CITY OF SANFORD

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

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CITY OF SANFORD, NORTH CAROLINA

INTRODUCTORY SECTION

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PO Box 3729
Sanford, NC 27331-3729 **City of Sanford** (919) 775-1112

December 16, 2014

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, 2014 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 is expected to rebound. The County's unemployment rate has decreased from 10.8% in June 2013 to 8.1% in June 2014 showing some improvement, however still higher than the state average.

There were a few industry announcements this past fiscal year 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; 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. Several commercial development plans have been approved this past fiscal year, including a new shopping center with a recent investment of over $20,000,000 and more additions have been recently announced for this shopping center's outparcels. A new residential subdivision has just broken ground with approximately 51 acres of apartments and townhomes which will be a great investment in property as well.

Our regional airport, The Raleigh Executive Jetport at Sanford-Lee County, has planned for construction and renovations for additional hangars. The North Carolina Forest Service announced it is moving its regional aviation firefighting operations to our regional airport. A new run-way was completed this past fiscal year to allow for larger planes to land at our airport.

Long-Term Financial Planning

As a result of Lee County's decision to change the sales tax distribution methodology, the City lost approximately $1,400,000 in sales tax revenue beginning in the 2013-2014 fiscal year and as a result, the City raised taxes by 3 cents and increased the sanitation fee $25 in 2013-2014 fiscal year. Still trying to rebound from the sales tax revenue loss and in preparation for the ensuing debt payment on the approved general obligation bonds, the City increased the tax rate for the 2014-2015 fiscal year by 6 cents to $0.60 per $100 and approved an increase of $50 per residential household in sanitation fees in the 2014-2015 fiscal year. Reserves and minimal debt have enabled us to continue to offer consistent, uninterrupted services to our citizens with this large revenue loss.

City Council did not increase utility rates in fiscal year 2014-15 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 2013-2014.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

The City's Series 2010A and Series 2010B revenue bond rating was reviewed by Fitch Rating Agency in November 2014 and remained unchanged as AA-. A federal subsidy of the interest on these bonds (Build America and Recovery Zone Economic Development Bonds) continues to be received from the federal government semi-annually prior to each debt payment.

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

The construction of the Wastewater Treatment Plant expansion and upgrade was completed in fiscal year 2014-2015. The new administrative building at the Wastewater Treatment Plant will allow for educational tours through the interactive stations describing the wastewater treatment facility and all its operations.

Investing in the quality of life in the community is evident as our citizens approved four general obligation bonds totaling $14,500,000 through a referendum in September 2013. These bond projects are as follows: $6,500,000 for streetscape improvements in Downtown Sanford and Downtown Jonesboro, $4,000,000 to extend the greenway, $2,000,000 for a park, and $2,000,000 in sidewalk improvements. These projects will definitely add value to our community and development to the area. The City is scheduled to issue $8,500,000 of this approved debt in January 2015. The City transferred over $1.7 million in fiscal year 2013-2014 to the general obligation bonds capital projects so that work on the projects could begin and the City's general fund will be reimbursed for this transfer when the bonds are issued.

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, 2013. 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, 2013. 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
Financial Services Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sanford

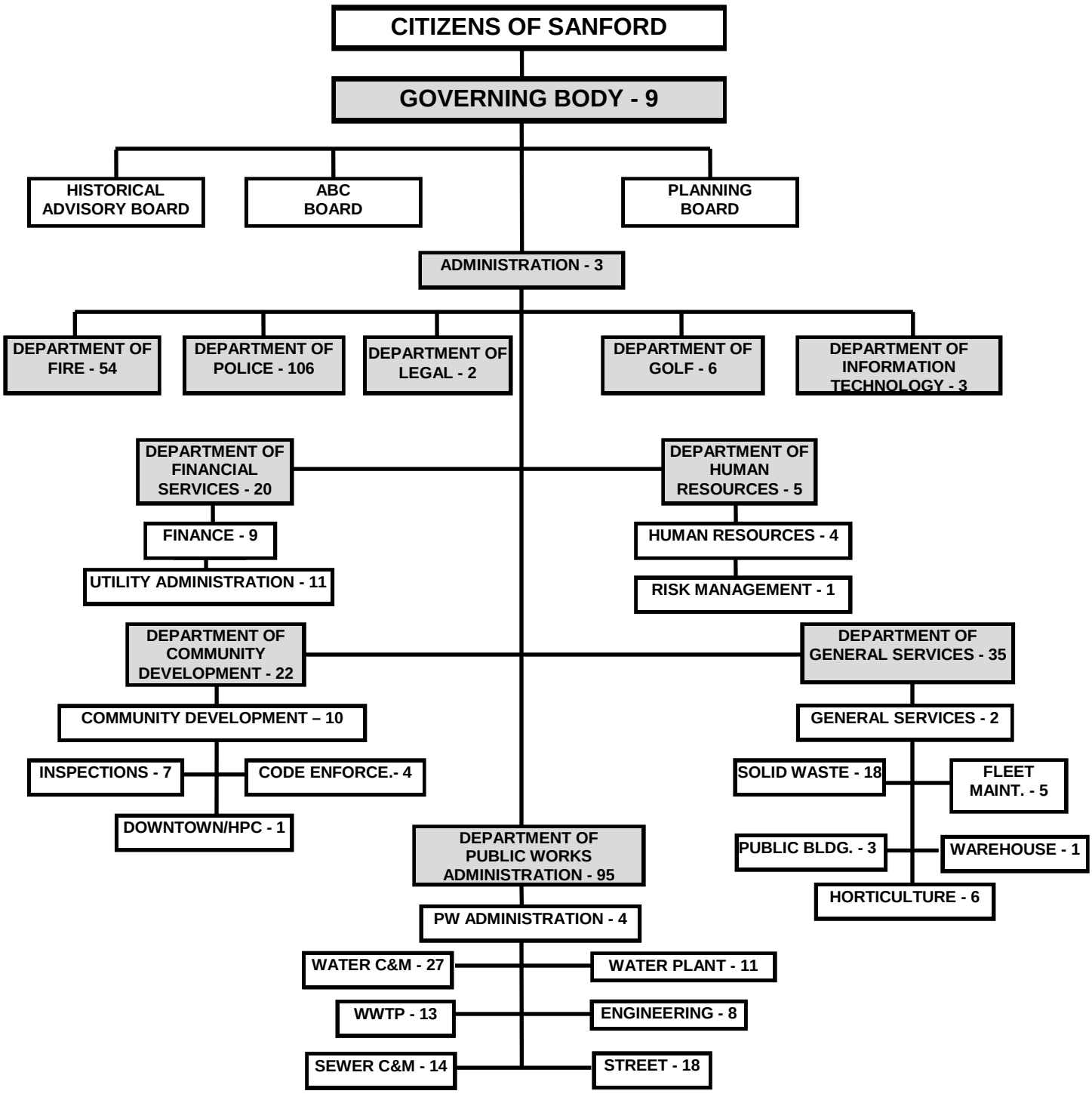
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

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

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CITY OF SANFORD, NORTH CAROLINA

FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Sanford's basic financial statements as listed in the table of contents.

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 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. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*.

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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sanford, North Carolina, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows 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 Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanford's basic financial statements. The introductory section, combining and individual fund financial 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 of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial 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. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the 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.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014 on our consideration of the City of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City of Sanford's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 16, 2014

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CITY OF SANFORD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014. 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

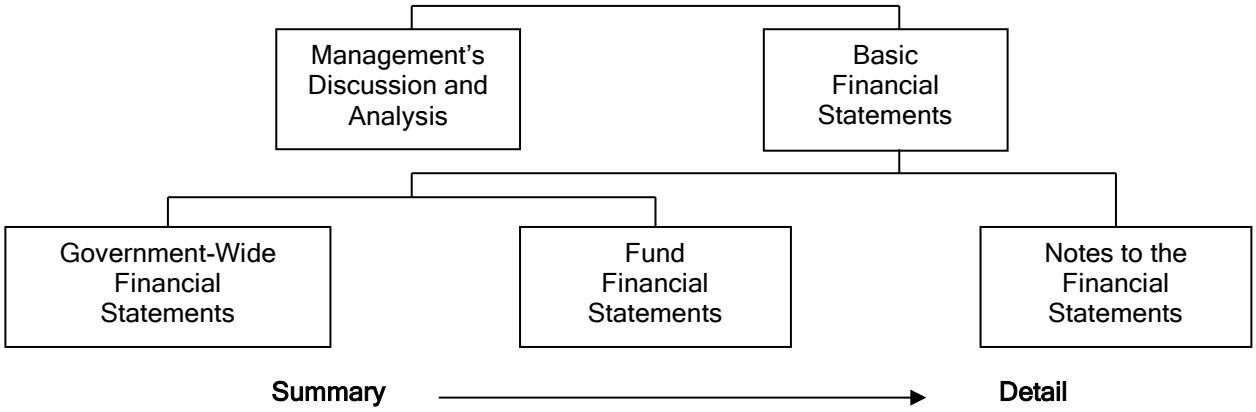
- The assets of the City of Sanford exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $135,782,173 (net position).
- The government's total net position increased by $1,427,961 due to increases in the business-type activities' net position.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of $11,638,094, with a net change of $95,729 in fund balance. Of this amount 21.0%, or $2,412,300, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $7,371,102, or 37.92%, of total General Fund expenditures and transfers out for the fiscal year.
- The City of Sanford's total net debt decreased by $3,047,652 during the fiscal year. The key factor in this decrease was the annual debt service payment for revenue bonds.
- The City of Sanford maintains an Aa3 bond rating from Moody's and an AA- from Fitch for the revenue bond issuance.

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 to the Financial Statements**. The notes 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 whether there are more or fewer 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 governments 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 14,283,065	$ 14,133,620	$ 29,876,323	$ 32,825,009	$ 44,159,388	$ 46,958,629
Capital assets	18,972,998	21,912,648	149,829,361	145,033,281	168,802,359	166,945,929
Total assets	33,256,063	36,046,268	179,705,684	177,858,290	212,961,747	213,904,558
Long-term debt outstanding	6,668,015	6,151,524	66,710,968	69,430,879	73,378,983	75,582,403
Other liabilities	1,747,090	1,520,274	1,990,069	2,341,135	3,737,159	3,861,409
Deferred inflows of resources	63,432	106,534	-	-	63,432	106,534
Total liabilities and deferred inflows of resources	8,478,537	7,778,332	68,701,037	71,772,014	77,179,574	79,550,346
Net Position:						
Net investment in capital assets	18,131,711	20,899,153	87,283,627	83,299,026	105,415,338	104,198,179
Restricted	2,236,904	2,521,404	-	-	2,236,904	2,521,404
Unrestricted	4,408,911	4,847,379	23,721,020	22,787,250	28,129,931	27,634,629
Total net position	$ 24,777,526	$ 28,267,936	$ 111,004,647	$ 106,086,276	$ 135,782,173	$ 134,354,212

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 $135,782,173 as of June 30, 2014. The City's net position increased by $1,427,961 for the fiscal year ended June 30, 2014. However, a portion of net position (77.6%) 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 (1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $28,129,931 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 and due to the State's implementation of the N.C. Motor Vehicle Tax and Tag Program. The tax collection percentage in the current year is 98.7%.

- Transfer from the General Fund to capital projects funds for the general obligation bond projects in the amount of $1,722,030.

- Consistent water and sewer revenue directly related to consumption and a structured rate increase.

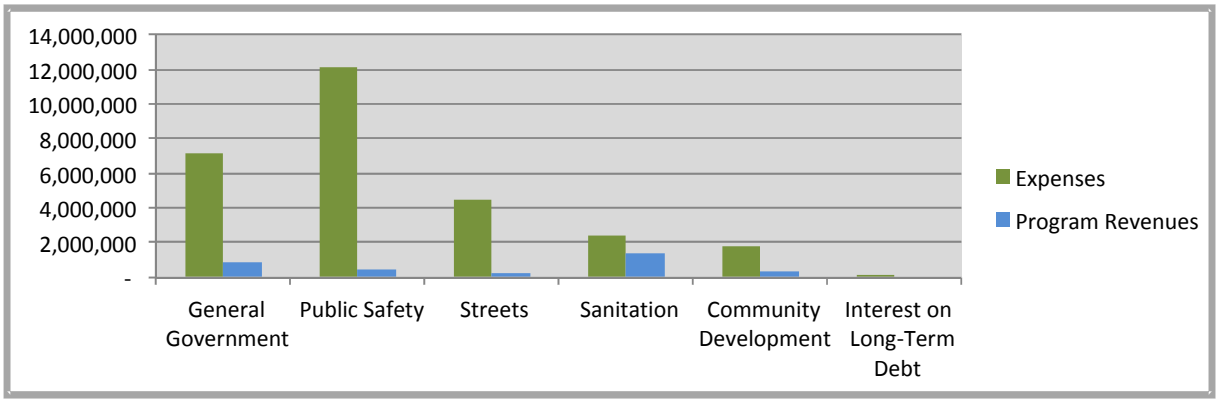
- Originally budgeted $613,386 in the General Fund balance for the purchase of one-time capital.

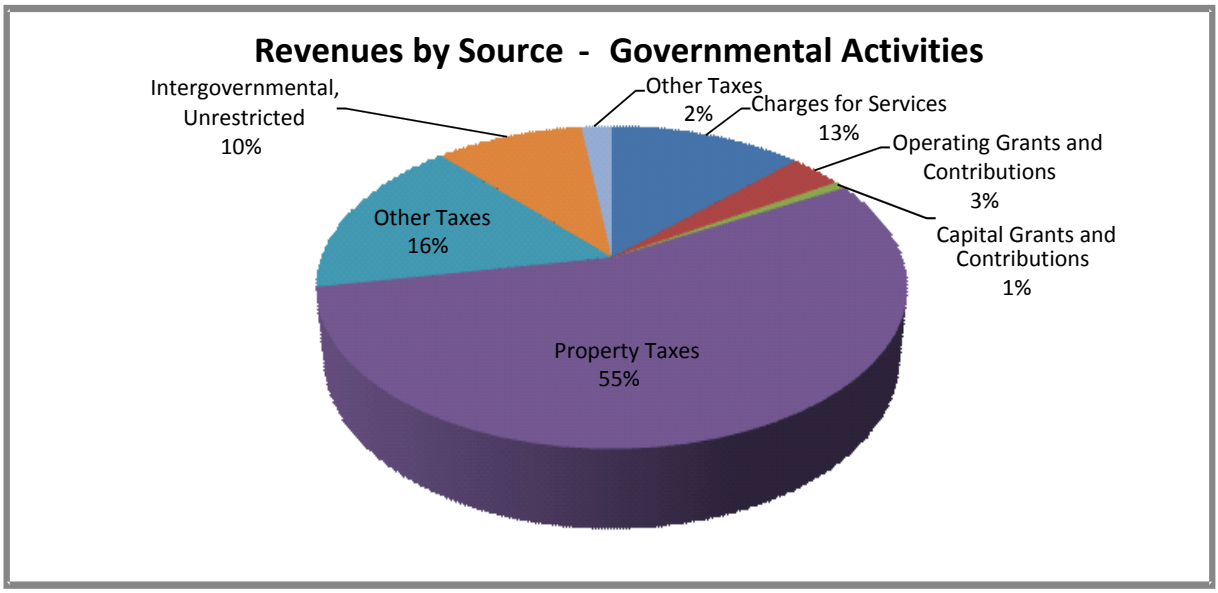
City of Sanford's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 3,088,668	$ 3,078,712	$ 18,935,706	$ 18,664,530	$ 22,024,374	$ 21,743,242
Operating grants and contributions	849,360	957,771	892,864	1,014,919	1,742,224	1,972,690
Capital grants and contributions	187,186	1,126,887	366,670	1,856,873	553,856	2,983,760
General revenues:						
Property taxes	13,463,737	12,348,647	-	-	13,463,737	12,348,647
Other taxes	3,968,458	4,962,300	-	-	3,968,458	4,962,300
Intergovernmental not restricted	2,364,485	2,255,657	-	-	2,364,485	2,255,657
Other	483,691	433,808	33,919	712,634	517,610	1,146,442
Total revenues	24,405,585	25,163,782	20,229,159	22,248,956	44,634,744	47,412,738
Expenses:						
General government	7,104,258	7,267,624	-	-	7,104,258	7,267,624
Public safety	12,099,391	12,078,750	-	-	12,099,391	12,078,750
Streets	4,478,512	4,452,716	-	-	4,478,512	4,452,716
Sanitation	2,364,285	2,928,930	-	-	2,364,285	2,928,930
Community development	1,756,840	2,159,206	-	-	1,756,840	2,159,206
Interest on long-term debt	20,451	22,348	-	-	20,451	22,348
Utility	-	-	14,562,696	14,512,849	14,562,696	14,512,849
Golf	-	-	820,350	826,763	820,350	826,763
Total liabilities	27,823,737	28,909,574	15,383,046	15,339,612	43,206,783	44,249,186
Increase (decrease) in net position before transfers and disposal	(3,418,152)	(3,745,792)	4,846,113	6,909,344	1,427,961	3,163,552
Gain (loss) on disposal	-	-	-	(159,820)	-	(159,820)
Transfers	(72,258)	(106,890)	72,258	106,890	-	-
Increase (decrease) in net position	(3,490,410)	(3,852,682)	4,918,371	6,856,414	1,427,961	3,003,732
Net position, beginning	28,267,936	32,120,618	106,086,276	99,778,935	134,354,212	131,899,553
Prior period adjustment	-	-	-	(549,073)	-	(549,073)
Net position, beginning - restated	28,267,936	32,120,618	106,086,276	99,229,862	134,354,212	131,350,480
Net position, ending	$ 24,777,526	$ 28,267,936	$ 111,004,647	$ 106,086,276	$ 135,782,173	$ 134,354,212

