

CITY OF SANFORD

NORTH CAROLINA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2025

Prepared by:
City of Sanford Finance Department

Bethany Stephens
Director of Financial Services

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City of Sanford, North Carolina
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Letter of Transmittal	7
GFOA Certificate of Achievement	11
Organizational Chart	12
List of Elected and Appointed Officials	13
FINANCIAL SECTION	
Independent Auditor's Report	17
Management's Discussion and Analysis	21
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	33
Statement of Activities	34
Fund Financial Statements:	
Balance Sheet - Governmental Funds	35
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities	38
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	39
Statement of Net Position - Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	41
Statement of Cash Flows - Proprietary Funds	42
Statement of Fiduciary Net Position - Fiduciary Funds	43
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	44
Notes to Financial Statements	45
Required Supplementary Information:	
Schedule of Changes in Net OPEB Liability and Related Ratios Healthcare Benefits Plan	91
Schedule of Employer Contributions - Healthcare Benefits Plan	92
Schedule of Investment Returns - Healthcare Benefits Plan	93
City's Contributions - Local Government Employees' Retirement System	94
City's Proportionate Share of Net Pension Liability (Asset) - Local Government Employees' Retirement System	95
Schedule of Changes in Total Pension Liability-Law Enforcement Officers' Special Separation Allowance	96
Schedule of Total Pension Liability as a Percentage of Covered Payroll- Law Enforcement Officers' Special Separation Allowance	97
Combining and Individual Fund Statements and Schedules:	
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	100

Combining Balance Sheet - Nonmajor Governmental Funds	109
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	110
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Community Development Fund	111
Central Business-Municipal Service District Fund	114
Friends of Sanford-Blended Component Unit	115
Sanford Affordable Housing Development Corporation-Blended Component Unit	116
General Capital Projects Fund	117
Capital Reserve Fund	119
Schedules of Revenues and Expenditures - Budget and Actual:	
Utility Fund	123
Utility Capital Projects Fund - From Inception	127
Schedule of Revenues and Expenditures - Budget and Actual - Chatham Park-Wastewater Treatment Plant Operations	128
Schedule of Revenues and Expenditures - Budget and Actual - Pittsboro System Development Fees	129
Schedule of Revenues and Expenditures - Financial Plan and Actual - Health Insurance Internal Service Fund	130
Custodial Fund	
Combining Statement of Fiduciary Net Position	133
Combining Statement of Changes in Fiduciary Net Position	134
Other Supplemental Schedules:	
Schedule of Ad Valorem Taxes Receivable- General Fund	137
Supplemental Schedule of 2024 Tax Levy - General Fund	138
Schedule of Ad Valorem Taxes Receivable - Municipal Service District	139
Supplemental Schedule of 2024 Tax Levy - Municipal Service District	140
STATISTICAL SECTION	
Net Position by Component	143
Changes in Net Position	144
Fund Balances of Governmental Funds	146
Changes in Fund Balances of Governmental Funds	147
General Fund Tax Revenue by Source	148
Assessed Value and Estimated Actual Value of Taxable Property	149
Direct and Overlapping Property Tax Rates	150
Principal Property Taxpayers	151
Property Tax Levies and Collections	152
Ratios of Outstanding Debt by Type	153
Ratios of General Bonded Debt Outstanding	154
Direct and Overlapping Governmental Activities Debt	155
Legal Debt Margin Information	156
Demographic and Economic Statistics	157
Principal Employers	158
Full-Time Equivalent City Government Employees by Function/Program	159
Operating Indicators by Function/Program	160

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	165
Independent Auditor's Report on Internal Compliance for the Major Federal Program Report on Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	167
Independent Auditor's Report on Internal Compliance for the Major State Program Report on Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	171
Schedule of Findings, Responses and Questioned Costs	174
Supplemental Schedule of Expenditures of Federal and State Awards	176

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PO Box 3729
Sanford, NC 27331-3729

City of Sanford

(919) 777-1112

December 29, 2025

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

The Annual Comprehensive Financial Report of the City of Sanford, North Carolina, for the year ended June 30, 2025 submitted herewith in compliance with North Carolina General Statutes Section 159-34 which requires an annual independent audit and report on the financial activity of the City. This report is composed of four major sections. The introductory section includes this letter of transmittal. The financial section includes the auditors' opinion, management's discussion and analysis, financial statements, footnotes, combining and individual fund statements. The statistical section includes various tables reflecting the social and economic information, financial trends and fiscal capacity of the City. The final section is the compliance section.

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

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

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

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

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

Profile of the Government

The City of Sanford is the county seat of Lee County and is located in the central piedmont area of North Carolina. The City was incorporated in 1874 and presently has a land area of 25.29 square miles and a population of 32,971. 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 customers (locally and regionally).

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

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

Local Economy

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

The diverse economic base of manufacturing, wholesale and retail trade, services and construction as well as the City's close proximity to the Research Triangle area and the Fayetteville/Ft. Bragg area normally allows the City's local economy to withstand fluctuations. Due to the national economy and housing market, the increase in consumer product costs as well as the high unemployment rate, the local economy in Sanford has remained slow over the past few years. The County's unemployment rate was 4.5 % in June 2024 and it has decreased to 3.8% in June 2025. This decrease in unemployment rate compared to the prior year is consistent with what is being seen across most of the state of North Carolina.

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

Kyowa Kirin (Japanese based global specialty pharmaceutical company) announced in February 2024 they were acquiring 75 acres in Sanford with plans of investing \$200 million and create over 100 new jobs with an average annual salary of \$91,496. They located in the Helix Innovation Park at the Brickyard and have started construction on their facility. This will continue to enhance our life-science presence.

