CITY OF SANFORD

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

Prepared by:
City of Sanford Finance Department

Beth T. Kelly
Director of Financial Services

City of Sanford, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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COMPLIANCE SECTION

PO Box 3729
Sanford, NC 27331-3729 | City of Sanford | (919) 777-1112

November 24, 2015

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, 2015 submitted herewith in compliance with North Carolina General Statutes Section 159-34 which requires an annual independent audit and report on the financial activity of the City. This report is composed of four major sections. The introductory section includes this letter of transmittal. The financial section includes the auditors' opinion, management's discussion and analysis, financial statements, footnotes, combining and individual fund statements. The statistical section includes various tables reflecting the social and economic information, financial trends and fiscal capacity of the City.

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

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

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

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

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

Profile of the Government

The City of Sanford is the county seat of Lee County and is located in the central piedmont area of North Carolina. The City was incorporated in 1874 and presently has a land area of 25.29 square miles and a population of 29,141. 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), 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. However, due to the recession in the national economy and housing market, the increase in fuel and consumer product costs as well as the high unemployment rate, the local economy in Sanford has remained slow over the past couple of years however we appear to be starting the rebound and showing growth. The County's unemployment rate has decreased from 8.1% in June 2014 to 7.9% in June 2015 showing some improvement, however still higher than the state average.

There were several industry announcements over the past twenty-four months of expansions which should have a positive impact on property tax revenues over the next year. Some of the announcements and updates include: Frontier Spinning, with $30,000,000 in investments; Magnetti Marelli with $600,000 in real property investments and $11,400,000 in machinery investments (over two phases); and Fitzpak, with $4,000,000 in investments and additional jobs are to be created.

The completion of the US 421 and NC 87 By-Pass has had a positive impact on our commercial growth along the south end of NC 87. The completion of a large new shopping center along the south end of NC 87 occurred this past fiscal year with an investment of over $20,000,000. Several additions have also been announced for this shopping center's outparcels and more growth in that area is expected in the near future.

Our regional airport, The Raleigh Executive Jetport at Sanford-Lee County, has planned for construction and renovations for 26-28 additional hangars. The Local Government Commission approved a loan not to exceed $1,300,000 from the City and Lee County to the airport for the construction of these additional hangars in October 2015.

Long-Term Financial Planning

The City issued $8,500,000 in general obligation bonds in January 2015. This issuance is for bond projects as follows: $6,500,000 for streetscape improvements in Downtown Sanford and Downtown Jonesboro, and $2,000,000 for sidewalk improvements. The total cost of the streetscape improvement projects will be approximately $9,250,000 and the additional funds will come from fund balance and additional installment purchase financing expected to be issued in 2016.

City Council did not increase utility rates in fiscal year 2015-16 based on the reserves in the utility fund and based on information provided by the water rate study initially performed in 2007-08 and updated through fiscal year 2014-2015.The City must continue to monitor and adjust our rates in order to maintain a strong bond rating, maintain adequate reserves, and debt coverage necessary to meet our obligations.

Relevant Financial Policies and Updates

A federal subsidy of the interest on the City's Series 2010A and Series 2010B revenue bonds (Build America and Recovery Zone Economic Development Bonds) continues to be received from the federal government semi-annually prior to each debt payment.

Issuing general obligation bonds required the City to request a bond rating this past fiscal year. The City received favorable bond ratings with a Fitch rating of AA- and a Moody's rating of Aa# resulting in lower interest rates on the bonds.

City Council approved a formal fund balance policy in early December 2014 stating that the minimum unassigned fund balance as a percent of net general fund expenditures will be 25% with a target of 30%. The 25 % minimum policy has always been practiced by Council and now is in a formal approved policy.

Major Initiatives

There are two remaining projects that were approved by our citizens to be funded through general obligation bonds totaling $6,000,000 and this bond issuance is expected to occur in 2018 or later. The first project is $4,000,000 to extend the greenway. The second project is $2,000,000 for parks and recreation. The City joined with Lee County and the Sanford Area Soccer League (SASL) to complete a market and feasibility study for a Sports Complex in Sanford. This was favorable and the City and Lee County are now awaiting site analysis results to determine the next steps. The City's $2,000,000 in recreation bonds could go towards a project like this however other funding sources will be required whether it be public or private or a combination of both.

Award and Acknowledgements

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford, North Carolina, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. 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, 2014. 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 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

Beth T. Kelly
Financial Services Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sanford

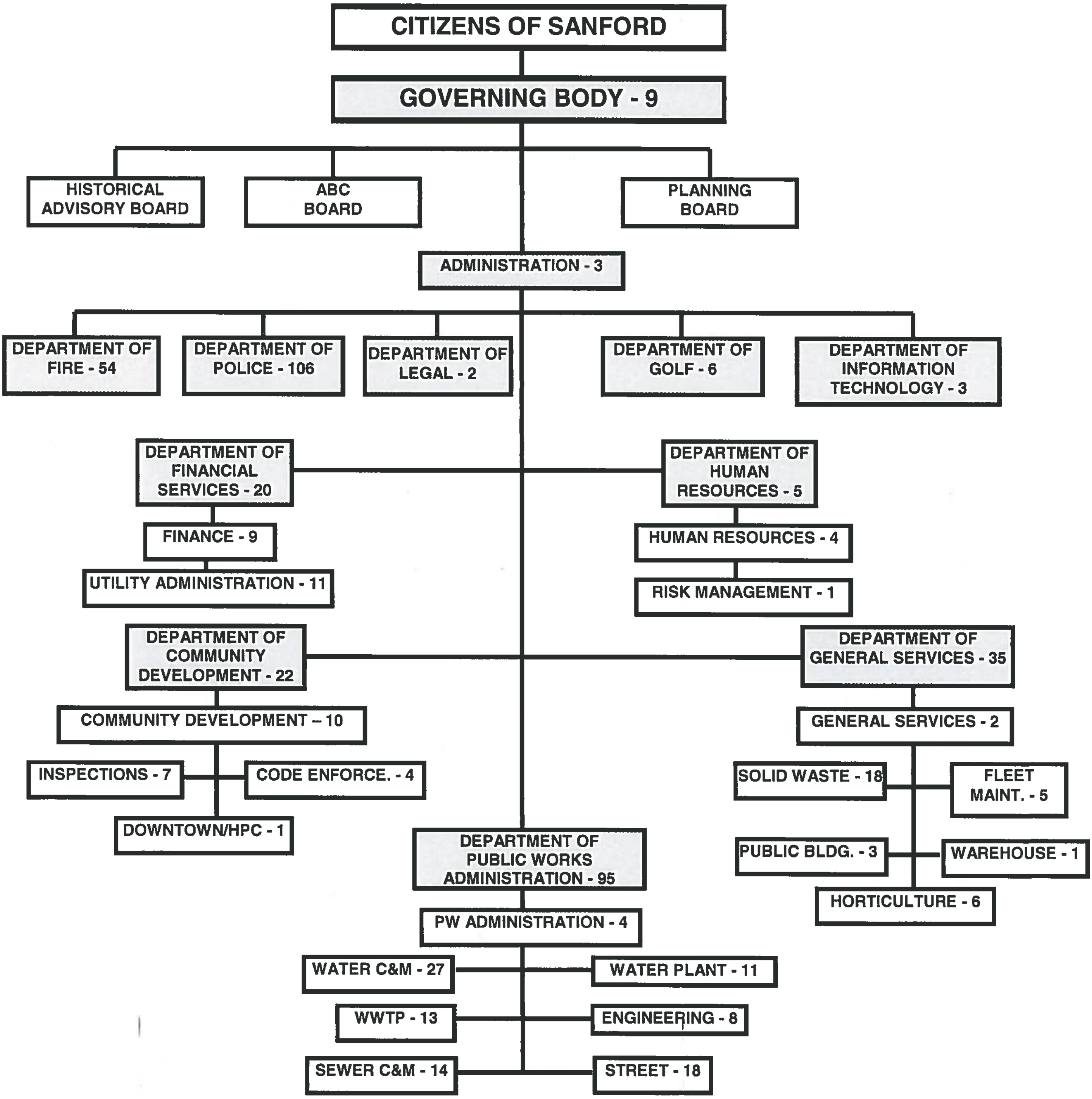
North Carolina

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF SANFORD
ORGANIZATIONAL CHART



GOVERNING BODY

THE HONORABLE T. CHET MANN, MAYOR

MAYOR PRO TEM JAMES G. WILLIAMS

COUNCIL MEMBER SAMUEL P. GASKINS

COUNCIL MEMBER BYRON M. BUCKELS

COUNCIL MEMBER REBECCA WYHOF

COUNCIL MEMBER JIMMY HAIRE

COUNCIL MEMBER CHARLES TAYLOR

COUNCIL MEMBER NORMAN C. POST III

SUBMITTED TO:
THE MAYOR AND THE CITY COUNCIL

BY

Hal Hegwer
City Manager

Beth T. Kelly
Director of Financial Services

CITY OF SANFORD, NORTH CAROLINA

FINANCIAL SECTION

Joyce and
Company,
CPA

Certified Public Accountants

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sanford, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other

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Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Sanford, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2015 on our consideration of City of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sanford's internal control over financial reporting and compliance.

Joyce and Company, CPA

JOYCE AND COMPANY, CPA
Cary, North Carolina

November 24, 2015

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

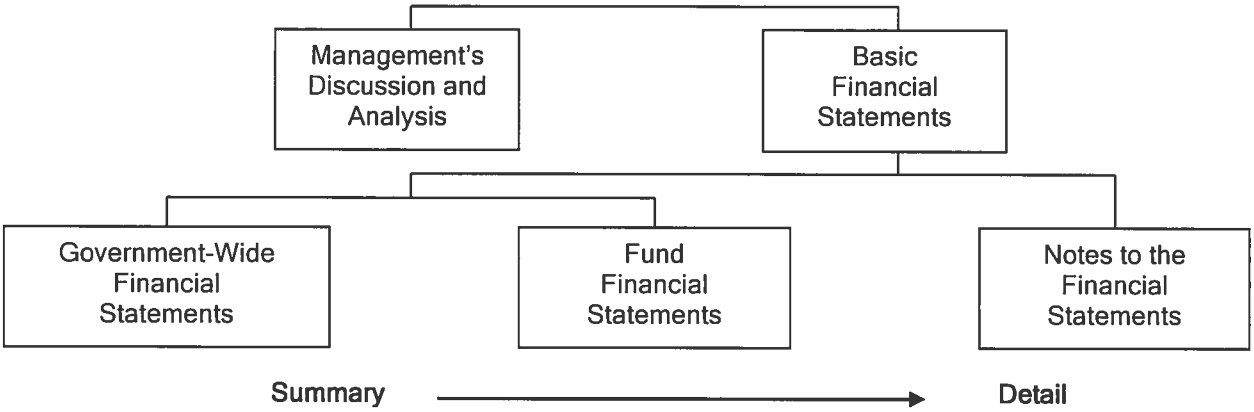
- The assets of the City of Sanford exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $142,834,692 (net position).
- The government's total net position increased by $7,052,519, largely due to increases in the business-type activities' net position.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of $21,554,137, with a net change of $9,511,022 in fund balance. Of this amount 50.3%, or $10,836,915, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was $7,784,597, or 31.05% of total General Fund expenditures and transfers for the fiscal year.
- The City of Sanford's total net debt increased by $5,212,303 during the fiscal year. The key factors in this decrease was the annual debt service payment for revenue bonds and notes payable in the utility fund and the issuance of $8,500,000 of general obligation bonds for sidewalk and streetscape improvements.
- The City of Sanford maintains a Aa3 bond rating from Moody's and a AA- from Fitch for the revenue bond issuance.
- The City of Sanford received a Aa3 bond rating from Moody's and a AA- from Fitch in the current fiscal year for the general obligation bond issuance in the amount of $8,500,000.

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 26,262,655	$ 14,283,065	$ 27,710,446	$ 29,876,323	$ 53,973,101	$ 44,159,388
Capital assets	24,032,637	18,972,998	152,516,700	149,829,361	176,549,337	168,802,359
Deferred outflows of resources	866,338	-	285,772	-	1,152,110	-
Total assets and deferred outflows of resources	51,161,630	33,256,063	180,512,918	179,705,684	231,674,548	212,961,747
Long-term liabilities	15,931,284	6,668,015	58,041,921	66,710,968	73,973,205	73,378,983
Other liabilities	4,337,400	1,747,090	6,053,506	1,990,069	10,390,906	3,737,159
Deferred inflows of resources	3,406,716	63,432	1,069,029	-	4,475,745	63,432
Total liabilities and deferred inflows of resources	23,675,400	8,478,537	65,164,456	68,701,037	88,839,856	77,179,574
Net position:						
Net investment in capital assets	20,400,535	18,131,711	92,253,408	87,283,627	112,653,943	105,415,338
Restricted	3,469,771	2,236,904	-	-	3,469,771	2,236,904
Unrestricted	3,615,924	4,408,911	23,095,054	23,721,020	26,710,978	28,129,931
Total net position	$ 27,486,230	$ 24,777,526	$ 115,348,462	$ 111,004,647	$ 142,834,692	$ 135,782,173

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. In the case of the City of Sanford, assets exceeded liabilities and deferred inflows by $142,834,692 as of June 30, 2015. The City's net position increased by $4,488,370 for the fiscal year ended June 30, 2015. However, a portion of net position (78.9%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Sanford uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sanford's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Sanford's net position (2.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $26,710,978 is unrestricted.

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

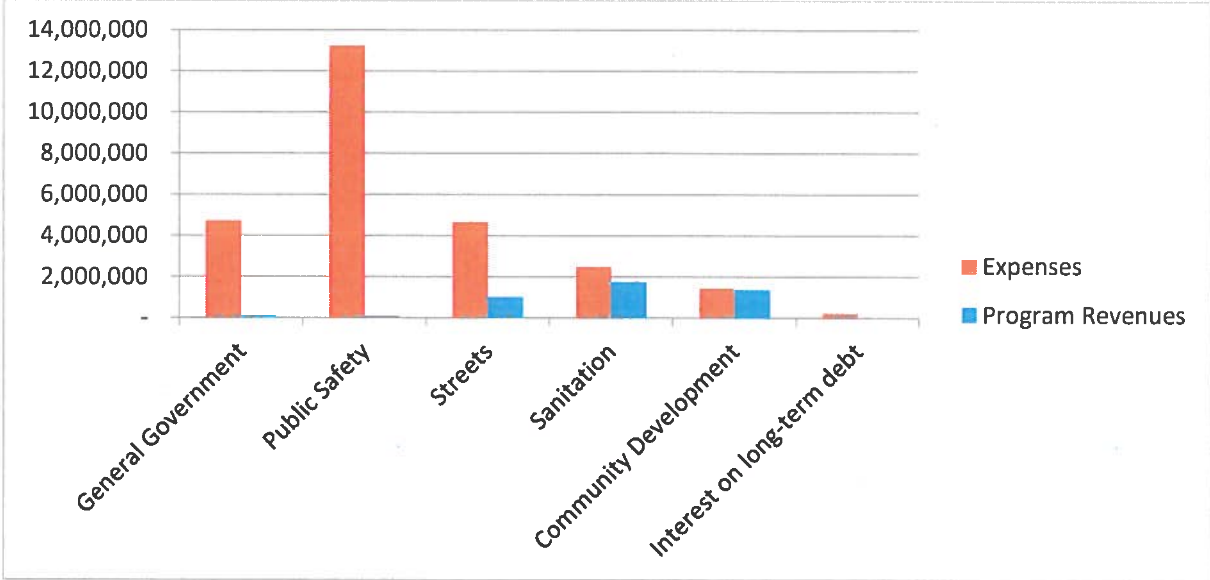
- Slight increase in property tax revenues due to a higher tax collection percentage from prior year. The tax collection percentage in the current year is 98.9%.
- Sales tax revenue increased 15% due to growth and due to the ad valorem distribution method. This distribution method causes an increase in revenues when a property tax rate is implemented as was in the fiscal year ending 6/30/14.
- Transfer from the General Fund to Capital Projects Funds for the general obligation bond projects in the amount of $2,600,000.
- Transfer from the Utility Fund to Capital Projects Funds for water and sewer projects in the amount of $1,400,000.
- Originally budgeted to increase the General Fund balance in the amount of $184,922.

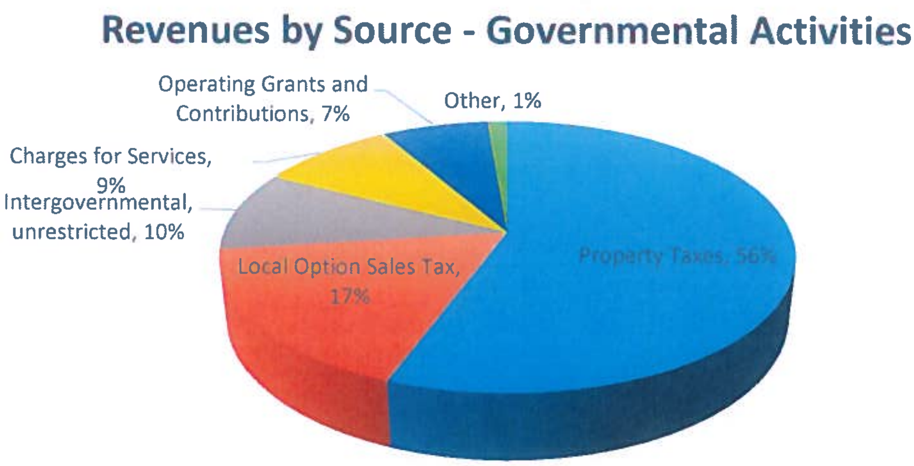
City of Sanford's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 2,417,045	$ 3,088,668	$ 18,630,862	$ 18,935,706	$ 21,047,907	$ 22,024,374
Operating grants and contributions	1,874,202	849,360	891,902	892,864	2,766,104	1,742,224
Capital grants and contributions	-	187,186	1,026,551	366,670	1,026,551	553,856
General revenues:						
Property taxes	14,600,475	13,463,737	-	-	14,600,475	13,463,737
Other taxes	4,559,891	3,968,458	-	-	4,559,891	3,968,458
Intergovernmental not restricted	2,527,867	2,364,485	-	-	2,527,867	2,364,485
Other	335,033	483,691	15,550	33,919	350,583	517,610
Total revenues	26,314,513	24,405,585	20,564,865	20,229,159	46,879,378	44,634,744
Expenses:						
General government	4,699,265	7,104,258	-	-	4,699,265	7,104,258
Public safety	13,219,059	12,099,391	-	-	13,219,059	12,099,391
Streets	4,647,762	4,478,512	-	-	4,647,762	4,478,512
Sanitation	2,469,079	2,364,285	-	-	2,469,079	2,364,285
Community development	1,432,923	1,756,840	-	-	1,432,923	1,756,840
Interest on long-term debt	219,692	20,451	-	-	219,692	20,451
Utility	-	-	14,971,383	14,562,696	14,971,383	14,562,696
Golf	-	-	801,895	820,350	801,895	820,350
Total expenses	26,687,780	27,823,737	15,773,278	15,383,046	42,461,058	43,206,783
Increase (decrease) in net position before disposals and transfers	(373,267)	(3,418,152)	4,791,587	4,846,113	4,418,320	1,427,961
Gain (loss) on disposal	17,558	-	52,492	-	70,050	-
Transfers	(121,149)	(72,258)	121,149	72,258	-	-
Increase (decrease) in net position	(476,858)	(3,490,410)	4,965,228	4,918,371	4,488,370	1,427,961
Net position, beginning, as previously stated	24,777,526	28,267,936	111,004,647	106,086,276	135,782,173	134,354,212
Restatement	3,185,562	-	(621,413)	-	2,564,149	-
Net position, beginning, restated	27,963,088	28,267,936	110,383,234	106,086,276	138,346,322	134,354,212
Net position, ending	$ 27,486,230	$ 24,777,526	$ 115,348,462	$ 111,004,647	$ 142,834,692	$ 135,782,173

Governmental Activities. Governmental activities decreased the City's net position by $476,858. Key elements of this decrease are as follows:

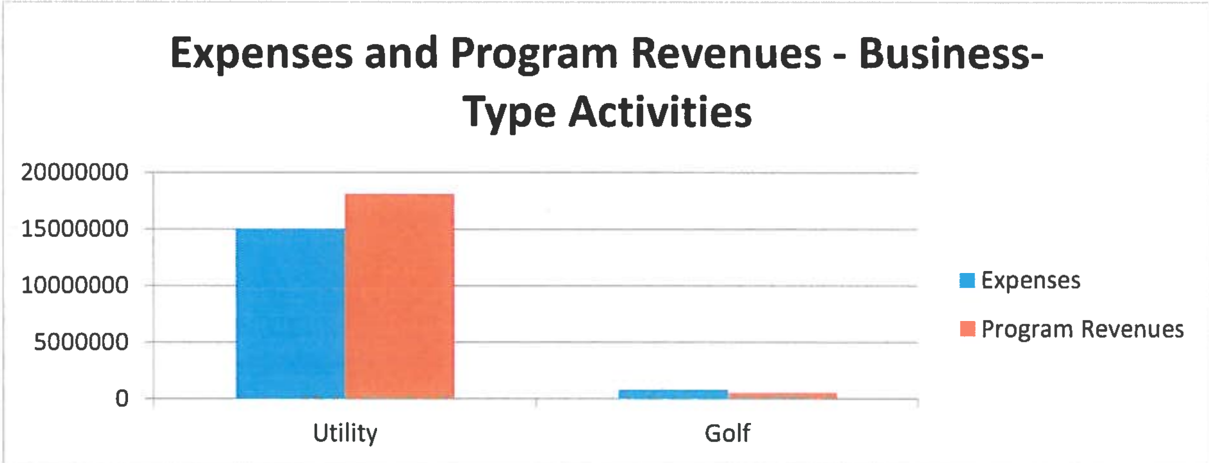
- Interest Expense has increased by approximately $200,000 due to a new installment purchase loan and general obligation bonds issued
- City received approximately $200,000 less in capital grants and contributions compared to prior year
- Increase in salary and benefit expenses due to insurance increases and cost of living adjustment given.

