 1,469,113</u>	<u>\$ 133,298</u>	<u>\$ 101,573</u>	<u>\$ (38,897)</u>	<u>\$ 170,835</u>	<u>\$ 1,835,922</u>

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, 2023**

	Project Budget	Current Year	Prior Years	Total to June 30, 2023
Revenues:				
Intergovernmental revenues:				
N.C. Urgent Repair (URP2131)				
Grant-N.C. Housing Finance Agency (C2201)	\$ 100,000	\$ 99,527	\$ -	\$ 99,527
Lee County	7,500	7,500	-	7,500
Total - N.C. Urgent Repair Program (URP2131)	<u>107,500</u>	<u>107,027</u>	<u>-</u>	<u>107,027</u>
2018 Essential Single Family Rehab (C1902)				
Federal grants	380,225	176,550	203,675	380,225
2021 Essential Single Family Rehab (C2103)				
Federal grants	190,000	25,289	-	25,289
CDBG Neighborhood Revitalization (C1903)				
Federal grants	991,967	241,967	745,729	987,696
N.C. Urgent Repair (URP2234)				
Grant-N.C. Housing Finance Agency (C2301)	132,000	-	-	-
Lee County	7,500	-	-	-
Total - N.C. Urgent Repair Program (URP 2234)	<u>139,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sanford/Lee County Home Repair Program (C2302)				
Lee County	250,000	125,000	-	125,000
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)	<u>89,250</u>	<u>-</u>	<u>27,612</u>	<u>27,612</u>
Project Forge Site Preparation/Roadway (G2002)				
Foundation grants	89,000	-	89,000	89,000
State grants	964,600	-	964,600	964,600
Lee County	700,000	-	700,000	700,000
Total - Project Forge Site Preparation/Roadway (G2002)	<u>1,753,600</u>	<u>-</u>	<u>1,753,600</u>	<u>1,753,600</u>
State Construction and Infrastructure Fund Mural Project (G2201)				
State grants	10,000	10,000	-	10,000
Little Buffalo Creek Stream Restoration (G2301)				
State grant-N.C. Dept. of Public Safety Disaster Relief and Mitigation Fund	1,153,816	191,945	-	191,945
Miscellaneous				
Interest income	175,959	39,862	219,405	259,267
Program income	110,647	21,351	947,921	969,272
Total miscellaneous revenue	<u>286,606</u>	<u>61,213</u>	<u>1,167,326</u>	<u>1,228,539</u>
Total revenues	<u>5,352,464</u>	<u>938,991</u>	<u>3,897,942</u>	<u>4,836,933</u>

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, 2023**

	Project Budget	Current Year	Prior Years	Total to June 30, 2023
Expenditures:				
Intergovernmental expenditures:				
N.C. Urgent Repair Program (URP2131) (C2201)				
Rehabilitation	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Local Match	15,000	15,000	-	15,000
Total - N.C. Urgent Repair Program (URP2131)	<u>115,000</u>	<u>115,000</u>	<u>-</u>	<u>115,000</u>
2018 Essential Single Family Rehab (C1902)				
Rehabilitation	290,225	146,550	143,675	290,225
Soft costs	90,000	30,000	60,000	90,000
Total - 2018 Essential Single Family Rehab (C1902)	<u>380,225</u>	<u>176,550</u>	<u>203,675</u>	<u>380,225</u>
2021 Essential Single Family Rehab (C2103)				
Rehabilitation	140,000	13,689	-	13,689
Soft costs	50,000	11,600	-	11,600
Total - 2021 Essential Single Family Rehab (C2103)	<u>190,000</u>	<u>25,289</u>	<u>-</u>	<u>25,289</u>
CDBG Neighborhood Revitalization (C1903)				
Administrative	92,500	17,500	70,730	88,230
Rehabilitation	668,534	224,467	444,067	668,534
Capital outlay	230,933	-	230,932	230,932
Total-CDBG Neighborhood Revitalization (C1903)	<u>991,967</u>	<u>241,967</u>	<u>745,729</u>	<u>987,696</u>
N.C. Urgent Repair (URP2234)				
Rehabilitation	132,000	-	-	-
Local Match	15,000	-	-	-
Total - N.C. Urgent Repair Program (URP2234)	<u>147,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sanford/Lee County Home Repair Program (C2302)				
Rehabilitation	500,000	-	-	-
Triad Corrugated Metal Building Reuse (G2001)				
Grant administration	8,500	-	8,500	8,500
Building Repairs	89,250	-	27,612	27,612
Total - Triad Corrugated Metal Building Reuse (G2001)	<u>97,750</u>	<u>-</u>	<u>36,112</u>	<u>36,112</u>
Project Forge Site Preparation/Roadway (G2002)				
Engineering-site preparation	119,230	-	114,985	114,985
Engineering-roadway	33,054	21	33,032	33,053
Site preparation construction	1,135,135	-	1,135,136	1,135,136
Public roadway NCDOT	1,056,642	-	1,003,467	1,003,467
Roadway easement	204,014	-	204,014	204,014
Private roadway	952,692	-	952,692	952,692
Capital outlay	431,639	427,439	-	427,439
Contingency	46,194	-	-	-
Total - Project Forge Site Preparation/Roadway (G2002)	<u>3,978,600</u>	<u>427,460</u>	<u>3,443,326</u>	<u>3,870,786</u>
State Construction and Infrastructure Fund Mural Project (G2201)				
Mural project	10,256	10,255	-	10,255
Little Buffalo Creek Stream Restoration (G2301)				
Grant Administration	26,500	4,500	-	4,500
Design	375,200	200,675	-	200,675
Construction	792,116	-	-	-
Total - Little Buffalo Creek Stream Restoration (G2301)	<u>1,193,816</u>	<u>205,175</u>	<u>-</u>	<u>205,175</u>

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, 2023

	Project Budget	Current Year	Prior Years	Total to June 30, 2023
Other prior program expenditures:				
Rehabilitation	\$ 48,462	\$ 2,630	\$ 42,284	\$ 44,914
Land disposition	29,839		26,334	26,334
Homelessness project	97,090		96,735	96,735
Local match	242		242	242
Total - other prior program expenditures	<u>175,633</u>	<u>2,630</u>	<u>165,595</u>	<u>168,225</u>
Total expenditures	<u>7,780,247</u>	<u>1,204,326</u>	<u>4,594,437</u>	<u>5,798,763</u>
Expenditures in excess of revenues	<u>(2,427,783)</u>	<u>(265,335)</u>	<u>(696,495)</u>	<u>(961,830)</u>
Other Financing Sources (Uses):				
Transfer from General Fund	2,538,500	297,500	2,241,000	2,538,500
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)	<u>2,427,783</u>	<u>297,500</u>	<u>2,133,443</u>	<u>2,430,943</u>
Net changes in fund balance	<u>\$ -</u>	<u>32,165</u>	<u>\$ 1,436,948</u>	<u>\$ 1,469,113</u>
Fund balance, beginning of year		<u>1,436,948</u>		
Fund balance, end of year		<u>\$ 1,469,113</u>		