Long-Term Financial Planning

In fiscal year 2021-22, the City Council purchased land and began the design for a new fire station to be located off of Colon Road. Limited Obligation Bonds were issued in April 2023 for the fire station and fire trucks and the construction contract was awarded the following month. Future tax rate increases may be necessary to pay for operating costs for the new fire station. The new fire station was completed in December 2024.

City Council approved an increase of 4.75% in water and an increase of 4.75% in sewer rates in fiscal year 2025-26. This increase was necessary in order for the City to maintain a strong bond rating, maintain adequate reserves, fund the capital needs related to infrastructure required, and to maintain debt coverage necessary to meet our obligations. These rate increases were also necessary to prepare for the upcoming Water Plant expansion that will be required as well as other utility capital project needs and inflationary increases.

Relevant Financial Policies and Updates

Moody's and Fitch rated the City's revenue bonded debt issuances in May 2019 and June 2024. Moody's rated the Series 2019 (\$38,595,000) revenue bonds and Series 2024 (\$71,085,000) revenue bonds with an Aa3 rating. Fitch rated the Series 2019 revenue bonds and the Series 2024 revenue bonds with an AA-rating. The Series 2019 general obligation bonds (\$2,000,000) were upgraded to an AA+ by Fitch this past year. Moody's assigned a rating of Aa3 to the Limited Obligation bonds issued in March 2023. Both rating agencies noted the City's stable outlook.

Major Initiatives

The City continues the design of several transformative projects in our downtown area, including Depot Park renovations and the Sanford Agriculture Marketplace building project. Depot Park renovations will help restore our Depot building to maintain its historical value and character and are expected to be complete by Summer of 2026. The Sanford Agriculture Marketplace will house the local farmer's market and bring opportunity for our area farmers and residents to purchase food and vegetables and is expected to be complete in Spring of 2026. The City also continues participating in affordable housing projects including Jackson Heights, Washington Avenue and the Wilrik Apartments.

The third spec building located at Central Carolina Enterprise Park is completed and hopefully will have a tenant very soon to help add more commercial real and personal property values to the tax base. Helix Innovation Park at the Brickyard has also been established as an over 895-acre industrial park purpose-built for advanced manufacturing and life sciences.

VinFast, an electronic vehicle manufacturer, announced they would be locating at Triangle Innovation Point in Chatham County. The company plans to invest \$4 billion in the site and create 7,500 jobs over the next four years. City of Sanford will provide the water and wastewater to this company with a total estimated project cost of \$136 million. Grant funds and appropriations have been awarded to the City for \$133 million to offset these costs. There has been a delay in this project, however the City has been told the plans are still underway and are expected to be operation in late 2027. This would be the City's top water and sewer customer once operational.

The City began construction on the Water Filtration Plant upgrade and expansion and this project includes Town of Holly Springs and Fuquay Varina as partners. The other towns will pay costs for additional capacity through ownership. The total estimated cost of the expansion is expected to be \$300 million. Each municipality has issued debt for their portion of the costs.

The City entered into a merger agreement with Town of Pittsboro to own and operate Pittsboro's utility and that began on July 1, 2024. This merger allows for redundancy for Sanford customers as well as future capacity for Pittsboro customers.

The City has also entered into merger agreements with the Town of Siler City and Chatham County to own and operate each of their utilities. The Chatham County utility merger began July 1, 2025 and the Siler City merger is expected to occur by June 30, 2026. These mergers will allow for redundancy and future capacity for Siler City and Chatham County customers and establish Sanford as a regional utility provider.

Award and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford, North Carolina, for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. 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, 2024. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The City has received this award every year it has applied.

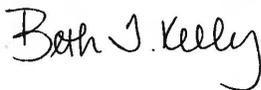
The City of Sanford also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2023. The GFOA established the Popular Annual Financial Reporting Awards Program to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The City has received this award every year it has applied.

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
Assistant City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

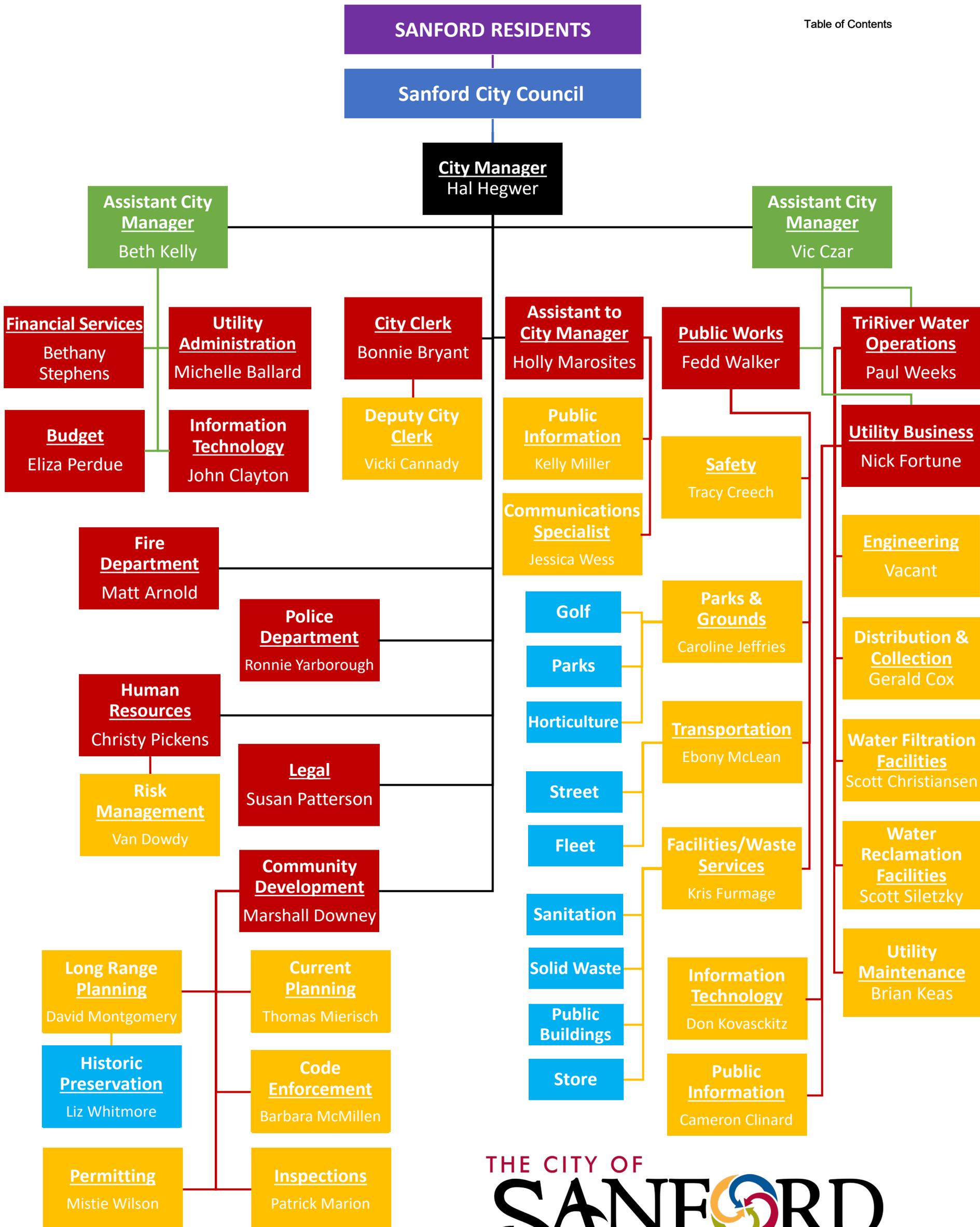
**City of Sanford
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO