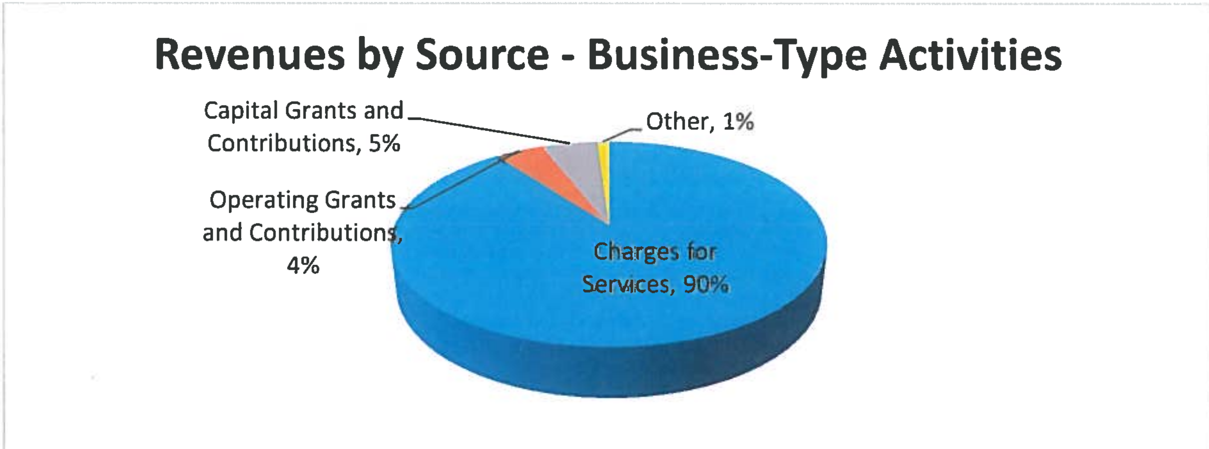




Business-Type Activities: Business-type activities increased the City of Sanford's net position by $4,965,228, accounting for all of the growth in the government's net position. Key elements of this increase are as follows:

- Capital contributions by developers were just under $1,027,000, approximately $660,000 more than last year.
- Construction in progress increased more than $2,400,000, due to the continued expansion and upgrade of the wastewater treatment plant.





Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Sanford. At the end of the current fiscal year, the City's fund balance available in the General Fund was $7,159,809 while total fund balance reached $10,931,196. The City currently has an available fund balance of 27.4% of General Fund expenditures and transfers, while total fund balance represents 41.8% of the same amount.

At June 30, 2015, the governmental funds of the City of Sanford reported a combined fund balance of $21,554,137, a 85.2% increase from last year. Included in this change in fund balance is an increase of $1,486,310 in the General Fund, an increase of $8,430,856 in the General Capital Projects Fund, and a decrease in the Special Revenue Funds' fund balances of $1,123.

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

During the year there was a $4,065,484 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- $230,695 re-appropriation of funds from prior fiscal year for projects or purchases incomplete at year end.
- $585,000 increase for acquisition of properties.
- $2,600,000 increase for contribution to the streetscape bond project. These costs will be reimbursed to the City through bond proceeds once the debt is issued.
- $226,111 increase for a loan to the airport authority.
- $103,137 increase for additional funds required for installment purchases.
- $100,000 increase for legal services.
- $53,000 for a sports complex feasibility study.

The increase is primarily because of additional fund balance appropriated in the amount of $3,777,370, and installment purchase proceeds in the amount of $93,873. However, once the streetscape and sidewalk bonds were issued, the general fund was reimbursed an amount of $1,410,700 which is included in the $3,777,370 listed above.

Revenue came in over budget. Ad valorem tax, sales tax, utility franchise, building permits, and ABC revenue all show increases compared to budget. The majority of this increase is related to growth. However, sale of capital, and miscellaneous revenue reflect a decrease compared to budget.

On the expenditure side, approximately $2.9 million 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 $23,090,985, and for the Golf Fund, $4,069. The total change in net position for the Utility Fund and Golf Fund was $5,113,629 and ($148,401), 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.

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, 2015 totals $176,549,337, (net of accumulated depreciation). These assets include buildings, roads and bridges, land, treatment plants, utility lines, machinery and equipment, golf facilities, and vehicles.

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

- New water and sewer capital asset construction in progress of approximately $2,500,000.
- New streetscape, sidewalk, and other construction in progress of approximately $2,600,000.
- No major demolitions were recorded this year.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 4,571,179	$ 4,352,436	$ 367,486	$ 233,476	$ 4,938,665	$ 4,585,912
Buildings	4,661,188	4,916,776	135,508	198,201	4,796,696	5,114,977
Plants	-	-	25,253,226	26,438,464	25,253,226	26,438,464
Tanks and lines	-	-	56,288,636	55,132,877	56,288,636	55,132,877
Course and improvements	-	-	804,619	833,404	804,619	833,404
Streets	9,063,092	6,469,381	-	-	9,063,092	6,469,381
Equipment	2,778,316	2,856,366	1,379,775	1,176,927	4,158,091	4,033,293
Construction in progress	2,958,862	378,039	68,287,450	65,816,012	71,246,312	66,194,051
Total	$ 24,032,637	$ 18,972,998	$ 152,516,700	$ 149,829,361	$ 176,549,337	$ 168,802,359

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, 2015, the City of Sanford had total bonded debt outstanding of $50,030,000. This debt is backed by revenues from water and sewer user charges. The remainder of the City's debt represents notes payable and installment purchase agreements.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds	$ 8,500,000	$ -	$ 41,530,000	$ 44,245,000	$ 50,030,000	$ 44,245,000
Deferred amounts, net	708,325	-	1,081,658	1,134,421	1,789,983	1,134,421
Notes payable	-	-	17,651,634	19,002,866	17,651,634	19,002,866
Installment purchase contracts	1,664,260	841,287	-	-	1,664,260	841,287
Total	$ 10,872,585	$ 841,287	$ 60,263,292	$ 64,382,287	$ 71,135,877	$ 65,223,574

The City of Sanford's total debt increased by $5,912,303 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 $176,292,399.

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

Economic Factors and Next Year's Budget and Rates

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

- As has been the case nationwide, the unemployment rate decreased this past year. The rate decreased from 8.1% in June 2014 to 7.9% in June 2015.

- The City is seeing some business growth in the commercial sector. A new shopping center with over $20 million in investments and additional chain businesses has opened and is expected to attract additional retail growth. Residential growth has been slower however several projects have recently been approved.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: A significant change in FY 15-16 budget is new debt service for the sidewalk and streetscape projects approved by voters in the 2013 bond referendum. Even with a new $1,050,470 debt service payment, the City's tax rate will remain at $0.60 per $100. City Council increased ad valorem taxes by $0.06 per $100 in prior year to prepare of this debt payment. General Fund revenue is expected to increase this year primarily due to growth in our tax base and sales tax.

Overall, General Fund expenditures are down, however, a significant increase is shown within Community Development primarily related to the cost of co-locating the Sanford Area Growth Alliance (SAGA) with the consolidated Sanford/Lee County Planning and Community Development Department and other stand-along departments to create a one-stop shop for economic development.

With revenues increasing and our healthy reserves and minimal debt, we have continued to offer consistent, uninterrupted services to our citizens.

Business-type Activities: From 2009 through 2014, the City adjusted utility rates significantly to provide sufficient revenue to meet the debt requirements associated with the Wastewater Treatment Plant expansion. Adjusting rates several years before we had to pay on the debt gave us time to prepare for the debt load which peaked last year. The City anticipates sufficient revenue in FY 15-16 to meet obligations without having to adjust rates. This increase in revenue is mainly due to increased consumption and growth.

We must continue to study our utility rates in order to retain a strong bond rating, adequate reserves, and debt coverage necessary to meet our obligations. Future rate increases may be minimized due to the City issuing Building American Bonds (with a 35% interest subsidy from the federal government) and Recovery Zone Economic Development Bonds (with a 45% interest subsidy from the federal government) for the expansion and upgrade of the wastewater treatment plant. This should result in a savings of approximately $16,500,000 in interest expense over the term of the bonds.

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.

Exhibit 1

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	ABC Board
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 14,288,395	$ 22,425,369	$ 36,713,764	$ 944,666
Property taxes receivable, net of allowance for uncollectible accounts	151,561	-	151,561	-
Accounts receivable, net of allowance for uncollectible accounts	301,996	2,382,394	2,684,390	-
Due from other governmental agencies	2,247,083	204,582	2,451,665	-
Prepaid items	59,375	44,343	103,718	6,506
Deposits	36,900	-	36,900	-
Inventories	74,785	115,802	190,587	432,917
Restricted cash	7,823,280	2,110,392	9,933,672	-
Total current assets	24,983,375	27,282,882	52,266,257	1,384,089
Non-current assets:				
Net pension asset	1,279,280	427,564	1,706,844	29,487
Capital assets, non-depreciable	7,530,041	68,654,936	76,184,977	-
Capital assets, net of depreciation	16,502,596	83,861,764	100,364,360	784,413
Total non-current assets	25,311,917	152,944,264	178,256,181	813,900
Total assets	50,295,292	180,227,146	230,522,438	2,197,989
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	866,338	285,772	1,152,110	25,804
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	2,594,139	1,199,275	3,793,414	351,158
Accrued interest payable	118,714	256,298	375,012	-
Due to other governmental agencies	-	500,000	500,000	-
Current portion of long-term liabilities	1,624,547	3,906,356	5,530,903	-
Payable from restricted assets:				
Prepaid golf fees	-	14,417	14,417	-
Deposits	-	177,160	177,160	-
Total current liabilities	4,337,400	6,053,506	10,390,906	351,158
Non-current liabilities:				
Due in more than one year	15,931,284	57,841,921	73,773,205	203,726
Due to other governmental agencies	-	200,000	200,000	-
Total liabilities	20,268,684	64,095,427	84,364,111	554,884
Deferred Inflows of Resources				
Miscellaneous	208,164	-	208,164	-
Pension deferrals	3,198,552	1,069,029	4,267,581	72,021
Total deferred inflows of resources	3,406,716	1,069,029	4,475,745	72,021
Net Position:				
Net investment in capital assets	20,400,535	92,253,408	112,653,943	784,413
Restricted for:				
Stabilization by State statute	3,020,590	-	3,020,590	-
Community development	449,181	-	449,181	-
Working capital	-	-	-	148,785
Unrestricted	3,615,924	23,095,054	26,710,978	663,690
Total net position	$ 27,486,230	$ 115,348,462	$ 142,834,692	$ 1,596,888

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

CITY OF SANFORD, NORTH CAROLINA

Exhibit 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
					Primary Government			
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	ABC Board
Primary Government:								
Governmental Activities:								
General government	$ 4,699,265	$ 82,128	$ 26,164	$ -	$ (4,590,973)	$ -	$ (4,590,973)	$ -
Public safety	13,219,059	44,831	34,944	-	(13,139,284)	-	(13,139,284)	-
Streets	4,647,762	189,993	816,401	-	(3,641,368)	-	(3,641,368)	-
Sanitation	2,469,079	1,744,064	-	-	(725,015)	-	(725,015)	-
Community development	1,432,923	356,029	996,693	-	(80,201)	-	(80,201)	-
Interest on long-term debt	219,692	-	-	-	(219,692)	-	(219,692)	-
Total governmental activities	26,687,780	2,417,045	1,874,202	-	(22,396,533)	-	(22,396,533)	-
Business-Type Activities:								
Utility	14,971,383	18,102,010	891,902	1,026,551	-	5,049,080	5,049,080	-
Golf	801,895	528,852	-	-	-	(273,043)	(273,043)	-
Total business-type activities	15,773,278	18,630,862	891,902	1,026,551	-	4,776,037	4,776,037	-
Total primary government	$ 42,461,058	$ 21,047,907	$ 2,766,104	$ 1,026,551	(22,396,533)	4,776,037	(17,620,496)	-
Component Unit:								
ABC Board	$ 5,075,392	$ 5,027,776	$ -	$ -	-	-	-	(47,616)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					14,600,475	-	14,600,475	-
Local option sales tax					4,559,891	-	4,559,891	-
Intergovernmental revenues, unrestricted					2,527,867	-	2,527,867	-
Investment earnings					20,320	15,550	35,870	1,472
Miscellaneous					314,713	-	314,713	429
Gain on asset disposal					17,558	52,492	70,050	-
Total general revenues					22,040,824	68,042	22,108,866	1,901
Transfers in (out)					(121,149)	121,149	-	-
Change in net position					(476,858)	4,965,228	4,488,370	(45,715)
Net position - beginning (as previously stated)					24,777,526	111,004,647	135,782,173	1,683,326
Adjustment to beginning net position					3,185,562	(621,413)	2,564,149	(40,723)
Net position - beginning (as restated)					27,963,088	110,383,234	138,346,322	1,642,603
Net position, ending					$ 27,486,230	$ 115,348,462	$ 142,834,692	$ 1,596,888

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

Exhibit 3

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	Major Funds		Nonmajor	Total
	General	General Capital Projects Fund	Governmental Funds	Governmental Funds
Assets:				
Assets:				
Cash, cash investments, and investments	$ 9,596,945	$ 3,523,479	$ 505,023	$ 13,625,447
Cash, restricted	545,506	7,240,484	37,290	7,823,280
Property taxes receivable, net	146,682	-	4,879	151,561
Accounts receivable, net	301,882	-	-	301,882
Due from other governmental agencies	2,205,646	2,767	38,670	2,247,083
Prepaid items	51,875	-	-	51,875
Inventories	74,785	-	-	74,785
Total assets	$ 12,923,321	$ 10,766,730	$ 585,862	$ 24,275,913
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	$ 764,617	$ 713,732	$ 11,040	$ 1,489,389
Accrued liabilities	683,980	-	-	683,980
Unearned revenues - demolitions	41,020	-	-	41,020
Unearned revenues - privilege licenses	1,607	-	-	1,607
Unearned revenues - grants	112,155	-	-	112,155
Unearned revenues - net waste management fees	53,382	-	-	53,382
Total liabilities	1,656,761	713,732	11,040	2,381,533
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	146,682	-	4,879	151,561
Unavailable revenue - others	188,682	-	-	188,682
Total deferred inflows of resources	335,364	-	4,879	340,243
Fund Balances:				
Non-spendable:				
Inventories	74,785	-	-	74,785
Prepaid items	51,875	-	-	51,875
Restricted:				
Stabilization by State statute	3,019,939	-	651	3,020,590
Community development	-	-	449,181	449,181
Economic development	-	7,240,484	-	7,240,484
Committed:				
Economic development	-	2,812,514	-	2,812,514
Assigned:				
Subsequent year's expenditures	624,788	-		624,788
Downtown revitalization	-	-	103,916	103,916
Unassigned	7,159,809	-	16,195	7,176,004
Total fund balances	10,931,196	10,052,998	569,943	21,554,137
Total liabilities, deferred inflows of resources, and fund balances	$ 12,923,321	$ 10,766,730	$ 585,862	$ 24,275,913

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

		Total Governmental Funds
Fund balances - Total Governmental Funds		$ 21,554,137
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.		24,032,637
Net pension asset		1,279,280
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		866,338
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements		340,243
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.		286,692
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.		
Government bonds and notes payable	(10,164,260)	
Premiums on bonds	(708,325)	
Other post employment benefits	(5,046,688)	
Compensated absences	(1,412,032)	(17,331,305)
Pension related deferrals		(3,198,552)
Some liabilities, including accrued interest and LEO pension are not due and payable in the current period and, therefore, are not reported in the funds.		(343,240)
Net position of governmental activities		$ 27,486,230

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

Exhibit 4

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds		Nonmajor	Total
	General Fund	General Capital Projects Fund	Governmental Funds	Governmental Funds
Revenues:				
Ad valorem taxes	$ 14,555,304	$ -	$ 54,289	$ 14,609,593
Other taxes	4,561,945	-	-	4,561,945
Penalties and interest	77,529	-	-	77,529
License and permits	400,860	-	-	400,860
Intergovernmental revenues	3,948,316	-	270,877	4,219,193
Investment income	18,884	1,072	364	20,320
Sales and services	1,802,784	-	-	1,802,784
Miscellaneous revenues	786,076	-	965	787,041
Total revenues	26,151,698	1,072	326,495	26,479,265
Expenditures:				
Current operating:				
General government	4,235,483	-	-	4,235,483
Public safety	12,570,385	-	-	12,570,385
Streets	2,057,927	-	-	2,057,927
Sanitation	2,318,992	-	-	2,318,992
Community development	1,126,641	-	300,270	1,426,911
Capital outlay	2,244,288	1,774,393	32,348	4,051,029
Debt service:				
Principal	235,533	-	-	235,533
Interest	24,217	-	-	24,217
Total expenditures	24,813,466	1,774,393	332,618	26,920,477
Revenues in excess of (less than) expenditures	1,338,232	(1,773,321)	(6,123)	(441,212)
Other Financing Sources (Uses):				
Issuance of debt	1,058,506	8,500,000	-	9,558,506
Bond Premiums	-	720,331	-	720,331
Bond Issuance Costs	-	(205,454)	-	(205,454)
Transfers in	1,410,700	2,600,000	5,000	4,015,700
Transfers (out)	(2,726,149)	(1,410,700)	-	(4,136,849)
Total other financing sources (uses)	(256,943)	10,204,177	5,000	9,952,234
Net change in fund balances	1,081,289	8,430,856	(1,123)	9,511,022
Fund balances, beginning of year (as previously stated)	9,444,886	1,622,142	571,066	11,638,094
Adjustment to beginning fund balance	405,021	-	-	405,021
Fund balances, beginning of year (as restated)	9,849,907	1,622,142	571,066	12,043,115
Fund balances, end of year	$ 10,931,196	$ 10,052,998	$ 569,943	$ 21,554,137

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

Exhibit 5

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, 2015

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)		$ 9,511,022
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Additions to capital assets	$ 4,164,358	
Current year depreciation expense	(3,744,537)	419,821
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		866,338
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues	(87,112)	
Change in unavailable revenue for airport loan receivable	(57,089)	
Change in unavailable revenue - all others	(2,993)	(147,194)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Long-term debt issued	(9,558,506)	
Long-term debt retired	235,533	
Bond premiums	(720,331)	
Amortization of bond premiums	12,006	
Accrued interest expense	(115,356)	(10,146,654)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(77,975)	
Net pension obligation (LEO)	(64,223)	
Pension expense	(59,995)	
Other post-employment benefits	(714,320)	(916,513)
Internal service funds are used by management to charge the costs of health insurance to individual funds. The net loss of certain activities of internal service funds is is reported with governmental activities.		(63,678)
Total changes in net position of governmental activities (Exhibit 2)		$ (476,858)

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

Exhibit 6

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, 2015

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	$ 14,323,101	$ 14,323,101	$ 14,555,304	$ 232,203
Other taxes	4,539,496	4,324,894	4,561,945	237,051
Penalties and interest	63,000	63,000	77,529	14,529
Licenses and permits	350,000	350,000	400,860	50,860
Intergovernmental revenues	3,378,875	3,570,271	3,948,316	378,045
Investment income	35,892	35,892	18,881	(17,011)
Sales and services	1,931,500	1,931,500	1,802,784	(128,716)
Miscellaneous revenues	650,000	867,447	786,076	(81,371)
Total revenues	25,271,864	25,466,105	26,151,695	685,590
Expenditures:				
Current operating:				
General government	5,228,219	5,857,202	4,747,007	1,110,195
Public safety	13,678,206	14,147,030	13,158,819	988,211
Streets	3,287,831	3,380,570	3,115,985	264,585
Sanitation	2,674,273	2,769,597	2,665,014	104,583
Community development	1,183,046	1,191,277	1,126,641	64,636
Total expenditures	26,051,575	27,345,676	24,813,466	2,532,210
Revenues in excess of (less) than expenditures	(779,711)	(1,879,571)	1,338,229	3,217,800
Other Financing Sources (Uses):				
Installment purchase proceeds	964,633	1,058,506	1,058,506	-
Transfer from other funds	-	1,410,700	1,410,700	-
Transfer (to) other funds	-	(2,771,383)	(2,801,149)	(29,766)
Total other financing sources (uses)	964,633	(302,177)	(331,943)	(29,766)
Revenues and other financing sources less than expenditures and other financing sources	184,922	(2,181,748)	1,006,286	3,188,034
Appropriated fund balance	(184,922)	2,181,748	-	(2,181,748)
Net change in fund balance	$ -	$ -	1,006,286	$ 1,006,286
Fund balance, beginning of year (as previously stated)			9,444,886	
Adjustment to beginning fund balance			405,021	
Fund balance, beginning of year (as restated)			9,849,907	
Fund balance, end of year			10,856,193	
A legally budgeted General Capital Reserve Fund is consolidated in the General Fund for reporting purposes:				
Investment Earnings			3	
Transfers			75,000	
Fund balance, beginning of year			-	
Fund balance, end of year (Exhibit 4)			$ 10,931,196	