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, 2023
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year	\$ 80,112	\$ 83,277	\$ 3,165	\$ 80,638
Prior year	-	1,339	1,339	3,067
Investment earnings	100	6,088	5,988	246
Penalties and interest	100	322	222	420
Total revenues	80,312	91,026	10,714	84,371
Expenditures:				
Operating expenditures	162,564	140,609	21,955	121,440
Downtown Façade Reimbursement Program	38,000	23,169	14,831	21,778
Capital outlay	10,000	-	10,000	-
Total expenditures	210,564	163,778	46,786	143,218
Excess of revenues over expenditures	(130,252)	(72,752)	57,500	(58,847)
Other Financing Sources:				
Transfer from General Fund	99,299	65,344	(33,955)	66,492
Appropriated fund balance	30,953	-	(30,953)	-
Total other financing sources	130,252	65,344	(64,908)	66,492
Net change in fund balance	\$ -	(7,408)	\$ (7,408)	7,645
Fund balance, beginning of year		140,706		133,061
Fund balance, end of year		\$ 133,298		\$ 140,706

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, 2023

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Donations	\$ 75,000	\$ 56,692	\$ (18,308)	\$ 34,285
Expenditures:				
Advertising and marketing	-	462	(462)	115
Events	-	-	-	2,648
Office supplies	-	923	(923)	860
Murals	-	60,097	(60,097)	-
Printing and postage	-	585	(585)	11
Supplies	-	-	-	790
Community development	75,000	-	75,000	-
Total expenditures	75,000	62,067	12,933	4,424
Net change in fund balance	\$ -	(5,375)	\$ (5,375)	29,861
Fund balance, beginning of year		106,948		77,087
Fund balance, end of year		\$ 101,573		\$ 106,948

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, 2023

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Rental income	\$	\$ 182,641	\$	\$ 180,610
Miscellaneous income		1,953		7,503
Total revenues	300,000	184,594	(115,406)	188,113
Expenditures:				
Commissions		43,308		34,597
Contractual services		39,976		25,361
Insurance		16,701		16,150
Repairs and maintenance		49,366		50,658
Legal and professional services		926		1,136
Printing and postage		-		25
Supplies		1,905		5,791
Utilities		21,075		22,598
Merchant fees		374		264
Property taxes		3,522		3,654
Capital outlay		28,330		35,901
Debt service				
Interest		8,605		11,033
Principal retirement		257,574		19,803
Total expenditures	300,000	471,662	(171,662)	226,971
Expenditures in excess of revenues	-	(287,068)	(287,068)	(38,858)
Other Financing Sources:				
Transfers in - General Fund	-	278,460	-	-
Net change in fund balance	\$ -	(8,608)	\$ (287,068)	(38,858)
Fund balance, beginning of year		(30,289)		8,569
Fund balance, end of year		\$ (38,897)		\$ (30,289)

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, 2023

	Budget	Prior Years	Current Year	Total to Date	Variance with Final Budget Over/Under
Revenues:					
Interest income	\$ -	\$ 238	\$ 6,597	\$ 6,835	\$ 6,835
Other Financing Sources (Uses):					
Transfers in - General Fund	114,000	139,000	25,000	164,000	50,000
Transfers out - General Fund	(114,000)	-	-	-	114,000
Total other financing sources	-	139,000	25,000	\$ 164,000	164,000
Net change in fund balance	\$ -	\$ 139,238	31,597		\$ 170,835
Fund balance, beginning of year			139,238		
Fund balance, end of year			\$ 170,835		

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CITY OF SANFORD, NORTH CAROLINA

PROPRIETARY FUNDS

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

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.

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CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges:				
Water	\$ 14,487,080	\$ 15,241,810	\$ 754,730	\$ 13,655,103
Sewer	9,021,884	9,682,245	660,361	9,278,359
Total user charges	23,508,964	24,924,055	1,415,091	22,933,462
Monitoring fees	80,000	85,932	5,932	88,704
Connection and tap fees	215,000	247,527	32,527	261,776
Investment income	10,000	478,279	468,279	50,690
Other	492,035	1,724,963	1,232,928	568,045
Charges to other funds	30,000	41,721	11,721	34,273
Total revenues	24,335,999	27,502,477	3,166,478	23,936,950
Expenditures:				
Engineering:				
Salaries and benefits	1,108,902	930,367	178,535	968,481
Maintenance of infrastructure and related equipment	3,500	4,343	(843)	3,764
Other operating expenditures	160,008	129,773	30,235	195,799
Capital outlay	-	-	-	26,332
Total - engineering	1,272,410	1,064,483	207,927	1,194,376
Utility administration:				
Salaries and benefits	1,097,189	887,985	209,204	825,161
Operating expenditures	1,011,692	732,203	279,489	588,372
Capital outlay	41,632	4,564	37,068	11,000
Right to use asset IT subscription	45,000	39,955	5,045	-
Interfund reimbursement	1,602,859	1,602,859	-	1,512,562
Total - utility administration	3,798,372	3,267,566	530,806	2,937,095
Public works administration:				
Salaries and benefits	766,495	765,817	678	632,834
Maintenance of infrastructure and related equipment	2,000	309	1,691	606
Other operating expenditures	53,098	34,239	18,859	24,064
Capital outlay	15,000	-	15,000	-
Total - public works administration	836,593	800,365	36,228	657,504
Water plant operations:				
Salaries and benefits	953,618	902,362	51,256	828,566
Maintenance of infrastructure and related equipment	66,500	60,804	5,696	44,397
Other operating expenditures	1,988,930	1,734,129	254,801	1,442,660
Capital outlay	112,700	6,048	106,652	12,237
Total - water plant operations	3,121,748	2,703,343	418,405	2,327,860

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Sewer plant operations:				
Salaries and benefits	\$ 962,514	\$ 873,361	\$ 89,153	\$ 871,399
Maintenance of infrastructure and related equipment	111,564	45,017	66,547	30,022
Other operating expenditures	1,966,942	1,806,981	159,961	1,480,296
Capital outlay	35,100	33,911	1,189	-
Total - sewer plant operations	3,076,120	2,759,270	316,850	2,381,717
Distribution and collection:				
Salaries and benefits	3,001,074	2,754,628	246,446	2,706,060
Maintenance of infrastructure and related equipment	133,229	113,701	19,528	82,376
Other operating expenditures	3,833,325	3,462,719	370,606	2,881,104
Capital outlay	510,963	267,734	243,229	143,187
Total - distribution and collection	7,478,591	6,598,782	879,809	5,812,727
Utility maintenance:				
Salaries and benefits	504,299	415,694	88,605	411,524
Maintenance of infrastructure and related equipment	650,360	454,443	195,917	487,134
Other operating expenditures	122,763	91,678	31,085	101,086
Capital outlay	98,865	93,061	5,804	31,020
Total - distribution and collection	1,376,287	1,054,876	321,411	1,030,764
Store:				
Salaries and benefits	80,053	78,536	1,517	76,232
Purchases and supplies	359,749	331,314	28,435	281,237
Maintenance of infrastructure and related equipment	475	4	471	606
Other operating expenditures	11,863	10,543	1,320	9,925
Capital outlay	34,300	-	34,300	-
Total - store	486,440	420,397	66,043	368,000
Less charges to other departments	(200,000)	(261,433)	61,433	(229,731)
Net store	286,440	158,964	127,476	138,269
Capital improvements:				
Capital outlay	104,431	-	104,431	727,823
Contractual services	1,267,948	941,829	326,119	642,193
Total capital improvements	1,372,379	941,829	430,550	1,370,016
Debt service:				
Interest	1,804,425	1,804,387	38	1,905,122
Principal retirement	2,767,618	2,758,895	8,723	2,710,792
Other fees	2,500	1,000	1,500	1,000
Total debt service	4,574,543	4,564,282	10,261	4,616,914
Total expenditures	27,193,483	23,913,760	3,279,723	22,467,242
Revenues in excess of (less than) expenditures	(2,857,484)	3,588,717	6,446,201	1,469,708