GOVERNING BODY

THE HONORABLE REBECCA SALMON, MAYOR

MAYOR PRO TEM MARK AKINOSHO

COUNCIL MEMBER JAMES G. WILLIAMS

COUNCIL MEMBER WALTER FERGUSON

COUNCIL MEMBER BYRON BUCKLES

COUNCIL MEMBER LINDA RHODES

COUNCIL MEMBER JEAN DABBS

COUNCIL MEMBER CHARLES TAYLOR

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

BY

**Hal Hegwer
City Manager**

**Bethany Stephens
Director of Financial Services**

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CITY OF SANFORD, NORTH CAROLINA
FINANCIAL SECTION

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

Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (Tourism Development Authority), each major fund and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Sanford's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sanford as of June 30, 2025, and the respective changes in financial position, and cash flows where applicable thereof and the respective budgetary comparison for the General Fund and major, annually budgeted special revenue funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Sanford's ABC Board, which represent 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component unit, as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Sanford's ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Sanford's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sanford's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 21 through 32, the Law Enforcement Officers' Special Separation Allowance's Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee Payroll on pages 96 through 97, and the Other Postemployment Benefits' Schedules of Changes in the Net OPEB Liability and Related Ratios, City Contributions, and Investment Returns on pages 91 through 93, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 94 through 95 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanford's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the combining and individual fund financial statements, budgetary schedules, other schedules and Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

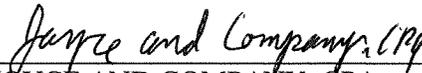
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2025 on our consideration of the City of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Sanford's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sanford's internal control over financial reporting and compliance.


 JOYCE AND COMPANY, CPA
 Cary, North Carolina

December 29, 2025

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CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