Governmental Activities. Governmental activities decreased the City's net position by $3,490,410. Key elements of this decrease are as follows:

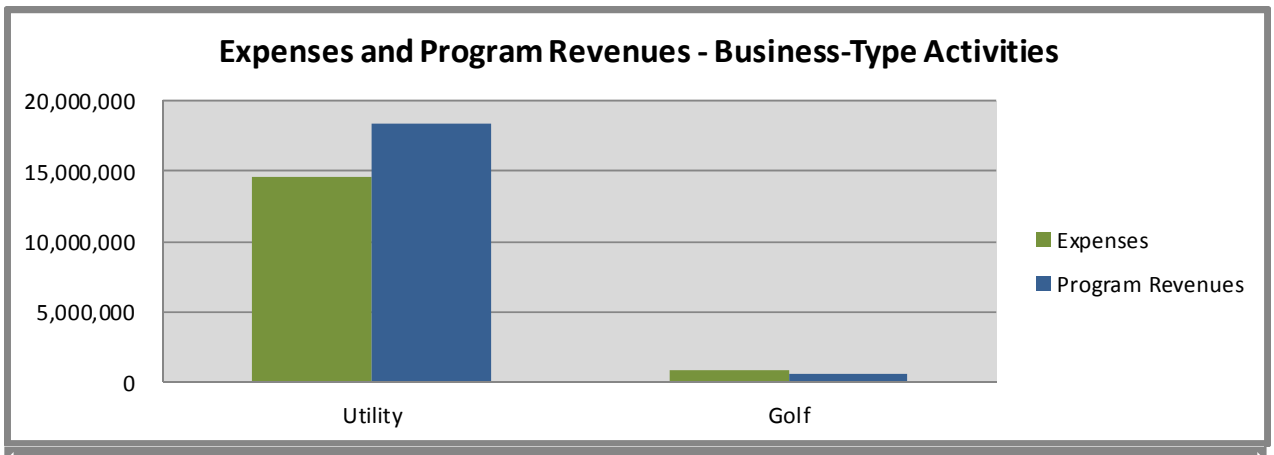
- Local option sales tax revenue decreased by over $990,000 compared to prior year due to the County's change in the sales tax distribution method from per capita to ad valorem.
- Other City received over $930,000 less in capital grants and contributions compared to prior year
- Increase in salary and benefit expenses due to implementation of Early Incentive Retirement Program.

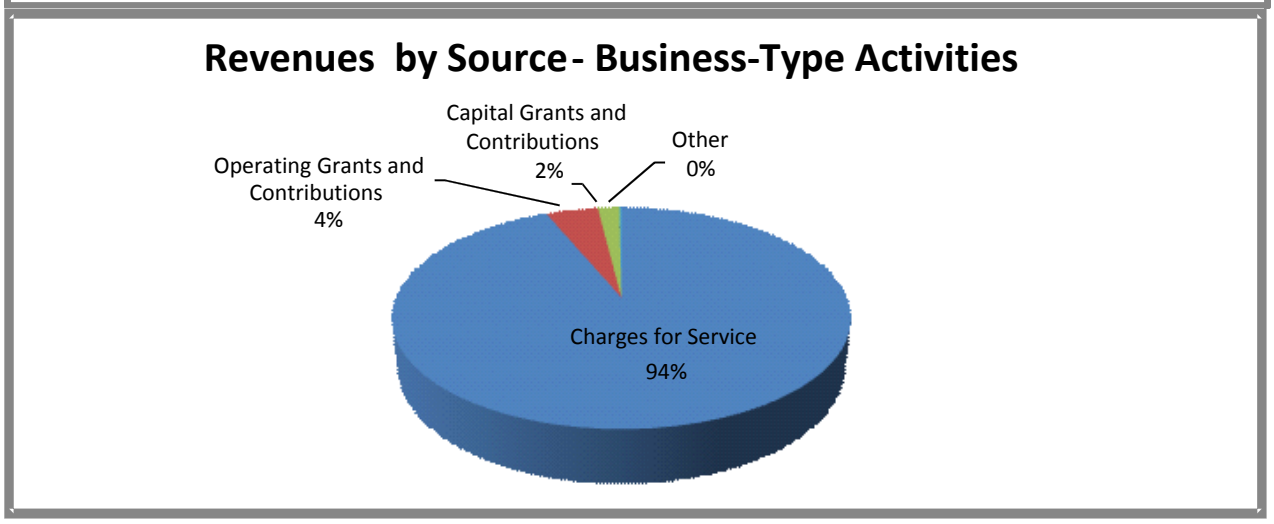




Business-Type Activities: Business-type activities increased the City of Sanford's net position by $4,918,371, accounting for all of the growth in the government's net position. Key elements of this increase are as follows:

- Capital contributions by developers were just under $367,000, approximately $1,490,000 more than last year.
- Construction in progress increased more than $7,000,000, due to the continued expansion and upgrade of the wastewater treatment plant.
- Increase in user charges due to a structured rate increase for water and sewer customers.





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 $7,619,273 while total fund balance reached $9,444,886. The City currently has an available fund balance of 30.59% of General Fund expenditures and transfers out, while total fund balance represents 37.92% of the same amount.

At June 30, 2014, the governmental funds of the City of Sanford reported a combined fund balance of $11,638,094, a 0.83% decrease from last year. Included in this change in fund balance is a decrease of $1,239,931 in the General Fund and an increase in the Nonmajor Funds' fund balances of $1,335,660.

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 $2,647,170 increase between the original and final amended budget. Following are the main components of the increase:

- $90,912 re-appropriation of funds from prior fiscal year for projects or purchases incomplete at year-end.
- $1,724,030 increase for the transfer to capital projects funds for the general obligation bond projects. These costs will be reimbursed to the City through bond proceeds once the debt is issued.
- $114,700 increase due to the diesel spill at City Hall.
- $143,670 increase for the Hawkins Avenue Round-About Project.
- $59,000 increase due to the Early Retirement Incentive Program.
- $159,165 increase for one-time bonus pay to employees

The increase is possible primarily because the $1,724,030 will be reimbursed to the City with general obligation bond proceeds once the bonds are issued for the projects. $8,500,000 is expected to be issued in January 2015.

Revenue came in slightly over budget. Building permits, fire permits, beer and wine tax, sale of property, and drug forfeiture income all show decreases compared to the budget. However, tax collections, ABC revenue, utility franchise revenue, and miscellaneous revenue all reflect increases compared to the budget. Tax collections show an increase due to the State's implementation of the N.C. Motor Vehicle Tax and Tag Program.

On the expenditure side, approximately $230,695 in capital items/projects was 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 $23,674,075, and for the Golf Fund, $46,945. The total change in net position for the Utility Fund and Golf Fund was $5,085,991 and ($167,620), 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, 2014 totals $168,802,359, (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 more than or approximately $7,000,000.

- No major demolitions were recorded this year.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 4,352,436	$ 3,849,972	$ 233,476	$ 233,476	$ 4,585,912	$ 4,083,448
Buildings	4,916,776	5,347,637	198,201	209,817	5,114,977	5,557,454
Plants	-	-	26,438,464	27,464,206	26,438,464	27,464,206
Tanks and lines	-	-	55,132,877	56,470,774	55,132,877	56,470,774
Course and improvements	-	-	833,404	908,158	833,404	908,158
Streets	6,723,165	7,974,077	-	-	6,723,165	7,974,077
Equipment	2,602,582	3,292,368	1,176,927	952,400	3,779,509	4,244,768
Construction in progress	378,039	1,448,594	65,816,012	58,794,450	66,194,051	60,243,044
Total	$ 18,972,998	$ 21,912,648	$149,829,361	$145,033,281	$168,802,359	$166,945,929

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

Long-Term Debt. As of June 30, 2014, the City of Sanford had total bonded debt outstanding of $44,245,000. 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	
	2014	2013	2014	2013	2014	2013
Revenue bonds	$ -	$ -	$ 44,245,000	$ 46,925,000	$ 44,245,000	$ 46,925,000
Deferred amounts, net	-	-	1,134,421	1,187,185	1,134,421	1,187,185
Notes payable	-	-	19,002,866	19,145,546	19,002,866	19,145,546
Installment purchase contracts	841,287	1,013,495	-	-	841,287	1,013,495
Total	$ 841,287	$ 1,013,495	$ 64,382,287	$ 67,257,731	$ 65,223,574	$ 68,271,226

The City of Sanford's total debt decreased by $3,047,652 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 $178,177,107.

Additional information regarding the City of Sanford's long-term debt can be found in Note II.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 10.8% in June 2013 to 8.1% in June 2014.

- Despite the slow economy, the City is seeing some business growth. Several commercial developments have been approved as of June 30, 2014, including a new shopping center with over $20 million in investments; additional chain businesses are expected to be attracted. A new residential subdivision has just broken ground with approximately 51 acres of apartments and townhomes, which will be a great investment in property as well. Frontier Spinning placed over $30 million in equipment in their manufacturing facility this past fiscal year, showing that their manufacturing presence remains strong in our area.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: Still trying to deal with the loss of approximately $1.4 million in sales tax revenue as a result of Lee County's decision to change the sales tax distribution methodology in the prior year and to prepare the City for the debt payments on the $8,500,000 general obligation bonds expected to be issued in January 2015, the City will increase the tax rate for the 2014-2015 fiscal year by $0.06 cent. In addition, the City will increase sanitation fees by $50 per household, resulting in approximately $704,000 in additional revenue. With these increases, and our healthy reserves and minimal debt, we have continued to offer consistent, uninterrupted services to our citizens.

Business-Type Activities: As the City moves forward to upgrade and expand the wastewater treatment plant, rate adjustments will be implemented as necessary. Fiscal year 2013-2014 was the sixth consecutive year of rate adjustments; therefore, no water or wastewater rate increase will be implemented in fiscal year 2014-2015 due to our adequate reserves. We must continue to monitor our rates in order to retain a strong bond rating, adequate reserves, and the debt coverage necessary to meet our obligations.

Requests for Information

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	ABC Board
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 11,962,866	$ 23,460,098	$ 35,422,964	$ 966,120
Property taxes receivable, net of allowance for uncollectible accounts	238,673	-	238,673	-
Accounts receivable, net of allowance for uncollectible accounts	206,511	2,390,438	2,596,949	-
Due from other governmental agencies	1,641,989	1,462,652	3,104,641	-
Prepaid items	81,239	125,995	207,234	20,675
Deposits	36,900	-	36,900	-
Inventories	94,157	5,565	99,722	437,764
Restricted cash	20,730	2,431,575	2,452,305	-
Total current assets	14,283,065	29,876,323	44,159,388	1,424,559
Non-current assets:				
Capital assets, non-depriciable	4,730,475	66,049,488	70,779,963	233,069
Capital assets, net of depreciation	14,242,523	83,779,873	98,022,396	560,898
Total non-current assets	18,972,998	149,829,361	168,802,359	793,967
Total assets	33,256,063	179,705,684	212,961,747	2,218,526
Liabilities:				
Current liabilities:				
Current portion of long-term debt	133,118	3,495,754	3,628,872	-
Accounts payable	621,169	1,320,027	1,941,196	217,404
Accrued interest payable	3,358	-	3,358	-
Due to other governmental agencies	-	100,000	100,000	-
Unearned revenue	73,821	-	73,821	-
Accrued liabilities	1,048,742	475,020	1,523,762	108,538
Compensated absences	800,434	200,609	1,001,043	-
Payable from restricted assets:				
Prepaid golf fees	-	23,157	23,157	-
Deposits	-	171,865	171,865	-
Total current liabilities	2,680,642	5,786,432	8,467,074	325,942
Non-current liabilities:				
Long-term debt	708,169	60,886,533	61,594,702	-
Net pension obligation	160,303	-	160,303	-
Compensated absences	533,623	133,739	667,362	-
Due to other governmental agencies	-	300,000	300,000	-
Other post-employment benefits	4,332,368	1,594,333	5,926,701	209,258
Total long-term liabilities	5,734,463	62,914,605	68,649,068	209,258
Deferred Inflows of Resources	63,432	-	63,432	-
Total liabilities and deferred inflows of resources	8,478,537	68,701,037	77,179,574	535,200
Net Position:				
Net investment in capital assets	18,131,711	87,283,627	105,415,338	793,967
Restricted for:				
Stabilization by State statute	1,744,802	-	1,744,802	-
Public safety	63,249	-	63,249	-
Community development	428,853	-	428,853	-
Working capital	-	-	-	138,780
Unrestricted	4,408,911	23,721,020	28,129,931	750,579
Total net position	$ 24,777,526	$ 111,004,647	$ 135,782,173	$ 1,683,326

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues		
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 7,104,258	$ 831,559	$ -	$ -
Public safety	12,099,391	468,407	33,125	-
Streets	4,478,512	174,497	813,029	-
Sanitation	2,364,285	1,304,491	1,896	-
Community development	1,756,840	309,714	1,310	187,186
Interest on long-term debt	20,451	-	-	-
Total governmental activities	27,823,737	3,088,668	849,360	187,186
Business-Type Activities:				
Utility	14,562,696	18,355,415	892,864	366,670
Golf	820,350	580,291	-	-
Total business-type activities	15,383,046	18,935,706	892,864	366,670
Total primary government	$ 43,206,783	$ 22,024,374	$ 1,742,224	$ 553,856
Component Unit:				
ABC Board	$ 4,682,702	$ 4,691,476	$ -	$ -

General revenues:
Taxes:
Property taxes, levied for general purpose
Local option sales tax
Intergovernmental revenues, unrestricted
Investment earnings
Miscellaneous
Total general revenues

Transfers in (out)

Change in net position

Net position - beginning

Net position, ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-Type Activities	Total	ABC Board
$ (6,272,699)	$ -	$ (6,272,699)	$ -
(11,597,859)	-	(11,597,859)	-
(3,490,986)	-	(3,490,986)	-
(1,057,898)	-	(1,057,898)	-
(1,258,630)	-	(1,258,630)	-
(20,451)	-	(20,451)	-
(23,698,523)	-	(23,698,523)	-
-	5,052,253	5,052,253	-
-	(240,059)	(240,059)	-
-	4,812,194	4,812,194	-
(23,698,523)	4,812,194	(18,886,329)	-
-	-	-	8,774
13,463,737	-	13,463,737	-
3,968,458	-	3,968,458	-
2,364,485	-	2,364,485	-
31,030	33,919	64,949	1,112
452,661	-	452,661	5,710
20,280,371	33,919	20,314,290	6,822
(72,258)	72,258	-	-
(3,490,410)	4,918,371	1,427,961	15,596
28,267,936	106,086,276	134,354,212	1,667,730
$ 24,777,526	$ 111,004,647	$ 135,782,173	$ 1,683,326