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Other financing sources (uses):				
Transfers in:				
Capital Project Fund	\$ 2,412,593	\$ 2,412,593	\$ -	\$ 35,312
ARP CSLFRF Special Revenue Fund	-	649,600	649,600	138,543
Transfers (out):				
Capital Project Fund	(2,113,385)	(2,073,384)	40,001	(5,490,030)
Chatham Park Utility Fund	-	-	-	(33,000)
Other Post Employment Benefits	(25,000)	(25,000)	-	(25,000)
IT subscription agreement	60,000	39,955	(20,045)	-
Insurance recovery	33,979	41,905	7,926	500
Appropriated fund balance	2,489,297	-	(2,489,297)	-
Total other financing sources (uses)	<u>2,857,484</u>	<u>1,045,669</u>	<u>(1,811,815)</u>	<u>(5,373,675)</u>
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>4,634,386</u>	<u>\$ 4,634,386</u>	<u>\$ (3,903,967)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Capital outlay		\$ 405,318		
Capital contributions - contractors		8,517,278		
Principal payments on debt		2,758,895		
Decrease in lease receivable		(75,544)		
Decrease in lease interest receivable		(37)		
Decrease in accrued interest payable		10,116		
Depreciation and amortization		(6,881,434)		
Bad debt allowance		(54,219)		
Bond premium amortization		338,425		
Disposal of capital assets		(147,838)		
Intrafund transfers		(339,209)		
Increase in deferred outflows of resources - pensions		827,300		
Increase in net pension liability		(2,412,136)		
Decrease in deferred inflows of resources - pensions		1,272,246		
Increase in compensated absences		(13,858)		
Decrease in deferred outflows of resources - OPEB		(656,630)		
Decrease in net OPEB liability		1,243,263		
Increase in deferred inflows of resources - OPEB		(639,110)		
Deferred outflows from debt refunding		(20,608)		
Decrease in deferred inflows of resources - leases		101,556		
Utility Capital Projects Fund				
Grant funds		23,228,351		
Contributions from other governments		5,033,160		
Interest income		389,334		
Non-capitalized expenditures		(17,299)		
Change in net position		<u>\$ 37,501,706</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, 2023

	Project Budget	Prior Years	Closed Projects	Current Year	Total to Date
Revenues:					
Grants	\$ 149,530,971	\$ 2,945,245		\$ 23,228,351	\$ 26,173,596
Contributions - Other	12,448,387	1,738,734	-	5,033,160	6,771,894
Interest income	118	108	(117)	389,334	389,325
Total revenues	161,979,476	4,684,087	(117)	28,650,845	33,334,815
Expenditures:					
Water capital project - capital outlay	73,297,652	2,689,996	-	14,631,061	17,321,057
Sewer capital project - capital outlay	98,999,763	6,431,685	-	14,074,477	20,506,162
Non-capitalized expenditures	165,605	67,503	-	17,299	84,802
Total expenditures	172,463,020	9,189,184	-	28,722,837	37,912,021
Revenues less than expenditures	(10,483,544)	(4,505,097)	(117)	(71,992)	(4,577,206)
Other Financing Sources (Uses):					
Transfer from Utility Fund	16,325,186	14,251,802	(3,115,000)	2,073,384	13,210,186
Transfer to Utility Fund	(6,357,968)	(3,945,375)	3,115,000	(2,412,593)	(3,242,968)
Debt proceeds	516,326	516,324	117	-	516,441
Total other financing sources (uses)	10,483,544	10,822,751	117	(339,209)	10,483,659
Revenues and other financing sources in excess of (less than) expenditures	\$ -	\$ 6,317,654	\$ -	\$ (411,201)	\$ 5,906,453

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, 2023

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges	\$ 331,141	\$ 307,170	\$ (23,971)	\$ 196,664
Other	-	50,000	50,000	-
	<u>331,141</u>	<u>357,170</u>	<u>26,029</u>	<u>196,664</u>
Expenditures:				
Salaries and benefits	74,850	94,271	(19,421)	39,868
Maintenance of infrastructure and related equipment	23,180	8,359	14,821	3,154
Other operating expenditures	233,111	204,540	28,571	153,642
Total expenditures	<u>331,141</u>	<u>307,170</u>	<u>23,971</u>	<u>196,664</u>
Revenues over (under)expenditures	-	50,000	(50,000)	-
Other Financing Sources (Uses):				
Transfer from Utility Fund	-	-	-	33,000
Revenues and other financing sources in excess of expenditures	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 33,000</u>

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, 2023

	Financial Plan	Actual	Variance with Final Budget Over/Under
Revenues:			
Health insurance premiums	\$ 3,471,581	\$ 4,503,265	\$ 1,031,684
Interest income	-	99,431	99,431
Total revenues	<u>3,471,581</u>	<u>4,602,696</u>	<u>1,131,115</u>
Expenditures:			
Health insurance claims	2,636,480	2,979,713	(343,233)
Wellness initiatives	113,913	124,737	(10,824)
Health savings account contributions	17,375	20,688	(3,313)
Administration	703,813	632,647	71,166
Total expenditures	<u>3,471,581</u>	<u>3,757,785</u>	<u>(286,204)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 844,911</u>	<u>\$ 844,911</u>
Reconciliation from financial plan (modified accrual) to full accrual:			
Revenues in excess of expenditures		\$ 844,911	
Reconciling items:			
Decrease in claims incurred but not reported		<u>(31,421)</u>	
Change in net position		<u>\$ 813,490</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.