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

Exhibit 7

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2015

	Business-Type Activities		Total	Governmental-Type Activities
	Major	Nonmajor	Business-Type	Internal Service Fund
	Utility Fund	Golf Fund	Activities	Health Insurance
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 22,278,204	$ 147,165	$ 22,425,369	$ 662,948
Accounts receivable, net of allowance for uncollectible accounts	2,380,866	1,528	2,382,394	114
Due from other governmental agencies	196,387	8,195	204,582	-
Inventories	92,137	23,665	115,802	-
Prepaid items	43,602	741	44,343	7,500
Deposits	-	-	-	36,900
Restricted cash	2,095,975	14,417	2,110,392	-
Total current assets	27,087,171	195,711	27,282,882	707,462
Non-current assets:				
Net pension asset	395,305	32,259	427,564	-
Capital assets, non-depreciable	68,652,436	2,500	68,654,936	-
Capital assets, net of depreciation	82,997,419	864,345	83,861,764	-
Total non-current assets	152,045,160	899,104	152,944,264	-
Total assets	179,132,331	1,094,815	180,227,146	707,462
Deferred Outflows of Resources:				
Contributions to pension plan	268,719	17,053	285,772	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liablities	1,154,664	44,611	1,199,275	1,138
Current portion of long-term debt	3,697,876	7,823	3,705,699	-
Accrued interest payable	256,236	62	256,298	-
Due to other governmental agencies	500,000	-	500,000	-
Compensated absences	182,517	18,140	200,657	-
Claims incurred but not reported	-	-	-	419,632
Payable from restricted assets:				
Prepaid golf fees	-	14,417	14,417	-
Customer deposits	177,160	-	177,160	-
Total current liabilities	5,968,453	85,053	6,053,506	420,770
Non-current liabilities:				
Long-term debt	55,829,285	28,308	55,857,593	-
Compensated absences	121,678	12,093	133,771	-
Due to other governmental agencies	200,000	-	200,000	-
Other post-employment benefits	1,779,583	70,974	1,850,557	-
Total non-current liabilities	57,930,546	111,375	58,041,921	-
Total liabilities	63,898,999	196,428	64,095,427	420,770
Deferred Inflows of Resources:				
Pension deferrals	988,372	80,657	1,069,029	-
Net Position:				
Net investment in capital assets	91,422,694	830,714	92,253,408	-
Unrestricted	23,090,985	4,069	23,095,054	286,692
Total net position	$ 114,513,679	$ 834,783	$ 115,348,462	$ 707,462

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

Exhibit 8

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities		Total	Governmental-Type Activities
	Major	Nonmajor	Business-Type	Internal Service Fund
	Utility Fund	Golf Fund	Activities	Health Insurance
Operating Revenues:				
User charges	$ 17,513,838	$ 528,852	$ 18,042,690	$ -
Monitoring fees	80,784	-	80,784	-
Connection and tap fees	118,216	-	118,216	-
Health insurance premiums	-	-	-	3,092,092
Other	389,172	-	389,172	-
Total operating revenues	18,102,010	528,852	18,630,862	3,092,092
Operating Expenses:				
Administration and engineering	2,655,947	-	2,655,947	-
Water line maintenance	2,612,864	-	2,612,864	-
Sewer line maintenance	1,582,514	-	1,582,514	-
Water plant operations	1,915,378	-	1,915,378	-
Sewer plant operations	1,677,713	-	1,677,713	-
Store expenses	78,807	-	78,807	-
Golf course expense	-	648,869	648,869	-
Insurance claims and administrative fees	-	-	-	3,156,278
Other post-employment benefits	332,216	-	332,216	-
Pension expense	18,539	-	18,539	-
Uncollectible accounts	29,192	-	29,192	-
Depreciation	3,720,583	152,680	3,873,263	-
Total operating expenses	14,623,753	801,549	15,425,302	3,156,278
Operating income (loss)	3,478,257	(272,697)	3,205,560	(64,186)
Non-Operating Revenues (Expenses)				
Investment earnings	15,450	100	15,550	508
Interest and other charges	(395,194)	(346)	(395,540)	-
Gain on sale of capital assets	49,099	3,393	52,492	-
Contribution from other agencies	891,902	-	891,902	-
Bond Issuance costs	(5,200)	-	(5,200)	-
Amortization of bond premiums	52,764	-	52,764	-
Total non-operating revenue (expenses)	608,821	3,147	611,968	508
Income (loss) before contributions and transfers	4,087,078	(269,550)	3,817,528	(63,678)
Transfers In	-	121,149	121,149	-
Capital Contributions	1,026,551	-	1,026,551	-
Change in net position	5,113,629	(148,401)	4,965,228	(63,678)
Total net position - beginning, previously reported	109,974,578	1,030,069	111,004,647	350,370
Adjustment to beginning net position	(574,528)	(46,885)	(621,413)	-
Total net position - beginning, as restated	109,400,050	983,184	110,383,234	350,370
Total net position - ending	$ 114,513,679	$ 834,783	$ 115,348,462	$ 286,692

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

Exhibit 9

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities		Total	Governmental-Type Activities -
	Major Utility Fund	Nonmajor Golf Fund	Business-Type Activities	Internal Service Fund Health Insurance
Cash Flows from Operating Activities:				
Cash received from customers	$ 18,110,535	$ 528,371	$ 18,638,906	$ 3,091,978
Cash paid for goods and services	(5,982,550)	(249,164)	(6,231,714)	-
Customer deposits	5,295	-	5,295	-
Golf credits and tournament liabilities	-	(8,740)	(8,740)	-
Cash payments to employees	(5,296,280)	(408,957)	(5,705,237)	-
Cash paid for health insurance claims	-	-	-	(3,181,971)
Net cash provided (used) by operating activities	6,837,000	(138,490)	6,698,510	(89,993)
Cash Flows from (to) Non-Capital Financing Activities:				
Transfer from (to) other funds	-	121,149	121,149	-
Cash Flows from (to) Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(2,893,805)	(37,383)	(2,931,188)	-
Contributions from other agencies	891,902	-	891,902	-
Sale of capital assets	41,828	4,375	46,203	-
Bond issuance costs	(5,200)	-	(5,200)	-
Issuance of debt	400,000	40,000	440,000	-
Principal paid on bond maturities and installment purchase debt	(3,578,244)	(3,869)	(3,582,113)	-
Interest paid on bond maturities and installment purchase debt	(2,950,441)	(284)	(2,950,725)	-
Principal paid on note due to other governmental agencies	(100,000)	-	(100,000)	-
Net cash provided (used) from capital and related financing activities	(8,193,960)	2,839	(8,191,121)	-
Cash Flow from Investing Activities:				
Interest on investments	15,450	100	15,550	509
Net change in cash and cash equivalents	(1,341,510)	(14,402)	(1,355,912)	(89,484)
Balances - beginning of the year	25,715,689	175,984	25,891,673	752,432
Balances - end of the year	$ 24,374,179	$ 161,582	$ 24,535,761	$ 662,948
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 3,478,257	$ (272,697)	$ 3,205,560	$ (64,187)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,720,583	152,680	3,873,263	-
Pension expense	18,539	1,513	20,052	-
Changes in asset and liabilities:				
(Increase) decrease in accounts receivable	8,525	(481)	8,044	(114)
(Increase) decrease in due from other governments	(2,972)	(3,800)	(6,772)	-
(Increase) decrease in inventories	8,336	1,857	10,193	-
(Increase) decrease in prepaid items	(38,037)	(741)	(38,778)	(7,500)
Increase (decrease) in accounts payable and accrued liabilities	(336,099)	(4,040)	(340,139)	564
Increase (decrease) in compensated absences	3,567	(3,487)	80	-
Increase in deferred outflow of resources for pensions	(268,719)	(17,053)	(285,772)	
Increase (decrease) in claims incurred but not reported	-	-	-	(18,756)
Increase (decrease) in other post-employment benefits	239,725	16,499	256,224	-
Increase (decrease) in unearned revenue	-	(8,740)	(8,740)	-
Increase (decrease) in customer deposits	5,295	-	5,295	-
Total adjustments	3,358,743	134,207	3,492,950	(25,806)
Net cash provided (used) by operating activities	$ 6,837,000	$ (138,490)	$ 6,698,510	$ (89,993)
Non-cash capital activities and non-capital financing activities:				
Capitalized interest	$ 2,555,587	$ -	$ 2,555,587	$ -
Contributed capital assets	$ 1,026,551	$ -	$ 1,026,551	$ -

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

Exhibit 10

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	LEO Special Separation Allowance	Other Post-Employment Benefits	Agency Funds
Assets:			
Cash and cash equivalents	$ -	$ -	$ 427,368
Accounts receivable	-	-	79
Investments:			
Mutual funds	474,451	1,706,396	-
NC State Treasurer's Short Term Investment Fund (STIF)	-	416,325	-
NC State Treasurer's Long Term Investment Fund (LTIF)	-	197,574	-
Total assets	474,451	2,320,295	427,447
Liabilities:			
Amounts available for benefits	-	-	427,447
Net Position:			
Net position held in trust for pension benefits	$ 474,451	$ 2,320,295	$ -

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

Exhibit 11

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	LEO Special Separation Allowance	Other Post-Employment Benefits
Additions:		
Employer contributions	$ 159,970	$ -
Net investment income	363	95,590
Other	-	32,781
Total additions	160,333	128,371
Deductions:		
Benefits	222,177	-
Administrative expense	-	6,620
Total deductions	222,177	6,620
Change in net position	(61,844)	121,751
Net position - held in trust for pension benefits, beginning of year	536,295	2,198,544
Net position - held in trust for pension benefits, end of year	$ 474,451	$ 2,320,295

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

CITY OF SANFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City, a political subdivision of Lee County (the "County"), is located in the central portion of the State and has a population of 29,116. The City operates under a Council-Manager form of government. The City provides services, which include general government, public safety, streets, sanitation, public improvements, planning, and zoning. The City also operates a water and sewer system, which supplies service to the City and surrounding area on a user charge basis. Additionally, the City of Sanford operates a golf course on a user charge basis. In addition to the taxes levied by the City, the County also levies a tax of $0.72 per $100 property valuation with which it finances County-wide services including assistance to the County's public school unit, community college, and health and social services.

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

City of Sanford ABC Board

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

B. Basis of Presentation

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

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

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

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

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

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and intergovernmental revenues. The primary expenditures are for public safety, general government administration, street maintenance and construction, and sanitation services. Additionally, the City has legally adopted a General Capital Reserve Fund. Under GASB 54 guidance the General Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the General Capital Reserve Fund has been included in the supplemental information.

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:

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

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

Grants Capital Projects Fund. This fund is used to account for the financial resources used in the acquisition or construction of the City's downtown improvements.

The City reports the following major Enterprise Fund:

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

The City reports the following nonmajor Enterprise Fund:

Golf Fund. This fund is used to account for the City's municipal golf course.

The City reports the following funds:

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Pension Trust Fund. The City maintains two Pension Trust Funds – the LEO (Law Enforcement Officers') Special Separation Allowance Fund and 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 Law Enforcement Officers' Special Separation Allowance Fund accounts for funds held to benefit qualified law enforcement officers. The Other Post-Employment Benefit Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

Agency Fund. This fund is custodial in nature and does not involve the measurement of operating results. An Agency Fund is used to account for assets the City holds on behalf of others. The City maintains this fund 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.

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

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

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

Governmental Fund Financial Statements

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City of Sanford because the tax is levied by Lee County and remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exception to this general rule is the Utility Fund charges to the governmental funds where the amounts are equivalent in value to the utilities used by the governmental funds during the year. Elimination of these charges would distort the direct costs and charges for services reported for the various functions concerned.

D. Budgetary Data

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 $701,093 in the General Fund, $9,592,255 in the General Capital Project Fund, $120,957 in the Utility Fund, $1,168,376 in the Utility Capital Project Fund and $9,347 in the Grants Capital Projects Fund at June 30, 2015.

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

1. Deposits and Investments

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

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

General Statute 159-30.1 allows the City to establish an Other Post-Employment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC, and G.S. 159-30(g) allows the City to make contributions to the Trust. The State Treasurer, in her 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 long-term investment fund (LTIF) consisting of investment grade corporate securities, treasuries, and agencies; and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B authorized under G.S. 147-69.2(b)(8).

The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

3. Restricted Assets

The unexpended debt proceeds of the Water and Sewer Fund series bonds issued by the City, and installment notes in the General Fund and General Capital Project Funds are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. 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 Restricted Cash

Governmental Activities:			
General Fund	Unexpended debt proceeds	$	545,506
Nonmajor governmental Funds	Community Development		37,290
General Capital Project	Unexpended bond proceeds		7,240,484
Total governmental funds			7,823,280
Business-Type Activities:			
Utility Fund	Customer deposits		177,160
	Unexpended bond proceeds		1,918,815
Golf Fund	Prepaid golf fees		14,417
Total business-type activities			2,110,392
Total restricted cash		$	9,933,672

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, 2014.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure, are reported in the government-wide and proprietary fund financial statements. Capital assets of the City generally have an initial cost of more than $2,500 and an estimated useful life of more than one year. All capital assets of the City are recorded at cost or estimated historical cost. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements, regardless of their amount. Donated capital assets are recorded at the fair value on the date of the gift. Cost of repairs and minor renewals that do not add to the value of the asset or materially extend the assets' life are excluded from capital assets. When an asset is disposed of, the related cost and accumulated depreciation are removed from the accounts.

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, unearned drug forfeiture revenues, property taxes, special

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

assessments, am airport loan and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Community Development – portion of fund balance that is restricted by revenue source for certain expenditures as allowed by the U.S. Department of Housing and Urban Development.

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

Committed for Economic Development – portion of fund balance that is committed by the Council for the Greenway, Streetscape, and Sidewalk projects.

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.

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.

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

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

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.

12. Pensions

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

II. DETAIL NOTES ON ALL FUNDS (continued):

At June 30, 2015, the City's deposits had a carrying amount of $7,375,308 and a bank balance of $7,443,781. Of the bank balance, $1,250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2015, the City's cash on hand totaled $3,600.

2. Investments

Investment balances as of June 30, 2015, were as follows:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-2 Years
NC OPEB Long-Term	$ 197,574	$ -	$ -	$ 197,574
NC OPEB Short-Term	416,325	416,325	-	-
NC OPEB Equity	1,706,396	N/A	N/A	N/A
Commercial Paper	2,492,465	2,492,465	-	-
NC Capital Management Trust- Cash	34,671,932	N/A	N/A	N/A
NC Capital Management Trust-Term*	3,007,502	3,007,502	-	-
Total	$ 42,492,194	$ 5,916,292	$ -	$ 197,574

*Because the N.C. Capital Management Trust Term Portfolio had a duration of 0.19 years, it was presented as an investment with a maturity of less than 6 months.

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). As of June 30, 2015, the City's investments in commercial paper were rated A1 by Standard & Poor's and P1 by Moody's Investor Service. The City's investments in the N.C. Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2015. The City's investment in the N.C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The City's investments in U.S. agencies (Federal Home Loan Bank and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The City places a limit on the amount of commercial paper that the City may invest in any one issuer to 30 percent. No more than 40 percent of the City's total investments may be in commercial paper. At June 30, 2015, two of the City's investments were in commercial paper, each representing less than 5 percent of the City's total investments (Credit Suisse New York, 2.3 percent and Abbey National North America, 3.5 percent).

II. DETAIL NOTES ON ALL FUNDS (continued):

At June 30, 2015, the City's Healthcare Benefits Plan Fund had $2,320,295 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust, pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 17.94 percent, State Treasurer's Long-Term Investment Fund (LTIF) 8.52 percent, and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 73.54 percent (the equities were split with 75 percent in domestic securities and 25 percent in international securities).

Interest Rate Risk

The City does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's Short-Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. The State Treasurer's Long-Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 18.0 years at June 30, 2015.

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 LTIF is unrated and authorized under N.C. General Statute 147-69.1 and 147-69.2. The State Treasurer's LTIF is invested in treasuries, agencies, and corporate bonds with longer term maturities.

3. Receivables – Allowances for Doubtful Accounts

Property taxes receivable as of June 30, 2015, reflect the uncollected portion of property tax levies reduced for a portion not expected to be collected and are summarized as follows:

	General Fund	Special Revenue Fund	Total
Property taxes receivable	$ 456,840	$ 6,359	$ 463,199
Less: allowance for uncollectibles	310,158	1,480	311,638
Net property taxes receivable	$ 146,682	$ 4,879	$ 151,561

II. DETAIL NOTES ON ALL FUNDS (continued):

Accounts receivables as of June 30, 2015, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Utility Fund	Golf Fund	Total
Special assessments	$ 5,976	$ 15,769	$ -	$ 21,745
Waste management fees	54,212	-	-	54,212
Privilege licenses	1,607	-	-	1,607
Employee computer purchase	29,632	6,707	-	36,339
Demolition liens	41,020	-	-	41,020
Other	170,378	49,847	1,528	221,753
Utility user charges	-	3,416,390	-	3,416,390
Total receivables	302,825	3,488,713	1,528	3,793,066
Less: allowance for collectibles	829	1,107,847	-	1,108676
Net total receivables	$ 301,996	$ 2,380,866	$ 1,528	$ 2,684,390

The amounts due from governmental agencies for the City's individual major funds and nonmajor funds as of June 30, 2015, consist of amounts due, classified as follows:

	General Fund	General Capital Project Fund	Nonmajor Governmental Funds	Utility Fund	Golf Fund	Total
Notes	$ 182,706	$ -	$ -	$ -	$ -	$ 182,706
Tax refunds	1,903,348	2,767	258	120,116	8,195	2,034,684
Grants	-	-	38,019	76,271	-	114,290
Reimbursements	119,592	-	393	-	-	119,985
Total	$ 2,205,646	$ 2,767	$ 38,670	$ 196,387	$ 8,195	$ 2,451,665

II. DETAIL NOTES ON ALL FUNDS (continued):

4. Capital Assets

Primary Government

For the year ended June 30, 2015, capital asset activity was as follows:

	Balance July 1, 2014	Increases	Decreases	Transfers	Balance June 30, 2015
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	$ 4,358,336	$ 212,843	$ -	$ -	$ 4,571,179
Construction in progress	748.761	2,210,101	-	-	2,958,862
Total non-depreciable capital assets	5,107,097	2,422,944	-	-	7,530,041
Depreciable Capital Assets:					
Municipal center and other buildings	11,659,114	150,639	-	-	11,809,753
Streets	31,943,894	586,346	-	-	32,530,240
Equipment	11,825,997	1,004,427	(120,089)	(50,657)	12,659,678
Total depreciable capital assets	55,429,005	1,741,412	(120,089)	(50,657)	56,999,671
Less Accumulated Depreciation:					
Municipal center and other buildings	6,780,712	367,853	-	-	7,148,565
Streets	20,923,996	2,543,152	-	-	23,467,148
Equipment	9,211,303	833.532	(120,089)	(43,384)	9,881,362
Total accumulated depreciation	36,916,011	3,744,537	(120,089)	(43,384)	40,497,075
Total capital assets being Depreciated, net	$ 18,512,994	$ (2,003,125)	$ -	$ (7,273)	16,502,596
Governmental activities Capital assets, net	$ 23,620,091				$ 24,032,637

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

Governmental Activities:		
General government	$	454,902
Public safety		553,319
Streets		2,586,114
Sanitation		146,526
Community development		3,676
Total	$	3,744,537

II. DETAIL NOTES ON ALL FUNDS (continued):

4. Capital Assets (continued)

	Balance July 1, 2014	Increases	Decreases	Transfers	Balance June 30, 2015
Business-Type Activities:					
Utility Fund:					
Capital assets, not being depreciated:					
Land	$ 230,976	$ -	$ -	$ 134,010	$ 364,986
Construction in progress	65,816,012	2,959,945	(2,214)	(486,293)	68,287,450
Total capital assets, not being depreciated	66,046,988	2,959,945	(2,214)	(352,283)	68,652,436
Capital Assets, Being Depreciated:					
Treatment plants	48,854,108	25,656	-	(134,010)	48,745,754
Water tanks and lines	46,354,159	1,551,742	-	338,932	48,244,833
Sewer lines	41,168,980	1,393,693		147,362	42,710,035
Equipment	3,719,953	588,063	(123,611)	22,391	4,206,796
Buildings	447,946	-	-	-	447,946
Total capital assets, being depreciated	140,545,146	3,559,154	(123,611)	374,675	144,355,364
Less Accumulated Depreciation for:					
Treatment plants	22,415,644	1,076,884	-	-	23,492,528
Water tanks and lines	17,800,546	1,131,173	-	-	18,931,719
Sewer lines	14,589,716	1,144,797	-	-	15,734,513
Equipment	2,638,091	357,148	(123,611)	15,119	2,886,747
Buildings	301,858	10,580	-	-	312,438
Total accumulated depreciation	57,745,855	$ 3,720,582	$ (123,611)	$ 15,119	61,357,945
Total Utility Fund capital assets, being Depreciated, net	82,799,291				82,997,419
Total Utility Fund capital assets	$ 148,846,279				$ 151,649,855
Golf Fund					
Capital assets, not being depreciated:					
Land	$ 2,500	$ -	$ -	$ -	$ 2,500
Capital Assets, Being Depreciated:					
Golf course and improvements	1,612,911	-	-	-	1,612,911
Buildings and improvements	221,114	-	-	-	221,114
Equipment	619,526	37,383	(29,473)	28,265	655,701
Total capital assets, being depreciated	2,453,551	37,383	(29,473)	28,265	2,489,726
Less Accumulated Depreciation for:					
Golf course and improvements	779,507	71,242	-	-	850,749
Buildings and improvements	169,001	9,656	-	-	178,657
Equipment	524,419	71,782	(28,491)	28,265	595,975
Total accumulated depreciation	1,472,927	$ 152,680	$ (28,491)	$ 28,265	1,625,381
Total Golf Fund capital assets, being depreciated, net	980,624				864,345
Total Golf Fund capital assets	983,124				866,845
Business-type activities capital assets, net	$ 149,829,403				$ 152,516,700

II. DETAIL NOTES ON ALL FUNDS (continued):

Construction Commitments

At June 30, 2015 the City had contractual commitments as follows:

Project	Spent to Date	Remaining Commitment
General Capital Projects	$ 1,874,281	$ 7,244,561
Utility Capital Projects	56,406,544	25,600
Community Development Fund	38,019	154,350

B. **Liabilities**

1. Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description

The City of Sanford is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in

II. DETAIL NOTES ON ALL FUNDS (continued):

active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Sanford employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Sanford's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Sanford were $1,152,110 for the year ended June 30, 2015.