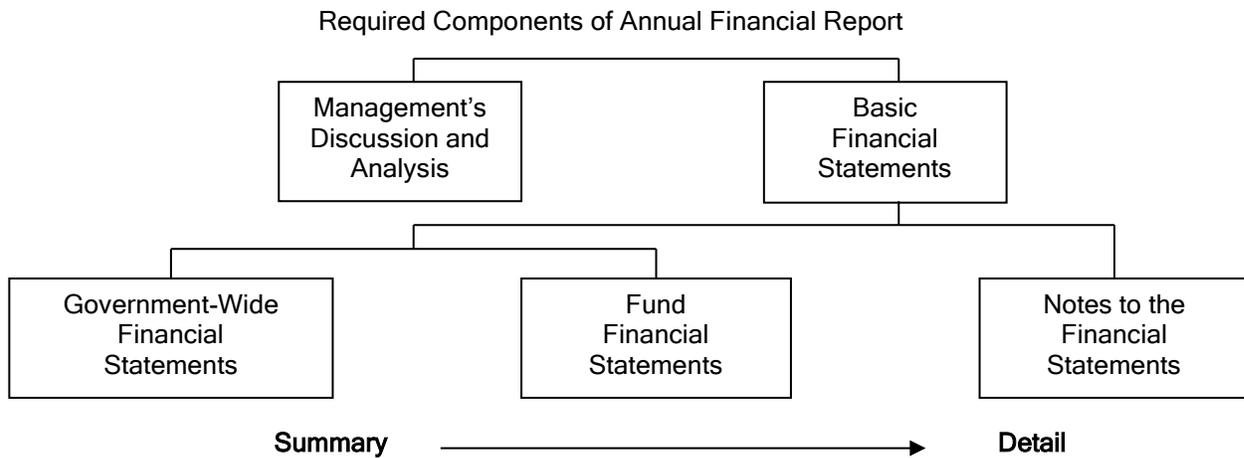
Financial Highlights

- The assets and deferred outflows of the City of Sanford exceeded its liabilities and its deferred inflows of resources at the close of the fiscal year by \$414,583,392 (net position).
- The government's total net position increased by \$130,710,884. This increase is due to \$16,780,725 in the governmental activities' net position and \$92,029,965 in the business-type activities' net position plus the \$21,900,194 related to the merger of Town of Pittsboro's utility system in the business-type activities.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$45,391,035, with a decrease of \$4,106,880 in fund balance. Of this amount 50.3%, or \$22,845,718, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$22,372,435, or 42.8% of total General Fund expenditures and other financing uses for the fiscal year.
- The City of Sanford's total net debt increased by \$89,700,724 during the fiscal year primarily due to \$88,350,000 issued in revenue bonds, \$1,086,250 in State Revolving fund loans, and \$5,579,303 issued in unamortized bond premiums for the Water Plant Upgrade and Expansion project.
- The City of Sanford maintains an Aa3 bond rating from Moody's and an AA- from Fitch for the revenue bond issuance.
- The City of Sanford was upgraded to an AA+ bond rating from Fitch and was upgraded to an AA bond rating from Moody's for the general obligation bond debt issued. The upgrade by Fitch was in fiscal year 2024-2025.

Overview of the Financial Statements

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

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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

Fund Financial Statements

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

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

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

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

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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

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

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

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

Government-Wide Financial Analysis

City of Sanford's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current assets and other assets	\$ 56,404,305	\$ 60,247,053	\$ 160,625,414	\$ 43,185,972	\$ 217,029,719	\$ 103,433,025
Capital assets	102,045,733	83,514,011	376,596,821	263,256,325	478,642,554	346,770,336
Total assets	158,450,038	143,761,064	537,222,235	306,442,297	695,672,273	450,203,361
Total deferred outflows of resources	9,926,230	11,394,868	2,784,161	3,622,024	12,710,391	15,016,892
Long-term liabilities	56,065,832	66,927,315	143,125,436	58,415,548	199,191,268	125,342,863
Other liabilities	17,590,916	9,865,520	45,420,910	14,400,819	63,011,826	24,266,339
Total liabilities	73,656,748	76,792,835	188,546,346	72,816,367	262,203,094	149,609,202
Deferred inflows of resources	16,306,127	12,834,278	15,290,051	13,758,113	31,596,178	26,592,391
Net position:						
Net investment in capital assets	82,108,137	64,648,716	290,337,970	206,751,214	372,446,107	271,399,930
Restricted	22,314,651	19,843,072	-	-	22,314,651	19,843,072
Unrestricted	(26,009,395)	(18,962,969)	45,832,029	16,738,627	19,822,634	(2,224,342)
Total net position	\$ 78,413,393	\$ 65,528,819	\$ 336,169,999	\$ 223,489,841	\$ 414,583,392	\$ 289,018,660

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

- As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. In the case of the City of Sanford, assets and deferred outflows exceeded its liabilities and deferred inflows by \$414,583,392 as of June 30, 2025. The City's net position increased by \$130,710,884 for the fiscal year ended June 30, 2025. However, \$372,446,107 of net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Sanford uses these capital assets to provide services to residents and customers; consequently, these assets are not available for future spending. Although the City of Sanford's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Also, \$22,314,651 of net position are restricted and these are resources that are subject to external restrictions on how they may be used. The remaining balance of \$19,822,634 is unrestricted.

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

- The increase is attributable to the capital projects in the governmental activities and the business-type activities.
- Slight increase in property tax revenues due to growth from prior year. The tax collection percentage in the current year is 99.5%.
- The increase is attributable to the water and sewer rate increases implemented to pay for the debt service payments on the upcoming Water Plant Upgrade and Expansion project and other various necessary capital projects.
- The increase is attributable to the sales tax revenue received.
- Expenses and accruals related to pension liabilities (LGERS and LEO).