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CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2023

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
Assets:				
Cash and cash equivalents	\$ 47,933	\$ 25,882	\$ -	\$ 73,815
Accounts receivable	-	-	60,011	60,011
Total assets	47,933	25,882	60,011	133,826
Liabilities:				
Due to other governments	-	-	60,011	60,011
Total liabilities	-	-	60,011	60,011
Net Position:				
Restricted for:				
Individuals, organizations, and other governments	47,933	25,882	-	73,815
Total net position	\$ 47,933	\$ 25,882	\$ -	\$ 73,815

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
Additions:				
Interest income	\$ 1	\$ 939	\$ -	\$ 940
Occupancy tax	-	-	337,661	337,661
Contributions	-	8,254	-	8,254
Total additions	1	9,193	337,661	346,855
Deductions:				
Benefits paid	44,570	4,521	-	49,091
Distributions	-	-	337,661	337,661
Total deductions	44,570	4,521	337,661	386,752
Net increase (decrease) in fiduciary net position	(44,569)	4,672	-	(39,897)
Net position, beginning	92,502	21,210	-	113,712
Net position, ending	\$ 47,933	\$ 25,882	\$ -	\$ 73,815



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 2022 Tax Levy
- Municipal Service District Schedule of Ad Valorem Taxes Receivable
- Municipal Service District Supplemental Schedule of 2022 Tax Levy

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CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2023

Fiscal Year	Uncollected Balance June 30, 2022	Additions	Collections And Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 19,813,025	\$ 19,652,658	\$ 160,367
2021-2022	164,222	-	54,799	109,423
2020-2021	114,846	-	21,833	93,013
2019-2020	101,183	-	10,625	90,558
2018-2019	56,867	-	5,396	51,471
2017-2018	40,220	-	3,587	36,633
2016-2017	33,185	-	2,545	30,640
2015-2016	33,308	-	1,993	31,315
2014-2015	29,179	-	1,861	27,318
2013-2014	11,463	-	86	11,377
2012-2013	6,002	-	6,002	-
	<u>\$ 590,475</u>	<u>\$ 19,813,025</u>	<u>\$ 19,761,385</u>	642,115
Less: allowance for uncollectible accounts:				
General Fund				329,713
Ad valorem taxes receivable - net				\$ 312,402
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 19,740,543
Reconciling items:				
Taxes released and written off				20,842
Total collections and credits				\$ 19,761,385

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SUPPLEMENTAL SCHEDULE OF 2022 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2023

	City - Wide		Total Levy		
	Property		Total	Property	Registered
	Valuation	Rate	Levy	excluding	Motor
				Registered	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current rate \$	3,099,352,419	0.62	\$ 19,215,985	\$ 17,264,516	\$ 1,951,469
Utilities	59,198,387	0.62	367,030	367,030	-
Penalties	-		40,498	40,498	-
Total	<u>3,158,550,806</u>		<u>19,623,513</u>	<u>17,672,044</u>	<u>1,951,469</u>
Discoveries:					
Current years taxes	26,233,226	0.62	162,646	162,646	-
Gap bills	6,513,871	0.62	40,386	40,386	-
Penalties	-		1,177	1,177	-
Total	<u>3,191,297,903</u>		<u>19,827,722</u>	<u>17,876,253</u>	<u>1,951,469</u>
Abatements	<u>(2,370,484)</u>	0.62	<u>(14,697)</u>	<u>(14,697)</u>	<u>-</u>
Total property valuation	<u>\$ 3,188,927,419</u>				
Net levy			19,813,025	17,861,556	1,951,469
Uncollected taxes at June 30, 2023			<u>160,367</u>	<u>132,840</u>	<u>27,527</u>
Current year's taxes collected			<u>\$ 19,652,658</u>	<u>\$ 17,728,716</u>	<u>\$ 1,923,942</u>
Current levy collection percentage			<u>99.2%</u>	<u>99.3%</u>	<u>98.6%</u>

CITY OF SANFORD, NORTH CAROLINA

MUNICIPAL SERVICE DISTRICT
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2023

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 85,143	\$ 84,411	\$ 732
2021-2022	513	-	31	482
2020-2021	348	-	118	230
2020-2021	221	-	27	194
2019-2020	187	-	14	173
2018-2019	371	-	16	355
2017-2018	103	-	15	88
2016-2017	82	-	13	69
2015-2016	46	-	12	34
2014-2015	73	-	9	64
2013-2014	105	-	105	-
	<u>2,049</u>	<u>85,143</u>	<u>84,771</u>	<u>2,421</u>
Total	\$ 2,049	\$ 85,143	\$ 84,771	2,421
Less: Allowance for uncollectible accounts:				
Central Business Tax District				<u>405</u>
Ad valorem taxes receivable - net				<u>\$ 2,016</u>
Reconcilement with revenues:				
Ad valorem taxes - Central Business Tax District				\$ 84,616
Reconciling items:				
Taxes released and written off				<u>155</u>
Total collections and credits				<u>\$ 84,771</u>

CITY OF SANFORD, NORTH CAROLINA

MUNICIPAL SERVICE DISTRICT
 SUPPLEMENTAL SCHEDULE OF 2022 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2023

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 75,967,273	0.11	\$ 83,564	\$ 79,883	\$ 3,681
Penalties	-		250	250	-
Discoveries and late lists	1,274,545	0.11	1,402	1,402	-
Abatements	<u>(66,364)</u>	0.11	<u>(73)</u>	<u>(73)</u>	<u>-</u>
Total property valuation	\$ <u>77,175,454</u>		<u>85,143</u>	<u>81,462</u>	<u>3,681</u>
Net levy			85,143	81,462	3,681
Uncollected taxes at June 30, 2022			<u>732</u>	<u>714</u>	<u>18</u>
Current year's taxes collected			\$ <u>84,411</u>	\$ <u>80,748</u>	\$ <u>3,663</u>
Current levy collection percentage			<u>99.1%</u>	<u>99.1%</u>	<u>99.5%</u>



CITY OF SANFORD, NORTH CAROLINA

STATISTICAL SECTION

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

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

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

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

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

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

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 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	\$ 53,121,751
Restricted	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	21,656,360
Unrestricted	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)	(22,256,406)
Total governmental activities net position	<u>\$ 24,777,526</u>	<u>\$ 27,486,230</u>	<u>\$ 29,239,014</u>	<u>\$ 25,791,258</u>	<u>\$ 6,349,067</u>	<u>\$ 8,375,570</u>	<u>\$ 8,557,221</u>	<u>\$ 10,592,235</u>	<u>\$ 20,017,568</u>	<u>\$ 52,521,705</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 150,808,050
Unrestricted	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	17,191,942
Total business-type activities net position	<u>\$ 111,004,647</u>	<u>\$ 115,348,462</u>	<u>\$ 115,544,984</u>	<u>\$ 116,979,023</u>	<u>\$ 113,453,668</u>	<u>\$ 117,463,236</u>	<u>\$ 120,374,535</u>	<u>\$ 125,955,063</u>	<u>\$ 130,448,286</u>	<u>\$ 167,999,992</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 203,929,801
Restricted	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	21,656,360
Unrestricted	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)	(5,064,464)
Total primary government net position	<u>\$ 135,782,173</u>	<u>\$ 142,834,692</u>	<u>\$ 144,783,998</u>	<u>\$ 142,770,281</u>	<u>\$ 119,802,735</u>	<u>\$ 125,838,806</u>	<u>\$ 128,931,756</u>	<u>\$ 136,547,298</u>	<u>\$ 150,465,854</u>	<u>\$ 220,521,697</u>