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, 2015, the City reported an asset of $1,706,844 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2014, the City's proportion was 0.289%, which was a decrease of 0.010% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of $80,047. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

II. DETAIL NOTES ON ALL FUNDS (continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 186,503
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,973,494
Changes in proportion and differences between City contributions and proportionate share of contributions	-	107,584
City contributions subsequent to the measurement date	1,152,110	-
Total	$ 1,152,110	$ 4,267,581

$1,152,110 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (1,067,079)
2017	(1,067,079)
2018	(1,067,079)
2019	(1,066,344)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

II. DETAIL NOTES ON ALL FUNDS (continued):

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

II. DETAIL NOTES ON ALL FUNDS (continued):

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	$ 5,793,765	$ (1,706,844)	$ (8,022,114)

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

Law Enforcement Officers' Special Separation Allowance

Plan Description

The City of Sanford administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. A separate GAAP-based audit is not performed. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	84
Total	96

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

II. DETAIL NOTES ON ALL FUNDS (continued):

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed $159,970, or 3.72%, of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2014, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return and (b) projected salary increases of 4.25-7.85% per year. The inflation component was 3.0%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized on a level dollar, closed basis. The remaining amortization period at December 31, 2014, was 16 years.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	$	229,720
Interest on net pension obligation		8,015
Adjustment to annual required contribution		(13,542)
Annual pension cost		224,193
Contributions made		159,970
Increase (decrease) in net pension obligation		64,223
Net pension obligation:		
Beginning of year - July 1		160,303
End of year - June 30	$	224,526

Three-Year Trend Information

Fiscal Year Ended June 30		Annual Pensions Cost (APC)	Percentage of APC Contributed		Net Obligation
2013	$	156,839	93.34%	$	165,512
2014		154,761	103.37%		160,303
2015		224,193	71.35%		224,526

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 22.78% funded. The actuarial accrued liability for benefits was $2,477,443, and the actuarial value of assets was $564,359, resulting in an unfunded actuarial accrued liability (UAAL) of $1,913,084. The covered payroll (annual payroll of active employees covered by the plan) was $4,391,094, and the ratio of the UAAL to the covered payroll was 43.57%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

II. DETAIL NOTES ON ALL FUNDS (continued):

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

Funding Policy

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015, were $285,972, which consisted of $215,779 from the City and $70,193 from the law enforcement officers.

Supplemental Retirement Income Plan for all Other Employees

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

The City contributes each month an amount equal to five percent of eligible employees' salary. Contributions for the year ended June 30, 2015 were $818,511, which consisted of $587,748 from the City and $230,763 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.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010, was established. The

II. DETAIL NOTES ON ALL FUNDS (continued):

period of reprieve is determined separately for law enforcement officers. The City of Sanford will have a three-year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

The City has elected to provide death benefits to all employees, including elected officials, through a group-term life insurance policy held with Reliance Standard Insurance. 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 Reliance Standard Insurance; 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

The City Council has authorized the City to provide post-employment healthcare benefits for each unreduced and disability qualified retiree who has 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. The plan is a single-employer defined benefit plan. The City has elected to pay the future overall cost of coverage for these benefits. 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. Upon Medicare eligibility, retirees receive a Medicare supplemental insurance benefit continuing for life. No retiree contributions are required for retiree individual coverage. 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.

A separate GAAP-based audit is not performed. The healthcare benefits plan is reported in the City's report as a Pension Trust Fund. The City Council may amend the benefit provisions.

Membership of the healthcare plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	Law Enforcement/ Firefighters	Total
Active plan members	134	332
Retirees receiving benefits	51	99
Total	185	431

Funding Policy

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.

II. DETAIL NOTES ON ALL FUNDS (continued):

The current annual required contribution (ARC) rate is 10.28% of the annual covered payroll. For the current year, the City contributed $639,033, or 3.81%, of the current covered payroll. The City obtains healthcare coverage through private insurers. There were no contributions made by employees. The City's obligation to contribute to the plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies

The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Under a City resolution, the contributions are recognized when due and the City will provide the contributions to the plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. Administration costs of the plan are financed through investment earnings.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost of the current year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	$	1,680,423
Interest on net OPEB obligation		296,335
Adjustment to annual required contribution		(367,181)
Annual OPEB cost (expense)		1,609,577
Contributions made		639,033
Increase in net OPEB obligation		970,544
Net OPEB obligation		
Beginning of year - July 1		5,926,701
End of year - June 30	$	6,897,245

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014, and 2015 were as follows:

Year Ended June 30		Annual OPEB Cost (AOC)	Percentage of (AOC) Contributed		Net OPEB Obligation
2013	$	1,500,236	29.08%	$	4,959,837
2014		1,434,315	32.59%		5,926,701
2015		1,609,577	39.70%		6,897,245

II. DETAIL NOTES ON ALL FUNDS (continued):

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 9.63% funded. The actuarial accrued liability of benefits was $23,517,955, and the actuarial value of assets was $2,264,104, resulting in an unfunded actuarial accrued liability (UAAL) of $21,253,851. The covered payroll (annual payroll of active employees covered by the plan) was $16,341,164, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 130.06%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 7.5 and 5.0 percent. Both rates included a 3.0% percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL iş being amortized as a level percentage of pay, open. The remaining amortization period at December 31, 2014 was 30 years.

2. Deferred Outflows and Inflows of Resources

The City reported deferred outflows of resources of $1,152,110 and deferred inflows of resources of $4,267,581 related to pensions. The balance of deferred inflows of resources at year-end is composed of the following:

	Unavailable Revenue	Unearned Revenue
Net property taxes receivable (General Fund)	$ 146,682	$ -
Net property taxes receivable (Special Revenue Fund)	4,879	-
Special assessments receivable (General Fund)	5,977	-
Airport loan receivable (General Fund)	182,705	-
Drug forfeiture revenues (General Fund)	-	112,155
Total	$ 340,243	$ 112,155

II. DETAIL NOTES ON ALL FUNDS (continued):

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of $2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of $500,000 and $500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess, and stop-loss policies purchased by the Board of Trustees may be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

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

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

	Year Ended June 30	
	2015	2014
Unpaid Claims, beginning	$ 438,388	$ 417,532
Incurred claims	2,460,640	2,233,598
Claim payments	(2,479,396)	(2,212,742)
Unpaid claims, ending	$ 419,632	$ 438,388

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.

II. DETAIL NOTES ON ALL FUNDS (continued):

4. Contingent Liabilities and Commitments

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

Commitments – The City has active commitments as of June 30, 2015. At year-end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Garbage Collection and Disposal	$ 2,294,005	$ 3,484,134
Community Development	38,019	154,350
Water and Sewer Projects	56,408,096	25,600
Sidewalk Improvements	635,973	629,871
Streetscape	1,238,308	6,614,690
Total	$ 60,614,401	$ 10,908,645

Claims and Judgments – At June 30, 2015, the City was a defendant to various lawsuits. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

5. Long-Term Obligations

Installment Purchase

	Governmental Activities	Golf Fund
Installment purchase with BB&T Bank; issued November 18, 2014, in the amount of $1,098,506; quarterly principal and interest installments $57,055; interest at 1.46% for five years, secured by equipment.	$ 956,091	$ 36,131
Installment purchase with BB&T Bank; issued July 25, 2012, in the amount of $950,000; quarterly principal and interest installments $26,380; interest rate of 2.09%; secured by equipment.	708,169	-
Total installment purchase contracts	$ 1,664,260	$ 36,131

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2015, are as follows:

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Total	Golf Fund Principal	Golf Fund Interest	Golf Fund Total
2016	$ 298,515	$ 26,916	$ 325,431	$ 7,823	$ 484	$ 8,307
2017	303,481	21,950	325,431	7,937	370	8,307
2018	308,533	16,899	325,432	8,054	253	8,307
2019	313,670	11,761	325,431	8,172	135	8,307
2020	208,726	7,222	215,948	4,145	23	4,168
2021-2023	231,335	6,085	237,420	-	-	-
Total	$ 1,664,260	$ 90,833	$ 1,755,093	$ 36,131	$ 1,265	$ 37,396

II. DETAIL NOTES ON ALL FUNDS (continued):

Notes Payable

State of North Carolina; issued April 12, 1999, in the amount of $1,950,000; due in annual principal installments of $97,500 with semi-annual interest installments beginning November 1, 2001; interest at 2.6% for 20 years; for the Jonesboro Pressure Zone Project	$	682,500
State of North Carolina; issued May 14, 2009, in the amount of $903,583; due in annual principal installments of $45,179 beginning May 1, 2011; interest rate of 0% for 20 years; for the Clearwell Rehabilitation Project		677,687
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		15,555,316
Total notes payable	$	16,915,503

The annual requirements to retire all notes payable outstanding as of June 30, 2015, are as follows:

	Business-Type Activities					
Year Ended June 30		Principal		Interest		Total
2016	$	795,112	$	330,782	$	1,125,894
2017		829,510		343,074		1,172,584
2018		844,620		325,428		1,170,048
2019		860,063		307,451		1,167,514
2020		875,845		289,133		1,164,978
2021-2025		4,335,886		1,166,085		5,501,971
2026-2030		4,590,905		708,461		5,299,366
2031-2035		3,783,562		208,188		3,991,750
Total	$	16,915,503	$	3,678,602	$	20,594,105

General Obligation Bonds

General Obligation Bonds, Series 2015 issued for $8,500,000 for public improvements; principal installments are due annually on February 1 with semi-annual interest payments due on August 1 and February 1, at an annual interest rate of 3.48%	$	8,500,000

II. DETAIL NOTES ON ALL FUNDS (continued):

The annual requirements to retire all general obligation bond liability outstanding as of June 30, 2015, are as follows:

	Business-Type Activities		
Year Ended June 30	Principal	Interest	Total
2016	$ 450,000	$ 288,113	$ 738,113
2017	450,000	277,500	727,500
2018	450,000	259,500	709,500
2019	450,000	241,500	691,500
2020	450,000	223,500	673,500
2021-2025	2,245,000	847,500	3,092,500
2026-2030	2,225,000	462,800	2,687,800
2031-2035	1,780,000	133,500	1,913,500
Total	$ 8,500,000	$ 2,733,913	$ 11,233,913

Revenue Bonds

Enterprise Systems Revenue Bonds, Series 2010 A issued for $18,230,000 for the upgraded and expansion of the Waste Water Treatment Plant; principal installments are due annually on June 1 with semi-annual interest payments due on December 1 and June1, at an annual interest rate of between 3% and 5%	$ 6,945,000
Taxable Enterprise Systems Revenue Bonds; Series 2010B; issued $34,585,000 for the upgrade and expansion of the Waste Water Treatment Plant; principal installments are due annually on June 1 with semi-annual interest payments due on December 1 and June 1, at an annual interest rate of between 4.44% and 6.92% with a 35% Build America Bond subsidy on interest payments through June 30, 2018, and a 45% Recovery Zone Economic Development Bond subsidy payment on interest payments made through June 30, 2025	34,585,000
Total revenue bonds	$ 41,530,000

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2015, are as follows:

	Business-Type Activities		
Year Ended June 30	Principal	Interest	Total
2016	$ 2,850,000	$ 2,430,853	$ 5,280,853
2017	2,715,000	2,316,853	5,031,853
2018	2,480,000	2,188,506	4,668,506
2019	2,575,000	2,090,628	4,665,628
2020	1,905,000	1,985,922	3,890,922
2021-2025	8,045,000	8,594,084	16,639,084
2026-2030	9,525,000	5,906,423	15,431,423
2031-2035	11,435,000	2,432,023	13,867,023
Total	$ 41,530,000	$ 27,945,292	$ 69,475,292

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 6.6 of the Bond Order, authorizing the issuance of the Enterprise System Revenue Bonds, Series 2010, since its adoption in December 2010. Section 6.6 of the Bond Order requires the debt service coverage ratio for parity indebtedness (revenue bonds only) to be 1.20 and for all indebtedness to be 1.00.

II. DETAIL NOTES ON ALL FUNDS (continued):

The debt service coverage ratio calculation for the year ended June 30, 2015, is as follows:

Debt service calculation:	$	
Operating revenues		18,102,010
Operating expenses		14,623,753
Operating income		3,478,257
Nonoperating revenues (expenses)*		608,821
Income before transfers and capital contributions		4,087,078
Adjustments		
Depreciation and amortization expenses (net)		3,720,583
Interest expenses		395,194
Other post-employment benefit accrued expense		239,725
Income available for debt service	$	8,442,580
Parity debt service (revenue bonds only)	$	5,281,607
Parity debt services coverage ratio		1.60
G.O., subordinate, and all other indebtedness		1,347,078
Total debt service	$	6,628,685
Total debt service coverage ratio		1.27

*Per rate covenants, this does not include revenue bond interest paid of $2,566,607.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay $52,815,000 in enterprise system revenue bonds issued in December 2010. Proceeds from the bonds provided financing for the upgrade and expansion of the waste water treatment plant. The bonds are payable solely from water and sewer customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is $69,475,292. Principal and interest paid for the current year was $5,281,607.

Due to Other Governmental Agencies

On February 1, 2005, the City entered into an inter-local agreement to make the semi-annual debt service payments for Lee County and the Lee County District #1 Water Bond Series 1998A in the amount of $1,200,000, plus interest. These bonds were originally issued to the County on July 1, 1998 with interest of 5.0% to 5.1%. The principal owed on these bonds as of June 30, 2015 is $300,000 and is included in due to other governmental agencies on the Statement of Net Position.

On April 9, 2015, the City entered into an agreement with Lee County to purchase sewer improvements in the amount of $800,000. $400,000 of this amount was paid as of this date. The remaining balance was due July 10, 2015 and is included in due to other governmental agencies on the statement of Net Position.

II. DETAIL NOTES ON ALL FUNDS (continued):

Changes in Long-Term Obligations

	Beginning Of Year	Additions/ Reclasses	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	$ -	$ 8,500,000	$ -	$ 8,500,000	$ 450,000
Unamortized bond premiums	-	720,331	12,006	708,325	28,813
Installment purchase contracts	841,287	1,058,506	235,533	1,664,260	298,515
Compensated absences	1,334,057	1,186,794	1,108,819	1,412,032	847,219
Net pension liability (LGERS)	2,697,658	-	2,697,658	-	-
Net pension obligation (LEO)	160,303	64,223	-	224,526	-
Other post-employment benefits	4,332,368	1,184,648	470,328	5,046,688	-
Total governmental activities	$ 9,365,673	$ 12,714,502	$ 4,524,344	$ 17,555,831	$ 1,624,547
Business-Type Activities:					
Utility Fund:					
Revenue bonds	$ 44,245,000	$ -	$ 2,715,000	$ 41,530,000	$ 2,850,000
Unamortized bond premiums	1,134,421	-	52,763	1,081,658	52,764
Notes payable	19,002,866	-	2,087,363	16,915,503	795,112
Net Pension Liability	833,592	-	833,592	-	-
Compensated absences	300,628	237,814	234,247	304,195	182,517
Due other governmental	400,000	400,000	100,000	700,000	500,000
agencies	1,539,858	397,566	157,841	1,779,583	-
Other post-employment benefits					
Total	67,456,365	1,035,380	6,180,806	62,310,939	4,380,393
Golf Fund:					
Notes payable	$ -	$ 40,000	$ 3,869	$ 36,131	$ 7,823
Net pension Liability	68,026	-	68,026	-	-
Compensated absences	33,720	19,288	22,775	30,233	18,140
Other post-employment benefits	54,475	27,363	10,864	70,974	-
Total	156,221	86,651	105,534	137,338	25,963
Total business-type activities	$ 67,612,586	$ 1,122,031	$ 6,286,340	$ 62,448,277	$ 4,406,356

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

The legal debt margin for the City of Sanford is $176,292,399.

II. DETAIL NOTES ON ALL FUNDS (continued):

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2015 is as follows:

		Governmental-Type Activities		Business-Type Activities
Capital assets	$	24,032,637	$	152,516,700
Less: Long-term debt		3,632,102		60,263,292
Net investment in capital assets	$	20,400,535	$	92,253,408

Note that governmental activities long term debt is net of unexpended bond proceeds of $7,340,484.

C. Interfund Activity

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

A summary of these transactions for the year ended June 30, 2015 follows:

From the General Fund to the Golf Fund-program support	$	121,149
From the General Fund to the General Capital Reserve - establish reserves		75,000
From the Capital Projects Fund to the General Fund - to reimburse		1,410,700
From the General Fund to the Capital Projects Fund - program support		2,600,000
From the General Fund to the Community Development Fund - program support		5,000
Total	$	4,211,849

D. Fund Balance

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

Total fund balance - General Fund	$	10,931,196
Less:		
Inventories		(74,785)
Prepaid expenses		(51,875)
Stabilization by State statute		(3,019,939)
Assigned for subsequent year's expenditure		(624,788)
Available fund balance	$	7,159,809

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 $11,181 to the Council during the fiscal year ended June 30, 2015. 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, 2015.

City of Sanford Housing Authority

The five-member Board of the City of Sanford Housing Authority (Housing Authority) is appointed by the mayor of the City of Sanford. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

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, 2015.

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

V. RELATED ORGANIZATION

The City of Sanford is also disclosed as a related organization in the notes to the financial statements for the City of Sanford Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Housing Authority's office at 1000 Carthage Street, Sanford, North Carolina 27330.

VI. SUBSEQUENT EVENTS

Subsequent to June 30, 2015 and prior to issuance of these financial statements the City approved a Resolution authorizing a loan in the amount of $650,000 to the Sanford-Lee Regional Airport Authority to be repaid over a period of 14 years with interest at 2.83%.

VII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial reporting for Pensions (an amendment of GASB statement No. 27),* in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by $1,859,277 and $621,413, respectively.

VIII. PRIOR PERIOD ADJUSTMENTS

In addition to the adjustments noted above to beginning net position there was also a prior period adjustment in the General Fund of $405,021 to properly state beginning accounts receivable for local option sales tax. The effect of this entry was to increase beginning fund balance at July 1, 2014 by

VIII. PRIOR PERIOD ADJUSTMENTS (continued):

$405,021, increase accounts receivable by $454,774 and increase current year local option sales tax revenue by $49,753.

There was an additional adjustment to properly state the value of governmental activities capital assets at July 1, 2014. The result of this entry was to increase beginning net position by $4,639,818, increase beginning capital assets by $376,624 and decrease accumulated depreciation by $4,263,194.