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

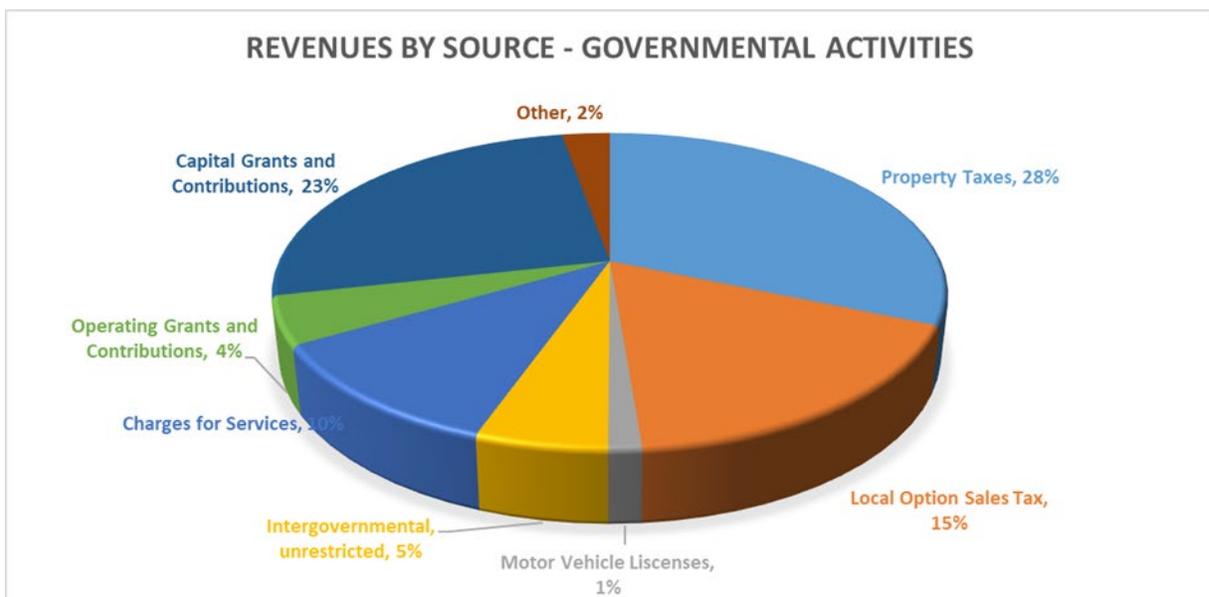
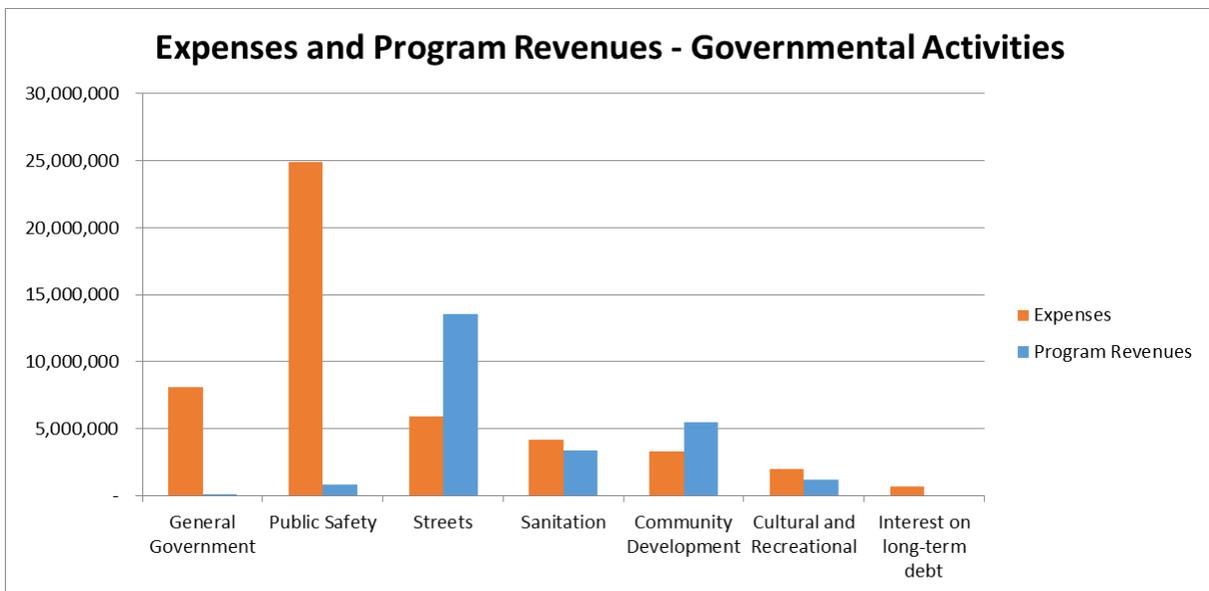
City of Sanford's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 6,551,266	\$ 5,833,691	\$ 40,844,954	\$ 30,185,806	\$ 47,396,220	\$ 36,019,497
Operating grants and contributions	2,861,108	2,969,363	-	-	2,861,108	2,969,363
Capital grants and contributions	15,067,197	9,107,823	92,664,656	60,860,168	107,731,853	69,967,991
General revenues:						
Property taxes	25,605,653	24,681,890	-	-	25,605,653	24,681,890
Other taxes	10,903,408	10,315,458	-	-	10,903,408	10,315,458
Intergovernmental not restricted	3,132,627	2,801,219	-	-	3,132,627	2,801,219
Other	1,612,447	2,962,355	5,185,228	2,068,256	6,797,675	5,030,611
Total revenues	<u>65,733,706</u>	<u>58,671,799</u>	<u>138,694,838</u>	<u>93,114,230</u>	<u>204,428,544</u>	<u>151,786,029</u>
Expenses:						
General government	8,065,669	8,331,613	-	-	8,065,669	8,331,613
Public safety	24,897,571	21,681,894	-	-	24,897,571	21,681,894
Streets	5,907,168	5,377,627	-	-	5,907,168	5,377,627
Sanitation	4,160,722	3,895,348	-	-	4,160,722	3,895,348
Community development	3,264,280	3,487,545	-	-	3,264,280	3,487,545
Cultural and recreational	2,011,724	2,186,475	-	-	2,011,724	2,186,475
Interest on long-term debt	645,847	704,183	-	-	645,847	704,183
Utility	-	-	46,664,873	32,482,530	46,664,873	32,482,530
Total expenses	<u>48,952,981</u>	<u>45,664,685</u>	<u>46,664,873</u>	<u>32,482,530</u>	<u>95,617,854</u>	<u>78,147,215</u>
Increase (decrease) in net position before disposals and transfers	16,780,725	13,007,114	92,029,965	60,631,700	108,810,690	73,638,814
Special item						
Merger of Town of Pittsboro utility system	-	-	21,900,194	-	21,900,194	-
Increase (decrease) in net position	<u>16,780,725</u>	<u>13,007,114</u>	<u>113,930,159</u>	<u>60,631,700</u>	<u>130,710,884</u>	<u>73,638,814</u>
Net position, beginning (as originally stated)	65,528,819	52,521,705	223,489,841	167,999,992	289,018,660	220,521,697
Prior period adjustment	(3,896,151)	-	(1,250,001)	(5,141,851)	(5,146,152)	(5,141,851)
Net position, beginning (as restated)	<u>61,632,668</u>	<u>52,521,705</u>	<u>222,239,840</u>	<u>162,858,141</u>	<u>283,872,508</u>	<u>215,379,846</u>
Net position, ending	<u>\$ 78,413,393</u>	<u>\$ 65,528,819</u>	<u>\$ 336,169,999</u>	<u>\$ 223,489,841</u>	<u>\$ 414,583,392</u>	<u>\$ 289,018,660</u>