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	Major Fund General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Assets:			
Cash, cash investments, and investments	$ 9,050,322	$ 2,160,112	$ 11,210,434
Cash, restricted	-	20,730	20,730
Property taxes receivable, net	234,202	4,471	238,673
Accounts receivable, net	154,516	51,995	206,511
Due from other governmental agencies	1,641,184	805	1,641,989
Due from other funds	3,453	-	3,453
Prepaid items	81,239	-	81,239
Inventories	94,157	-	94,157
Total assets	$ 11,259,073	$ 2,238,113	$ 13,497,186
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	$ 583,614	$ 36,981	$ 620,595
Due to other funds	-	3,453	3,453
Accrued liabilities	610,354	-	610,354
Unearned revenues - demolitions	36,815	-	36,815
Unearned revenues - privilege licenses	1,036	-	1,036
Unearned revenues - net waste management fees	35,970	-	35,970
Total liabilities	1,267,789	40,434	1,308,223
Deferred Inflows of Resources:			
Prepaid taxes	183	-	183
Drug forfeiture revenues	63,249	-	63,249
Unavailable revenue - property taxes	234,202	4,471	238,673
Unavailable revenue - others	248,764	-	248,764
Total deferred inflows of resources	546,398	4,471	550,869
Fund Balances:			
Non-spendable:			
Inventories	94,157	-	94,157
Prepaid items	81,239	-	81,239
Restricted:			
Stabilization by State statute	1,650,217	94,585	1,744,802
Public safety	63,249	-	63,249
Community development	-	428,853	428,853
Committed:			
Economic development	-	1,622,142	1,622,142
Assigned:			
Subsequent year's expenditures	184,922	-	184,922
Downtown revitalization	-	92,866	92,866
Unassigned	7,371,102	(45,238)	7,325,864
Total fund balances	9,444,886	2,193,208	11,638,094
Total liabilities, deferred inflows of resources, and fund balances	$ 11,259,073	$ 2,238,113	

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	Total Governmental Funds
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.	18,972,998
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	487,437
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.	350,370
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	(841,287)
Some liabilities, including accrued interest, pension, and other post-employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,830,086)
Net position of governmental activities	$ 24,777,526

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, 2014

	Major Fund	Nonmajor	Total
	General Fund	Governmental Funds	Governmental Funds
Revenues:			
Ad valorem taxes	$ 13,505,515	$ 57,965	$ 13,563,480
Other taxes	3,968,458	-	3,968,458
Penalties and interest	78,655	640	79,295
License and permits	336,949	-	336,949
Intergovernmental revenues	3,602,955	187,186	3,790,141
Investment income	29,918	181	30,099
Sales and services	1,493,779	-	1,493,779
Miscellaneous revenues	638,190	2,294	640,484
Total revenues	23,654,419	248,266	23,902,685
Expenditures:			
Current operating:			
General government	4,340,125	-	4,340,125
Public safety	12,442,930	-	12,442,930
Streets	2,036,612	-	2,036,612
Sanitation	2,336,932	-	2,336,932
Community development	1,267,932	621,636	1,889,568
Capital outlay	494,345	-	494,345
Debt service:			
Principal	172,208	-	172,208
Interest	21,978	-	21,978
Total expenditures	23,113,062	621,636	23,734,698
Revenues in excess of expenditures	541,357	(373,370)	167,987
Other Financing Sources (Uses):			
Transfers in	15,000	1,724,030	1,739,030
Transfers (out)	(1,796,288)	(15,000)	(1,811,288)
Total other financing sources (uses)	(1,781,288)	1,709,030	(72,258)
Net change in fund balances	(1,239,931)	1,335,660	95,729
Fund balances, beginning of year	10,684,817	857,548	11,542,365
Fund balances, end of year	$ 9,444,886	$ 2,193,208	$ 11,638,094

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

CITY OF SANFORD, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

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)		$ 95,729
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	$ 714,488	
Current year depreciation expense	(3,624,786)	
Net disposal of assets	(29,352)	(2,939,650)
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	(179,038)	
Change in unavailable revenue for airport loan receivable	(105,675)	
Change in unavailable revenue - all others	48,417	(236,296)
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 retired	172,208	
Accrued interest expense	1,527	173,735
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	16,737	
Net pension obligation	5,209	
Other post-employment benefits	(710,645)	(688,699)
Internal service funds are used by management to charge the costs of health insurance to individual funds. The net gain of certain activities of internal service funds is is reported with governmental activities.		104,771
Total changes in net position of governmental activities (Exhibit 2)		$ (3,490,410)

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

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	$ 12,808,029	$ 12,811,699	$ 13,505,515	$ 693,816
Other taxes	3,961,538	3,961,538	3,968,458	6,920
Penalties and interest	50,000	50,000	78,655	28,655
Licenses and permits	437,604	437,604	336,949	(100,655)
Intergovernmental revenues	3,355,114	3,530,834	3,602,955	72,121
Investment income	47,545	47,545	29,918	(17,627)
Sales and services	1,440,500	1,505,929	1,493,779	(12,150)
Miscellaneous revenues	761,802	789,958	638,190	(151,768)
Total revenues	22,862,132	23,135,107	23,654,419	519,312
Expenditures:				
Current operating:				
General government	4,513,247	4,798,296	4,405,325	392,971
Public safety	12,750,520	13,074,528	12,675,250	399,278
Streets	2,373,769	2,583,230	2,278,446	304,784
Sanitation	2,505,534	2,545,452	2,486,109	59,343
Community development	1,283,526	1,323,230	1,267,932	55,298
Total expenditures	23,426,596	24,324,736	23,113,062	1,211,674
Revenues less than expenditures	(564,464)	(1,189,629)	541,357	1,730,986
Other Financing Sources (Uses):				
Transfer from other funds		-	15,000	15,000
Transfer (to) other funds	(48,922)	(1,797,952)	(1,796,288)	1,664
Total other financing sources (uses)	(48,922)	(1,797,952)	(1,781,288)	16,664
Revenues and other financing sources less than expenditures and other financing sources	(613,386)	(2,987,581)	(1,239,931)	1,747,650
Appropriated fund balance	613,386	2,987,581	-	(2,987,581)
Net change in fund balance	$ -	$ -	(1,239,931)	$ (1,239,931)
Fund balance, beginning of year			10,684,817	
Fund balance, end of year			$ 9,444,886	

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities		Total	Governmental-Type Activities
	Major Utility Fund	Nonmajor Golf Fund	Business-Type Activities	Internal Service Fund Health Insurance
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 23,307,271	$ 152,827	$ 23,460,098	$ 752,432
Accounts receivable, net of allowance for uncollectible accounts	2,389,391	1,047	2,390,438	-
Due from other governmental agencies	1,458,257	4,395	1,462,652	-
Inventories	100,473	25,522	125,995	-
Prepaid items	5,565	-	5,565	-
Deposits	-	-	-	36,900
Restricted cash	2,408,418	23,157	2,431,575	-
Total current assets	29,669,375	206,948	29,876,323	789,332
Non-current assets:				
Capital assets, non-depreciable	66,046,988	2,500	66,049,488	-
Capital assets, net of depreciation	82,799,249	980,624	83,779,873	-
Total non-current assets	148,846,237	983,124	149,829,361	-
Total assets	178,515,612	1,190,072	179,705,684	789,332
Liabilities:				
Current liabilities:				
Current portion of long-term debt	3,495,754	-	3,495,754	-
Accounts payable	1,301,240	18,787	1,320,027	574
Due to other governmental agencies	100,000	-	100,000	-
Accrued liabilities	445,156	29,864	475,020	-
Compensated absences	180,377	20,232	200,609	-
Claims incurred but not reported	-	-	-	438,388
Payable from restricted assets:				
Prepaid golf fees	-	23,157	23,157	-
Customer deposits	171,865	-	171,865	-
Total current liabilities	5,694,392	92,040	5,786,432	438,962
Non-current liabilities:				
Long-term debt	60,886,533	-	60,886,533	-
Compensated absences	120,251	13,488	133,739	-
Due to other governmental agencies	300,000	-	300,000	-
Other post-employment benefits	1,539,858	54,475	1,594,333	-
Total non-current liabilities	62,846,642	67,963	62,914,605	-
Total liabilities	68,541,034	160,003	68,701,037	438,962
Net Position:				
Net investment in capital assets	86,300,503	983,124	87,283,627	-
Unrestricted	23,674,075	46,945	23,721,020	350,370
Total net position	$ 109,974,578	$ 1,030,069	$ 111,004,647	$ 350,370

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 17,618,631	$ 580,291	$ 18,198,922	$ -
Monitoring fees	80,784	-	80,784	-
Connection and tap fees	156,046	-	156,046	-
Health insurance premiums	-	-	-	2,936,205
Other	499,954	-	499,954	-
Total operating revenues	18,355,415	580,291	18,935,706	2,936,205
Operating Expenses:				
Administration and engineering	2,664,959	-	2,664,959	-
Water line maintenance	2,617,982	-	2,617,982	-
Sewer line maintenance	1,452,210	-	1,452,210	-
Water plant operations	1,818,816	-	1,818,816	-
Sewer plant operations	1,760,033	-	1,760,033	-
Store expenses	79,173	-	79,173	-
Capital improvements	192,588	-	192,588	-
Golf course expense	-	669,168	669,168	-
Insurance claims and administrative fees	-	-	-	2,832,365
Other post-employment benefits	239,782	-	239,782	-
Uncollectible accounts	22,418	-	22,418	-
Depreciation	3,665,736	151,182	3,816,918	-
Total operating expenses	14,513,697	820,350	15,334,047	2,832,365
Operating income (loss)	3,841,718	(240,059)	3,601,659	103,840
Non-Operating Revenues (Expenses)				
Investment earnings	33,738	181	33,919	931
Interest and other charges	(101,763)	-	(101,763)	-
Contribution from other agencies	892,864	-	892,864	-
Amortization of bond premiums	52,764	-	52,764	-
Total non-operating revenue (expenses)	877,603	181	877,784	931
Income (loss) before contributions and transfers	4,719,321	(239,878)	4,479,443	104,771
Transfers (Out)	-	72,258	72,258	-
Capital Contributions	366,670	-	366,670	-
Change in net position	5,085,991	(167,620)	4,918,371	104,771
Total net position - beginning, previously reported	104,888,587	1,197,689	106,086,276	245,599
Total net position - ending	$ 109,974,578	$ 1,030,069	$ 111,004,647	$ 350,370

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	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	$ 18,897,518	$ 583,563	$ 19,481,081	$ 2,938,277
Cash paid for goods and services	(5,665,892)	(243,875)	(5,909,767)	(44,240)
Customer deposits	(380,189)	-	(380,189)	-
Golf credits and tournament liabilities	-	9,137	9,137	-
Cash payments to employees	(4,957,338)	(392,569)	(5,349,907)	-
Cash paid for health insurance claims	-	-	-	(2,811,509)
Net cash provided (used) by operating activities	7,894,099	(43,744)	7,850,355	82,528
Cash Flows from (to) Non-Capital Financing Activities:				
Transfer from (to) other funds	-	72,258	72,258	-
Cash Flows from (to) Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(5,572,398)	-	(5,572,398)	-
Capital contributions	892,864	-	892,864	-
Principal paid on bond maturities and installment purchase debt	(2,822,680)	-	(2,822,680)	-
Interest paid on bond maturities and installment purchase debt	(2,736,336)	-	(2,736,336)	-
Principal paid on note due to other governmental agencies	(100,000)	-	(100,000)	-
Net cash used from capital and related financing activities	(10,338,550)	-	(10,338,550)	-
Cash Flow from Investing Activities:				
Interest on investments	33,738	181	33,919	931
Net change in cash and cash equivalents	(2,410,713)	28,695	(2,382,018)	83,459
Balances - beginning of the year	28,126,402	147,289	28,273,691	668,973
Balances - end of the year	$ 25,715,689	$ 175,984	$ 25,891,673	$ 752,432
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 3,841,718	$ (240,059)	$ 3,601,659	$ 103,840
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,665,736	151,182	3,816,918	-
Changes in asset and liabilities:				
(Increase) decrease in accounts receivable	(278,928)	(220)	(279,148)	2,072
(Increase) decrease in due from other governments	821,031	3,492	824,523	-
(Increase) decrease in inventories	5,868	1,564	7,432	-
(Increase) decrease in prepaid items	13,546	315	13,861	3,750
Increase (decrease) in accounts payable	(50,529)	11,390	(39,139)	(47,990)
Increase (decrease) in compensated absences	(1,577)	891	(686)	-
Increase (decrease) in claims incurred but not reported	-	-	-	20,856
Increase (decrease) in accrued expenses	17,641	2,127	19,768	-
Increase (decrease) in other post-employment benefits	239,782	16,437	256,219	-
Increase (decrease) in unearned revenue	-	9,137	9,137	-
Increase (decrease) in customer deposits	(380,189)	-	(380,189)	-
Total adjustments	4,052,381	196,315	4,248,696	(21,312)
Net cash provided (used) by operating activities	$ 7,894,099	$ (43,744)	$ 7,850,355	$ 82,528
Non-cash capital activities and non-capital financing activities:				
Capitalized interest	$ 2,673,930	$ -	$ 2,673,930	$ -
Contributed capital assets	$ 366,670	$ -	$ 366,670	$ -

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, 2014

	LEO Special Separation Allowance	Other Post-Employment Benefits	Agency Funds
Assets:			
Cash and cash equivalents	$ -	$ -	$ 503,864
Accounts receivable	-	-	390
Investments:			
Mutual funds	536,795	1,590,945	-
NC State Treasurer's Short Term Investment Fund (STIF)	-	414,328	-
NC State Treasurer's Long Term Investment Fund (LTIF)	-	193,271	-
Total assets	536,795	2,198,544	504,254
Liabilities:			
Amounts available for benefits	-	-	504,254
Accounts payable and other liabilities	500	-	-
Total liabilities	500	-	504,254
Net Position:			
Net position held in trust for pension benefits	$ 536,295	$ 2,198,544	$ -

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, 2014

	LEO Special Separation Allowance	Other Post-Employment Benefits
Additions:		
Employer contributions	$ 159,970	$ 467,451
Net investment income	843	304,884
Other	38	29,838
Total additions	160,851	802,173
Deductions:		
Benefits	203,653	467,451
Administrative expense	17,539	3,314
Total deductions	221,192	470,765
Change in net position	(60,341)	331,408
Net position - held in trust for pension benefits, beginning of year	596,636	1,867,136
Net position - held in trust for pension benefits, end of year	$ 536,295	$ 2,198,544

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

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CITY OF SANFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 29,141. 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 $0.75 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 fund:

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

The City reports the following non-major governmental funds:

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.

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 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 a 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 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. The General Fund had $99,828 and the Grants Capital Projects Fund had $41,785 in encumbrances at June 30, 2014.

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 bond proceeds of the Water and Sewer Fund series bonds issued by the City are classified as restricted assets for the Enterprise Fund because their use is completely restricted to the purpose for which the bonds were 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:		
Nonmajor governmental funds	Community development	$ 20,730
Business-Type Activities:		
Utility Fund	Customer deposits	171,865
	Unexpended bond proceeds	2,236,553
Golf Fund	Prepaid golf fees	23,157
Total business-type activities		2,431,575
Total restricted cash		$ 2,452,305

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, 2013.

5. Allowances for Doubtful Accounts

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

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

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

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

6. Inventory and Prepaid Items

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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 no item that meets this criterion. 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 assessments, and airport loan.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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. 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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 Public Safety – portion of fund balance that is restricted by revenue source for certain police expenditures.

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.

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

At June 30, 2014, the City's deposits had a carrying amount of $7,716,344 and a bank balance of $8,025,277. Of the bank balance, $1,221,079 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2014, the City's cash on hand totaled $3,600.