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

	Governmental Funds	Proprietary Funds
Adjustments to beginning fund balance		
Adjustment to restate accounts receivable for sales tax	$ 405,021	$ -
Adjustments to beginning net position		
Implementation of GASB 68	(1,859,277)	(621,413)
Adjustment to restate value of capital assets	4,639,818	-
Total adjustment to beginning net position	$ 3,185,562	$ (621,413)

CITY OF SANFORD, NORTH CAROLINA

REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for Other Post-Employment Benefits
- Schedule of Employer Contributions for Other Post-Employment Benefits
- Notes to the Required Schedules for the Other Post-Employment Benefits
- Schedule of City's Contributions to Local Government Employees' Retirement System
- Schedule of City's Proportionate Share of Net Pension Liability (Asset) in Local Government Employees' Retirement System

Schedule A-1

CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/2005	$ 559,315	$ 1,261,997	$ 702,682	44.32%	$ 3,232,637	21.74%
12/31/2006	485,858	1,302,744	816,886	37.29%	3,339,823	24.46%
12/31/2007	493,309	1,440,522	947,213	34.25%	3,426,475	27.64%
12/31/2008	551,769	1,537,003	985,234	35.90%	3,606,971	27.31%
12/31/2009	492,580	2,006,245	1,513,665	24.55%	3,915,249	38.66%
12/31/2010	603,845	1,882,624	1,278,779	32.07%	3,964,951	32.25%
12/31/2011	612,054	1,778,345	1,166,291	34.42%	3,982,292	29.29%
12/31/2012	690,257	1,922,082	1,231,825	35.91%	3,656,112	33.69%
12/31/2013	649,153	2,303,723	1,654,570	28.18%	4,115,459	40.20%
12/31/2014	564,359	2,477,443	1,913,084	22.78%	4,391,094	43.57%

Schedule A-2

CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2007	$ 97,034	100.0%
2008	106,022	100.0%
2009	115,816	100.0%
2010	123,787	100.0%
2011	177,726	70.0%
2012	146,389	85.0%
2013	159,970	91.5%
2014	159,970	100.0%
2015	229,720	69.6%

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases*	4.25%-7.85%
*Includes inflation at	3%
Cost-of-living adjustments	N/A

Schedule A-3

CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

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

Schedule A-4

CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2010	$ 1,598,730	23.6%
2011	1,658,682	34.9%
2012	1,658,682	27.0%
2013	1,711,010	25.5%
2014	1,711,010	27.3%
2015	1,680,423	38.0%

Notes to the Required Schedules:
The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	5.00%
Medicare trend rate*	5.00% - 7.50%
Year of ultimate trend rate	2020
*Includes inflation at	3.00%

Schedule A-5

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2015	2014
Contractually required contribution	$ 1,152,110	$ 1,118,587
Contributions in relation to the contractually required contributions	1,152,110	1,118,587
Contribution deficiency (excess)	$ -	$ -
City of Sanford's covered-employee payroll	$ 16,062,956	$ 15,694,884
Contributions as a percentage of covered-employee payroll	7.17%	7.13%

Schedule A-6

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2015	2014
Sanford's proportion of the net pension liability (asset) (%)	0.28942%	0.29860%
Sanford's proportion of the net pension liability (asset) ($)	$ (1,706,844)	$ 3,599,277
Sanford's covered-employee payroll	$ 16,062,956	$15,694,884
Sanford's proprtionate share of the net pension liability (asset) as a perentage of its covered-employee payroll	-10.63%	22.93%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND

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

Schedule B-1

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year levy	$ 14,054,101	$ 14,183,279	$ 129,178	$ 13,232,155
Prior year's levy	240,000	342,491	102,491	244,689
Payments in lieu of taxes	29,000	29,534	534	28,671
Total - ad valorem taxes	14,323,101	14,555,304	232,203	13,505,515
Other taxes:				
Privilege licenses	2,900	2,054	(846)	2,795
Local option sales tax	4,321,994	4,559,891	237,897	3,965,663
Total - other taxes	4,324,894	4,561,945	237,051	3,968,458
Penalties and interest	63,000	77,529	14,529	78,655
Licenses and permits:				
Building permits	325,000	356,029	31,029	309,714
Fire permits	25,000	44,831	19,831	27,235
Total - licenses and permits	350,000	400,860	50,860	336,949
State of North Carolina:				
Utilities franchise tax	1,581,500	2,016,387	434,887	1,562,537
Beer and wine tax	59,367	68,827	9,460	62,706
State shared cable fees	197,700	200,686	2,986	200,683
Powell Bill allocation	815,992	816,401	409	813,029
Court costs and fees	10,000	8,064	(1,936)	9,798
Law Enforcement - Drug Forfeiture Program	47,387	18,757	(28,630)	32,825
Mowing reimbursement program	26,000	26,164	164	25,712
Disposal tax	16,902	18,625	1,723	17,517
911 surcharge reimbursement	368,136	324,152	(43,984)	185,524
Other local governments	447,287	450,253	2,966	402,165
Total - intergovernmental revenues	3,570,271	3,948,316	378,045	3,312,496
Investment income	35,892	18,881	(17,011)	29,918
Sales and service:				
Sale of property	188,000	58,720	(129,280)	189,288
Waste management fees	1,743,500	1,744,064	564	1,304,491
Total - sales and services	1,931,500	1,802,784	(128,716)	1,493,779
Miscellaneous revenues:				
Alcoholic beverage control	160,000	215,000	55,000	140,000
Street charges	225,000	189,993	(35,007)	174,497
Civil violation fines	4,000	1,181	(2,819)	3,376
Parking fine	15,000	5,107	(9,893)	8,348

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Sundry	$ 463,447	$ 374,795	$ (88,652)	$ 602,428
Total - miscellaneous revenues	867,447	786,076	(81,371)	928,649
Total revenues	25,466,105	26,151,695	685,590	23,654,419
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits	248,971	239,145	9,826	224,755
Current operating expenditures	105,850	89,455	16,395	98,479
Total - governing body	354,821	328,600	26,221	323,234
Less: interfund reimbursements	(71,846)	(71,845)	(1)	(71,790)
Net - governing body	282,975	256,755	26,220	251,444
Administration:				
Salaries and benefits	266,712	266,593	119	238,114
Current operating expenditures	22,090	20,470	1,620	17,917
Total - administration	288,802	287,063	1,739	256,031
Less: interfund reimbursements	(57,228)	(57,228)	-	(51,894)
Net - administration	231,574	229,835	1,739	204,137
Human resources:				
Salaries and benefits	239,673	239,556	117	240,420
Current operating expenditures	105,254	85,448	19,806	43,469
Total - human resources	344,927	325,004	19,923	283,889
Less: interfund reimbursements	(67,063)	(67,064)	1	(62,974)
Net - human resources	277,864	257,940	19,924	220,915
Risk management :				
Salaries and benefits	74,091	73,478	613	52,402
Current operating expenditures	14,192	13,588	604	10,690
Total - risk management	88,283	87,066	1,217	63,092
Less: interfund reimbursements	(27,125)	(27,125)	-	(30,942)
Net - risk management	61,158	59,941	1,217	32,150
Elections	-	-	-	44,705

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance :				
Salaries and benefits	$ 608,860	$ 513,839	$ 95,021	$ 543,745
Current operating expenditures	394,851	393,505	1,346	402,709
Total - finance	1,003,711	907,344	96,367	946,454
Less: interfund reimbursements	(294,433)	(294,433)	-	(257,245)
Net - finance	709,278	612,911	96,367	689,209
Information systems :				
Salaries and benefits	264,292	258,403	5,889	199,172
Current operating expenditures	118,216	110,433	7,783	101,327
Capital outlay	9,000	8,997	3	15,639
Total - information systems	391,508	377,833	13,675	316,138
Less: interfund reimbursements	(69,033)	(69,033)	-	(67,196)
Net: information systems	322,475	308,800	13,675	248,942
Legal:				
Salaries and benefits	201,115	202,435	(1,320)	200,554
Current operating expenditures	145,203	42,667	102,536	41,664
Total - legal	346,318	245,102	101,216	242,218
Less: interfund reimbursements	(97,952)	(97,952)	-	(98,992)
Net - legal	248,366	147,150	101,216	143,226
Public buildings:				
Salaries and benefits	195,134	190,388	4,746	188,934
Current operating expenditures	648,234	607,275	40,959	680,099
Capital outlay	591,245	320,892	270,353	16,914
Total - public buildings	1,434,613	1,118,555	316,058	885,947
Less: interfund reimbursements	(225,967)	(225,967)	-	(154,710)
Net - public buildings	1,208,646	892,588	316,058	731,237
General services administration:				
Salaries and benefits	174,761	174,928	(167)	173,494
Current operating expenditures	35,827	27,786	8,041	17,024
Installment purchase	148,438	-	148,438	-
Capital outlay	68,100	66,954	1,146	24,747
Total - general services administration	427,126	269,668	157,458	215,265
Less: interfund reimbursements	(15,333)	(15,333)	-	(15,599)
Net - general services administration	411,793	254,335	157,458	199,666

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Central mimeograph:				
Current operating expenditures	$ 25,543	$ 19,299	$ 6,244	$ 22,147
Less: interfund reimbursements	(6,288)	(6,288)	-	(1,732)
Net - central mimeograph	19,255	13,011	6,244	20,415
Fleet maintenance:				
Salaries and benefits	317,619	315,133	2,486	314,919
Current operating expenditures	978,296	708,597	269,699	857,055
Capital outlay	56,300	56,287	13	-
Total - fleet maintenance	1,352,215	1,080,017	272,198	1,171,974
Less: interfund reimbursements	(55,766)	(55,767)	1	(57,409)
Less: charges to other departments	(828,774)	(658,940)	(169,834)	(788,599)
Net - fleet maintenance	467,675	365,310	102,365	325,966
Beautification:				
Salaries and benefits	310,943	311,302	(359)	310,150
Current operating expenditures	236,448	186,060	50,388	212,071
Capital outlay	57,900	58,394	(494)	32,647
Total - beautification	605,291	555,756	49,535	554,868
Other appropriations and contingencies:				
Associations and memberships	40,778	40,680	98	38,623
Regional and community support	23,200	23,200	-	30,700
Economic development	243,509	243,509	-	213,850
Intergovernmental transfers	312,016	79,695	232,321	79,600
Other post-employment benefits	391,349	405,591	(14,242)	375,672
Total - other appropriations	1,010,852	792,675	218,177	738,445
Total general government	5,857,202	4,747,007	1,110,195	4,405,325
Community Development:				
Salaries and benefits	741,144	731,060	10,084	817,620
Current operating expenditures	78,744	57,755	20,989	53,425
Total - community development	819,888	788,815	31,073	871,045
Code enforcement :				
Salaries and benefits	209,379	200,593	8,786	229,240
Current operating expenditures	45,451	28,278	17,173	62,791
Total - code enforcement	254,830	228,871	25,959	292,031

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Downtown/historic preservation:				
Salaries and benefits	$ 97,759	$ 94,956	$ 2,803	$ 94,346
Current operating expenditures	18,800	13,999	4,801	10,510
Total - downtown/historic preservation	116,559	108,955	7,604	104,856
Total community development	1,191,277	1,126,641	64,636	1,267,932
Public Safety:				
Police:				
Salaries and benefits	7,319,007	7,179,566	139,441	7,134,224
Current operating expenditures	1,293,717	1,084,683	209,034	1,053,065
Installment purchase	44,275	44,275	-	88,666
Capital outlay	460,908	460,884	24	84,905
Total - police	9,117,907	8,769,408	348,499	8,360,860
Fire :				
Salaries and benefits	3,514,811	3,484,008	30,803	3,482,362
Current operating expenditures	420,574	419,318	1,256	376,183
Installment purchase	110,624	54,430	56,194	-
Capital outlay	552,804	28,845	523,959	58,749
Total - fire	4,598,813	3,986,601	612,212	3,917,294
Inspection:				
Salaries and benefits	363,223	358,175	5,048	355,178
Current operating expenditures	58,087	44,635	13,452	41,918
Capital outlay	9,000	-	9,000	-
Total - inspection	430,310	402,810	27,500	397,096
Total public safety	14,147,030	13,158,819	988,211	12,675,250
Streets:				
Salaries and benefits	935,538	931,437	4,101	889,392
Current operating expenditures	1,208,518	1,126,490	82,028	1,147,220
Installment purchases	130,409	130,407	2	105,520
Capital outlay	1,106,105	927,651	178,454	136,314
Total - streets and sidewalks	3,380,570	3,115,985	264,585	2,278,446

Schedule B-1

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Sanitation:				
Refuse:				
Salaries and benefits	$ 889,787	$ 884,653	$ 5,134	$ 892,801
Current operating expenditures	319,746	278,265	41,481	306,200
Installment purchases	62,294	30,638	31,656	-
Capital outlay	333,662	315,384	18,278	149,177
Total - refuse	1,605,489	1,508,940	96,549	1,348,178
Sanitation:				
Contracted services	1,164,108	1,156,074	8,034	1,137,931
Total sanitation	2,769,597	2,665,014	104,583	2,486,109
Total expenditures	27,345,676	24,813,466	2,532,210	23,113,062
Revenue in excess of (less than) expenditures	(1,879,571)	1,338,229	3,217,800	541,357
Other Financing Sources (Uses):				
Issuance of debt	1,058,506	1,058,506	-	-
Transfers from other funds:				
Community development	-	-	-	15,000
General Capital Project	1,410,700	1,410,700	-	-
Transfers (to) other funds:				
Capital Projects Fund	(2,600,000)	(2,600,000)	-	(1,722,030)
General Capital Reserve	(75,000)	(75,000)	-	-
Community development	(5,000)	(5,000)	-	(2,000)
Golf	(91,383)	(121,149)	(29,766)	(72,258)
Total - other financing sources (uses)	(302,177)	(331,943)	(29,766)	(1,781,288)
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(2,181,748)	1,006,286	3,188,034	(1,239,931)
Appropriated fund balance	2,181,748	-	(2,181,748)	-
Net Change in Fund Balance	$ -	1,006,286	$ 1,006,286	$ (1,239,931)
Fund balance, beginning of year (as previously stated)		9,444,886		
Adjustment to beginning fund balance		405,021		
Fund balance, beginning of year (as restated)		9,849,907		
Fund balance, end of year		$ 10,856,193		

Schedule B-2

CITY OF SANFORD, NORTH CAROLINA

GENERAL CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Over/Under	Actual Prior Year
REVENUES				
Interest Income	$ -	$ 3	$ 3	$ -
Other Financing Sources (Uses):				
Transfers in - General Fund	75,000	75,000	-	-
Transfers out - General Fund	(75,000)	-	75,000	-
Total other financing sources (uses)	-	75,000	75,000	-
Net change in fund balance	$ -	75,003	$ 75,000	$ -
Fund balance, beginning of year		-		
Fund balance, end of year		$ 75,003		

Schedule B-3

CITY OF SANFORD, NORTH CAROLINA

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Budget	Current Year	Prior Years	Total to June 30, 2015
REVENUES				
Grants	$ 280,672	$ -	$ -	$ -
Interest Income	-	1,072	-	1,072
Total revenues	280,672	1,072	-	1,072
Expenditures:				
Sidewalk improvements:				
Construction	1,814,362	266,751	301	267,052
Engineering	466,310	285,151	83,770	368,921
Greenway:				
Engineering	391,330	15,319	5,838	21,157
Streetscape:				
Construction	9,140,812	917,406	-	917,406
Engineering	387,083	289,766	9,979	299,745
Total expenditures	12,199,897	1,774,393	99,888	1,874,281
Revenues under expenditures	(11,919,225)	(1,773,321)	(99,888)	(1,873,209)
Other Financing Sources (Uses):				
Bond Proceeds	8,500,000	8,500,000	-	8,500,000
Bond Premium	720,331	720,331	-	720,331
Bond Issuance Costs	(212,436)	(205,454)	-	(205,454)
Transfers in - General Fund	4,562,444	2,600,000	1,722,030	4,322,030
Transfers out - General Fund	(1,651,114)	(1,410,700)	-	(1,410,700)
Total other financing sources (uses)	11,919,225	10,204,177	1,722,030	11,926,207
Net change in fund balance	$ -	8,430,856	$ 1,622,142	$ 10,052,998
Fund balance, beginning of year		1,622,142		
Fund balance, end of year		$ 10,052,998		

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

CAPITAL PROJECTS FUNDS:

Grant Capital Projects Fund – The Grant Capital Projects Fund is used to account for the activities of the Downtown Revitalization Project funded by the City and other contributions.

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

Schedule C-1

CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds		Capital Project Funds	
	Community Development	Central Business Tax District	Grant Capital Projects Fund	Total
Assets:				
Cash, cash equivalents,and investments	$ 384,586	$ 104,242	$ 16,195	$ 505,023
Cash, restricted	37,290	-	-	37,290
Property taxes receivable, net	-	4,879	-	4,879
Due from governmental agencies	38,019	651	-	38,670
Total assets	$ 459,895	$ 109,772	$ 16,195	$ 585,862
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	$ 10,714	$ 326	$ -	$ 11,040
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	-	4,879	-	4,879
Fund Balances:				
Restricted:				
Stabilization by State statute	-	651	-	651
Community development	449,181	-	-	449,181
Assigned:				
Downtown revitalization	-	103,916	-	103,916
Unassigned	-	-	16,195	16,195
Total fund balances	449,181	104,567	16,195	569,943
Total liabilities, deferred inflows of resources, and fund balances	$ 459,895	$ 109,772	$ 16,195	$ 585,862

Schedule C-2

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		Capital Project Funds	
	Community Development	Central Business Tax District	Grants Capital Projects Fund	Total
Revenues:				
Ad valorem taxes:				
Current year	$ -	$ 52,815	$ -	$ 52,815
Prior years	-	1,474	-	1,474
Intergovernmental revenues:				
United States of America	202,163	-	-	202,163
State of North Carolina	68,714	-	-	68,714
Investment income	293	71	-	364
Miscellaneous income	500	465	-	965
Total revenues	271,670	54,825	-	326,495
Expenditures:				
Current:				
Downtown revitalization	-	43,929	32,347	76,276
Community development:				
Community development block grants	256,042	-	-	256,042
Other prior program expenditures	300	-	-	300
Total expenditures	256,342	43,929	32,347	332,618
Revenues less than expenditures	15,328	10,896	(32,347)	(6,123)
Other Financing Sources:				
Transfers in - General Fund	5,000	-	-	5,000
Net change in fund balances	20,328	10,896	(32,347)	(1,123)
Fund balances, beginning of year	428,853	93,671	48,542	571,066
Fund balances, end of year	$ 449,181	$ 104,567	$ 16,195	$ 569,943

Schedule C-3

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Budget	Current Year	Prior Years	Total to June 30, 2015
Revenues:				
Intergovernmental revenues:				
2008 Endor Iron Furnace Greenway Grant:				
Grant - Federal Highway Administration, N.C. Department of Transportation	$ 687,200	$ -	$ 603,625	$ 603,625
Grant - Federal Highway Administration, N.C. Department of Transportation (ARRA)	554,172	-	554,172	554,172
Miscellaneous funds	1,800	-	1,800	1,800
Local funds	334,642	-	334,642	334,642
Sub-total	1,577,814	-	1,494,239	1,494,239
Less closed projects	(1,577,814)		(1,494,239)	(1,494,239)
Total - 2008 Endor Iron Furnace Greenway Grant C0803	-	-	-	-
N.C. Urgent Repair Program (URP10):				
Grant - N.C. Housing Finance Agency	75,000	-	75,000	75,000
Interest Income	83	-	83	83
Local funds	2,000	-	2,000	2,000
Sub-total	77,083	-	77,083	77,083
Less closed projects	(77,083)	-	(77,083)	(77,083)
Total - N.C. Urgent Repair Program URP10 (C0907)	-	-	-	-
Comprehensive Bicycle/Pedestrian Planning Grant:				
Grant - U.S. Department of Transportation, Federal Highway Administration	24,500	-	24,500	24,500
Local funds	10,500	-	10,500	10,500
Sub-total	35,000	-	35,000	35,000
Less closed projects	(35,000)	-	(35,000)	(35,000)
Total - Comprehensive Bicycle/Pedestrian Planning Grant	-	-	-	-
N.C. Urgent Repair Program (URP1124):				
Grant - N.C. Housing Finance Agency (C1201)	-	-	73,240	73,240
Interest income	-	-	68	68
Local funds	-	-	2,000	2,000
Sub-total	-	-	75,308	75,308
Less closed projects	-	-	(75,308)	(75,308)
Total - N.C. Urgent Repair Program ((URP1124)	-	-	-	-
2012 Single Family Rehabilitation Grant (SRF1222):				
Grant - N.C. Housing Finance Agency	388,554	164,144	218,051	382,195
N.C. Urgent Repair (URP12):				
Grant - N.C. Housing Finance Agency (C1203)	75,000	-	75,000	75,000
Lee County contribution	3,750	-	3,750	3,750
Interest income	41	-	42	42
Local Funds	3,750	-	3,750	3,750
Sub-total	82,541	-	82,542	82,542
Less closed projects	(82,541)	-	(82,542)	(82,542)
Total - N.C. Urgent Repair Program (URP12)	-	-	-	-