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 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	\$ 6,895,677
Public safety	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	18,901,810
Streets	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	4,550,980
Sanitation	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	3,579,547
Community development	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	3,290,096
Cultural and recreational	-	-	-	-	-	1,043,892	1,420,848	1,608,805	1,620,489	1,826,399
Interest on long-term debt	20,451	219,692	285,362	262,234	318,914	298,688	325,374	302,656	295,932	352,944
Total governmental activities expenses	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	39,397,453
Business-type activities:										
Utility	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	28,329,912
Golf	820,350	801,895	780,163	-	-	-	-	-	-	-
Total business-type activities expenses	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	28,329,912
Total primary government expenses	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	67,727,365
Program Revenues										
Governmental activities:										
Charges for services:										
General government	831,559	82,128	77,977	640,998	633,298	9,849	7,745	9,918	8,920	5,681
Public safety	468,407	44,831	49,328	55,606	689,143	34,380	34,531	38,190	1,403,403	34,562
Streets	174,497	189,993	224,649	234,558	215,402	177,391	139,400	163,043	217,009	194,498
Sanitation	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	2,963,927
Community development	309,714	356,029	621,804	689,730	-	570,622	1,226,978	971,489	-	1,015,177
Cultural and recreational	-	-	-	-	-	599,845	662,401	789,294	915,079	1,003,535
Operating grants & contributions	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	11,463,680
Capital grants & contributions	187,186	-	168,632	521,943	3,804,509	1,547,367	1,309,175	1,874,673	3,524,217	20,534,522
Total governmental activities program revenue	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	37,215,582
Business-type activities:										
Charges for services	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	27,201,102
Operating grants & contributions	892,864	891,902	896,713	442,230	6,888	338,932	316,022	20,268	-	-
Capital grants & contributions	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	36,778,789
Total business-type activities program revenues	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	63,979,891
Total primary government program revenues	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	101,195,473
Net (Expense)/Revenue										
Governmental activities	(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)	(2,181,871)
Business-type activities	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	35,649,979
Total primary government net expense	(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)	33,468,108

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 19,929,894
Other taxes	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	9,720,568
Intergovernmental not restricted	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	3,271,893
Other	452,661	314,713	418,630	305,067	410,080	603,109	364,025	423,600	726,997	2,413,253
Total governmental activities	20,280,371	22,023,266	23,048,944	23,375,195	23,965,535	26,050,753	27,254,648	28,549,159	31,142,328	35,335,608
Business-type activities:										
Other	33,919	15,550	54,457	85,759	247,151	991,306	1,228,036	1,610,831	955,657	1,252,127
Total business-type activities	33,919	15,550	54,457	85,759	247,151	991,306	1,228,036	1,610,831	955,657	1,252,127
Total primary government	20,314,290	22,038,816	23,103,401	23,460,954	24,212,686	27,042,059	28,482,684	30,159,990	32,097,985	36,587,735
Gain (loss) on disposal of assets										
Governmental activities	-	17,558	271,904	-	306,949	101,637	(12,574)	-	-	-
Business activities	-	52,492	(84,419)	-	-	51,072	(64,030)	-	-	-
Transfer:										
Governmental activities	(72,258)	(121,149)	(157,141)	22,216	10,250	-	-	-	(138,543)	(649,600)
Business activities	72,258	121,149	157,141	(22,216)	(10,250)	-	-	-	138,543	649,600
Change in Net Position										
Governmental activities	(3,490,410)	(476,858)	732,268	(1,060,369)	3,702,795	2,026,503	181,651	1,957,078	9,425,333	32,504,137
Business-type activities	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	37,551,706
Total primary government	\$ 1,427,961	\$ 4,488,370	\$ 928,790	\$ 1,119,563	\$ 7,950,149	\$ 7,031,716	\$ 3,092,950	\$ 7,537,606	\$ 13,918,556	\$ 70,055,843

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

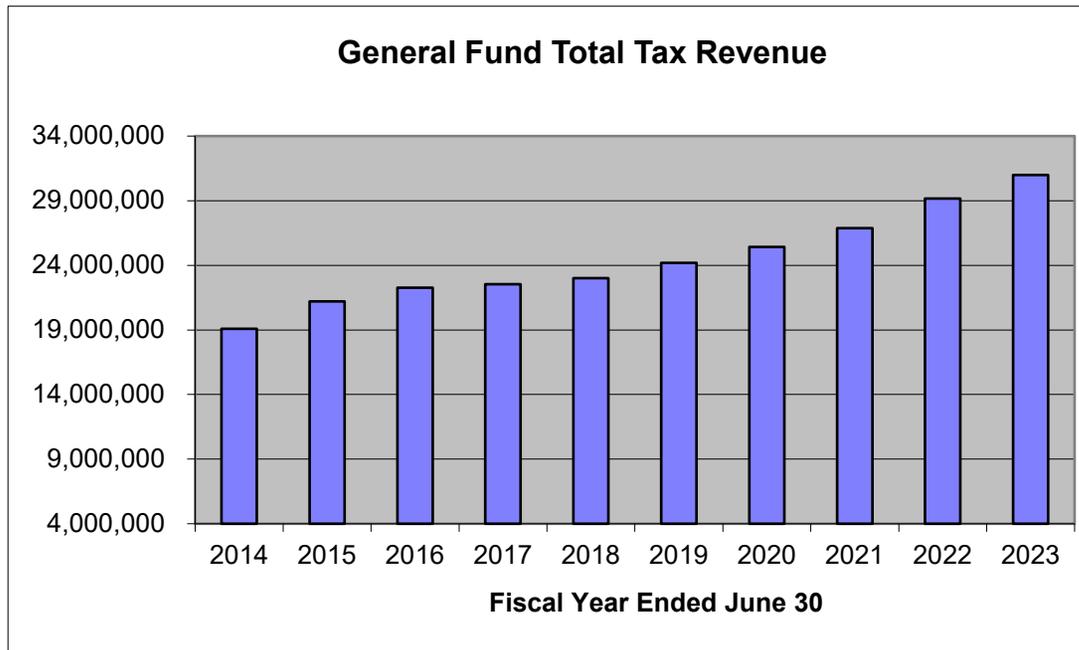
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Non-spendable										
Inventories	\$ 94,157	\$ 74,785	\$ 88,160	\$ 98,911	\$ 105,321	\$ 113,598	\$ 81,703	\$ 108,005	\$ 120,150	\$ 120,845
Prepaid expenses	81,239	51,875	100,604	112,323	52,118	128,922	111,962	156,974	217,605	288,568
Restricted										
Stabilization by State statute	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	5,437,897
Community Development	-	-	-	-	-	-	-	-	11,991	7,240
Inspections building permits	-	-	-	-	167,791	100,860	668,020	857,120	1,374,954	1,399,085
Public Safety	63,249	-	97,858	45,617	60,866	65,449	110,813	185,954	211,141	180,667
Powell Bil	-	-	-	-	-	-	-	193,574	-	-
General government	-	-	-	-	-	-	-	1,164,322	465,115	-
Streets	-	-	-	-	-	-	-	-	1,011,466	1,231,703
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	1,908,734
Assigned										
Subsequent year's expenditures	184,922	624,788	851,510	-	58,300	235,504	48,104	756,641	1,831,642	2,995,264
Unassigned	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	24,687,022
Total General Fund	\$ 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	\$ 38,257,025
All Other Governmental Funds										
Restricted										
Stabilization by State statute	\$ 94,585	\$ 651	\$ 3,254	\$ 1,366	\$ 5,921	\$ 1,579	\$ 1,185	\$ 1,474	\$ 1,719	\$ 5,178
Community development	428,853	449,181	502,184	584,354	660,096	613,848	2,028,984	1,325,408	2,299,584	5,833,112
Economic development	-	7,240,484	331,481	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	7,561,478
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	170,835
Assigned										
Subsequent year's expenditures	-	-	-	-	-	-	15,349	11,290	10,253	36,207
Downtown revitalization	92,866	103,916	105,468	87,884	89,514	99,605	117,388	120,297	128,734	91,913
Unassigned	(45,238)	16,195	16,195	-	-	-	-	-	7,105	(38,897)
Total All Other Governmental Funds	\$ 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	\$ 13,659,826