II. DETAIL NOTES ON ALL FUNDS (continued):

2. Investments

Investment balances as of June 30, 2014, were as follows:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-2 Years
NC OPEB Long-Term	$ 193,271	$ -	$ -	$ 193,271
NC OPEB Short-Term	414,335	414,335	-	-
NC OPEB Equity	1,590,939	N/A	N/A	N/A
US Government Agencies	4,491,787	4,491,787	-	-
NC Capital Management Trust - Cash	23,699,424	N/A	N/A	N/A
NC Capital Management Trust - Term*	3,004,772	-	3,004,772	-
Total	$ 33,394,528	$ 4,906,122	$ 3,004,772	$ 193,271

*Because the N.C. Capital Management Trust Term Portfolio had a duration of 0.23 years, it was presented as an investment with a maturity of 6-12 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, 2014, 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, 2014. 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, 2014, two of the City's investments were in commercial paper, each representing more than 5 percent of the City's total investments (Morgan Keegan/Raymond James 7.48 percent and BB&T – Deutsche Bank/Sociale Generale 5.97 percent).

II. DETAIL NOTES ON ALL FUNDS (continued):

At June 30, 2014, the City's Healthcare Benefits Plan Fund had $2,198,545 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust, pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 18.85 percent, State Treasurer's Long-Term Investment Fund (LTIF) 8.79 percent, and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 72.36 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 1.3 years at June 30, 2014. The State Treasurer's Long-Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 16.3 years at June 30, 2014.

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, 2014, 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	$ 526,290	$ 5,894	$ 532,184
Less: allowance for uncollectibles	292,088	1,423	293,511
Net property taxes receivable	$ 234,202	$ 4,471	$ 238,673

II. DETAIL NOTES ON ALL FUNDS (continued):

Accounts receivables as of June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Golf Fund	Total
Special assessments	$ 8,970	$ -	$ 19,569	$ -	$ 28,539
Waste management fees	51,619	-	-	-	51,619
Privilege licenses	1,036	-	-	-	1,036
Employee computer purchase	29,990	-	8,219	-	38,209
Demolition liens	36,815	-	-	-	36,815
Other	41,735	51,995	56,881	1,047	99,663
Utility user charges	-	-	3,383,378	-	3,383,378
Total receivables	170,165	51,995	3,468,047	1,047	3,639,259
Less: allowance for collectibles	15,649	-	1,078,656	-	1,094,305
Net total receivables	$ 154,516	$ 51,995	$ 2,389,391	$ 1,047	$ 2,544,954

The amounts due from governmental agencies for the City's individual major funds and nonmajor funds as of June 30, 2014, consist of amounts due, classified as follows:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Golf Fund	Total
Notes	$ 239,794	$ -	$ -	$ -	$ 239,794
Tax refunds	1,269,694	585	234,138	4,395	1,508,812
Grants	-	-	1,224,119	-	1,224,119
Reimbursements	131,696	220	-	-	131,916
Total	$ 1,641,184	$ 805	$ 1,458,257	$ 4,395	$ 3,104,641

II. DETAIL NOTES ON ALL FUNDS (continued):

4. Capital Assets

Primary Government

For the year ended June 30, 2014, capital asset activity was as follows:

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	$ 4,349,436	$ 3,000	$ -	$ -	$ 4,352,436
Construction in progress	1,448,594	131,782	-	(1,202,337)	378,039
Total non-depreciable capital assets	5,798,030	134,782	-	(1,202,337)	4,730,475
Depreciable Capital Assets:					
Municipal center and other buildings	11,278,353	380,761	-	-	11,659,114
Streets	30,741,557	-	-	1,202,337	31,943,894
Equipment	12,029,883	198,945	(453,493)	-	11,775,335
Total depreciable capital assets	54,049,793	579,706	(453,493)	1,202,337	55,378,343
Less Accumulated Depreciation:					
Municipal center and other buildings	6,430,180	312,158	-	-	6,742,338
Streets	22,767,480	2,453,249	-	-	25,220,729
Equipment	8,737,515	859,379	(424,141)	-	9,172,753
Total accumulated depreciation	37,935,175	3,624,786	(424,141)	-	41,135,820
Total capital assets being depreciated, net	16,114,618	$ (3,045,080)	$ (29,352)	$ -	14,242,523
Governmental activities capital assets, net	$ 21,912,648				$ 18,972,998

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

Governmental Activities:	
General government	$ 399,717
Public safety	614,552
Streets	2,493,344
Sanitation	108,894
Community development	8,279
Total	$ 3,624,786

II. DETAIL NOTES ON ALL FUNDS (continued):

4. Capital Assets (continued)

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Business-Type Activities:					
Utility Fund:					
Capital assets, not being depreciated:					
Land	$ 230,976	$ -	$ -	$ -	$ 230,976
Construction in progress	58,794,450	7,022,081	-	(519)	65,816,012
Total capital assets, not being depreciated	59,025,426	7,022,081	-	(519)	66,046,988
Capital Assets, Being Depreciated:					
Treatment plants	48,854,108	-	-	-	48,854,108
Water tanks and lines	46,204,848	149,311	-	-	46,354,159
Sewer lines	40,357,492	810,969	-	519	41,168,980
Equipment	3,465,960	621,637	(367,644)	-	3,719,953
Buildings	438,946	9,000	-	-	447,946
Total capital assets, being depreciated	139,321,354	1,590,917	(367,644)	519	140,545,146
Less Accumulated Depreciation for:					
Treatment plants	21,339,795	1,075,849	-	-	22,415,644
Water tanks and lines	16,670,256	1,130,290	-	-	17,800,546
Sewer lines	13,471,417	1,118,299	-	-	14,589,716
Equipment	2,675,059	330,718	(367,644)	-	2,638,133
Buildings	291,278	10,580	-	-	301,858
Total accumulated depreciation	54,447,805	$ 3,665,736	$ (367,644)	$ -	57,745,897
Total Utility Fund capital assets, being depreciated, net	84,873,549				82,799,249
Total Utility Fund capital assets	143,898,975				148,846,237
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	-	-	-	619,526
Total capital assets, being depreciated	2,453,551	-	-	-	2,453,551
Less Accumulated Depreciation for:					
Golf course and improvements	704,753	74,754	-	-	779,507
Buildings and improvements	158,965	10,036	-	-	169,001
Equipment	458,027	66,392	-	-	524,419
Total accumulated depreciation	1,321,745	$ 151,182	$ -	$ -	1,472,927
Total Golf Fund capital assets, being depreciated net	1,131,806				980,624
Total Golf Fund capital assets	1,134,306				983,124
Business-type activities capital assets, net	$ 145,033,281				$ 149,829,361

II. DETAIL NOTES ON ALL FUNDS (continued):

B. Liabilities

1. Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description

The City of Sanford contributes to the State-Wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute 6 percent of their annual covered salary. The City of Sanford is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Sanford are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were $1,126,447, $1,077,567, and $1,068,143, respectively. The contributions made by the City equaled the required contributions for each year.

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. The Separation Allowance is reported in the City's report as a Pension Trust Fund.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	83
Total	95

II. DETAIL NOTES ON ALL FUNDS (continued):

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.

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 3.89%, 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, 2012, 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 3% per year. The inflation component was 1.5%. 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, 2012, was 17 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	$ 159,970
Interest on net pension obligation	8,276
Adjustment to annual required contribution	(13,485)
Annual pension cost	154,761
Contributions made	(159,970)
Increase (decrease) in net pension obligation	(5,209)
Net pension obligation:	
Beginning of year - July 1	165,512
End of year - June 30	$ 160,303

II. DETAIL NOTES ON ALL FUNDS (continued):

Three-Year Trend Information

Fiscal Year Ended June 30	Annual Pensions Cost (APC)	Percentage of APC Contributed	Net Obligation
2012	$ 143,658	86.18%	$ 155,062
2013	156,839	93.34%	165,512
2014	154,761	103.37%	160,303

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 28.18% funded. The actuarial accrued liability for benefits was $2,303,723, and the actuarial value of assets was $649,153, resulting in an unfunded actuarial accrued liability (UAAL) of $1,654,570. The covered payroll (annual payroll of active employees covered by the plan) was $4,115,459, and the ratio of the UAAL to the covered payroll was 40.2%.

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.

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, 2014, were $283,107, which consisted of $208,654 from the City and $74,453 from the law enforcement officers.

II. DETAIL NOTES ON ALL FUNDS (continued):

Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description

The State of North Carolina contributes, on behalf of the City of Sanford, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

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

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 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%.

II. DETAIL NOTES ON ALL FUNDS (continued):

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, 2012, the date of the latest actuarial valuation:

	Law Enforcement/ Firefighters	Total
Active plan members	131	329
Retirees receiving benefits	30	87
Total	161	416

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 10.63% of the annual covered payroll. For the current year, the City contributed $467,451, or 2.90%, 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	$ 1,711,010
Interest on net OPEB obligation	30,587
Adjustment to annual required contribution	(307,282)
Annual OPEB cost (expense)	1,434,315
Contributions made	(467,451)
Increase in net OPEB obligation	966,864
Net OPEB obligation:	
Beginning of year - July 1	4,959,837
End of year - June 30	$ 5,926,701

II. DETAIL NOTES ON ALL FUNDS (continued):

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013, and 2014 were as follows:

Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of (AOC) Contributed	Net OPEB Obligation
2012	$ 1,621,956	27.70%	$ 3,895,803
2013	1,500,236	29.08%	4,959,837
2014	1,434,315	32.59%	5,926,701

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 8.72% funded. The actuarial accrued liability of benefits was $20,004,732, and the actuarial value of assets was $1,745,021, resulting in an unfunded actuarial accrued liability (UAAL) of $18,259,711. The covered payroll (annual payroll of active employees covered by the plan) was $16,100,562, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 113.41%.

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, 2012 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 9.0 and 4.5 percent. Both rates included a 2.50% 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 is being amortized as a level dollar amount. The remaining amortization period at December 31, 2012 was 30 years.

II. DETAIL NOTES ON ALL FUNDS (continued):

2. Deferred Outflows and Inflows of Resources

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)	$ 234,202	$ -
Net property taxes receivable (Special Revenue Funds)	4,471	-
Special assessments receivable (General Fund)	8,970	-
Prepaid taxes (General Fund)	-	183
Airport loan receivable (General Fund)	239,794	-
Drug forfeiture revenues (General Fund)	-	63,249
Total	$ 487,437	$ 63,432

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.

II. DETAIL NOTES ON ALL FUNDS (continued):

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

	Year Ended June 30	
	2014	2013
Unpaid claims, beginning	$ 417,532	$ 396,781
Incurred claims	2,233,598	2,369,231
Claim payments	(2,212,742)	(2,348,480)
Unpaid claims, ending	$ 438,388	$ 417,532

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

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

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

4. Contingent Liabilities and Commitments

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

Commitments – The City has active commitments as of June 30, 2014. At year-end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Garbage Collection and Disposal	$ 1,137,931	$ 4,757,139
Community Development	801,196	57,098
Water and Sewer Projects	55,319,205	294,972
Sidewalk Improvements	82,510	118,490
Greenway	6,468	316,892
Streetscape	9,979	145,021
Total	$ 57,357,289	$ 5,689,612

Claims and Judgments – At June 30, 2014, 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.

II. DETAIL NOTES ON ALL FUNDS (continued):

5. Long-Term Obligations

Installment Purchase

Installment purchase with RBC Bank; issued November 3, 2009, in the amount of $397,000; quarterly principal and interest installments $22,166; interest at 4.3% for five years; effective interest rate at 2.795% after Build American Bonds rebate; secured by equipment.	$ 43,571
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.	797,716
Total installment purchase contracts	$ 841,287

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2014, are as follows:

	Governmental Activities		
Year Ended June 30	Principal	Interest	Total
2015	$ 133,118	$ 16,677	$ 149,795
2016	91,433	14,087	105,520
2017	93,359	12,161	105,520
2018	95,325	10,195	105,520
2019	97,333	8,187	105,520
2020-2023	330,719	12,222	342,941
Total	$ 841,287	$ 73,529	$ 914,816

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	$ 780,000
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	722,866
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	17,500,000
Total notes payable	$ 19,002,866

The annual requirements to retire all notes payable outstanding as of June 30, 2014, are as follows:

	Business-Type Activities		
Year Ended June 30	Prinicipal	Interest	Total
2015	$ 780,754	$ 475,304	$ 1,256,058
2016	861,443	392,080	1,253,523
2017	877,400	373,588	1,250,988
2018	893,710	354,742	1,248,452
2019	910,383	335,534	1,245,917
2020-2024	4,620,257	1,379,203	5,999,460
2025-2029	4,803,733	887,657	5,691,390
2030-2034	5,255,186	356,449	5,611,635
Total	$ 19,002,866	$ 4,554,557	$ 23,557,423

II. DETAIL NOTES ON ALL FUNDS (continued):

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 June 1, at an annual interest rate of between 3% and 5%	$ 9,660,000
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	$ 44,245,000

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2014, are as follows:

	Business-Type Activities		
Year Ended June 30	Principal	Interest	Total
2015	$ 2,715,000	$ 2,551,491	$ 5,266,491
2016	2,850,000	2,426,616	5,276,616
2017	2,715,000	2,305,443	5,020,443
2018	2,480,000	2,192,331	4,672,331
2019	2,575,000	2,091,039	4,666,039
2020-2024	8,235,000	9,085,714	17,320,714
2025-2029	9,195,000	6,471,676	15,666,676
2030-2034	11,020,000	3,074,467	14,094,467
2035-2036	2,460,000	164,237	2,624,237
Total	$ 44,245,000	$ 30,363,014	$ 74,608,014

II. DETAIL NOTES ON ALL FUNDS (continued):

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.

The debt service coverage ratio calculation for the year ended June 30, 2014, is as follows:

Debt service calculation:	
Operating revenues	$ 18,355,415
Operating expenses	(14,513,697)
Operating income	3,841,718
Nonoperating revenues (expenses)*	877,603
Income before transfers and capital contributions	4,719,321
Adjustments	
Depreciation and amorization expenses (net)	3,612,972
Interest expenses	101,763
Other post-employment benefit accrued expense	239,782
Income available for debt service	$ 8,673,838
Parity debt service (revenue bonds only)	$ 5,362,603
Parity debt services coverage ratio	1.62
G.O., subordinate, and all other indebtedness	290,694
Total debt service	$ 5,653,297
Total debt service coverage ratio	1.53

*Per rate covenants, this does not include revenue bond interest paid of $2,673,411.

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 $74,608,014. Principal and interest paid for the current year was $5,362,603.

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, 2014 is $400,000 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:					
Installment purchase contracts	$ 1,013,495	$ -	$ 172,208	$ 841,287	$ 133,118
Compensated absences	1,350,794	1,656,843	1,673,580	1,334,057	800,434
Net pension obligation	165,512	154,761	159,970	160,303	-
Other post-employment benefits	3,621,723	1,054,221	343,576	4,332,368	-
Total governmental activities	$ 6,151,524	$ 2,865,825	$ 2,349,334	$ 6,668,015	$ 933,552
Business-Type Activities:					
Utility Fund:					
Revenue bonds	$ 46,925,000	$ -	$ 2,680,000	$ 44,245,000	$ 2,715,000
Less deferred amounts:					
For issuance of bond premiums	1,187,185	-	52,764	1,134,421	-
Notes payable	19,145,546	-	142,680	19,002,866	780,754
Compensated absences	302,205	409,303	410,880	300,628	180,377
Due to other governmental agencies	500,000	-	100,000	400,000	100,000
Other post-employment benefits	1,300,076	355,710	115,928	1,539,858	-
Total	69,360,012	765,013	3,502,252	66,622,773	3,776,131
Golf Fund:					
Compensated absences	32,829	39,043	38,152	33,720	20,232
Other post-employment benefits	38,038	24,383	7,946	54,475	-
Total	70,867	63,426	46,098	88,195	20,232
Total business-type activities	$ 69,430,879	$ 828,439	$ 3,548,350	$ 66,710,968	$ 3,796,363

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 $178,177,107.

II. DETAIL NOTES ON ALL FUNDS (continued):

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2014 is as follows:

	Governmental-Type Activities	Business-Type Activities
Capital assets	$ 18,972,998	$ 149,829,361
Total gross debt	841,287	64,782,287
Less: unexpended proceeds	-	(2,236,553)
Total capital debt	841,287	62,545,734
Net investment in capital assets	$ 18,131,711	$ 87,283,627

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, 2014 follows:

From the General Fund to the Golf Fund - program support	$ 72,258
From the General Fund to the Capital Projects Fund - program support	1,722,030
From the General Fund to the Community Development Fund - program support	2,000
From the Community Development Fund to the General Fund - program support	(15,000)
Total	$ 1,781,288

Interfund balances consist of cash deficits at June 30, 2014. The Grant Capital Projects Fund has projects in progress for which it first expends the money and is later reimbursed. The fund shows a payable due to the General Fund of $3,453 at year end.