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Budget	Current Year	Prior Years	Total to June 30, 2015
2009 Community Development Block Grant (C0906):				
Grant - CDBG Recovery Program - Haven Complex				
Grant - Federal ARRA	$ 699,037	$ -	$ 699,036	$ 699,036
Less closed projects	(699,037)	-	(699,036)	(699,036)
Grant - Federal ARRA	-	-	-	-
2011 Community Development Block Grant (09-C-2075):				
Grant - CDBG Recovery Program - Maple Avenue (C1101)	970,000	-	970,000	970,000
Program income	8,195	-	8,195	8,195
Local funds	11,000	-	11,000	11,000
Miscellaneous funds	242	-	242	242
Sub-total	989,437	-	989,437	989,437
Less closed projects	(989,437)	-	(989,437)	(989,437)
Total - 2011 Community Development Block Grant (09-C-2075)	-	-	-	-
2011 Community Development Block Grant (10-C-2105):				
Grant - CDBG Recovery Program - Autumn Oaks Apartments (C1102)	250,000	-	248,924	248,924
Local funds	15,000	-	15,000	15,000
Sub-total	265,000	-	263,924	263,924
Less closed projects	(265,000)	-	(263,924)	(263,924)
Total - 2011 Community Development Block Grant (10-C-2105)	-	-	-	-
N.C. Urgent Repair (URP13):				
Grant - N.C. Housing Finance Agency (C1401)	75,000	31,214	37,500	68,714
Interest income	-	5	41	46
Local funds	2,000	-	2,000	2,000
Total - N.C. Urgent Repair Program (URP13)	77,000	31,219	39,541	70,760
N.C. Urgent Repair (URP14)				
Grant - N.C. Housing Finance Agency (C1501)	75,000	37,500	-	37,500
Interest income	-	15	-	15
Local Funds	5,000	-	-	-
Total - N.C. Urgent Repair Program (URP14)	80,000	37,515	-	37,515
Brownsfield Assessment & Cleanup				
Federal grants	200,000	38,019	-	38,019
Miscellaneous				
Interest income	57,000	273	1,090	1,363
Program income - land disposition	44,693	500	473,488	473,988
Total miscellaneous revenue	101,693	773	474,578	475,351
Total revenues	847,247	271,670	732,170	1,003,840

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Budget	Current Year	Prior Years	Total to June 30, 2015
Expenditures:				
Intergovernmental revenues:				
2008 Endor Iron Furnace Greenway Grant :				
Grant - Federal Highway Administration, N.C.				
Department of Transportation	$ 683,921	$ -	$ 603,625	$ 603,625
Engineering	1,800	-	1,800	1,800
Local match	333,822	-	326,667	326,667
Transfer (to) General Fund	4,099	-	7,975	7,975
Grant - Federal Highway Administration, N.C.				
Department of Transportation (ARRA)	554,172	-	554,172	554,172
Sub-total	1,577,814	-	1,494,239	1,494,239
Less closed projects	(1,577,814)	-	(1,494,239)	(1,494,239)
Total - 2008 Endor Iron Furnace Greenway Grant (C0803)	-	-	-	-
N.C. Housing Finance Agency - Urgent Repair URP 10:				
Administration	8,301	-	8,300	8,300
Rehabilitation	66,782	-	66,782	66,782
Local match	2,000	-	2,000	2,000
Sub-total	77,083	-	77,082	77,082
Less closed projects	(77,083)	-	(77,082)	(77,082)
Total - N.C. Urgent Repair Program URP 10 (C0907)	-	-	-	-
2012 Single Family Rehabilitation Grant (SRF1222):				
Rehabilitation	15,000	164,144	203,288	367,432
Administration	373,554	-	14,763	14,763
Total - Single Family Rehabilitation Grant (SRF1222)	388,554	164,144	218,051	382,195
N.C. Urgent Repair Program (URP 12):				
Administration	7,370	-	7,370	7,370
Rehabilitation	67,672	-	67,672	67,672
Local match	7,500	-	7,500	7,500
Sub-total	82,542	-	82,542	82,542
Less closed projects	(82,542)	-	(82,542)	(82,542)
Total - N.C. Urgent Repair Program (URP 12)	-	-	-	-
N.C. Urgent Repair Program (URP 1124):				
Administration	-	-	8,133	8,133
Rehabilitation	-	-	65,175	65,175
Local match	-	-	2,000	2,000
Sub-total	-	-	75,308	75,308
Less closed projects	-	-	(75,308)	(75,308)
Total - N.C. Urgent Repair Program (URP 1124)	-	-	-	-
Comprehensive Bicycle/Pedestrian Planning Grant:				
Grant - U.S. Department of Transportation, Federal				
Highway Administration				
Contractual Services	35,000	-	35,000	35,000
Less closed projects	(35,000)	-	(35,000)	(35,000)
Comprehensive Bicycle/Pedestrian Planning Grant	-	-	-	-

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Budget	Current Year	Prior Years	Total to June 30, 2015
2009 Community Development Block Grant (C0906):				
Administration	$ 25,321	$ -	$ 25,321	$ 25,321
Employee training	673,716	-	673,716	673,716
Sub-total	699,037	-	699,037	699,037
Less closed projects	(699,037)	-	(699,037)	(699,037)
Total - 2009 Community Development Block Grant	-	-	-	-
2011 Community Development Block Grant (09-C-2075) :				
Administration	60,000	-	60,000	60,000
Rehabilitation	387,115	-	387,115	387,115
Public sewer improvements	47,000	-	47,000	47,000
Public water improvements	37,000	-	37,000	37,000
Street rehabilitation	191,692	-	191,692	191,692
Flood and drainage	107,000	-	107,000	107,000
Acquisition	53,005	-	53,005	53,005
Relocation assistance	1,626	-	1,626	1,626
Clearance activities	6,616	-	6,616	6,616
Other	98,383	-	98,383	98,383
Sub-total	989,437	-	989,437	989,437
Less Closed Projects	(989,437)	-	(989,437)	(989,437)
Total - 2011 Community Development Block Grant (09-C-2075)	-	-	-	-
2011 Community Development Block Grant (10-C-2105):				
Administration	25,000	-	25,000	25,000
Public sewer improvements	74,705	-	74,705	74,705
Public water improvements	80,774	-	80,774	80,774
Street rehabilitation	69,520	-	68,445	68,445
Sub-total	249,999	-	248,924	248,924
Less closed projects	(249,999)	-	(248,924)	(248,924)
Total - 2011 Community Development Block Grant (10-C-2105)	-	-	-	-
N.C. Urgent Repair Program (URP 13):				
Hard costs	67,200	44,362	16,811	61,173
Soft costs	7,800	7,588	-	7,588
Local match	2,000	1,705	295	2,000
Total - N.C. Urgent Repair Program (URP 13)	77,000	53,655	17,106	70,761
N.C. Urgent Repair Program (URP14)				
Hard costs	65,400	-	-	-
Soft costs	9,600	-	-	-
Local Match	10,000	225	-	225
Total - N.C. Urgent Repair Program (URP 14)	85,000	225	-	225

CITY OF SANFORD, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Budget	Current Year	Prior Years	Total to June 30, 2015
Brownsfield Assessment & Cleanup				
Training	$ 7,500	$ 1,368	$ -	$ 1,368
Supplies	1,500	-	-	-
Contract services	191,000	36,650	-	36,650
Total - Brownsfield Assessment & Cleanup	200,000	38,018	-	38,018
Other prior program expenditures:				
Rehabilitation	12,500	200	1,931	2,131
Land disposition	58,951	100	35,987	36,087
Local match	242	-	242	242
Total - other prior program expenditures	71,693	300	38,160	38,460
Total expenditures	822,247	256,342	273,317	529,659
Revenues in excess of (less than) expenditures	25,000	15,328	458,853	474,181
Other Financing Sources (Uses):				
Transfer from General Fund	5,000	5,000	-	5,000
Transfer to General Fund	(15,000)	-	(15,000)	(15,000)
Transfer to community development	(30,000)	-	(30,000)	(30,000)
Sub-total	(40,000)	5,000	(45,000)	(40,000)
Less closed projects	15,000	-	15,000	15,000
Total other financing sources (uses)	(25,000)	5,000	(30,000)	(25,000)
Net changes in fund balance	$ -	20,328	$ 428,853	$ 449,181
Fund balance, beginning of year		428,853		
Fund balance, end of year		$ 449,181		

Schedule C-4

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - CENTRAL BUSINESS TAX DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year	$ 52,661	$ 52,815	$ 154	$ 54,586
Prior year	1,000	1,474	474	3,379
Investment earnings	135	71	(64)	138
Other	1,500	-	(1,500)	450
Penalties and interest	500	465	(35)	640
Total revenues	55,796	54,825	(971)	59,193
Expenditures:				
Operating expenditures	37,710	18,659	19,051	29,964
Downtown Façade Reimbursement Program	50,000	25,270	24,730	17,270
Total expenditures	87,710	43,929	43,781	47,234
Excess of revenues over expenditures	(31,914)	10,896	42,810	11,959
Other Financing Sources:				
Appropriated fund balance	31,914	-	(31,914)	-
Net change in fund balance	$ -	10,896	$ 10,896	11,959
Fund balance, beginning of year		93,671		81,712
Fund balance, end of year		$ 104,567		$ 93,671

Schedule C-5

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - GRANTS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Budget	Current Year	Prior Years	Total to June 30, 2015
Revenues:				
Miscellaneous revenue	$ 91,995	$ -	$ 91,995	$ 91,995
Expenditures:				
Downtown improvements	560,225	32,347	511,683	544,030
Revenues less than expenditures	(468,230)	(32,347)	(419,688)	(452,035)
Other Financing Sources:				
Transfers in - General Fund	468,230	-	468,230	468,230
Net change in fund balance	$ -	(32,347)	$ 48,542	$ 16,195
Fund balance, beginning of year		48,542		
Fund balance, end of year		$ 16,195		

CITY OF SANFORD, NORTH CAROLINA

PROPRIETARY FUNDS

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

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

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

Schedule D-1

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges:				
Water	$ 10,248,929	$ 10,342,799	$ 93,870	$ 10,421,755
Sewer	6,976,457	7,171,039	194,582	7,196,876
Total user charges	17,225,386	17,513,838	288,452	17,618,631
Monitoring fees	80,000	80,784	784	80,784
Connection and tap fees	125,000	118,216	(6,784)	156,046
Contributions from other agencies	885,167	891,902	6,735	892,864
Investment income	35,700	17,181	(18,519)	33,738
Other	382,200	400,640	18,440	478,728
Charges to other funds	25,000	28,628	3,628	22,851
Total revenues	18,758,453	19,051,189	292,736	19,283,642
Expenditures:				
Engineering:				
Salaries and benefits	486,525	486,119	406	473,185
Operating expenditures	64,139	51,548	12,591	42,318
Capital outlay	61,000	8,997	52,003	-
Total - engineering	611,664	546,664	65,000	515,503
Utility administration:				
Salaries and benefits	671,533	664,230	7,303	659,804
Operating expenditures	328,132	302,995	25,137	292,880
Interfund reimbursment	960,225	960,225	-	840,970
Total - utility administration	1,959,890	1,927,450	32,440	1,793,654
Public works administration:				
Salaries and benefits	335,582	334,144	1,438	327,110
Operating expenditures	26,185	22,354	3,831	28,692
Total - public works administration	361,767	356,498	5,269	355,802
Water lines - maintenance:				
Salaries and benefits	1,538,389	1,529,396	8,993	1,422,871
Maintenance of infrastructure and related equipment	8,750	4,434	4,316	6,759
Other operating expenditures	1,332,192	1,152,326	179,866	1,231,836
Capital outlay	331,850	498,983	(167,133)	238,832
Total - water	3,211,181	3,185,139	26,042	2,900,298
Sewer lines - maintenance:				
Salaries and benefits	736,143	724,428	11,715	726,412
Maintenance of infrastructure and related equipment	30,585	19,493	11,092	11,681
Other operating expenditures	818,850	720,700	98,150	781,490
Capital outlay	151,500	160,819	(9,319)	147,248
Total - sewer	1,737,078	1,625,440	111,638	1,666,831

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Water plant operations:				
Salaries and benefits	$ 721,704	$ 690,139	$ 31,565	$ 702,409
Maintenance of infrastructure and related equipment	165,500	76,343	89,157	125,414
Other operating expenditures	1,221,244	1,184,730	36,514	1,034,239
Capital outlay	90,642	139,995	(49,353)	166,495
Total - water plant operations	2,199,090	2,091,207	107,883	2,028,557
Sewer plant operations:				
Salaries and benefits	826,734	815,350	11,384	848,544
Maintenance of infrastructure and related equipment	89,400	52,564	36,836	63,842
Other operating expenditures	1,050,960	850,137	200,823	876,573
Capital outlay	142,155	156,833	(14,678)	48,080
Total - sewer plant operations	2,109,249	1,874,884	234,365	1,837,039
Store:				
Salaries and benefits	52,861	52,474	387	52,849
Purchases and supplies	250,000	220,045	29,955	203,906
Other operating expenditures	10,120	8,808	1,312	9,222
Total - store	312,981	281,327	31,654	265,977
Less charges to other departments	(185,000)	(199,858)	14,858	(186,804)
Net store	127,981	81,469	46,512	79,173
Capital improvements:				
Capital outlay	1,411,705	1,653,768	(242,063)	369,999
Contractual services	122,988	157,480	(34,492)	753,328
Total capital improvements	1,534,693	1,811,248	(276,555)	1,123,327
Debt service:				
Interest	2,979,968	2,951,044	28,924	2,769,974
Installment purchase principal and due to other agencies	100,000	100,000	-	100,000
Bonds principal	2,715,000	2,715,000	-	2,680,000
State loan principal	863,244	863,244	-	142,680
Other fees	5,500	5,200	300	5,200
Total debt service	6,663,712	6,634,488	29,224	5,697,854
Contingency	85,000	-	85,000	-
Total expenditures	20,601,305	20,134,487	466,818	17,998,038
Revenues in excess of (less than) expenditures	(1,842,852)	(1,083,298)	759,554	1,285,604
Other financing sources (uses):				
Transfers in (out):				
Capital Project Fund	200,000	200,000	-	-
Capital Project Fund	(1,425,000)	(1,400,000)	25,000	-
Installment notes issued	-	400,000	400,000	
Appropriated fund balance	$ 3,067,852	$ -	$ (3,067,852)	$ -

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Total other financing sources	1,842,852	(800,000)	(2,642,852)	-
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing sources	$ -	$ (1,883,298)	$ (1,883,298)	$ 1,285,604

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

Revenues, other financing sources and appropriated retained earnings over (under) expenditures and other uses	$ (1,883,298)
Reconciling items:	
Capital outlay	2,619,395
Capital contributions - contractors	1,026,551
Capitalized interest expense and interest income	2,555,587
Capital contributions - interest	
Installment notes issued	(400,000)
Principal payments on debt	3,678,244
Due to other governmental agencies principal	
Depreciation	(3,720,583)
Bad debt allowance	(29,192)
Bond premium amortization	52,764
Gain on sale of assets	7,272
Change in due to other governmental agencies	
Transfer to capital projects fund	1,200,000
Pension expense	(18,539)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	268,719
Increase in compensated absences	(3,566)
Increase in other post-employment benefits	(239,725)
Change in net position	$ 5,113,629

Note: Prepared for comparison with the legally adopted budget.

Schedule D-2

CITY OF SANFORD, NORTH CAROLINA

UTILITY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - FROM INCEPTION AND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Budget	Current Year	Prior Years	Total
Revenues:				
Grants	$ 581,000	$ -	$ 381,000	$ 381,000
Interest income	52,000	336	140,649	140,985
Sub-total	633,000	336	521,649	521,985
Less closed revenues	(381,000)	-	(381,000)	(381,000)
Total revenues	252,000	336	140,649	140,985
Expenditures:				
Water capital project - capital outlay	2,000,000	56,541	251,018	307,559
Sewer capital project - capital outlay	59,648,707	261,197	55,450,184	55,711,381
Non-capitalized expenditures	389,411	-	387,604	387,604
Sub-total	62,038,118	317,738	56,088,806	56,406,544
Less closed non-capitalized expenditures	(381,000)	-	(381,000)	(381,000)
Total expenditures	61,657,118	317,738	55,707,806	56,025,544
Revenues less than expenditures	(61,405,118)	(317,402)	(55,567,157)	(55,884,559)
Other Financing Sources (Uses):				
Transfer from Utility Fund	7,018,000	1,400,000	5,618,000	7,018,000
Transfer to Utility Fund	(16,608,725)	(200,000)	(16,216,618)	(16,416,618)
State revolving loan proceeds	17,500,000	-	16,275,881	16,275,881
Bond proceeds	52,815,001	-	52,815,000	52,815,000
Bond premium	1,319,095	-	1,319,095	1,319,095
Bond issuance costs	(638,253)	-	(584,120)	(584,120)
Total other financing sources (uses)	61,405,118	1,200,000	59,227,238	60,427,238
Revenues and other financing sources in excess of (less than) expenditures	$ -	$ 882,598	$ 3,660,081	$ 4,542,679

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

Schedule D-3

CITY OF SANFORD, NORTH CAROLINA

GOLF FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Over/Under	Actual Prior Year
Operating Revenues:				
Green fees:				
Annual	$ 75,000	$ 65,552	$ (9,448)	$ 240,314
Daily	170,000	164,682	(5,318)	-
Other:				
Cart fees	230,000	204,954	(25,046)	222,875
Tournament fees	11,000	1,350	(9,650)	12,075
Driving range fees	18,000	15,192	(2,808)	16,639
Interest income	200	100	(100)	181
Pro shop sales	56,000	50,150	(5,850)	51,631
Concessions	35,000	28,330	(6,670)	32,432
School fees	3,300	-	(3,300)	4,325
Other	3,000	(1,358)	(4,358)	-
Total operating revenues	601,500	528,952	(72,548)	580,472
Non-Operating Revenues:				
Sale of capital assets	-	4,375	4,375	-
Total revenues	601,500	533,327	(68,173)	580,472
Operating Expenditures:				
Salaries and benefits	414,477	408,957	5,520	412,446
Current operating expenditures	140,150	120,728	19,422	168,837
Maintenance of golf course and related equipment	102,000	93,903	8,097	70,557
Debt service:				
Principal	7,754	3,869	3,885	-
Interest	693	346	347	-
Capital outlay	40,000	37,383	2,617	-
Total expenditures	705,074	665,186	39,888	651,840
Other Financing Sources (Uses):				
Issuance of debt	40,000	40,000	-	-
Transfer from General Fund	91,383	121,149	29,766	72,258
Transfer to General Fund	(27,809)	(27,809)	-	-
Total other financing sources (uses)	103,574	133,340	29,766	72,258
Revenues and other financing sources more (less) than expenditures	$ -	1,481	$ 1,481	$ 890

Reconciliation from budgetary basis (modified accrual) to full accrual:	
Reconciling items:	
Capital Outlay	37,383
Depreciation	(152,680)
Issuance of debt	(40,000)
Principal payments on debt	3,869
Sale of capital assets	(982)
Pension expense	(1,513)
Deferred outflows of resources for contributions made to pension plan in current year	17,053
Decrease in compensated absences	3,487
Increase in other post-employment benefits	(16,499)
Change in net position	$ (148,401)

Schedule D-4

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, 2015

	Financial Plan	Actual	Variance with Final Budget Over/Under
Revenues:			
Health insurance premiums	$ 3,126,099	$ 3,092,092	$ (34,007)
Interest income	-	508	508
Total revenues	3,126,099	3,092,600	(33,499)
Expenditures:			
Health insurance claims	2,519,144	2,498,152	20,992
Administration	606,955	676,882	(69,927)
Total expenditures	3,126,099	3,175,034	(48,935)
Revenues and other financing sources in excess of expenditures	$ -	$ (82,434)	$ (82,434)

Reconciliation from financial plan (modified accrual) to full accrual:	
Revenues in excess of expenditures	$ (82,434)
Reconciling items:	
Decrease in claims incurred but not reported	18,756
Change in net position	$ (63,678)

CITY OF SANFORD, NORTH CAROLINA

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. The City uses agency funds to account for funds held for the Firemen's Supplemental Pension Plan and the Other Post-Employment Benefits Trust Fund.