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Ad valorem taxes	\$ 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	\$ 19,825,159
Other taxes	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	9,723,278
Penalties and interest	79,295	77,529	80,210	57,417	54,395	53,163	48,240	86,360	71,082	78,397
Licenses and permits	336,949	400,860	671,132	737,715	682,409	598,721	1,256,186	1,005,314	1,399,181	1,044,283
Intergovernmental revenues	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	14,660,894
Investment income	30,099	20,320	88,545	122,504	216,637	407,883	235,439	25,910	75,160	1,681,490
Sales and service	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	2,977,493
Miscellaneous revenues	640,484	787,041	933,020	1,038,797	974,355	952,905	961,428	1,134,298	1,957,325	1,740,199
Total revenues	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	51,731,193
Expenditures										
General government	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	7,126,059
Public safety	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	16,871,217
Streets	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	2,344,328
Sanitation	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	3,313,284
Community development	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	3,071,022
Cultural and recreational	-	-	-	-	-	751,910	1,044,494	1,137,831	1,295,356	1,471,927
Capital outlay	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	7,700,695
Debt service										
Principal	172,208	235,533	781,766	761,920	767,095	956,570	1,095,594	1,033,152	1,134,360	1,432,399
Interest	21,978	24,217	314,974	299,318	276,143	335,782	350,897	350,737	345,588	320,287
Bond issuance costs	-	-	-	-	-	90,826	-	-	-	-
Total expenditures	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	43,651,218
Excess (deficiency) of revenues over expenditures	167,987	(441,212)	(7,581,392)	(2,540,407)	(239,001)	1,302,869	1,765,195	3,449,755	5,370,735	8,079,975
Other Financing Sources (Uses)										
Insurance recovery	-	-	71,775	29,817	12,822	89,637	52,651	47,117	112,427	210,985
Transfers in (out)	(72,258)	(121,149)	(160,687)	(45,000)	(80,750)	(50,000)	(50,000)	(50,000)	(188,543)	(699,600)
Sale of Property	-	-	-	-	361,833	165,017	32,761	218,891	246,360	187,752
Miscellaneous	-	(205,454)	-	-	-	-	-	-	-	-
Installment purchase contract	-	10,278,837	-	-	3,500,000	-	-	1,165,909	-	-
Bond issued	-	-	-	-	-	2,000,000	-	-	-	9,210,000
Bond premiums	-	-	-	-	-	161,403	-	-	-	1,318,500
Debt proceeds	-	-	-	-	-	-	-	-	-	2,015,000
Debt issuance costs	-	-	-	-	(43,750)	-	-	(15,410)	-	(317,790)
Subscription liabilities issued	-	-	-	-	-	-	-	-	-	101,272
Lease liabilities issued	-	-	-	-	-	-	-	-	-	518,128
Total other financing sources (uses)	(72,258)	9,952,234	(88,912)	(15,183)	3,750,155	2,366,057	35,412	1,366,507	170,244	12,544,247
Net change in fund balances	\$ 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	\$ 20,624,222
Debt service as a percentage of noncapital expenditures	0.84%	1.14%	4.32%	3.88%	3.78%	4.55%	4.79%	4.36%	4.68%	4.88%

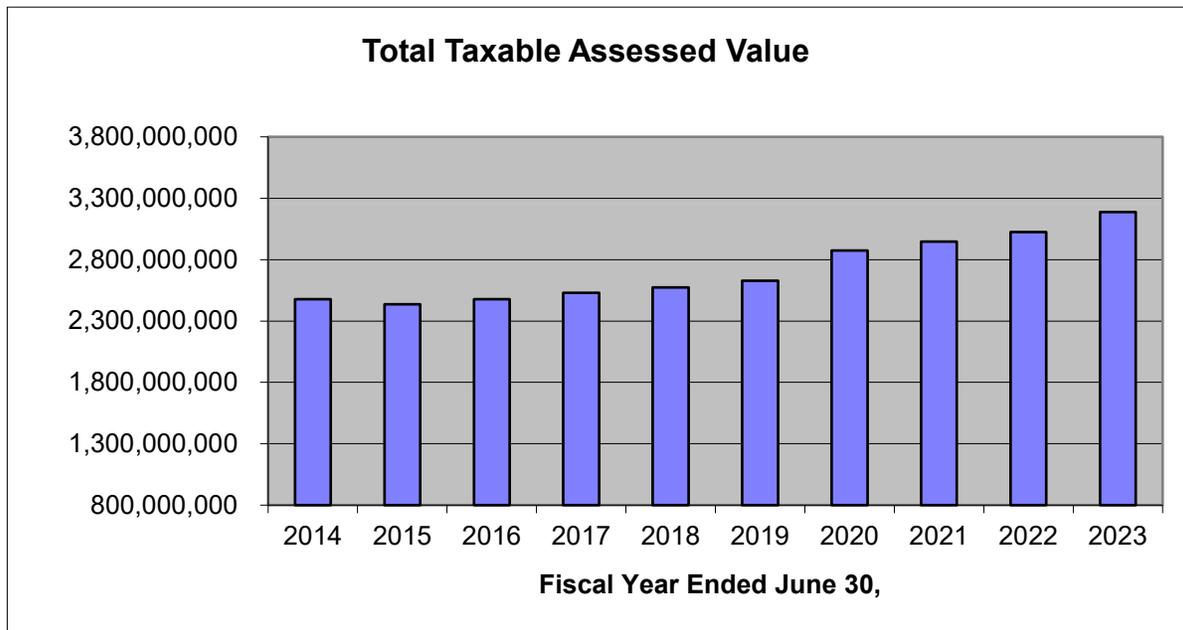
CITY OF SANFORD, NORTH CAROLINA
 GENERAL FUND TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Ad valorem taxes	Sales tax	Utility franchise/sales tax	Privilege licenses	Wine and beer tax	Assessments	Total
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
2023	19,740,543	8,978,248	2,187,149	2,710	69,712	-	30,978,362