II. DETAIL NOTES ON ALL FUNDS (continued):

D. Fund Balance

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

Total fund balance - General Fund	$ 9,444,886
Less:	
Inventories	(94,157)
Prepaid expenses	(81,239)
Stabilization by State statute	(1,650,217)
Available fund balance	$ 7,619,273

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	General Fund	Nonmajor Funds
Encumbrances	$ 99,828	$ 41,785

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 $11,029 to the Council during the fiscal year ended June 30, 2014. 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, 2014.

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, 2014.

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.

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

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CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

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)
12/31/2004	$ 519,546	$ 1,365,986	$ 846,440	38.03%	$ 3,063,657	27.63%
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%

CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2014

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%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases*	4.25 - 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

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%

CITY OF SANFORD, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2014

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%

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	12/31/2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount
Remaining amortization period	30
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	0.05
Medicare trend rate*	4.50% - 9.00%
Year of ultimate trend rate	2017
*Includes inflation at	2.50%

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND

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

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CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year levy	$ 12,553,029	$ 13,232,155	$ 679,126	$ -
Prior year's levy	230,000	244,689	14,689	12,217,949
Payments in lieu of taxes	28,670	28,671	1	28,755
Total - ad valorem taxes	12,811,699	13,505,515	693,816	12,246,704
Other taxes:				
Privilege licenses	2,400	2,795	395	2,830
Local option sales tax	3,959,138	3,965,663	6,525	4,962,300
Total - other taxes	3,961,538	3,968,458	6,920	4,965,130
Penalties and interest	50,000	78,655	28,655	60,361
Licenses and permits:				
Building permits	375,604	309,714	(65,890)	314,165
Fire permits	62,000	27,235	(34,765)	6,364
Total - licenses and permits	437,604	336,949	(100,655)	320,529
Intergovernmental revenues:				
United States of America:				
Department of Justice - police grants	-	-	-	73,286
Department of Homeland Security - Emergency Management Agency	-	-	-	234,373
State of North Carolina:				
Utilities franchise tax	1,470,680	1,562,537	91,857	1,443,802
Beer and wine tax	64,000	62,706	(1,294)	57,090
State shared cable fees	203,650	200,683	(2,967)	114,564
Powell Bill allocation	813,028	813,029	1	796,175
Court costs and fees	9,000	9,798	798	9,042
Law Enforcement - Drug Forfeiture Program	70,000	32,825	(37,175)	9,912
Mowing reimbursement program	26,372	25,712	(660)	30,624
Disposal tax	17,750	17,517	(233)	15,781
911 surcharge reimbursement	307,195	185,524	(121,671)	234,674
Other local governments	549,159	692,624	143,465	720,094
Total - intergovernmental revenues	3,530,834	3,602,955	72,121	3,739,417
Investment income	47,545	29,918	(17,627)	36,764
Sales and service:				
Sale of property	203,929	189,288	(14,641)	158,837
Waste management fees	1,302,000	1,304,491	2,491	1,090,125
Total - sales and services	1,505,929	1,493,779	(12,150)	1,248,962

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Miscellaneous revenues:				
Alcoholic beverage control	140,000	140,000	-	230,000
Street charges	340,000	174,497	(165,503)	271,876
Civil violation fines	-	3,376	3,376	2,540
Parking fine	15,000	8,348	(6,652)	14,667
Rental income	-	-	-	15,510
Sundry	294,958	311,969	17,011	293,850
Total - miscellaneous revenues	789,958	638,190	(151,768)	828,443
Total revenues	23,135,107	23,654,419	519,312	23,446,310
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits	227,366	224,755	2,611	228,044
Current operating expenditures	103,290	98,479	4,811	81,620
Total - governing body	330,656	323,234	7,422	309,664
Less: interfund reimbursements	(71,790)	(71,790)	-	(67,018)
Net - governing body	258,866	251,444	7,422	242,646
Administration:				
Salaries and benefits	243,395	238,114	5,281	227,077
Current operating expenditures	20,640	17,917	2,723	16,436
Total - administration	264,035	256,031	8,004	243,513
Less: interfund reimbursements	(51,894)	(51,894)	-	(47,008)
Net - administration	212,141	204,137	8,004	196,505
Human resources:				
Salaries and benefits	237,369	240,420	(3,051)	234,290
Current operating expenditures	54,354	43,469	10,885	53,649
Total - human resources	291,723	283,889	7,834	287,939
Less: interfund reimbursements	(62,974)	(62,974)	-	(61,823)
Net - human resources	228,749	220,915	7,834	226,116
Risk management :				
Salaries and benefits	56,457	52,402	4,055	50,525
Current operating expenditures	11,506	10,690	816	13,879
Total - risk management	67,963	63,092	4,871	64,404
Less: interfund reimbursements	(30,942)	(30,942)	-	(33,843)
Net - risk management	37,021	32,150	4,871	30,561
Elections	49,891	44,705	5,186	-

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance :				
Salaries and benefits	574,161	543,745	30,416	598,289
Current operating expenditures	443,744	402,709	41,035	326,059
Capital outlay	-	-	-	2,350
Total - finance	1,017,905	946,454	71,451	926,698
Less: interfund reimbursements	(257,245)	(257,245)	-	(243,098)
Net - finance	760,660	689,209	71,451	683,600
Information systems :				
Salaries and benefits	198,420	199,172	(752)	190,831
Current operating expenditures	120,507	101,327	19,180	106,712
Capital outlay	16,400	15,639	761	2,964
Total - information systems	335,327	316,138	19,189	300,507
Less: interfund reimbursements	(67,196)	(67,196)	-	(63,623)
Net: information systems	268,131	248,942	19,189	236,884
Legal:				
Salaries and benefits	198,850	200,554	(1,704)	195,870
Current operating expenditures	49,578	41,664	7,914	36,699
Total - legal	248,428	242,218	6,210	232,569
Less: interfund reimbursements	(98,992)	(98,992)	-	(103,910)
Net - legal	149,436	143,226	6,210	128,659
Public buildings:				
Salaries and benefits	187,864	188,934	(1,070)	184,049
Current operating expenditures	740,909	680,099	60,810	571,325
Capital outlay	16,920	16,914	6	74,932
Total - public buildings	945,693	885,947	59,746	830,306
Less: interfund reimbursements	(154,710)	(154,710)	-	(158,285)
Net - public buildings	790,983	731,237	59,746	672,021
General services administration:				
Salaries and benefits	172,537	173,494	(957)	170,211
Current operating expenditures	56,417	17,024	39,393	11,822
Capital outlay	27,500	24,747	2,753	-
Total - general services administration	256,454	215,265	41,189	182,033
Less: interfund reimbursements	(15,599)	(15,599)	-	(14,702)
Net - general services administration	240,855	199,666	41,189	167,331

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Central mimeograph:				
Current operating expenditures	26,993	22,147	4,846	18,662
Capital outlay	-	-	-	6,688
Total - central mimeograph	26,993	22,147	4,846	25,350
Less: interfund reimbursements	(1,732)	(1,732)	-	(1,670)
Net - central mimeograph	25,261	20,415	4,846	23,680
Fleet maintenance:				
Salaries and benefits	314,248	314,919	(671)	298,372
Current operating expenditures	981,308	857,055	124,253	860,740
Capital outlay	50,000	-	50,000	30,426
Total - fleet maintenance	1,345,556	1,171,974	173,582	1,189,538
Less: interfund reimbursements	(57,409)	(57,409)	-	(52,905)
Less: charges to other departments	(842,774)	(788,599)	(54,175)	(818,075)
Net - fleet maintenance	445,373	325,966	119,407	318,558
Beautification:				
Salaries and benefits	311,999	310,150	1,849	297,993
Current operating expenditures	238,931	212,071	26,860	213,155
Capital outlay	33,236	32,647	589	13,590
Total - beautification	584,166	554,868	29,298	524,738
Other appropriations and contingencies:				
Associations and memberships	39,255	38,623	632	37,280
Regional and community support	30,700	30,700	-	25,500
Economic development	218,998	213,850	5,148	227,891
Intergovernmental transfers	79,695	79,600	95	156,629
Other post-employment benefits	378,115	375,672	2,443	361,714
Total - other appropriations	746,763	738,445	8,318	809,014
Total general government	4,798,296	4,405,325	392,971	4,260,313
Community Development:				
Salaries and benefits	825,425	817,620	7,805	810,450
Current operating expenditures	72,395	53,425	18,970	92,149
Total - community development	897,820	871,045	26,775	902,599
Code enforcement :				
Salaries and benefits	231,256	229,240	2,016	247,765
Current operating expenditures	83,929	62,791	21,138	29,767
Total - code enforcement	315,185	292,031	23,154	277,532

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Downtown/historic preservation:				
Salaries and benefits	97,081	94,346	2,735	93,069
Current operating expenditures	13,144	10,510	2,634	18,838
Total - downtown/historic preservation	110,225	104,856	5,369	111,907
Total community development	1,323,230	1,267,932	55,298	1,292,038
Public Safety:				
Police:				
Salaries and benefits	7,084,962	6,987,835	97,127	6,747,818
Current operating expenditures	1,369,256	1,199,454	169,802	1,255,228
Installment purchase	88,670	88,666	4	88,666
Capital outlay	148,929	84,905	64,024	611,815
Total - police	8,691,817	8,360,860	330,957	8,703,527
Fire :				
Salaries and benefits	3,508,082	3,482,362	25,720	3,433,527
Current operating expenditures	402,434	376,183	26,251	493,641
Capital outlay	58,975	58,749	226	657,552
Total - fire	3,969,491	3,917,294	52,197	4,584,720
Inspection:				
Salaries and benefits	360,642	355,178	5,464	343,100
Current operating expenditures	52,578	41,918	10,660	53,791
Total - inspection	413,220	397,096	16,124	396,891
Total public safety	13,074,528	12,675,250	399,278	13,685,138
Streets:				
Salaries and benefits	921,053	889,392	31,661	910,623
Current operating expenditures	1,215,032	1,147,220	67,812	1,155,310
Installment purchases	105,521	105,520	1	79,140
Capital outlay	341,624	136,314	205,310	945,093
Total - streets and sidewalks	2,583,230	2,278,446	304,784	3,090,166

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Sanitation:				
Refuse:				
Salaries and benefits	903,664	892,801	10,863	852,687
Current operating expenditures	327,688	306,200	21,488	720,867
Capital outlay	159,950	149,177	10,773	167,000
Total - refuse	1,391,302	1,348,178	43,124	1,740,554
Sanitation:				
Contracted services	1,154,150	1,137,931	16,219	1,318,633
Total sanitation	2,545,452	2,486,109	59,343	3,059,187
Total expenditures	24,324,736	23,113,062	1,211,674	25,386,842
Revenue in excess of (less than) expenditures	(1,189,629)	541,357	1,730,986	(1,940,532)
Other Financing Sources (Uses):				
Installment purchases proceeds:	-	-	-	950,000
Transfers from other funds:				
Community development	-	15,000	15,000	-
Transfers (to) other funds:				
Capital Projects Fund	(1,722,030)	(1,722,030)	-	(98,230)
Community development	(2,000)	(2,000)	-	-
Golf	(73,922)	(72,258)	1,664	(106,890)
Total - other financing sources (uses)	(1,797,952)	(1,781,288)	16,664	744,880
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(2,987,581)	(1,239,931)	1,747,650	(1,195,652)
Appropriated fund balance	2,987,581	-	(2,987,581)	-
Net Change in Fund Balance	$ -	(1,239,931)	$ (1,239,931)	$ (1,195,652)
Fund balance, beginning of year		10,684,817		
Fund balance, end of year		$ 9,444,886		

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 Sidewalk Improvements Project, Greenway Project, and Streetscape Project funded by the City.

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CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds		Capital Projects Funds		
	Community Development	Central Business Tax District	Grant Capital Projects Fund	Capital Projects Fund	Total
Assets:					
Cash, cash equivalents,and investments	$ 425,229	$ 97,071	$ -	$ 1,637,812	$ 2,160,112
Cash, restricted	20,730	-	-	-	20,730
Property taxes receivable, net	-	4,471	-	-	4,471
Other receivables	-	-	51,995	-	51,995
Due from governmental agencies	-	805	-	-	805
Total assets	$ 445,959	$ 102,347	$ 51,995	$ 1,637,812	$ 2,238,113
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	$ 17,106	$ 4,205	$ -	$ 15,670	$ 36,981
Due to other funds	-	-	3,453	-	3,453
Total liabilities	17,106	4,205	3,453	15,670	40,434
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	-	4,471	-	-	4,471
Fund Balances:					
Restricted:					
Stabilization by State statute	-	805	93,780	-	94,585
Community development	428,853	-	-	-	428,853
Committed:					
Economic development	-	-	-	1,622,142	1,622,142
Assigned:					
Downtown revitalization	-	92,866	-	-	92,866
Unassigned	-	-	(45,238)	-	(45,238)
Total fund balances	428,853	93,671	48,542	1,622,142	2,193,208
Total liabilities, deferred inflows of resources, and fund balanches	$ 445,959	$ 102,347	$ 51,995	$ 1,637,812	$ 2,238,113

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		Capital Projects Funds		
	Community Development	Central Business Tax District	Grants Capital Projects Fund	Capital Projects Fund	Total
Revenues:					
Ad valorem taxes:					
Current year	$ -	$ 54,586	$ -	$ -	$ 54,586
Prior years	-	3,379	-	-	3,379
Intergovernmental revenues:					
United States of America	112,186	-	-	-	112,186
State of North Carolina	75,000	-	-	-	75,000
Investment income	43	138	-	-	181
Miscellaneous income	1,844	1,090	-	-	2,934
Total revenues	189,073	59,193	-	-	248,266
Expenditures:					
Current:					
Downtown revitalization	-	47,234	262,630	-	309,864
Economic development:					
Greenway	-	-	-	5,838	5,838
Streetscape	-	-	-	9,979	9,979
Sidewalk	-	-	-	84,071	84,071
Community development:					
Community development block grants	211,834	-	-	-	211,834
Other prior program expenditures	50	-	-	-	50
Total expenditures	211,884	47,234	262,630	99,888	621,636
Revenues less than expenditures	(22,811)	11,959	(262,630)	(99,888)	(373,370)
Other Financing Sources:					
Transfers in - General Fund	2,000	-	-	1,722,030	1,724,030
Transfers (out) - General Fund	(15,000)	-	-	-	(15,000)
Total other financing sources (uses)	(13,000)	-	-	1,722,030	1,709,030
Net change in fund balances	(35,811)	11,959	(262,630)	1,622,142	1,335,660
Fund balances, beginning of year	464,664	81,712	311,172	-	857,548
Fund balances, end of year	$ 428,853	$ 93,671	$ 48,542	$ 1,622,142	$ 2,193,208

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, 2014

	Project Budget	Current Year	Prior Years	Total to June 30, 2014
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
Total - 2008 Endor Iron Furnace Greenway Grant C0803	1,577,814	-	1,494,239	1,494,239
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
Total - N.C. Urgent Repair Program URP10 (C0907)	77,083	-	77,083	77,083
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
Total - Comprehensive Bicycle/Pedestrian Planning Grant	35,000	-	35,000	35,000
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
Total - N.C. Urgent Repair Program ((URP1124)	-	-	75,308	75,308
2012 Single Family Rehabilitation Grant (SRF1222):				
Grant - N.C. Housing Finance Agency	219,504	112,186	105,865	218,051
N.C. Urgent Repair (URP12):				
Grant - N.C. Housing Finance Agency (C1203)	75,000	37,500	37,500	75,000
Lee County contribution	3,750	-	3,750	3,750
Interest income	41	2	40	42
Local Funds	3,750	-	3,750	3,750
Total - N.C. Urgent Repair Program (URP12)	82,541	37,502	45,040	82,542
2009 Community Development Block Grant (C0906):				
Grant - CDBG Recovery Program - Haven Complex Grant - Federal ARRA	699,037	-	699,036	699,036