Schedule E-1

CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
30-Jun-15

	LEO Special Separation Allowance	Other Post-Employment Benefits	Total
Assets:			
Investments	$ 474,451	$ 2,320,295	$ 2,794,746
Liabilities:			
Accounts payable and other liabilities	$ -	$ -	$ -
Net Position:			
Net position held in trust for pension benefits	474,451	2,320,295	2,794,746
Total liabilities and net position	$ 474,451	$ 2,320,295	$ 2,794,746

Schedule E-2

CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	LEO Special Separation Allowance	Other Post-Employment Benefits	Total
Additions:			
Employer contributions	$ 159,970	$ -	$ 159,970
Net investment income	363	95,590	95,953
Other	-	32,781	32,781
Total additions	160,333	128,371	288,704
Deductions:			
Benefits	222,177	-	222,177
Administrative expense	-	6,620	6,620
Total deductions	222,177	6,620	228,797
Change in net position	(61,844)	121,751	59,907
Net position - held in trust for pension benefits, beginning of year	536,295	2,198,544	2,734,839
Net position - held in trust for pension benefits, end of year	$ 474,451	$ 2,320,295	$ 2,794,746

Schedule E-3

CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Firemen's Supplemental Pension Fund:				
Assets:				
Cash and cash equivalents	$ 503,864	$ 770	$ 77,266	$ 427,368
Accounts receivable	390	755	1,066	79
Total assets	$ 504,254	$ 1,525	$ 78,332	$ 427,447
Liabilities:				
Amounts available for benefits	$ 504,254	$ 1,525	$ 78,332	$ 427,447

Schedule F-1

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	$ -	$ 14,685,766	$ 14,522,406	$ 163,360
2013-2014	169,864	-	111,313	58,551
2012-2013	80,897	-	24,672	56,225
2011-2012	43,146	-	13,401	29,745
2010-2011	37,681	-	10,822	26,859
2009-2010	34,171	-	7,316	26,855
2008-2009	31,928	-	5,408	26,520
2007-2008	33,332	-	4,651	28,681
2006-2007	36,638	-	3,895	32,743
2005-2006	34,391	-	2,013	32,378
2004-2005	24,242	-	24,242	-
	$ 526,290	$ 14,685,766	$ 14,730,139	481,917

Less: allowance for uncollectible accounts:	
General Fund	335,235
Ad valorem taxes receivable - net	$ 146,682

Reconcilement with revenues:

Ad valorem taxes - General Fund	$ 14,555,304
Reconciling items:	
Payments in lieu of taxes	(29,534)
Taxes released and written off	204,369
Total collections and credits	$ 14,730,139

Schedule F-2

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SUPPLEMENTAL SCHEDULE OF 2015 TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015

		City - Wide			Total Levy	
		Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:						
Property taxed at current rate	$	2,399,965,167	0.60	$ 14,399,791	$ 13,318,383	$ 1,081,408
Utilities		47,522,000	0.60	285,132	285,132	-
Penalties		-		67,644	58,372	9,272
Total		2,447,487,167		14,752,567	13,661,887	1,090,680
Discoveries and late lists		5,745,500	0.60	34,473	34,473	-
Total		2,453,232,667		14,787,040	13,696,360	1,090,680
Abatements		(16,879,000)	0.60	(101,274)	(101,153)	(121)
Total property valuation	$	2,436,353,667				
Net levy				14,685,766	13,595,207	1,090,559
Uncollected taxes at June 30, 2015				163,360	144,625	18,735
Current year's taxes collected				$ 14,522,406	$ 13,450,582	$ 1,071,824
Current levy collection percentage				98.9%	98.9%	98.3%

Schedule F-3

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions	Collections and Credits	Uncollected Balance 30-Jun-15
2014-2015	$ -	53,836	$ 52,046	$ 1,790
2013-2014	1,812	-	778	1,034
2012-2013	859	-	211	648
2011-2012	926	-	160	766
2010-2011	683	-	13	670
2009-2010	502	-	10	492
2008-2009	449	-	53	396
2007-2008	253	-	3	250
2006-2007	202	-	62	140
2005-2006	176	-	3	173
2004-2005	32	-	32	-
Total	$ 5,894	$ 53,836	$ 53,371	6,359

Less: Allowance for uncollectible accounts:	
Central Business Tax District	1,480
Ad valorem taxes receivable - net	$ 4,879
Reconcilement with revenues:	
Ad valorem taxes - Central Business Tax District	$ 54,289
Reconciling items:	
Taxes released and written off	(918)
Total collections and credits	$ 53,371

Schedule F-4

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
SUPPLEMENTAL SCHEDULE OF 2015 TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	$ 48,362,727	0.11	$ 53,199	$ 52,248	$ 951
Penalties	-		143	143	-
Total	48,362,727		53,342	52,391	951
Discoveries and late lists	449,091	0.11	494	494	-
Total	48,811,818		53,836	52,885	951
Abatements	-	0.11	-	-	-
Total property valuation	$ 48,811,818				
Net levy			53,836	52,885	951
Uncollected taxes at June 30, 2015			1,790	1,790	-
Current year's taxes collected			$ 52,046	$ 51,095	$ 951
Current levy collection percentage			96.7%	96.6%	100.0%

CITY OF SANFORD, NORTH CAROLINA

STATISTICAL SECTION

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	$ 23,153,417	$ 24,003,704	$ 22,868,410	$ 23,035,724	$ 23,620,862	$ 27,673,170	$ 22,652,548	$ 20,899,153	$ 18,131,711	$ 20,400,535
Restricted	526,872	225,548	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404	2,236,904	3,469,771
Unrestricted	9,154,808	11,719,802	14,109,145	12,928,638	11,514,562	7,165,418	6,261,110	4,847,379	4,408,911	3,615,924
Total governmental activities net position	$ 32,835,097	$ 35,949,054	$ 37,549,991	$ 36,522,843	$ 35,685,463	$ 37,703,331	$ 32,120,618	$ 28,267,936	$ 24,777,526	$ 27,486,230
Business-type activities										
Net investment in capital assets	$ 47,921,942	$ 49,336,767	$ 58,788,484	$ 67,518,283	$ 71,005,585	$ 55,534,931	$ 77,983,124	$ 83,299,026	$ 87,283,627	$ 92,253,408
Restricted	4,065,136.00	-	-	-	-	-	-	-	-	-
Unrestricted	11,921,230	18,507,215	17,873,547	15,703,089	17,570,806	37,117,012	21,795,811	22,787,250	23,721,020	23,095,054
Total business-type activities net position	$ 63,908,308	$ 67,843,982	$ 76,662,031	$ 83,221,372	$ 88,576,391	$ 92,651,943	$ 99,778,935	$ 106,086,276	$ 111,004,647	$ 115,348,462
Primary government										
Net investment in capital assets	$ 71,075,359	$ 73,340,471	$ 81,656,894	$ 90,554,007	$ 94,626,447	$ 83,208,101	$ 100,635,672	$ 104,198,179	$ 105,415,338	$ 112,653,943
Restricted	4,592,008	225,548	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404	2,236,904	3,469,771
Unrestricted	21,076,038	30,227,017	31,982,692	28,631,727	29,085,368	44,282,430	28,056,921	27,634,629	28,129,931	26,710,978
Total primary government net position	$ 96,743,405	$ 103,793,036	$ 114,212,022	$ 119,744,215	$ 124,261,854	$ 130,355,274	$ 131,899,553	$ 134,354,212	$ 135,782,173	$ 142,834,692

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	$ 3,168,790	$ 3,750,982	$ 3,989,123	$ 4,156,319	$ 5,296,694	$ 3,016,734	$ 5,605,231	$ 7,267,624	$ 7,104,258	$ 4,699,265
Public safety	10,184,773	10,345,755	11,064,066	12,527,984	12,492,078	13,318,508	13,472,642	12,078,750	12,099,391	13,219,059
Streets	1,728,330	3,907,885	4,115,798	3,602,804	2,168,599	2,790,579	4,648,290	4,452,716	4,478,512	4,647,762
Sanitation	2,286,229	2,415,572	2,520,857	2,675,655	2,608,408	2,587,595	2,672,967	2,928,930	2,364,285	2,469,079
Community development	1,779,276	2,019,757	1,638,944	1,885,348	2,591,774	3,138,720	1,914,042	2,159,206	1,756,840	1,432,923
Interest on long-term debt	80,310	112,443	94,563	74,864	64,874	27,759	13,652	22,348	20,451	219,692
Total governmental activities expenses	19,227,708	22,552,394	23,423,351	24,922,974	25,222,427	24,879,895	28,326,824	28,909,574	27,823,737	26,687,780
Business-type activities:										
Utility	11,162,038	12,659,546	13,053,401	13,624,202	13,820,189	15,139,661	14,696,274	14,512,849	14,562,696	14,971,383
Golf	672,734	-	-	-	-	-	861,249	826,763	820,350	801,895
Total business-type activities expenses	11,834,772	12,659,546	13,053,401	13,624,202	13,820,189	15,139,661	15,557,523	15,339,612	15,383,046	15,773,278
Total primary government expenses	31,062,480	35,211,940	36,476,752	38,547,176	39,042,616	40,019,556	43,884,347	44,249,186	43,206,783	42,461,058
Program Revenues										
Governmental activities:										
Charges for services:										
General government	452,217	882,050	1,068,174	630,779	546,850	677,099	150,353	894,690	831,559	82,128
Public safety	564,382	669,362	661,955	556,152	866,980	630,177	1,003,647	507,856	468,407	44,831
Streets	170,529	239,937	250,878	226,685	307,983	331,620	315,920	271,876	174,497	189,993
Sanitation	866,338	867,669	881,936	927,286	932,148	909,322	1,178,877	1,090,125	1,304,491	1,744,064
Community development	-	-	334,971	469,251	373,571	385,108	395,812	314,165	309,714	356,029
Operating grants & contributions	2,907,472	1,708,576	1,368,268	1,280,473	1,111,521	1,662,981	1,001,168	957,771	849,360	1,874,202
Capital grants & contributions	-	1,700,000	441,732	260,651	314,625	1,724,582	386,557	1,126,887	187,186	-
Total governmental activities program revenue	4,960,938	6,067,594	5,007,914	4,351,277	4,453,678	6,320,889	4,432,334	5,163,370	4,125,214	4,291,247
Business-type activities:										
Charges for services	15,465,429	15,039,997	14,792,571	16,399,116	17,056,983	18,058,603	17,948,275	18,664,530	18,935,706	18,630,862
Operating grants & contributions	-	-	-	-	-	-	1,090,427	1,014,919	892,864	891,902
Capital grants & contributions	2,141,852	1,795,016	6,518,010	3,495,851	1,981,852	1,216,697	3,054,860	1,856,873	366,670	1,026,551
Total business-type activities program revenues	17,607,281	16,835,013	21,310,581	19,894,967	19,038,835	19,275,300	22,093,562	21,536,322	20,195,240	20,549,315
Total primary government program revenues	22,568,219	22,902,607	26,318,495	24,246,244	23,492,513	25,596,189	26,525,896	26,699,692	24,320,454	24,840,562
Net (Expense)/Revenue										
Governmental activities	(14,266,770)	(16,484,800)	(18,415,437)	(20,571,697)	(20,768,749)	(18,559,006)	(23,894,490)	(23,746,204)	(23,698,523)	(22,396,533)
Business-type activities	5,772,509	4,175,467	8,257,180	6,270,765	5,218,646	4,135,639	6,536,039	6,196,710	4,812,194	4,776,037
Total primary government net expense	(8,494,261)	(12,309,333)	(10,158,257)	(14,300,932)	(15,550,103)	(14,423,367)	(17,358,451)	(17,549,494)	(18,886,329)	(17,620,496)

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 10,260,692	$ 10,917,017	$ 11,279,667	$ 11,772,449	$ 11,793,157	$ 11,986,083	$ 12,060,189	$ 12,348,647	$ 13,463,737	$ 14,600,475
Other taxes	4,742,098	5,160,988	5,399,097	5,198,389	4,614,264	4,902,884	5,086,479	4,962,300	3,968,458	4,559,891
Intergovernmental not restricted	1,234,297	1,243,126	2,380,951	2,155,780	2,961,048	3,189,003	2,532,033	2,293,336	2,395,515	2,548,187
Other	714,619	1,224,268	931,659	408,689	562,499	357,904	600,430	396,129	452,661	314,713
Total governmental activities	16,951,706	18,545,399	19,991,374	19,535,307	19,930,968	20,435,874	20,279,131	20,000,412	20,280,371	22,023,266
Business-type activities:										
Other	534,450	813,565	585,869	297,818	136,774	80,913	108,762	712,634	33,919	15,550
Total business-type activities	534,450	813,565	585,869	297,818	136,774	80,913	108,762	712,634	33,919	15,550
Total primary government	17,486,156	19,358,964	20,577,243	19,833,125	20,067,742	20,516,787	20,387,893	20,713,046	20,314,290	22,038,816
Gain (loss) on disposal of assets										
Governmental activities	-	-	-	-	-	-	-	-	-	17,558
Business activities	-	-	-	-	-	-	-	(159,820)	-	52,492
Transfer:										
Governmental activities	-	1,053,358	25,000	9,242	401	141,000	(482,191)	(106,890)	(72,258)	(121,149)
Business activities	-	(1,053,358)	(25,000)	(9,242)	(401)	(141,000)	482,191	106,890	72,258	121,149
Special Items:										
Governmental activites - release of interfund debt	(1,384,762)	-	-	-	-	-	-	-	-	-
Business-type activites - release of interfund debt	1,384,762	-	-	-	-	-	-	-	-	-
Change in Net Position										
Governmental activities	2,684,936	2,060,599	1,575,937	(1,036,390)	(837,781)	2,017,868	(4,097,550)	(3,852,682)	(3,490,410)	(476,858)
Business-type activities	6,306,959	4,989,032	8,843,049	6,568,583	5,355,420	4,075,552	7,126,992	6,856,414	4,918,371	4,965,228
Total primary government	$ 8,991,895	$ 7,049,631	$ 10,418,986	$ 5,532,193	$ 4,517,639	$ 6,093,420	$ 3,029,442	$ 3,003,732	$ 1,427,961	$ 4,488,370

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

	2011	2012	2013	2014	2015
General Fund					
Non-spendable					
Inventories	$ 123,581	$ 96,485	$ 86,407	$ 94,157	$ 74,785
Prepaid expenses	110,876	34,261	50,816	81,239	51,875
Restricted					
Stabilization by State Statute	2,302,092	2,337,854	1,610,328	1,650,217	3,019,939
Public Safety	70,473	111,243	77,231	63,249	-
Assigned					
Subsequent year's expenditures	1,373,706	1,155,772	876,074	184,922	624,788
Unassigned	7,942,215	8,144,854	7,983,961	7,371,102	7,159,809
Total General Fund	$ 11,922,943	$ 11,880,469	$ 10,684,817	$ 9,444,886	$ 10,931,196
All Other Governmental Funds					
Restricted					
Stabilization by State Statute	$ 91,953	$ 191,061	$ 443,325	$ 94,585	$ 651
Community Development	400,225	566,802	390,520	428,853	449,181
Economic Development	-	-	-	-	7,240,484
Committed					
Economic Development	-	-	-	1,622,142	2,812,514
Assigned					
Subsequent year's expenditures	3,787	-	-	-	-
Dowtown revitalization	81,514	101,485	80,555	92,866	103,916
Unassigned	(63,335)	(7,209)	(56,852)	(45,238)	16,195
Total All Other Govermental Funds	$ 514,144	$ 852,139	$ 857,548	$ 2,193,208	$ 10,622,941

Note: Information is only available for current year plus prior four previous fiscal years due to the implementation of GASB 54. Table will be expanded to include 10 years of data as it becomes available.

CITY OF SANFORD, NORTH CAROLINA
FUND BALANCES OF GOVERNMENTAL FUNDS
FISCAL YEARS 2001--2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	$ 1,575,973	$ 2,133,125	$ 2,713,211	$ 2,782,725	$ 2,819,687	$ 2,182,683	$ 2,328,734	$ 4,396,218	$ 2,923,936	$ 2,826,843
Unreserved	6,560,622	5,680,509	5,091,984	6,230,634	7,311,936	7,408,341	9,698,506	10,056,980	10,956,925	10,756,806
Total general fund	$ 8,136,595	$ 7,813,634	$ 7,805,195	$ 9,013,359	$ 10,131,623	$ 9,591,024	$ 12,027,240	$ 14,453,198	$ 13,880,861	$ 13,583,649
All Other Governmental Funds										
Reserved	$ -	$ -	$ 302,595	$ 134,515	$ 47,574	$ -	$ -	$ 14,631	$ 44,866	$ 491,461
Unreserved, reported in:										
Designated	-	-	6,800	59,035	33,372	143,500	-	-	-	2,364
Undesignated	-	-	-	-	-	-	-	-	-	-
Special revenue funds	309,833	289,814	100,866	397,688	347,699	383,372	225,548	572,436	561,726	119,295
Capital project funds	171,472	(464)	489,964	-	-	-	-	-	-	-
Total all other governmental funds	$ 481,305	$ 289,350	$ 900,225	$ 591,238	$ 428,645	$ 526,872	$ 225,548	$ 587,067	$ 606,592	$ 613,120

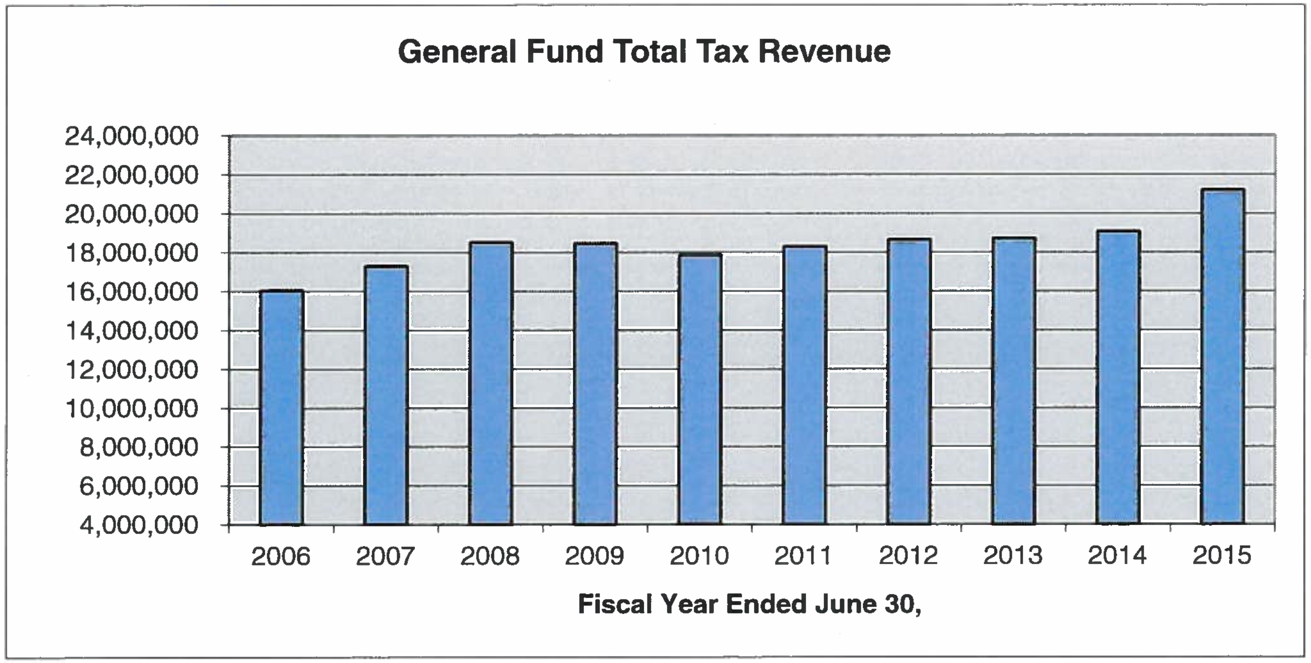
Note: Information in this table is for years prior to the implementation of GASB 54 at fiscal year end 2011.