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
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%
2023	2,290,064,466	839,664,566	59,198,387	3,188,927,419	0.62	73.89%



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	
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
2023	0.62	0.11	0.730	1.460

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, 2023 COMPARED TO JUNE 30, 2013

Taxpayer	2023			2013		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	\$ 88,639,481	1	2.78%	\$ 95,137,325	1	4.29%
Frontier Spinning Mills	83,829,493	2	2.63%	74,061,462	2	3.34%
Simpson & Simpson	82,073,659	3	2.57%	64,365,322	3	2.90%
Ryder Downs, LLC	61,161,395	4	1.92%			
Audentes Therapeutics Inc	51,171,043	5	1.60%			
Bharat Forge	46,786,884	6	1.47%			
Pentair	37,237,940	7	1.17%	25,060,518	8	1.13%
AMISUB/Central Carolina Hospital	34,295,233	8	1.08%	24,060,948	9	1.09%
Tyson	33,088,521	9	1.04%			
South Park Village	31,658,370	10	0.99%			
Magneti Marelli				38,891,006	4	1.75%
Moen, Inc.				31,794,467	5	1.43%
The Pantry				31,403,608	6	1.42%
Static Control				28,052,813	7	1.27%
Postoak Sanford				21,129,600	10	0.95%
Total	\$ 549,942,019		17.25%	\$ 433,957,069		19.57%

Source: Lee County Tax Office

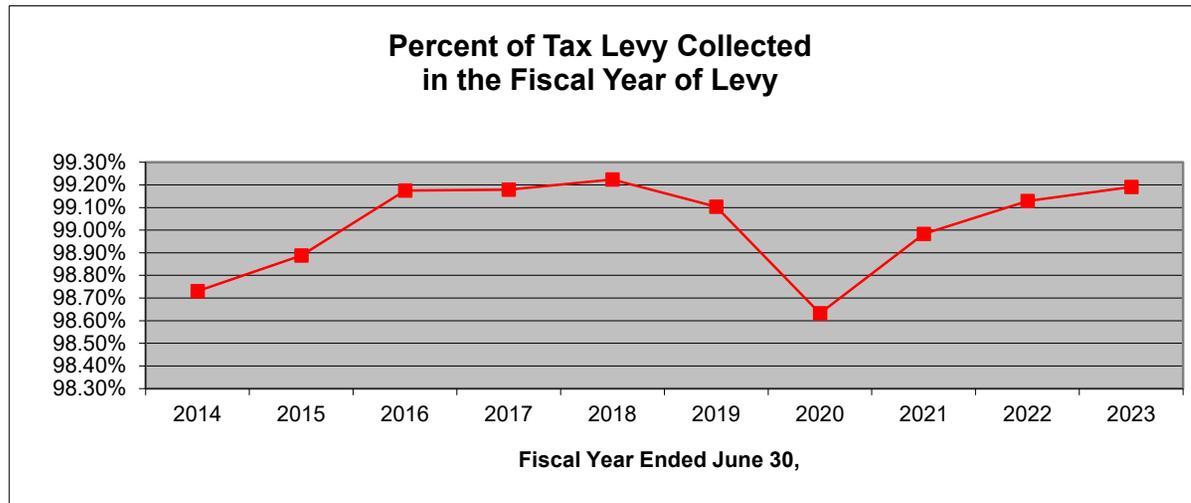
CITY OF SANFORD, NORTH CAROLINA
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

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
2014	2013	13,380,720	13,210,856	98.73%	158,487	13,369,343	99.91%
2015	2014	14,685,766	14,522,406	98.89%	136,042	14,658,448	99.81%
2016	2015	14,881,565	14,758,667	99.17%	91,583	14,850,250	99.79%
2017	2016	15,195,824	15,071,109	99.18%	94,075	15,165,184	99.80%
2018	2017	15,475,098	15,354,949	99.22%	83,516	15,438,465	99.76%
2019	2018	16,324,178	16,177,770	99.10%	94,937	16,272,707	99.68%
2020	2019	17,263,421	17,027,314	98.63%	145,549	17,172,863	99.48%
2021	2020	17,704,119	17,524,116	98.98%	86,990	17,611,106	99.47%
2022	2021	18,839,203	18,674,981	99.13%	54,799	18,729,780	99.42%
2023	2022	19,813,025	19,652,658	99.19%	-	19,652,658	99.19%

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	Limited Obligation Bonds	Unamortized Bond Premium	IT Subscription Liabilities	Lease Liabilities	Installment Purchases	Annexation Liability	Unamortized Bond Premium	Notes Payable	Revenue Bonds	Installment Purchases				
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	-	49,857	3,585,555	-	4,534,904	10,909,920	35,470,000	2,955,759	65,199,148	9.09%	2,125	
2023	6,500,000	9,210,000	1,913,782	65,726	451,317	4,870,370	-	4,196,479	10,082,114	33,790,000	2,744,625	73,824,413	9.47%	2,364	

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

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

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
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
2023	7,106,269	0.22%	228

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

CITY OF SANFORD, NORTH CAROLINA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2023

<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	\$ 23,011,195	100%	\$ 23,011,195
Lee County	<u>73,012,546</u>	46%	<u>33,585,771</u>
Total direct and overlapping debt	<u>\$ 96,023,741</u>		<u>\$ 56,596,966</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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Limit	\$ 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	\$ 255,114,194
Total net debt applicable to limit	<u>19,844,153</u>	<u>18,615,895</u>	<u>25,530,275</u>	<u>23,938,844</u>	<u>25,827,129</u>	<u>26,010,497</u>	<u>24,039,057</u>	<u>26,728,562</u>	<u>24,501,234</u>	<u>33,407,109</u>
Legal debt margin	<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>	<u>\$ 221,707,085</u>
Total net debt applicable to limit as a percentage of debt limit	10.02%	9.55%	12.88%	11.83%	12.55%	12.37%	10.45%	11.34%	10.13%	13.09%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	\$3,188,927,419
Debt limit 8% of assessed value	255,114,194
Amount of debt applicable to debt limit:	49,500,000
Outstanding debt not evidenced by bonds:	
Notes	10,082,114
Installment purchase contracts	<u>7,614,995</u>
	67,197,109
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	<u>33,790,000</u>
	<u>33,407,109</u>
Legal Debt Margin	<u>\$ 221,707,085</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
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%
2023	31,224	779,632,056	24,969	36.90	9,072	4.0%

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, 2023 COMPARED TO JUNE 30, 2013