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, 2014

	Project Budget	Current Year	Prior Years	Total to June 30, 2014
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
Total - 2011 Community Development Block Grant (09-C-2075)	989,437	-	989,437	989,437
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
Total - 2011 Community Development Block Grant (10-C-2105)	265,000	-	263,924	263,924
N.C. Urgent Repair (URP13):				
Grant - N.C. Housing Finance Agency (C1401)	75,000	37,500	-	37,500
Interest income	-	41	-	41
Local funds	2,000	2,000	-	2,000
Total - N.C. Urgent Repair Program (URP13)	77,000	39,541	-	39,541
Miscellaneous				
Interest income	57,000	594	496	1,090
Program income - land disposition	44,693	1,250	472,238	473,488
Total revenues	4,124,109	191,073	4,257,666	4,448,739
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
Total - 2008 Endor Iron Furnace Greenway Grant (C0803)	1,577,814	-	1,494,239	1,494,239
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
Total - N.C. Urgent Repair Program URP 10 (C0907)	77,083	-	77,082	77,082
2012 Single Family Rehabilitation Grant (SRF1222):				
Rehabilitation	204,504	109,518	93,770	203,288
Administration	15,000	2,668	12,095	14,763
Total - Single Family Rehabilitation Grant (SRF1222)	219,504	112,186	105,865	218,051

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, 2014

	Project Budget	Current Year	Prior Years	Total to June 30, 2014
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
Total - N.C. Urgent Repair Program (URP 12)	82,542	82,542	-	82,542
N.C. Urgent Repair Program (URP 1124):				
Administration	-	-	8,133	8,133
Rehabilitation	-	-	65,175	65,175
Local match	-	-	2,000	2,000
Total - N.C. Urgent Repair Program (URP 1124)	-	-	75,308	75,308
Comprehensive Bicycle/Pedestrian Planning Grant:				
Grant - U.S. Department of Transportation, Federal Highway Administration				
Contractual Services	35,000	-	35,000	35,000
2009 Community Development Block Grant (C0906):				
Administration	25,321	-	25,321	25,321
Employee training	673,716	-	673,716	673,716
Total - 2009 Community Development Block Grant	699,037	-	699,037	699,037
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
Total - 2011 Community Development Block Grant (09-C-2075)	989,437	-	989,437	989,437
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
Total - 2011 Community Development Block Grant (10-C-2105)	249,999	-	248,924	248,924
N.C. Urgent Repair Program (URP 13):				
Hard costs	67,200	16,811	-	16,811
Soft costs	7,800	-	-	-
Local match	2,000	295	-	295
Total - N.C. Urgent Repair Program (URP 13)	77,000	17,106	-	17,106

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, 2014

	Project Budget	Current Year	Prior Years	Total to June 30, 2014
Other prior program expenditures:				
Rehabilitation	12,500	-	1,931	1,931
Land disposition	58,951	50	35,937	35,987
Local match	242	-	242	242
Total - other prior program expenditures	71,693	50	38,110	38,160
Total expenditures	4,079,109	211,884	3,763,002	3,974,886
Revenues in excess of (less than) expenditures	45,000	(20,811)	494,664	473,853
Other Financing Sources (Uses):				
Transfer to General Fund	15,000	15,000	-	15,000
Transfer to community development	30,000	-	30,000	30,000
Total other financing sources (uses)	45,000	15,000	30,000	45,000
Net changes in fund balance	$ -	(35,811)	$ 464,664	$ 428,853
Fund balance, beginning of year		464,664		
Fund balance, end of year		$ 428,853		

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year	$ 53,091	$ 54,586	$ 1,495	$ 54,712
Prior year	437	3,379	2,942	1,504
Investment earnings	135	138	3	113
Other	1,500	450	(1,050)	1,705
Penalties and interest	225	640	415	469
Total revenues	55,388	59,193	3,805	58,503
Expenditures:				
Operating expenditures	37,215	29,964	7,251	61,241
Downtown Façade Reimbursement Program	18,173	17,270	903	18,954
Total expenditures	55,388	47,234	8,154	80,195
Net change in fund balance	$ -	11,959	$ 11,959	(21,692)
Fund balance, beginning of year		81,712		103,404
Fund balance, end of year		$ 93,671		$ 81,712

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, 2014

	Project Budget	Current Year	Prior Years	Total to June 30, 2014
Revenues:				
Miscellaneous revenue	$ 91,995	$ -	$ 91,995	$ 91,995
Expenditures:				
Downtown improvements	560,225	262,630	249,053	511,683
Revenues less than expenditures	(468,230)	(262,630)	(157,058)	(419,688)
Other Financing Sources:				
Transfers in - General Fund	468,230	-	468,230	468,230
Total other financing sources (uses)	468,230	-	468,230	468,230
Net change in fund balance	$ -	(262,630)	$ 311,172	48,542
Fund balance, beginning of year		311,172		311,172
Fund balance, end of year		$ 48,542		$ 359,714

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Budget	Current Year	Prior Years	Total to June 30, 2014
Expenditures:				
Sidewalk improvements:				
Construction	$ 750,000	$ 301	$ -	$ 301
Engineering	256,500	83,770	-	83,770
Greenway:				
Engineering	391,330	5,838	-	5,838
Streetscape:				
Engineering	324,200	9,979	-	9,979
Total expenditures	1,722,030	99,888	-	99,888
Other Financing Sources (Uses):				
Transfers in - General Fund	1,722,030	1,722,030	-	1,722,030
Net change in fund balance	$ -	1,622,142	$ -	1,622,142
Fund balance, beginning of year		-		-
Fund balance, end of year		$ 1,622,142		$ 1,622,142

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CITY OF SANFORD, NORTH CAROLINA

PROPRIETARY FUNDS

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

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 City departments to cover claim expenses for employee elected spouse and family coverage.

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CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges:				
Water	$ 10,674,976	$ 10,421,755	$ (253,221)	$ 10,297,001
Sewer	7,119,305	7,196,876	77,571	7,142,787
Total user charges	17,794,281	17,618,631	(175,650)	17,439,788
Monitoring fees	80,000	80,784	784	80,784
Connection and tap fees	125,000	156,046	31,046	127,125
Contributions from other agencies	878,432	892,864	14,432	1,014,919
Investment income	32,673	33,738	1,065	29,095
Other	343,500	478,728	135,228	431,991
Charges to other funds	25,000	22,851	(2,149)	27,790
Total revenues	19,278,886	19,283,642	4,756	19,151,492
Expenditures:				
Engineering:				
Salaries and benefits	474,503	473,185	1,318	460,762
Operating expenditures	50,934	42,318	8,616	57,876
Total - engineering	525,437	515,503	9,934	518,638
Utility administration:				
Salaries and benefits	670,181	659,804	10,377	626,867
Operating expenditures	333,070	292,880	40,190	258,272
Interfund reimbursment	840,970	840,970	-	821,121
Total - utility administration	1,844,221	1,793,654	50,567	1,706,260
Public works administration:				
Salaries and benefits	330,359	327,110	3,249	313,953
Operating expenditures	34,278	28,692	5,586	17,379
Total - public works administration	364,637	355,802	8,835	331,332
Water lines - maintenance:				
Salaries and benefits	1,473,825	1,422,871	50,954	1,406,638
Maintenance of infrastructure and related equipment	6,750	6,759	(9)	3,439
Other operating expenditures	1,421,218	1,231,836	189,382	1,227,864
Capital outlay	238,500	238,832	(332)	101,032
Total - water	3,140,293	2,900,298	239,995	2,738,973
Sewer lines - maintenance:				
Salaries and benefits	789,045	726,412	62,633	735,061
Maintenance of infrastructure and related equipment	26,100	11,681	14,419	23,277
Other operating expenditures	963,652	781,490	182,162	826,817
Capital outlay	146,820	147,248	(428)	87,000
Total - sewer	1,925,617	1,666,831	258,786	1,672,155

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Water plant operations:				
Salaries and benefits	715,908	702,409	13,499	688,560
Maintenance of infrastructure and related equipment	135,500	125,414	10,086	133,056
Other operating expenditures	1,259,215	1,034,239	224,976	1,127,197
Capital outlay	195,119	166,495	28,624	172,352
Total - water plant operations	2,305,742	2,028,557	277,185	2,121,165
Sewer plant operations:				
Salaries and benefits	903,423	848,544	54,879	843,964
Maintenance of infrastructure and related equipment	81,500	63,842	17,658	73,158
Other operating expenditures	986,606	876,573	110,033	653,749
Capital outlay	48,236	48,080	156	-
Total - sewer plant operations	2,019,765	1,837,039	182,726	1,570,871
Store:				
Salaries and benefits	52,422	52,849	(427)	51,322
Purchases and supplies	250,000	203,906	46,094	220,501
Other operating expenditures	11,895	9,222	2,673	4,147
Total - store	314,317	265,977	48,340	275,970
Less charges to other departments	(185,000)	(186,804)	1,804	(189,060)
Net store	129,317	79,173	50,144	86,910
Capital improvements:				
Capital outlay	531,932	369,999	161,933	215,431
Contractual services	916,448	753,328	163,120	1,367,221
Total capital improvements	1,448,380	1,123,327	325,053	1,582,652
Debt service:				
Interest	2,780,618	2,769,974	10,644	2,858,820
Installment purchase principal and due to other agencies	100,000	100,000	-	100,000
Bonds principal	2,680,000	2,680,000	-	2,630,000
State loan principal	142,680	142,680	-	142,679
Other fees	5,060	5,200	(140)	4,948
Total debt service	5,708,358	5,697,854	10,504	5,736,447
Contingency	15,985	-	15,985	-
Total expenditures	19,427,752	17,998,038	1,429,714	18,065,403
Revenues in excess of (less than) expenditures	(148,866)	1,285,604	(1,434,470)	1,086,089
Other financing sources (uses):				
Transfers (out):				
Capital Project Fund	(25,000)	-	25,000	(2,000,000)
Appropriated fund balance	173,866	-	(173,866)	-
Total other financing sources	148,866	-	(148,866)	(2,000,000)

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues, other financing sources, and appropriated fund balance in excess of expenditures and other financing sources	$ -	$ 1,285,604	$ 1,285,604	$ (913,911)

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

Revenues, other financing sources and appropriated retained earinings in excess of expenditures and other uses	$ 1,285,604
Reconciling items:	
Capital outlay	1,713,964
Capital contributions - contractors	366,670
Capitalized interest expense and interest income	2,673,930
Current year capital project expenses not capitalized	(3,262)
Bond principal	2,680,000
State loan principal	142,680
Due to other governmental agencies principal	100,000
Depreciation	(3,665,736)
Bad debt allowance	(22,418)
Bond premium amortization	52,764
Decrease in compensated absences	1,577
Increase in other post-employment benefits	(239,782)
Change in net position	$ 5,085,991

Note: Prepared for comparison with the legally adopted budget.

CITY OF SANFORD, NORTH CAROLINA

UTILITY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - FROM INCEPTION AND
FOR THE YEAR ENDED JUNE 30, 2014
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Budget	Current Year	Prior Years	Total
Revenues:				
Grants	$ 381,000	$ -	$ 381,000	$ 381,000
Interest income	52,000	519	140,130	140,649
Total revenues	433,000	519	521,130	521,649
Expenditures:				
Water capital project - capital outlay	2,381,000	252,643	379,375	632,018
Sewer capital project - capital outlay	58,895,371	3,609,572	52,431,336	56,040,908
Total expenditures	61,276,371	3,862,215	52,810,711	56,672,926
Revenues less than expenditures	(60,843,371)	(3,861,696)	(52,289,581)	(56,151,277)
Other Financing Sources (Uses):				
Transfer to/from Utility Fund	(10,790,725)	-	(10,598,618)	(10,598,618)
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
Total other financing sources (uses)	60,843,371	-	59,811,358	59,811,358
Revenues and other financing sources in excess of (less than) expenditures	$ -	$ (3,861,696)	$ 7,521,777	$ 3,660,081

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

CITY OF SANFORD, NORTH CAROLINA

GOLF FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Over/Under	Actual Prior Year
Operating Revenues:				
Green fees:				
Annual	$ 268,545	$ 240,314	$ (28,231)	$ 72,322
Daily	-	-	-	172,454
Other:				
Cart fees	255,000	222,875	(32,125)	244,980
Tournament fees	11,000	12,075	1,075	11,250
Driving range fees	18,800	16,639	(2,161)	19,762
Interest income	-	181	181	130
Pro shop sales	58,000	51,631	(6,369)	56,042
Concessions	39,000	32,432	(6,568)	37,049
School fees	-	4,325	4,325	-
Other	2,800	-	(2,800)	3,751
Total revenues	653,145	580,472	(72,673)	617,740
Operating Expenditures:				
Salaries and benefits	425,579	412,446	13,133	412,789
Current operating expenditures	207,313	168,837	38,476	176,674
Maintenance of golf course and related equipment	72,450	70,557	1,893	67,705
Capital outlay	-	-	-	104,184
Total expenditures	705,342	651,840	53,502	761,352
Other Financing Sources (Uses):				
Appropriated fund balance	3,275	-	(3,275)	-
Transfer in from General Fund	48,922	72,258	23,336	106,890
Total other financing sources (uses)	52,197	72,258	20,061	106,890
Revenues and other financing sources less than expenditures	$ -	$ 890	$ 890	$ (36,722)

Note: Prepared for comparison with the legally adopted budget.

Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues and other financing sources less than expenditures	$ 890
Reconciling items:	
Depreciation	(151,182)
Increase in compensated absences	(891)
Increase in other post-employment benefits	(16,437)
Change in net position	$ (167,620)

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, 2014

	Financial Plan	Actual	Variance with Final Budget Over/Under
Revenues:			
Health insurance premiums	$ 2,939,887	$ 2,936,205	$ (3,682)
Interest income	-	931	931
Total revenues	2,939,887	2,937,136	(2,751)
Expenditures:			
Health insurance claims	2,343,763	2,212,637	131,126
Administration	596,124	598,872	(2,748)
Total expenditures	2,939,887	2,811,509	128,378
Revenues and other financing sources in excess of expenditures	$ -	$ 125,627	$ 125,627

Reconciliation from financial plan (modified accrual) to full accrual:	
Revenues in excess of expenditures	$ 125,627
Reconciling items:	
Increase in claims incurred but not reported	(20,856)
Change in net position	$ 104,771

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.

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CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	LEO Special Separation Allowance	Other Post-Employment Benefits	Total
Assets:			
Cash and cash equivalents	$ 536,795	$ 2,198,544	$ 2,735,339
Liabilities:			
Accounts payable and other liabilities	$ 500	$ -	$ 500
Net Position:			
Net position held in trust for pension benefits	$ 536,295	$ 2,198,544	$ 2,734,839
Total liabilities and net position	$ 536,795	$ 2,198,544	$ 2,735,339

CITY OF SANFORD, NORTH CAROLINA

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	LEO Special Separation Allowance	Other Post-Employment Benefits	Total
Additions:			
Employer contributions	$ 159,970	$ 467,451	$ 627,421
Net investment income	843	304,884	305,727
Other	38	29,838	29,876
Total additions	160,851	802,173	963,024
Deductions:			
Benefits	203,653	467,451	671,104
Administrative expense	17,539	3,314	20,853
Total deductions	221,192	470,765	691,957
Change in net position	(60,341)	331,408	271,067
Net position - held in trust for pension benefits, beginning of year	596,636	1,867,136	2,463,772
Net position - held in trust for pension benefits, end of year	$ 536,295	$ 2,198,544	$ 2,734,839

CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Firemen's Supplemental Pension Fund:				
Assets:				
Cash and cash equivalents	$ 481,841	$ 22,023	$ -	$ 503,864
Accounts receivable	21,407	1,007	22,024	390
Total assets	$ 503,248	$ 23,030	$ 22,024	$ 504,254
Liabilities:				
Amounts available for benefits	$ 503,248	$ 23,030	$ 22,024	$ 504,254

CITY OF SANFORD, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Governmental Funds Capital Assets:		
Land	$ 4,352,436	$ 4,349,436
Construction in progress	378,039	1,448,594
Municipal center and other buildings	11,659,114	11,278,353
Streets	31,943,894	30,741,557
Equipment	11,775,335	12,029,883
Total governmental funds capital assets	$ 60,108,818	$ 59,847,823
Investments in Governmental Funds Capital Assets by Source:		
General Fund	$ 48,391,567	$ 48,267,089
Special Revenue Funds	1,069,503	1,032,874
Capital Projects Fund	8,242,094	8,142,206
Utility Fund	2,405,654	2,405,654
Total governmental funds in capital assets	$ 60,108,818	$ 59,847,823

Note: Amounts presented above exclude accumulated depreciation.