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

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Ad valorem taxes	$ 10,117,122	$ 10,720,424	$ 11,340,885	$ 11,792,971	$ 11,756,051	$ 11,935,967	$ 12,079,490	$ 12,302,920	$ 13,563,480	$ 14,609,593
Other taxes	4,741,988	5,160,653	5,638,500	5,197,958	4,621,692	4,902,504	5,086,599	4,965,130	3,968,458	4,561,945
Penalties and interest	57,315	66,971	76,183	84,766	70,207	49,068	59,190	60,830	79,295	77,529
Licenses and permits	375,724	520,259	426,514	288,166	289,050	367,185	327,955	320,529	336,949	400,860
Intergovernmental revenues	3,667,767	3,629,931	4,302,904	4,057,089	5,009,206	5,482,794	4,595,279	4,631,931	3,790,141	4,219,193
Investment income	363,636	591,373	587,122	303,867	118,899	76,919	41,803	36,937	30,099	20,320
Sales and service	985,189	1,392,843	1,627,704	1,522,755	1,523,894	1,557,478	1,259,761	1,248,962	1,493,779	1,802,784
Miscellaneous revenues	538,700	679,584	705,058	701,132	873,540	639,826	844,510	938,496	640,484	787,041
Total revenues	20,847,441	22,762,038	24,704,870	23,948,704	24,262,539	25,011,741	24,294,587	24,505,735	23,902,685	26,479,265
Expenditures										
General government	2,803,071	3,258,622	3,534,529	3,961,036	4,399,611	4,460,405	4,173,142	4,129,363	4,340,125	4,235,483
Public safety	9,672,365	9,997,190	10,520,099	11,009,490	11,281,659	11,892,123	12,125,757	12,327,105	12,442,930	12,570,385
Street	2,302,944	2,070,296	2,109,259	2,196,449	2,308,958	1,967,299	2,046,528	2,065,933	2,036,612	2,057,927
Sanitation	2,076,981	2,241,612	2,308,729	2,332,293	2,298,919	2,331,859	2,438,569	2,892,187	2,336,932	2,318,992
Community Development	1,770,345	2,001,339	1,622,559	1,793,455	2,515,770	3,043,718	1,959,759	2,444,284	1,889,568	1,426,911
Capital outlay	849,977	1,442,276	1,045,779	1,674,275	1,581,902	1,503,104	684,454	2,512,410	494,345	4,051,029
Debt service										
Interest	80,310	112,443	94,563	76,111	63,489	31,620	11,086	22,251	21,978	24,217
Principal	-	617,269	606,876	534,067	498,645	1,063,218	77,580	145,555	172,208	235,533
Total expenditures	19,555,993	21,741,047	21,842,393	23,577,176	24,948,953	26,293,346	23,516,875	26,539,088	23,734,698	26,920,477
Excess (deficiency) of revenues over expenditures	1,291,448	1,020,991	2,862,477	371,528	(686,414)	(1,281,605)	777,712	(2,033,353)	167,987	(441,212)
Other Financing Sources (Uses)										
Transfers in (out)	-	(24,099)	(75,000)	(30,940)	(1,270)	(141,000)	(482,191)	(106,890)	(72,258)	(121,149)
Miscellaneous	-	-	-	(893,400)	-	-	-	-	-	(205,454)
Issuance of debt	62,374	1,138,000	-	-	397,000	-	-	950,000	-	10,278,837
Total other financing sources (uses)	62,374	1,113,901	(75,000)	(924,340)	395,730	(141,000)	(482,191)	843,110	(72,258)	9,952,234
Special Item										
Release of interfund debt	(1,384,762)	-	-	-	-	-	-	-	-	-
Net change in fund balances	$ (30,940)	$ 2,134,892	$ 2,787,477	$ (552,812)	$ (290,684)	$ (1,422,605)	$ 295,521	$ (1,190,243)	$ 95,729	$ 9,511,022
Debt service as a percentage of noncapital expenditures	2.52%	4.62%	3.54%	2.86%	2.44%	5.25%	0.39%	0.70%	0.84%	1.14%

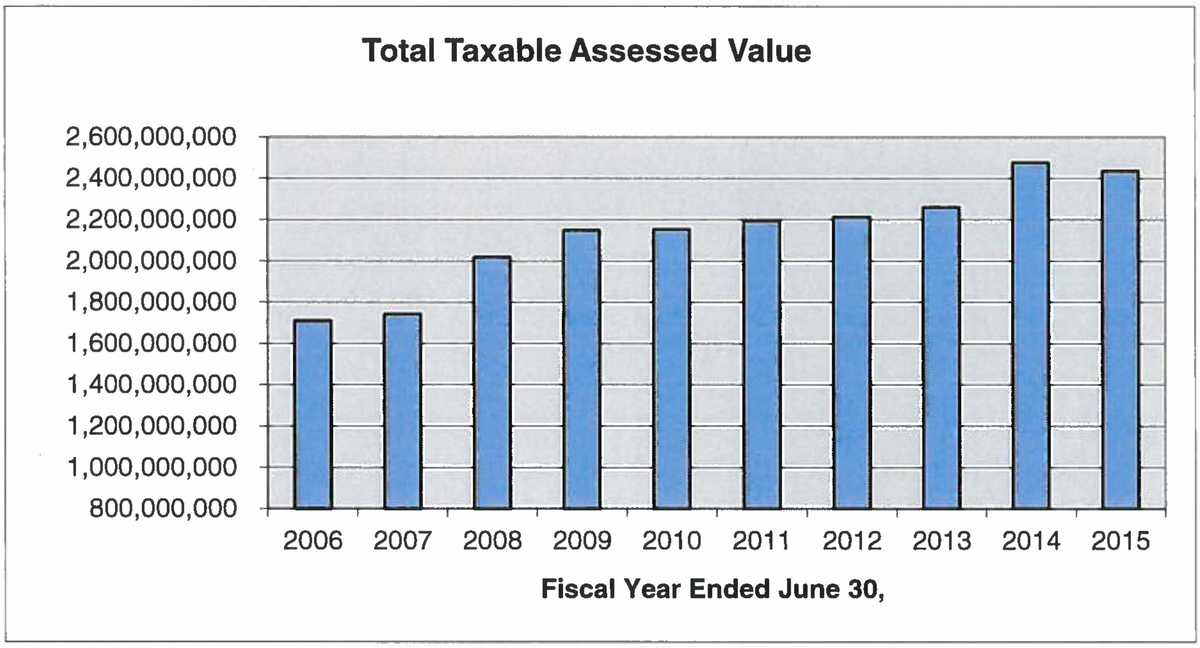
CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Ad valorem taxes	Sales tax	Utility franchise tax	Intangibles personal property tax	Privilege licenses	Wine and beer tax	Assessments	Total
2006	10,060,049	4,574,090	1,179,328	-	167,898	52,632	26,641	16,060,638
2007	10,662,665	4,998,479	1,387,909	-	162,174	58,482	25,414	17,295,123
2008	11,285,987	5,392,560	1,519,403	-	245,940	61,341	25,831	18,531,062
2009	11,735,407	4,911,842	1,465,659	-	286,116	61,236	3,174	18,463,434
2010	11,701,534	4,579,199	1,511,780	-	42,493	19,829	7,241	17,862,076
2011	11,883,618	4,898,749	1,445,370	-	3,755	62,252	2,641	18,296,385
2012	12,024,161	5,083,374	1,471,408	-	3,225	61,044	20,250	18,663,462
2013	12,246,704	4,962,300	1,443,802	-	2,830	57,090	3,390	18,716,116
2014	13,479,966	3,965,664	1,562,537	-	2,795	62,706	3,053	19,076,721
2015	14,555,303	4,559,891	2,016,387	-	2,054	68,827	2,993	21,205,455



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
2006	1,219,464,773	444,276,889	46,020,518	1,709,762,180	0.59	88.75%
2007	1,257,811,445	432,756,813	52,686,614	1,743,254,872	0.61	91.13%
2008	1,520,181,596	441,051,810	56,121,257	2,017,354,663	0.54	100.00%
2009	1,590,534,730	502,030,951	56,571,637	2,149,137,318	0.54	93.94%
2010	1,596,056,195	503,155,504	53,650,278	2,152,861,977	0.54	95.77%
2011	1,617,354,027	524,799,038	51,607,449	2,193,760,514	0.54	96.60%
2012	1,608,945,658	553,086,452	50,526,305	2,212,558,415	0.54	98.50%
2013	1,658,374,237	552,791,412	49,831,105	2,260,996,754	0.54	98.37%
2014	1,757,667,113	671,166,645	47,978,665	2,476,812,423	0.54	99.33%
2015	1,766,911,283	621,920,459	47,521,925	2,436,353,667	0.60	99.00%



Source: Lee County Tax Office

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

	City Direct Rates	Overlapping Rates		
Fiscal Year Ended June 30,	Basic Rate	Central Business Tax District	Lee County	Total Direct & Overlappings Rates
2006	0.59	0.15	0.79	1.53
2007	0.61	0.15	0.79	1.55
2008	0.54	0.13	0.75	1.42
2009	0.54	0.13	0.75	1.42
2010	0.54	0.13	0.75	1.42
2011	0.54	0.13	0.75	1.42
2012	0.54	0.13	0.75	1.42
2013	0.54	0.13	0.75	1.42
2014	0.54	0.11	0.72	1.37
2015	0.60	0.11	0.72	1.43

Source: Lee County Tax Office

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

CITY OF SANFORD, NORTH CAROLINA
PRINCIPAL PROPERTY TAX PAYERS
JUNE 30, 2015 COMPARED TO JUNE 30, 2005

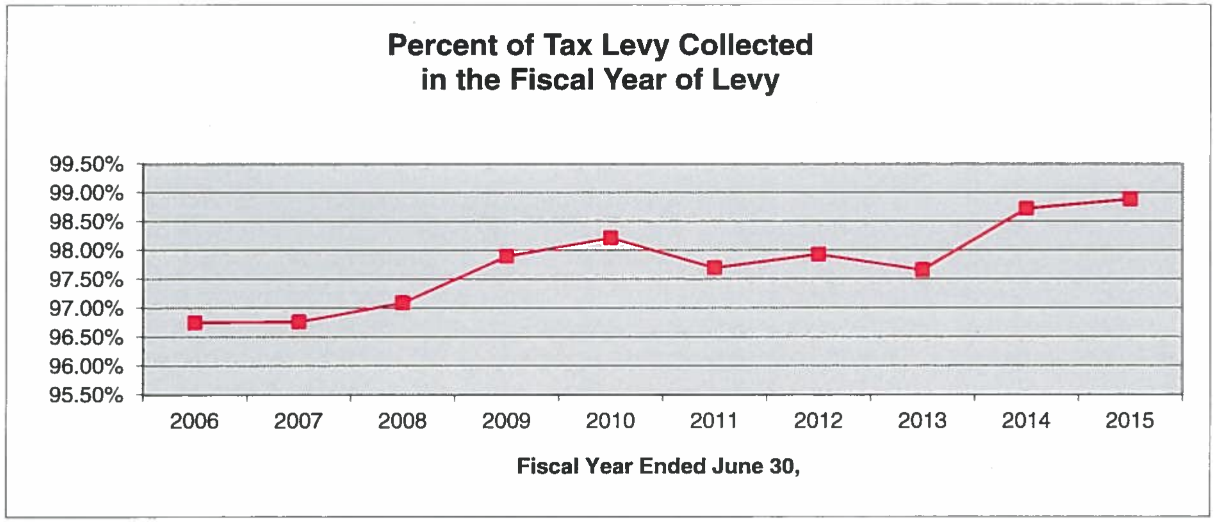
Taxpayer	2015 Taxable Assessed Value	2015 Rank	2015 Percentage of Total City Taxable Assessed Value	2005 Taxable Assessed Value	2005 Rank	2005 Percentage of Total City Taxable Assessed Value
Coty, Inc.	$ 102,297,682	1	4.20%	$ 48,325,709	1	2.88%
Frontier Spinning Mills	78,856,742	2	3.23%	16,643,460	8	0.99%
Simpson & Simpson	68,510,366	3	2.81%	26,357,735	5	1.57%
Magneti Marelli USA, INC.	43,985,722	4	1.80%	26,914,082	3	1.60%
Moen, Inc.	36,855,454	5	1.51%	40,676,960	2	2.42%
Static Control	35,170,732	6	1.44%	19,511,104	7	1.16%
The Pantry	28,141,131	7	1.15%			
Central Carolina Hospital/AMISUB	24,470,148	8	1.00%	22,073,833	4	1.31%
Pentair	22,056,409	9	0.90%			
Postoak Sanford	20,420,500	10	0.84%	14,645,000	9	0.87%
Alltel				23,890,026	6	1.42%
Wachovia Capital Markets				13,650,900	10	0.81%
Total	$ 460,764,886		18.90%	$ 252,688,809		15.05%

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
2006	2005	10,126,869	9,797,708	96.75%	296,782	10,094,490	99.68%
2007	2006	10,730,404	10,383,580	96.77%	314,082	10,697,662	99.69%
2008	2007	11,252,823	10,925,653	97.09%	298,490	11,224,143	99.75%
2009	2008	11,657,150	11,412,602	97.90%	218,029	11,630,631	99.77%
2010	2009	11,680,323	11,472,363	98.22%	181,104	11,653,467	99.77%
2011	2010	11,943,217	11,668,582	97.70%	247,776	11,916,358	99.78%
2012	2011	12,001,949	11,753,896	97.93%	218,307	11,972,203	99.75%
2013	2012	12,280,705	11,994,033	97.67%	230,447	12,224,480	99.54%
2014	2013	13,380,720	13,210,856	98.73%	111,313	13,322,169	99.56%
2015	2014	14,685,766	14,522,406	98.89%	(1)	14,522,406	98.89%

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

	Governmental Activities			Business-type Activities						
Fiscal Year Ended June 30,	General Obligation Bonds	Installment Purchases	Annexation Liability	General Obligation Bonds	Notes Payable	Revenue Bonds	Installment Purchases	Total Government	Percentage of Personal Income	Per Capita Personal Income
2006	-	1,711,301	21,011	5,472,108	1,560,000	-	17,775,094	26,539,514	3.68%	1,026
2007	-	2,633,711	17,715	4,353,441	1,462,500	-	18,629,084	27,096,451	4.33%	1,017
2008	-	2,030,561	14,419	3,254,776	1,365,000	-	16,844,669	23,509,425	3.66%	862
2009	-	1,496,494	11,122	2,176,110	1,267,500	-	15,136,923	20,088,149	3.16%	722
2010	-	1,394,849	8,540	1,117,444	2,073,583	-	13,659,766	18,254,182	2.89%	648
2011	-	331,630	5,958	-	19,430,904	52,095,000	-	71,863,492	N/A	2,544
2012	-	209,050	2,185	-	19,288,225	49,555,000	-	69,054,460	11.64%	2,449
2013	-	1,013,495	-	-	19,145,546	46,925,000	-	67,084,041	10.76%	2,340
2014	-	841,287	2,995	-	19,002,866	44,245,000	-	64,092,148	10.23%	2,221
2015	8,500,000	1,664,260	-	-	16,915,503	41,530,000	36,131	68,645,894	11.09%	2,358

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

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

Fiscal Year Ended June 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2006	5,472,108	0.32%	212
2007	4,353,441	0.25%	163
2008	3,254,776	0.16%	119
2009	2,176,110	0.10%	78
2010	1,117,444	0.05%	40
2011	-	0.00%	-
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	8,500,000	0.35%	292

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

CITY OF SANFORD, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2015

Governmental Unit	Debt Outstanding	*Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
City of Sanford	$ 1,664,260	100%	$ 1,664,260
Lee County	126,292,468	48%	60,620,385
Total direct and overlapping debt	$ 127,956,728		$ 62,284,645

* 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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	$ 136,780,974	$ 139,460,390	$ 161,388,373	$ 171,930,985	$ 172,228,958	$ 175,500,841	$ 177,389,669	$ 181,664,371	$ 198,021,260	$ 194,908,293
Total net debt applicable to limit	21,067,406	22,743,009	20,254,649	17,912,039	17,136,738	19,768,492	19,499,460	20,159,041	19,844,153	18,615,894
Legal debt margin	$ 115,713,568	$ 116,717,381	$ 141,133,724	$ 154,018,946	$ 155,092,220	$ 155,732,349	157,890,209	161,505,330	178,177,107	176,292,399
Total net debt applicable to limit as a percentage of debt limit	15.40%	16.31%	12.55%	10.42%	9.95%	11.26%	10.99%	11.10%	10.02%	9.55%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	$ 2,436,353,667
Debt limit 8% of assessed value	$ 194,908,293
Amount of debt applicable to debt limit:	50,030,000
Outstanding debt not evidenced by bonds:	
Notes	16,915,503
Installment purchase contracts	1,700,391
Capital leases	-
Annexation liability fire protection	-
	68,645,894
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	50,030,000
	18,615,894
Legal Debt Margin	$ 176,292,399

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	Unemployement Rate
2006	25,864	721,191,776	27,884	36.4	9,021	5.4%
2007	26,633	625,103,143	23,471	38.00	9,125	5.1%
2008	27,271	643,131,993	23,583	38.00	9,304	7.0%
2009	27,806	636,117,862	22,877	38.00	9,579	14.8%
2010	28,178	632,229,786	22,437	38.00	9,545	12.5%
2011	28,249	N/A	N/A	N/A	9,565	11.9%
2012	28,198	593,144,930	21,035	37.2	9,871	11.8%
2013	28,670	623,715,850	21,755	37.00	9,585	11.2%
2014	28,862	626,767,192	21,716	38.00	9,697	8.1%
2015	29,116	619,061,038	21,262	38.00	9,944	7.9%

Sources of Information:
- Population information provided by the North Carolina Office of State Budget and Management
- Personal income and median age provided by Lee County Living Magazine and United States Department of Commerce
- 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, 2015 COMPARED TO JUNE 30, 2006

	2015		2006	
Employer	Employees	Rank	Employees	Rank
Lee County Schools	1000+	1	1000+	2
Pilgrims Pride	500-999	2	500-999	
Static Control Components	500-999	3	1000+	4
Belflex Staffing Network	500-999	4		
Coty, LLC	500-999	5	500-999	5
Caterpillar, Inc.	500-999	6		
Amisub of NC, Inc.	500-999	7	500-999	7
Pentair Water Pool & Spa, Inc.	500-999	8	500-999	10
Central Carolina Community College	500-999	9	500-999	6
Frontier Spinning Mills, Inc.	500-999	10		
American Cyanamid Co.			1000+	1
Gold Kist, Inc.			1000+	3
Tyson Mexican Orginial, Inc.			500-999	8
Moen, Inc.			500-999	9

Source: NC Department of Commerce

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

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

Source: The City of Sanford Human Resources department
Note: Information is only available for past EIGHT years. Table will be expanded to include 10 years of data as information becomes available.

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical arrests	1,619	1,123	1,628	1,869	2,626	3,115	3,076	2,842	2,952	2,704
Parking violations	1,176	1,725	659	848	694	831	750	481	461	332
Traffic violations	8,627	6,710	7,049	4,903	5,628	5,738	6,145	4,573	4,769	4,374
Fire										
Emergency responses	846	932	1,031	930	932	1,000	1,001	1,016	954	1,054
Fires extinguished	112	128	147	148	126	118	110	128	114	115
Inspections	1,152	964	825	904	1,802	945	961	1,428	1,424	1,832
Inspections										
Building permits issued	771	767	241	466	433	475	458	412	333	416
Building inspections conducted	10,561	10,519	8,044	6,302	7,076	7,349	7,816	6,509	5,786	5,848
Street										
Street resurfacing (miles)	7.55	5.20	4.32	8.72	-	-	-	5.87	-	4.60
Refuse collection										
Refuse collected (tons per day)	32.17	29.90	31.37	28.89	30.58	31.41	33.00	30.00	28.75	28.31
Utility										
New Water connections	401	578	130	20	97	91	103	204	155	75
Water main breaks	96	158	176	45	194	226	212	215	158	119
Average daily consumption (mgd)	5.551	5.512	5.570	5.433	6.300	6.300	6.800	6.825	8.160	6.900
Golf										
Rounds	25,023	25,855	33,230	29,255	26,445	30,433	31,961	29,296	26,966	24,649

Sources: Various City of Sanford departments

Notes: Additional Fire Inspector added during fiscal year 2010
2010 street resurfacing miles are zero, resurfacing miles included in 2009 total

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	10	10	9	9	9	10	11	11	11	11
Streets										
Streets (miles)	128.46		131.71	132.99	134.72	135.13	135.51	135.82	135.82	135.70
Water										
Water mains (miles)	553.00	558.80	540.00	580.00	585.00	585.00	587.00	577.16	578.00	579.00
Firehydrants	1,441	1,501	2,761	2,786	2,786	2,786	2,786	2,990	3,001	3,006
Storage capacity (thousands of gallons)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,550
Sewer										
Sanitary sewers (miles)	187.00	188.50	210.00	212.00	215.00	215.00	250.00	254.50	255.00	226.00
Golf										
Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

CITY OF SANFORD, NORTH CAROLINA

COMPLIANCE SECTION

Joyce and
Company,
CPA

Certified Public Accountants

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2015 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 24, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (Item 2015 - 1).

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*.

City of Sanford's Response to Findings

The City of Sanford's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Joyce and Company, CPA

JOYCE AND COMPANY, CPA
Cary, North Carolina

November 24, 2015

Joyce and
Company,
CPA

Certified Public Accountants

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

Report on Compliance for the Major State Program;
Report on Internal Control Over Compliance in Accordance with OMB Circular A-133
and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for the Major State Program
We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Sanford's major state program for the year ended June 30, 2015. The City of Sanford's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the City of Sanford's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on the Major State Program
In our opinion, the City of Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2015.

Report on Internal Control Over Compliance
Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sanford's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on

the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Joyce and Company, CPA

JOYCE AND COMPANY, CPA
Cary, North Carolina

November 24, 2015

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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?	X	yes	____	none reported
Noncompliance material to financial statement noted	____	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

Identification of major state program: Powell Bill

Section II. Financial Statement Findings

Item 2015-1 — Capital Assets, Accumulated Depreciation and Depreciation Expense

Significant Deficiency

Criteria: The City's budgetary financial statements should show the cost of current capital additions. In addition, full accrual financial statements for proprietary funds and the government wide statements for all funds should show the total cost of all capital assets held, accumulated depreciation to date and the current depreciation expense of these assets.

Condition: The value of capital assets net of depreciation was materially misstated. In addition, current capital outlay in both operating and capital project funds was not shown at the appropriate amounts due to recording of capital expenses in non-capital accounts as well as the recording of non-capital amounts within capital outlay accounts.

Effect: Financial statements could be materially misstated and not be detected and corrected.

Cause: The City is using software outside of the accounting function to calculate these values and this requires numerous manual computations to be performed that should not be required.

Recommendation: The City should use the chart of accounts as designed to account for current capital asset additions. In addition, it should correct its' depreciation software so that it calculates current depreciation expense and accumulated depreciation properly or use an alternative depreciation software to do so.

Views of responsible officials and planned corrective actions
The City agrees with this finding.

Section IV. State Award Findings and Questioned Costs

None reported

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Project No.	Federal Expenditures	State Expenditures
Federal Grants:				
Cash Programs:				
U.S. Department of Justice Direct Programs				
Asset Forfeiture and Money Laundering Section				
Federal Equitable Sharing Program	16.922	NC0530100	$ 18,757	$ -
U.S. Department of Housing and Urban Development				
Passed-through N.C. Housing Finance Agency				
2012 Single Family Rehab Program (C1202)	14.239	SFR12	164,144	-
U.S. Environmental Protection Agency				
Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	00D24014	38,019	-
Total Federal Assistance			$ 220,920	
State Grants:				
Cash Assistance:				
N.C. Housing Trust Fund				
Pass through NC Housing Finance Agency				
Urgent Repair Program - Housing Trust Funds (C1401)	N/A	2013 URP 1336	-	51,950
Urgent Repair Program - Housing Trust Funds (C1501)	N/A	2014 URP 1425		225
N.C. Department of Transportation				
Powell Bill Funds	N/A	N/A	-	816,401
Total State Assistance				$ 868,576

Note to the Schedule of Expenditures of Federal and State Awards

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