CITY OF SANFORD, NORTH CAROLINA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2025

Governmental Activities. Governmental activities increased the City's net position by \$16,780,725. Key elements of this increase are as follows:

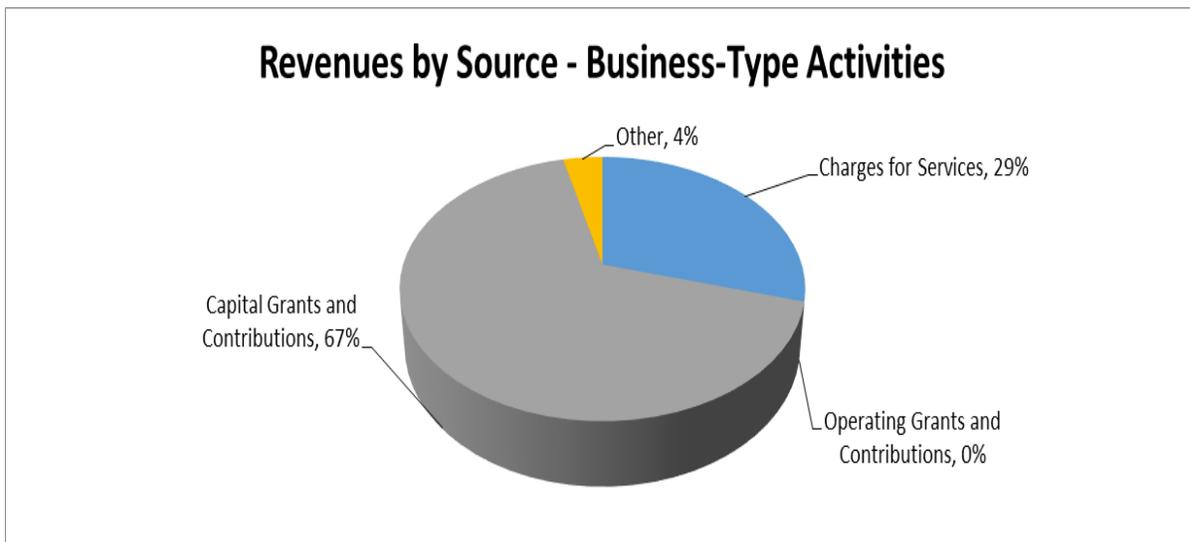
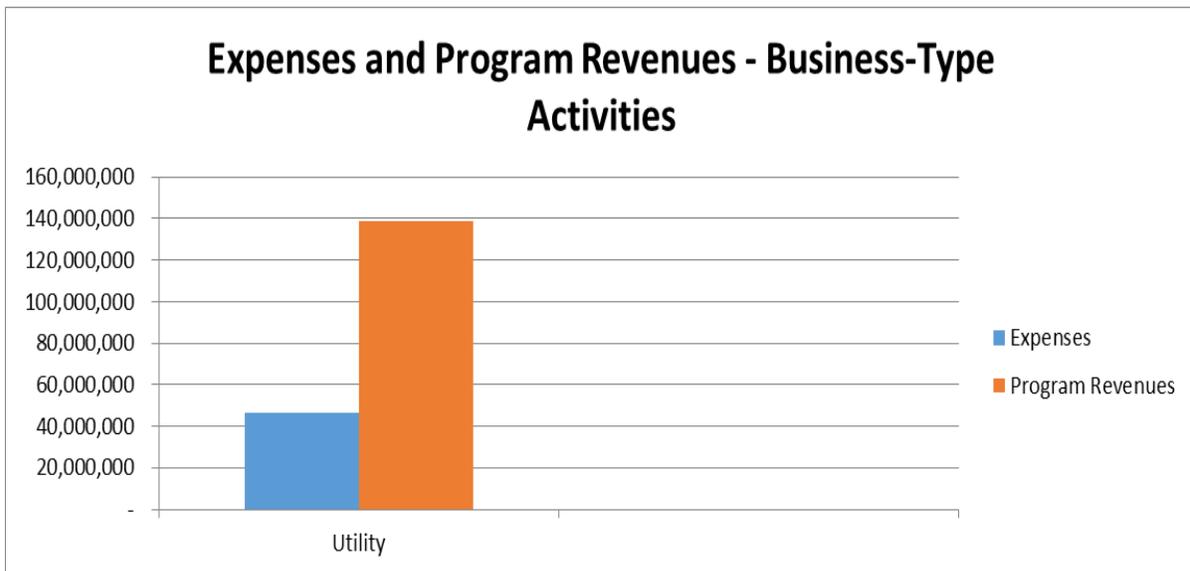
- Property tax revenues increased approximately \$923,763 compared to prior year due to growth in valuations and stable tax collection rate.
- Local option sales tax revenues increased approximately \$553,750 compared to prior year.
- Increase in salary and benefit expenses due to insurance increases, retirement increases, and cost of living adjustment given.
- Capital grants and contributions in the amount of \$15,067,1973 were received. This was primarily due to capital contributions for streets and grant funds.



CITY OF SANFORD, NORTH CAROLINA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2025

Business-Type Activities: Business-type activities increased the City of Sanford's net position by \$113,930,159, accounting for a portion of the growth in the government's net position. Key elements of this increase are as follows:

- Charges for services increased by approximately \$10,659,148 compared to prior year. This increase was primarily due to a water and sewer rate increase as well as user charges received from Town of Pittsboro utility customers that were merged into Sanford's system effective July 1, 2024.
- Capital grants and contributions in the amount of \$92,664,656 were received. This was primarily due to grants related to the Water Treatment Plant Expansion project and several large projects for the Pittsboro service area.
- Special item of \$21,900,194 was included due to the merger of Town of Pittsboro's utility system effective July 1, 2024.



CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Sanford. At the end of the current fiscal year, the City's fund balance available in the General Fund was \$16,971,052 while total fund balance reached \$34,259,674. The City currently has an available fund balance of 32.5% of General Fund expenditures, while total fund balance represents 65.6% of the same amount.

At June 30, 2025, the governmental funds of the City of Sanford reported a combined fund balance of \$45,391,035, a 8.3% decrease from last year. Included in this change in fund balance is a decrease of \$5,547,094 in the General Fund, and an increase in the Non-Major Funds' fund balances of \$1,440,214.

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 \$11,755,120 increase in appropriations between the original and final amended budget. The increase is primarily due to \$5,359,052 in capital items/projects that were not received or completed by the prior June 30th, including the street resurfacing contract. Council also decided to purchase properties for future use in the amount of \$590,784. A fire engine in the amount of \$900,000 was ordered due to damages received on one of the City's existing fire engines. Also, additional funds of \$700,000 were added to the Enterprise Park Drive Rehabilitation project due to bids received. Inflationary price increases were seen across all departments in supplies, contractual services, professional services, chemicals, and repairs and maintenance to equipment and added approximately \$745,000 to the budget. Various one-time projects were added due to grant matches, economic development opportunities, and affordable housing opportunities totaling \$2,363,187.

Revenue came in over budget. Due to economic conditions, the City remained conservative in estimating numerous revenues for fiscal year 2025, including ad valorem taxes, other taxes, golf revenues, and licenses and permit revenues which together were approximately \$2.7 million more than the budgeted amount. Tax revenues for the year increased primarily due to increased local option sales tax revenue received and increased property tax revenue, which grew as a result of approximately 6% in taxable property values, driven by increased commercial and residential construction and increased local real estate market values. Total expenditures were less than the revised budget by approximately \$7.7 million. The majority of the savings in actual expenditures versus budget is due to vacancies in staffing and over \$2 million in capital outlay that was ordered but not delivered by June 30th therefore will be paid for and expensed in next fiscal year.

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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 \$45,581,529. The total change in net position for the Utility Fund was \$113,930,159, 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, 2025 totals \$478,642,554, (net of accumulated depreciation). These assets include buildings, roads and bridges, land, treatment plants, utility lines, machinery and equipment, golf facilities, and vehicles.

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

- Water and sewer lines completed of approximately \$24,582,607. This included \$15,673,037 of contributed capital paid for by developers.
- Water and sewer construction in progress current year amounts were approximately \$102,566,219 due to the Water Treatment Plant Expansion and Upgrade project, Triangle Innovation Point water and sewer project, new Utility Building project, Automated Metering Infrastructure project, and East Sanford CDBG Sewer System Improvements.
- Governmental type fund land and streets increased by approximately \$12,871,827 due to street paving, contributed capital from developers for streets and the related land. Construction in progress increased \$8,088,869 largely due to the new fire station and related fire trucks project, the Sanford Agricultural Marketplace project, and the Depot Park renovation project.

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 21,673,224	\$ 21,129,916	\$ 6,419,693	\$ 4,505,589	\$ 28,092,917	\$ 25,635,505
Buildings	13,298,317	5,269,979	269,032	122,198	13,567,349	5,392,177
Plants	-	-	78,108,801	77,655,402	78,108,801	77,655,402
Tanks and lines	-	-	120,039,521	94,193,219	120,039,521	94,193,219
Streets	49,285,412	39,991,455	-	-	49,285,412	39,991,455
Equipment	8,869,313	6,367,946	2,501,207	1,473,286	11,370,520	7,841,232
Construction in progress	8,457,267	10,377,823	169,076,136	85,179,622	177,533,403	95,557,445
Intangible assets	462,200	376,892	182,431	127,009	644,631	503,901
Total	\$ 102,045,733	\$ 83,514,011	\$ 376,596,821	\$ 263,256,325	\$ 478,642,554	\$ 346,770,336

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

CITY OF SANFORD, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Long-Term Debt. As of June 30, 2025, the City of Sanford had total bonded debt outstanding of \$132,130,000. Of this amount, \$118,530,000 is backed by revenues from water and sewer user charges. The other portion of the bonded debt includes \$5,405,000 in general obligation bonds that were approved through referendum and supported by the tax base and \$8,195,000 in limited obligation bonds for the new fire station and related rolling stock. The remainder of the City's debt represents notes payable and installment purchase agreements.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds	\$ 13,600,000	\$ 14,655,000	\$ 118,530,000	\$ 32,030,000	\$132,130,000	\$ 46,685,000
Deferred amounts, net	1,708,164	1,810,973	8,917,346	3,858,054	10,625,510	5,669,027
Notes payable	-	-	8,374,469	9,237,090	8,374,469	9,237,090
Revolving fund loans	-	-	920,721	-	920,721	-
Lease liabilities	278,291	336,266	64,176	-	342,467	336,266
IT Subscription liabilities	122,063	41,070	81,604	92,056	203,667	133,126
Installment purchase contracts	3,623,635	4,248,002	2,322,358	2,533,492	5,945,993	6,781,494
Total	\$ 19,332,153	\$ 21,091,311	\$ 139,210,674	\$ 47,750,692	\$158,542,827	\$ 68,842,003

The City of Sanford's total debt increased by \$89,700,824 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 \$352,192,342.

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

Economic Factors and Next Year's Budget and Rates

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

- The unemployment rate in Lee County decreased from 4.5% in June 2024 to 3.8% in June 2025.
- The City is seeing some industrial growth in the commercial sector. Residential growth is increasing as more projects are being approved and completed.