	<u>2023</u>		<u>2013</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Catepillar	1000+	1	374	9
Lee County Schools	1000+	2		
Pilgrims Pride	500-999	3	1,100	2
Pentair	500-999	4	600	4
Central Carolina Community College	500-999	5		
County of Lee	500-999	6		
Kelly Services Inc	250-499	7		
Tyson Mexican Original	250-499	8	443	8
Pfizer	250-499	9	450	7
Bear Creek Arsenal	250-499	10		
Static Control			1,250	1
Coty			895	3
Frontier Yarns Inc			460	5
Arden			457	6
Moen			330	10

Source: NC Department of Commerce

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

	<u>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>	<u>2023</u>
<u>Function/Program</u>										
General Government	36	37	38	37	37	34	34	36	37	37
Public Safety										
Police Officers	84	82	83	81	80	78	72	68	66	66
Police Civilians	19	18	21	23	22	24	24	22	21	23
Firefighters and Officers	51	52	52	52	47	49	48	48	47	47
Fire Civilians	1	1	1	1	4	4	4	4	4	6
Inspections	5	5	5	6	5	6	6	6	8	9
Streets	17	18	16	17	18	15	15	16	12	15
Sanitation	17	17	16	17	17	16	17	16	18	17
Community Development	13	13	13	13	13	13	14	14	13	15
Cultural and Recreation	5	5	5	5	5	9	10	10	11	11
Utility	84	85	81	83	84	83	89	88	88	88
Total	<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>	<u>334</u>

Source: The City of Sanford Human Resources department

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Function/Program</u>										
Police										
Physical arrests	2,952	2,704	2,400	2,124	2,316	2,043	2,010	2,015	1,928	1,858
Parking violations	461	332	44	563	270	270	151	237	239	516
Traffic violations	4,769	4,374	3,761	2,969	2,565	2,541	2,400	2,379	2,020	1,729
Fire										
Emergency responses	954	1,054	1,196	1,344	1,295	1,431	162	1,432	1,781	1,676
Fires extinguished	114	115	113	111	126	123	106	75	126	105
Inspections	1,424	1,832	1,528	1,303	1,037	1,040	911	718	617	1,270
Inspections										
Building permits issued	333	416	467	586	514	590	761	911	871	1,019
Building inspections conducted	5,786	5,848	6,617	8,030	8,337	6,381	10,214	12,301	13,194	15,590
Street										
Street resurfacing (miles)	-	4.60	0.396	2.594	3.49	-	3.83	-	1.80	1.50
Refuse collection										
Refuse collected (tons per day)	28.75	28.31	30.42	33.76	32.17	29.91	33.94	33.14	32.65	32.83
Utility										
New Water connections	155	75	101	111	122	114	115	160	165	523
Water main breaks	158	119	182	133	116	52	88	63	134	100
Average daily consumption (mgd)	8.160	6.900	7.1	7.813	7.295	7.256	7.498	7.440	7.480	7.718
Golf										
Rounds	26,966	24,649	24,440	27,406	27,341	26,083	29,189	33,243	37,585	40,650

Sources: Various City of Sanford departments

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Function/Program</u>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse collection Collection trucks	11	11	11	11	11	11	11	11	11	11
Streets Streets (miles)	135.82	135.70	135.70	135.70	137.61	138.33	139.23	139.73	141.23	148.47
Water Water mains (miles)	578.00	579.00	582.00	582.80	585.09	585.09	588.82	610.00	612.60	602.97
Fire hydrants	3,001	3,006	3,006	3,040	3,081	3,102	3,136	3,105	3,105	3,207
Storage capacity (thousands of gallons)	5,500	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550
Sewer Sanitary sewers (miles)	255.00	226.00	232.00	232.08	236.61	232.78	234.05	234.05	245.37	267.69
Golf Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

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CITY OF SANFORD, NORTH CAROLINA
COMPLIANCE SECTION

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2023 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 16, 2023.

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 16, 2023



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, 2023. 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, 2023.

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 16, 2023

**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, 2023. 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, 2023.

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 16, 2023



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, 2023**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

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

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

Identification of major federal programs:

<u>CFDA No(s)</u>	<u>Names of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

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

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

State Awards

Internal control over major state program:

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

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

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

Identification of major state programs: Powell Bill
Economic Development Project Reserve

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, 2023

<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 Justice Direct Programs</u>						
Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program	16.922	NC0530100	-	100,464	-	-
<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	241,967	-	-	224,467
CDBG Neighborhood Revitalization Program	14.228	21-C-4022	6,945	-	-	-
CDBG Neighborhood Revitalization Program	14.228	21-C-4032	8,475	-	-	-
Passed-through N. C. Dept. of Environmental Quality CDBG East Sanford Sewer Line Rehab	14.228	CDBG 19-I-3113	89,256	-	-	-
Total CDBG			346,643	-	-	-
Passed-through N.C. Housing Finance Agency Essential Single Family Rehab	14.239	ESFRLP18	176,550	-	-	-
Essential Single Family Rehab	14.239	ESFRLP21	25,289	-	-	-
Total Essential Single Family Rehab			201,839	-	-	-
<u>U.S. Department of Transportation</u>						
Passed-through N.C. Department of Transportation Highway Planning and Construction	20.205	WBS Element 38887.1.2	1,688	-	1,688	-
<u>U.S. Department of Treasury</u>						
Passed-through N.C. Pandemic Recovery Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	NC0407	9,093,331	-	-	-
Passed-through N.C. Department of Environmental Quality Sanford WWTP Expansion	21.027	SRP-W-ARP-0261	212,937	-	-	-
Sanford WTP Expansion-Engineering	21.027	SRP-D-ARP-0003	2,022,866	-	-	-
Total Assistance - Federal Programs			\$ 11,879,304	\$ 100,464	\$ 1,688	\$ 224,467
State Grants:						
Cash Assistance:						
<u>N.C. Housing Trust Fund</u>						
Passed-through N.C. Housing Finance Agency Urgent Repair Program - Housing Trust Funds	N/A	2021 URP 21	-	100,000	15,000	-
<u>N.C. Department of Transportation</u>						
Powell Bill Funds	N/A	32570	-	903,927	-	-
<u>N.C. Department of Public Safety</u>						
Emergency Management Disaster Relief and Mitigation	N/A	NCEM-DRMG1026	-	191,945	-	-
Passed-through N.C. Sheriff's Association Internet Crimes Against Children	N/A	N/A	-	27,353	-	-
<u>N.C. Department of Commerce</u>						
Project Blue/Vinfast Water & Sewer Infrastructure	N/A	N/A	-	11,483,990	-	-
<u>N.C. Office of State Budget & Management</u>						
State Construction & Infrastructure Fund	N/A	Grant ID 11641	-	16,810	-	-
State Construction & Infrastructure Fund	N/A	Grant ID 11642	-	10,255	-	-
Total State Assistance			\$ -	\$ 12,734,280	\$ 15,000	\$ -
Total Federal and State Assistance			\$ 11,879,304	\$ 12,834,744	\$ 16,688	\$ 224,467

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, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Sanford, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Sanford.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Sanford has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.