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CITY OF SANFORD, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014

Function and Activity	Land	Construction in Progress
General Government:		
Finance	$ -	$ 4,800
Information systems	-	-
Public buildings	3,852,972	40,550
General services administration	-	5,990
Central mimeo	-	-
Beautification	-	-
Fleet maintenance	-	-
Total general government	$ 3,852,972	$ 51,340
Public Safety:		
Police	$ -	$ -
Fire	-	-
Inspections	-	-
Total public safety	-	-
Streets	-	290,070
Sanitation	-	-
Community development	-	36,629
Total governmental funds capital assets	$ 3,852,972	$ 378,039

Note: Amounts presented above exclude accumulated depreciation.

Schedule F-2

Municipal Center and Other Buildings	Streets	Equipment	Total
$ -	$ -	$ 12,114	$ 16,914
-	-	315,755	315,755
12,158,578	-	961,886	17,013,986
-	-	26,101	32,091
-	-	38,376	38,376
-	-	187,977	187,977
-	-	824,258	824,258
$ 12,158,578	$ -	$ 2,366,467	$ 18,429,357
$ -	$ -	$ 3,854,110	$ 3,854,110
-	-	3,266,164	3,266,164
-	-	126,996	126,996
-	-	7,247,270	7,247,270
-	31,202,452	993,314	32,485,836
-	-	1,799,239	1,799,239
-	-	110,487	147,116
$ 12,158,578	$ 31,202,452	$ 12,516,777	$ 60,108,818

CITY OF SANFORD, NORTH CAROLINA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014

Function and Activity	Beginning of Year	Additions/ Transfers In	Deductions/ Transfers Out	End of Year
General Government:				
Finance	$ 12,114	$ 4,800	$ -	$ 16,914
Information systems	208,933	106,822	-	315,755
Public buildings	16,619,013	394,973	-	17,013,986
General services administration	20,696	30,737	19,342	32,091
Central mimeo	38,376	-	-	38,376
Beautification	174,691	13,286	-	187,977
Fleet maintenance	824,258	-	-	824,258
Total general government	$ 17,898,081	$ 550,618	$ 19,342	$ 18,429,357
Public Safety:				
Police	$ 4,064,552	$ 59,320	$ 269,762	$ 3,854,110
Fire	3,227,718	58,099	19,653	3,266,164
Inspections	126,996	-	-	126,996
Total public safety	7,419,266	117,419	289,415	7,247,270
Streets	32,683,104	1,062,982	1,260,250	32,485,836
Sanitation	1,736,885	149,177	86,823	1,799,239
Community development	110,487	36,629	-	147,116
Total governmental funds capital assets	$ 59,847,823	$ 1,916,825	$ 1,655,830	$ 60,108,818

Note: Amounts presented above exclude accumulated depreciation.

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	$ -	$ 13,380,720	$ 13,210,856	$ 169,864
2012-2013	286,672	-	205,775	80,897
2011-2012	67,898	-	24,752	43,146
2010-2011	48,710	-	11,029	37,681
2009-2010	38,434	-	4,263	34,171
2008-2009	34,892	-	2,964	31,928
2007-2008	35,721	-	2,389	33,332
2006-2007	39,580	-	2,942	36,638
2005-2006	37,270	-	2,879	34,391
2004-2005	25,222	-	980	24,242
2003-2004	30,566	-	30,566	-
Total	$ 644,965	$ 13,380,720	$ 13,499,395	526,290

Less: Allowance for uncollectible accounts:	
General Fund	292,088
Ad valorem taxes receivable - net	$ 234,202

Reconcilement with revenues:	
Ad valorem taxes - General Fund	$ 13,505,515
Reconciling items:	
Payments in lieu of taxes	(28,671)
Taxes released and written off	48,100
MV tax and tag setup cost refund	(25,549)
Total collections and credits	$ 13,499,395

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SUPPLEMENTAL SCHEDULE OF 2014 TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

		City-Wide		Total Levy	
		Property Valuation	Total Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Tax rate per $100 value	$ 0.54				
Regular listed - real and personal		$ 2,428,833,758	$ 13,122,040	$ 11,843,593	$ 1,278,447
Utilities		47,978,665	259,085	259,085	-
Penalties		-	27,602	27,602	-
Subtotal		2,476,812,423	13,408,727	12,130,280	1,278,447
Add: discoveries and late lists		12,441,849	68,728	68,728	-
Less: abatements		(13,988,516)	(96,735)	(84,814)	(11,921)
Total property valuation		$ 2,475,265,756			
Net tax levy			13,380,720	12,114,194	1,266,526
Uncollected taxes at June 30, 2014			(169,864)	(110,398)	(59,466)
Current year's taxes collected			$ 13,210,856	$ 12,003,796	$ 1,207,060
Collection percentage			98.73%	99.09%	95.30%

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	$ -	$ 56,358	$ 54,546	$ 1,812
2012-2013	2,578	-	1,719	859
2011-2012	2,297	-	1,371	926
2010-2011	970	-	287	683
2009-2010	502	-	-	502
2008-2009	450	-	1	449
2007-2008	254	-	1	253
2006-2007	202	-	-	202
2005-2006	176	-	-	176
2004-2005	32	-	-	32
2003-2004	272	-	272	-
Total	$ 7,733	$ 56,358	$ 58,197	5,894

Less: Allowance for uncollectible accounts:	
Central Business Tax District	1,423
Ad valorem taxes receivable - net	$ 4,471

Reconcilement with revenues:

Ad valorem taxes - Central Business Tax District	$ 57,965
Reconciling items:	
Taxes released and written off	232
Total collections and credits	$ 58,197

CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT
SUPPLEMENTAL SCHEDULE OF 2014 TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

		Central Business District		Total Levy	
		Property Valuation	Total Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Tax rate per $100 value	$ 0.11				
Regular listed -					
Real and personal		$ 50,748,476	$ 55,997	$ 53,877	$ 2,120
Penalties		-	238	238	-
Subtotal		50,748,476	56,235	54,115	2,120
Add: discoveries and late lists		141,571	156	156	-
Less: abatements		(29,512)	(33)	(33)	-
Total property valuation		$ 50,860,535			
Net tax levy			56,358	54,238	2,120
Uncollected taxes at June 30, 2014			(1,812)	(1,710)	(102)
Current year's taxes collected			$ 54,546	$ 52,528	$ 2,018
Collection percentage			96.78%	96.85%	95.19%

CITY OF SANFORD, NORTH CAROLINA

STATISTICAL SECTION

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	$ 9,938,162	$ 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
Restricted	428,645	526,872	225,548	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404	2,236,904
Unrestricted	9,655,990	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
Total governmental activities net position	$ 20,022,797	$ 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
Business-type activities:										
Net investment in capital assets	$ 39,031,667	$ 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
Restricted	2,509,316	4,065,136	-	-	-	-	-	-	-	-
Unrestricted	14,675,604	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
Total business-type activities net position	$ 56,216,587	$ 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
Primary government:										
Net investment in capital assets	$ 48,969,829	$ 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
Restricted	2,937,961	4,592,008	225,548	572,436	558,481	550,039	2,864,743	3,206,960	2,521,404	2,236,904
Unrestricted	24,331,594	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
Total primary government net position	$ 76,239,384	$ 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

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
General government	$ 3,119,589	$ 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
Public safety	9,459,227	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
Streets	1,571,521	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
Sanitation	2,090,286	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
Community development	2,277,388	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
Interest on long-term debt	95,916	80,310	112,443	94,563	74,864	64,874	27,759	13,652	22,348	20,451
Total governmental activities expenses	18,613,927	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
Business-type activities:										
Utility	10,723,386	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
Golf	637,900	672,734	-	-	-	-	-	861,249	826,763	820,350
Total business-type activities expenses	11,361,286	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
Total primary government expenses	29,975,213	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
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	81,385	452,217	882,050	1,068,174	630,779	546,850	677,099	150,353	894,690	831,559
Public safety	551,739	564,382	669,362	661,955	556,152	866,980	630,177	1,003,647	507,856	468,407
Streets	124,342	170,529	239,937	250,878	226,685	307,983	331,620	315,920	271,876	174,497
Sanitation	814,284	866,338	867,669	881,936	927,286	932,148	909,322	1,178,877	1,090,125	1,304,491
Community development	-	-	-	334,971	469,251	373,571	385,108	395,812	314,165	309,714
Operating grants and contributions	2,696,774	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
Capital grants and 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	4,268,524	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
Business-type activities:										
Charges for services	15,033,395	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
Operating grants and contributions	-	-	-	-	-	-	-	1,090,427	1,014,919	892,864
Capital grants and contributions	2,338,700	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
Total business-type activities program revenues	17,372,095	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
Total primary government program revenues	21,640,619	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
Net (Expense)/Revenue:										
Governmental activities	(14,345,403)	(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)
Business-type activities	6,010,809	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
Total primary government net expense	(8,334,594)	(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)

(continued)

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
Property taxes	9,991,908	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
Other taxes	4,418,700	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
Intergovernmental not restricted	1,986,022	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
Other	528,094	714,619	1,224,268	931,659	408,689	562,499	357,904	600,430	396,129	452,661
Total governmental activities	16,924,724	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
Business-type activities:										
Other	237,547	534,450	813,565	585,869	297,818	136,774	80,913	108,762	712,634	33,919
Total business-type activities	237,547	534,450	813,565	585,869	297,818	136,774	80,913	108,762	712,634	33,919
Total primary government	17,162,271	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
Gain (loss) on disposal of assets:										
Business activities	-	-	-	-	-	-	-	-	(159,820)	-
Transfer:										
Governmental activities	-	-	1,053,358	25,000	9,242	401	141,000	(482,191)	(106,890)	(72,258)
Business activities	-	-	(1,053,358)	(25,000)	(9,242)	(401)	(141,000)	482,191	106,890	72,258
Special Items:										
Governmental activities - release of interfund debt	-	(1,384,762)	-	-	-	-	-	-	-	-
Business-type activities - release of interfund debt	-	1,384,762	-	-	-	-	-	-	-	-
Change in Net Position:										
Governmental activities	2,579,321	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)
Business-type activities	6,248,356	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
Total primary government	$ 8,827,677	$ 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

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

	2011	2012	2013	2014
General Fund:				
Non-spendable:				
Inventories	$ 123,581	$ 96,485	$ 86,407	$ 94,157
Prepaid expenses	110,876	34,261	50,816	81,239
Restricted:				
Stabilization by State Statute	2,302,092	2,337,854	1,610,328	1,650,217
Public safety	70,473	111,243	77,231	63,249
Community development	-	-	-	-
Assigned:				
Subsequent year's expenditures	1,373,706	1,155,772	876,074	184,922
Downtown revitalization	-	-	-	-
Unassigned	7,942,215	8,144,854	7,983,961	7,371,102
Total General Fund	$ 11,922,943	$ 11,880,469	$ 10,684,817	$ 9,444,886
All Other Governmental Funds:				
Non-spendable:				
Inventories	$ -	$ -	$ -	$ -
Prepaid expenses	-	-	-	-
Restricted:				
Stabilization by State Statute	91,953	191,061	443,325	94,585
Public safety	-	-	-	-
Community development	400,225	566,802	390,520	428,853
Committed:				
Economic development	-	-	-	1,622,142
Assigned:				
Subsequent year's expenditures	3,787	-	-	-
Downtown revitalization	81,514	101,485	80,555	92,866
Unassigned	(63,335)	(7,209)	(56,852)	(45,238)
Total all other governmental funds	$ 514,144	$ 852,139	$ 857,548	$ 2,193,208

Note: Information is only available for current year plus prior three previous fiscal years due to the implementation of GASB 54. Table will be expanded to include ten 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

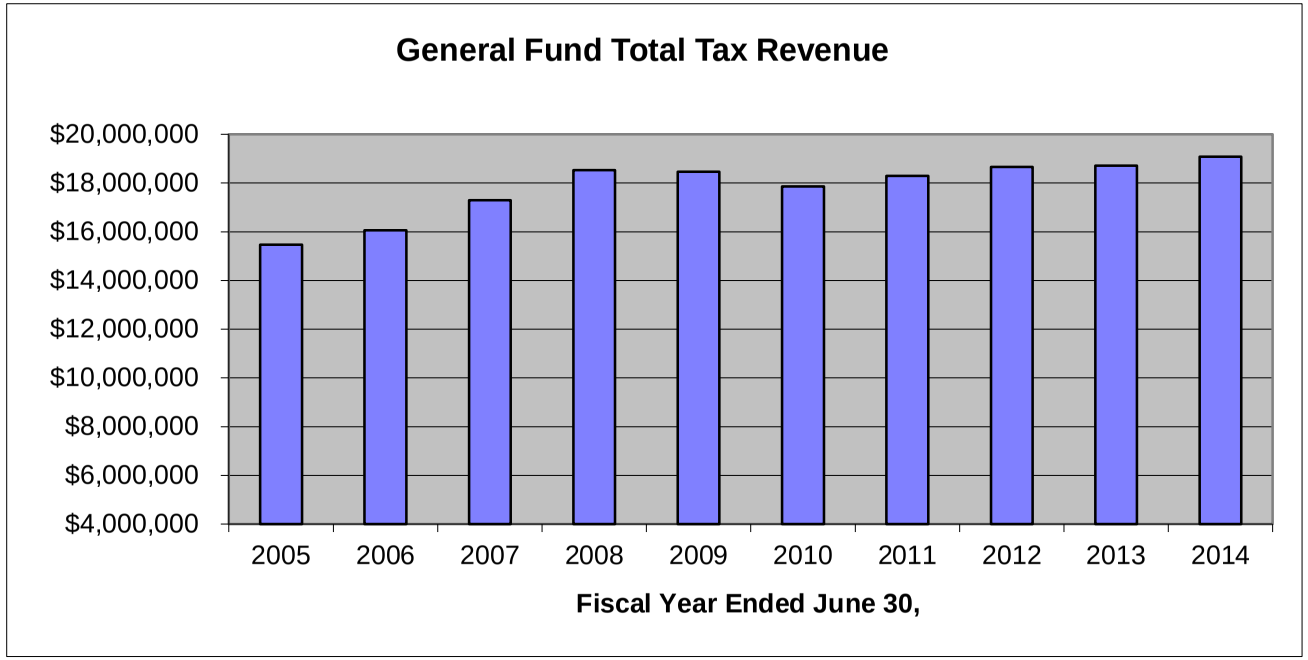
Note: Information in this table is for years prior to the implementation of GASB 54 at fiscal year end 2011.

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Ad valorem taxes	$ 9,930,497	$ 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
Other taxes	4,418,700	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
Penalties and interest	61,666	57,315	66,971	76,183	84,766	70,207	49,068	59,190	60,830	79,295
Licenses and permits	369,131	375,724	520,259	426,514	288,166	289,050	367,185	327,955	320,529	336,949
Intergovernmental revenues	3,646,812	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
Investment income	204,527	363,636	591,373	587,122	303,867	118,899	76,919	41,803	36,937	30,099
Sales and service	979,711	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
Miscellaneous revenues	590,866	538,700	679,584	705,058	701,132	873,540	639,826	844,510	938,496	640,484
Total revenues	20,201,910	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
Expenditures:										
General government	2,936,399	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
Public safety	9,250,411	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
Street	1,734,376	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
Sanitation	1,993,291	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
Community Development	1,846,606	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
Capital outlay	1,059,150	849,977	1,442,276	1,045,779	1,674,275	1,581,902	1,503,104	684,454	2,512,410	494,345
Debt service										
Interest	95,916	80,310	112,443	94,563	76,111	63,489	31,620	11,086	22,251	21,978
Principal	426,340	-	617,269	606,876	534,067	498,645	1,063,218	77,580	145,555	172,208
Total expenditures	19,342,489	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
Excess (deficiency) of revenues over expenditures	859,421	1,291,448	1,020,991	2,862,477	371,528	(686,414)	(1,281,605)	777,712	(2,033,353)	167,987
Other Financing Sources (Uses):										
Transfers in (out)	-	-	(24,099)	(75,000)	(30,940)	(1,270)	(141,000)	(482,191)	(106,890)	(72,258)
Contributions to OPEB	-	-	-	-	(893,400)	-	-	-	-	-
Installment purchase contract	96,250	62,374	1,138,000	-	-	397,000	-	-	950,000	-
Total other financing sources (uses)	96,250	62,374	1,113,901	(75,000)	(924,340)	395,730	(141,000)	(482,191)	843,110	(72,258)
Special Item:										
Release of interfund debt	-	(1,384,762)	-	-	-	-	-	-	-	-
Net change in fund balances	$ 955,671	$ (30,940)	$ 2,134,892	$ 2,787,477	$ (552,812)	$ (290,684)	$ (1,422,605)	$ 295,521	$ (1,190,243)	$ 95,729
Debt service as a percentage of noncapital expenditures	3.05%	2.52%	4.62%	3.54%	2.86%	2.44%	5.25%	0.39%	0.70%	0.84%

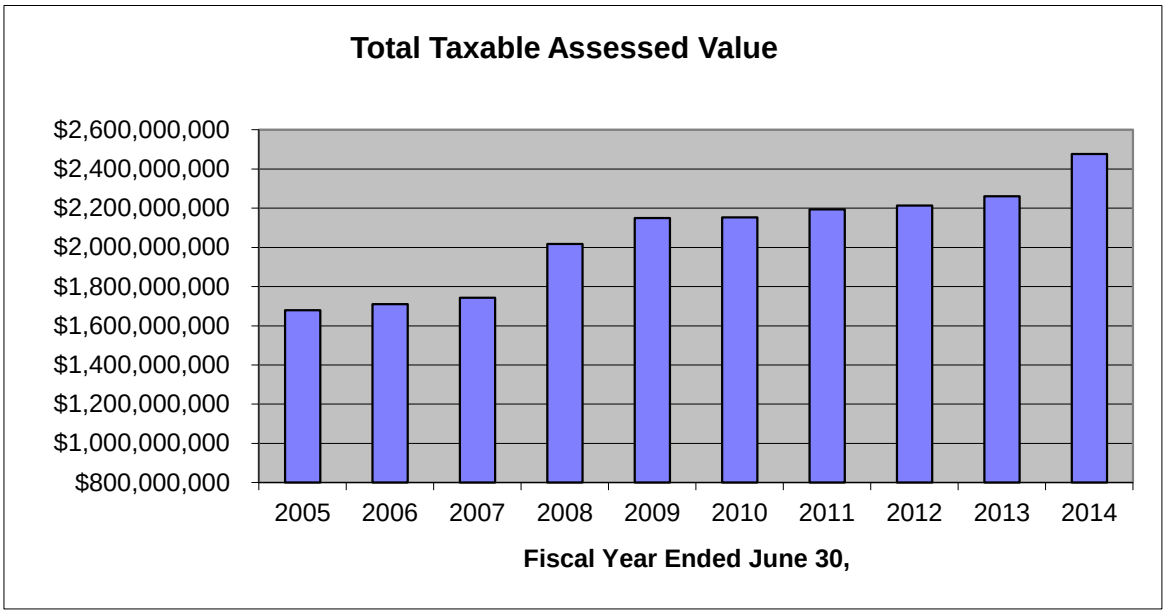
CITY OF SANFORD, NORTH CAROLINA
GENERAL FUND TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS

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
2005	$ 9,882,373	$ 4,262,333	$ 1,118,869	$ -	$ 156,367	$ 52,285	$ -	$ 15,472,227
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



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
2005	$ 1,175,515,025	$ 456,056,792	$ 47,308,731	$ 1,678,880,548	0.59	95.58%
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%



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 and Overlapping Rates
2005	0.59	0.13	0.67	1.39
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

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, 2014 COMPARED TO JUNE 30, 2004

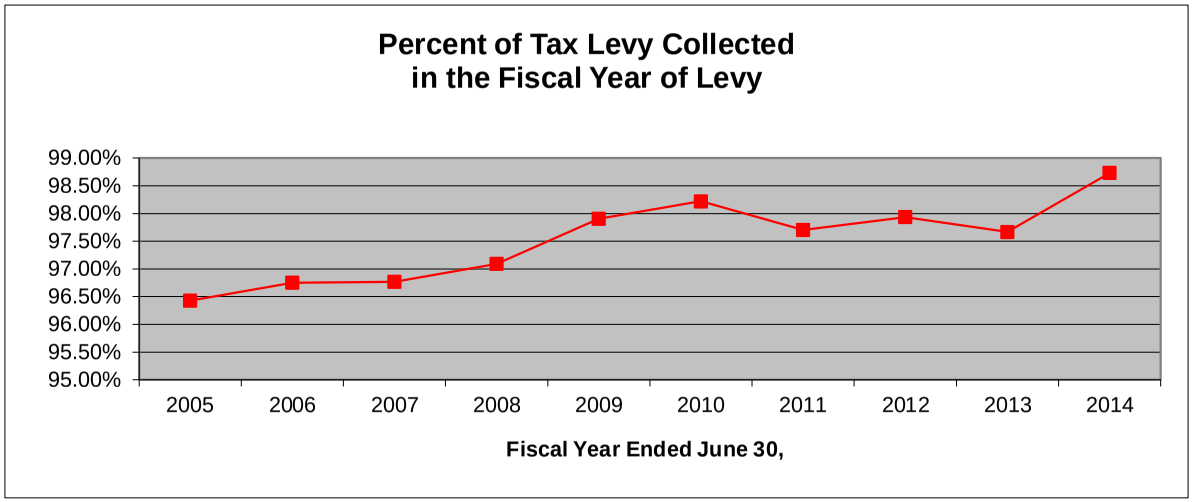
	2014			2004		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coty, Inc.	$ 115,378,073	1	4.66%	$ 50,280,214	2	3.04%
Frontier Spinning Mills	72,707,456	2	2.94%	51,941,907	1	3.14%
Simpson & Simpson	69,442,371	3	2.80%	28,975,685	4	1.75%
Magneti Marelli USA, INC.	42,332,015	4	1.71%	25,942,626	5	1.57%
Static Control	34,303,413	5	1.38%	17,631,928	8	1.06%
Moen, Inc.	33,522,960	6	1.35%	45,262,029	3	2.73%
The Pantry	33,139,740	7	1.34%			
AMI/Central Carolina Hospital	28,808,344	8	1.16%	20,275,475	7	1.22%
Pentair	23,659,350	9	0.96%			
Postoak Sanford	20,420,500	10	0.82%	17,232,300	9	1.04%
Alltel				22,938,982	6	1.39%
Wachovia Capital Markets				13,650,900	10	0.82%
Total	$ 473,714,222		19.13%	$ 294,132,046		17.77%

Source: Lee County Tax Office
Note: Cumulative information is only available for the past six years. The table will be comparative by a ten year span as the information becomes available.

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
2005	2004	$ 9,988,773	$ 9,632,089	96.43%	$ 332,441	$ 9,964,530	99.76%
2006	2005	10,126,869	9,797,708	96.75%	294,770	10,092,478	99.66%
2007	2006	10,730,404	10,383,580	96.77%	310,187	10,693,767	99.66%
2008	2007	11,252,823	10,925,653	97.09%	293,839	11,219,492	99.70%
2009	2008	11,657,150	11,412,602	97.90%	212,621	11,625,223	99.73%
2010	2009	11,680,323	11,472,363	98.22%	173,789	11,646,152	99.71%
2011	2010	11,943,217	11,668,582	97.70%	236,954	11,905,536	99.68%
2012	2011	12,001,949	11,753,896	97.93%	204,906	11,958,802	99.64%
2013	2012	12,280,705	11,994,033	97.67%	205,775	12,199,808	99.34%
2014	2013	13,380,720	13,210,856	98.73%	(1)	13,210,856	98.73%

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,	Installment Purchases	Annexation Liability	General Obligation Bonds	Notes Payable	Revenue Bonds	Installment Purchases	Total Government	Percentage of Personal Income	Per Capita Personal Income
2005	$ 2,059,389	$ 22,522	$ 6,610,774	$ 1,657,500	$ -	$ 20,247,239	$ 30,597,424	4.60%	$ 1,218
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	N/A
2012	209,050	2,185	-	19,288,225	49,555,000	-	69,054,460	N/A	N/A
2013	1,013,495	-	-	19,145,546	46,925,000	-	67,084,041	N/A	N/A
2014	841,287	2,995	-	19,002,866	44,245,000	-	64,092,148	N/A	N/A

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
2005	$ 6,610,774	0.39%	$ 277
2006	5,472,108	0.32%	197
2007	4,353,441	0.25%	150
2008	3,254,776	0.16%	117
2009	2,176,110	0.10%	75
2010	1,117,444	0.05%	40
2011	-	0.00%	-
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-

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, 2014

Governmental Unit	Debt Outstanding	*Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
City of Sanford - debt applicable to debt limit	$ 19,844,153	100%	$ 19,844,153
Lee County	110,840,829	47%	52,095,190
Total direct and overlapping debt	$ 130,684,982		$ 71,939,343

* 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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	$ 134,310,444	$ 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
Total net debt applicable to limit	23,986,650	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
Legal debt margin	$ 110,323,794	$ 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
Total net debt applicable to limit as a percentage of debt limit	17.86%	15.40%	16.31%	12.55%	10.42%	9.95%	11.26%	10.99%	11.10%	10.02%

Legal Debt Margin Calculation for Fiscal Year 2014:

Assessed value	$ 2,475,265,756
Debt limit 8% of assessed value	198,021,260
Amount of debt applicable to debt limit:	44,245,000
Outstanding debt not evidenced by bonds:	
Notes	19,002,866
Installment purchase contracts	841,287
Capital leases	-
Annexation liability fire protection	-
	64,089,153
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	44,245,000
	19,844,153
Legal debt margin	$ 178,177,107

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
2005	23,832	$ 664,531,488	$ 26,455	36.22	8,958	5.2%
2006	25,864	721,191,776	27,884	36.40	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	N/A	21,035	37.20	9,871	11.8%
2013	28,670	N/A	21,755	37.00	9,585	11.2%
2014	28,862	N/A	21,716	38.00	9,697	8.1%

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
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, 2014 COMPARED TO JUNE 30, 2006

	2014			2006		
Employer	Employees	Rank	Percentage of Total Lee County Employment	Employees	Rank	Percentage of Total Lee County Employment
Static Control	1,250	1	4.86%	1,400	1	5.49%
Pilgrims Pride	1,100	2	4.28%			
Coty	850	3	3.30%	750	2	2.94%
Pfizer	600	4	2.33%			
Pentair	500	5	1.94%	420	6	1.65%
Frontier Spinning	476	6	1.85%	345	8	1.35%
Arden	457	7	1.78%	384	7	1.51%
Tyson	443	8	1.72%	460	5	1.80%
Moen	415	9	1.61%			
Caterpillar	374	10	1.45%	725		2.84%
Magneti Marelli				585	4	2.29%
Parkdale Mills				220	9	0.86%
National Textiles				165	10	0.65%
Total	6,465		25.13%	5,454		21.38%

Source: Lee County Living Magazine

Note: Cumulative information is only available for the past eight years. The table will be comparative by a ten year span as the information becomes available.

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,							
	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program:								
General government	37	38	34	34	34	35	34	36
Public safety:								
Police officers	76	78	81	89	84	82	75	84
Police civilians	18	17	17	17	20	19	15	19
Firefighters and officers	49	50	51	52	52	53	51	51
Fire civilians	1	1	1	1	1	1	1	1
Inspections	8	7	5	5	5	5	5	5
Streets	18	18	18	18	18	18	17	17
Sanitation	18	18	17	17	17	17	16	17
Community development	14	15	15	15	14	15	14	13
Golf	6	6	6	6	6	5	5	5
Utility	80	79	82	81	82	82	77	84
Total	325	327	327	335	333	332	310	332

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

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

Function/Program:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Physical arrests	1,771	1,619	1,123	1,628	1,869	2,626	3,115	3,076	2,842	2,952
Parking violations	819	1,176	1,725	659	848	694	831	750	481	461
Traffic violations	10,638	8,627	6,710	7,049	4,903	5,628	5,738	6,145	4,573	4,769
Fire:										
Emergency responses	809	846	932	1,031	930	932	1,000	1,001	1,016	954
Fires extinguished	122	112	128	147	148	126	118	110	128	114
Inspections	505	1,152	964	825	904	1,802	945	961	1,428	1,424
Inspections:										
Building permits issued	767	771	767	241	466	433	475	458	412	333
Building inspections conducted	9,293	10,561	10,519	8,044	6,302	7,076	7,349	7,816	6,509	5,786
Street:										
Street resurfacing (miles)	8	8	5	4	9	-	-	-	6	-
Refuse collection:										
Refuse collected (tons per day)	35	32	30	31	29	31	31	33	30	29
Utility:										
New Water connections	4,258	401	578	130	20	97	91	103	204	155
Water main breaks	142	96	158	176	45	194	226	212	215	158
Average daily consumption (mgd)	6	6	6	6	5	6	6	7	7	8
Golf:										
Rounds	21,807	25,023	25,855	33,230	29,255	26,445	30,433	31,961	29,296	26,966

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:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	10	9	9	9	10	11	11	11
Streets:										
Streets (miles)	126.02	128.46		131.71	132.99	134.72	135.13	135.51	135.82	135.82
Water:										
Water mains (miles)	547.00	553.00	558.80	540.00	580.00	585.00	585.00	587.00	577.16	578.00
Fire hydrants	N/A	1441	1501	2761	2786	2786	2786	2786	2990	3001
Storage capacity (thousands of gallons)	5500	5500	5500	5500	5500	5500	5500	5500	5500	5500
Sewer:										
Sanitary sewers (miles)	184.00	187.00	188.50	210.00	212.00	215.00	215.00	250.00	254.50	255.00
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

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Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Sanford
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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Sanford's basic financial statements, and have issued our report thereon dated December 16, 2014. The financial statements of the City of Sanford ABC Board were not audited in accordance with *Government Auditing Standards*.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sanford's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sanford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 16, 2014

MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance For Each 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
Sanford, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Sanford, North Carolina's 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 each of the City of Sanford's major State programs for the year ended June 30, 2014. The City of Sanford's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Sanford's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in 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 non-compliance 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 each major State program. However, our audit does not provide a legal determination of the City of Sanford's compliance.

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13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Opinion on Each 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 each of its major State programs for the year ended June 30, 2014.

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 of Sanford'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, non-compliance 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 non-compliance 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 a 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 16, 2014

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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 that are not considered to be material weaknesses?	_____	Yes	X	None reported
Non-compliance material to financial statements noted?	_____	Yes	X	No

State Awards

Internal control over major State programs:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(s) identified that that are not considered to be material weaknesses?	_____	Yes	X	None reported
Type of auditor's report issued on compliance for major State programs:	Unmodified			
Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	_____	Yes	X	No

Identification of major State programs:

Program Name

Powell Bill Funds

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section II. Findings Related to the Audit of the Basic Financial Statements

None reported.

Section III. Findings and Questioned Costs Related to the Audit of State Awards

None reported.

CITY OF SANFORD, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

2013-001

Status: Corrected.

CITY OF SANFORD, NORTH CAROLINA
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2014

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Project Number	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	$ -	$ 32,825
U.S. Department of Housing and Urban Development				
Passed through N.C. Housing Finance Agency				
2012 Single Family Rehab Program (C1202)	14.239	SFR1222	112,186	-
Total Federal assistance			$ 112,186	
State Grants:				
Cash assistance:				
N.C. Housing Trust Fund				
Passed through N.C. Housing Finance Agency				
Urgent Repair Program - Housing Trust Funds (C1203)	N/A	2012 URP 1237	-	75,042
Urgent Repair Program - Housing Trust Funds (C1401)	N/A	2013 URP 1336	-	16,811
N.C. Department of Transportation				
Governor's Highway Safety Grant 2012 -				
Child Passenger Safety Grant	N/A	N/A		300
Powell Bill funds	N/A	N/A	-	813,204
Total State assistance				$ 938,182

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.