Budget Highlights for the Fiscal Year Ending June 30, 2026

Governmental Activities:

One of the drivers of this proposed budget was the City's need to prepare for area growth. Council has made it a priority to consider this growth when making organizational changes and budgetary decisions. We are excited to work toward bringing several quality-of-life projects to our city. This upcoming fiscal year, we hope to complete our renovations to the Depot building and construction of the Sanford Agricultural Marketplace, and begin construction on our splash pad and culvert work at the City Hall campus. These large strategic investments, supported by grant funding and local funding, will provide the community space needed to offer the cultural opportunities and initiatives the residents desire.

This budget includes funding for a contribution made to Downtown Sanford, Inc. (DSI) in the amount of \$97,600 to fund downtown policing and contributions totaling \$23,400 of non-profit funding to Temple Theatre, Railroad House, and Arts Council.

CITY OF SANFORD, NORTH CAROLINA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2025

The City added two positions in the General Fund: Accounting Technician in the Finance department and an Accreditation Manager in the Police department. Council also approved two new positions for half of the fiscal year: CAD Manager in the Dispatch department and a Systems Analyst in the Information Technology department.

A cost-of-living adjustment of 2.8% and a salary adjustment of 2.5% was funded for all employees beginning on July 1, 2025; group health insurance increased by 3%; and retirement increased by 0.75%.

Major capital expenditures include street repair of Enterprise Park Drive, other sidewalk replacements, and street resurfacing. The City will also start construction of the new splashpad and culvert at the City Hall campus. The City also plans to purchase various trucks and vehicles.

Tax rate remained at 0.535 per \$100 assessed valuation. A motor vehicle fee remains in place at \$30 per vehicle and trailer. In response to a cost increase by GFL (vendor that provides our sanitation services) as well inflation costs related to bulk trash pickup, the City increased the sanitation fee by \$20 per household bringing the annual fee to \$370 per residence.

Business-type Activities:

The City must raise additional revenue for debt service for planned capital improvements, to retain adequate reserves, and to preserve the required debt service coverage to maintain a strong bond rating. Therefore, FY 25-26 budget includes a 4.75-percent rate increase for water service and a 4.75-percent rate increase for wastewater service. These rate increases are imperative to minimize higher rate adjustments in the future as the City prepares to expand its water plant. These rates are effective July 1st, 2025.

The City is anticipating growth in consumption due to an increase in the number of utility accounts as well as the increase in utility accounts related to merger with the Town of Pittsboro utilities that was effective July 1, 2024 and the merger with Chatham County utility system effective July 1, 2025. The City is also operating the Siler City utility system until merger is completed which is planned to occur in FYE 6/30/26. All City of Sanford utility functions will operate under the rebranded name of TriRiver Water and will continue to deliver high quality utility services to Sanford and partnering jurisdictions' customers.

The City added four new positions in the Utility Fund: Utility Equipment Operator II, a Utility Maintenance Worker, Water Filtration Administrator, and Water Reclamation Administrator, and thirty-four utility personnel from the Chatham utility. This is due to the growth of utility account the City is seeing as well as the merger with Pittsboro and Chatham utilities. The City also added thirty utility personnel from the Siler City utility that we are operating until the planned merger in the Fiscal Year 2026.

A cost-of-living adjustment of 2.8% and a salary adjustment of 2.5% was funded for all employees beginning on July 1, 2025; group health insurance increased by 3%; retirement increased by 0.75%.

Major utility fund expenses include: \$100,000 for iHydrant pressure monitors; \$250,000 for elevated storage tanks; \$400,000 for sewer rehabilitation; and the start of construction on a new Utility Building estimated at \$27 million. The City also plans to purchase various trucks and trailers for several of our utility departments .

Requests for Information

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION
June 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority
Assets:					
Current assets:					
Cash, cash equivalents and investments	\$ 45,098,789	\$ (3,972,866)	\$ 41,125,923	\$ 1,017,528	\$ 213,500
Property taxes receivable, net of allowance for uncollectible accounts	133,488	-	133,488	-	-
Accounts receivable, net of allowance for uncollectible accounts	179,675	5,002,457	5,182,132	-	-
Accrued interest receivable	-	2,024	2,024	-	-
Lease receivable	-	99,774	99,774	-	-
Due from other governmental agencies	5,736,507	55,076,192	60,812,699	-	75,576
Prepaid items	397,192	192,757	589,949	-	8,136
Deposits	36,900	-	36,900	-	-
Inventories	140,731	208,429	349,160	1,138,064	3,765
Note receivable	58,744	-	58,744	-	-
Restricted cash	4,302,222	102,766,885	107,069,107	-	-
Total current assets	56,084,248	159,375,652	215,459,900	2,155,592	300,977
Non-current assets:					
Note receivable-net of current portion	320,057	-	320,057	-	-
Lease receivable, non-current	-	1,249,762	1,249,762	-	-
Capital assets:					
Capital assets, non-depreciable	30,130,491	175,495,829	205,626,320	1,262,578	-
Capital assets, net of depreciation	71,453,042	200,918,561	272,371,603	3,160,071	-
Intangible right to use assets, net of amortization	462,200	182,431	644,631	-	27,909
Total non-current assets	102,365,790	377,846,583	480,212,373	4,422,649	27,909
Total assets	158,450,038	537,222,235	695,672,273	6,578,241	328,886
Deferred Outflows of Resources	9,926,230	2,784,161	12,710,391	346,723	-
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	6,941,314	36,241,563	43,182,877	351,618	15,215
Accrued interest payable	227,354	620,925	848,279	-	-
Current portion of long-term liabilities	10,422,248	9,293,417	19,715,665	55,923	26,561
Payable from restricted assets:					
Deposits	-	264,870	264,870	-	-
Total current liabilities	17,590,916	46,420,775	64,011,691	407,541	41,776
Non-current liabilities:					
Total pension liability LGERS	8,267,972	2,632,425	10,900,397	385,949	-
Total pension liability LEO	5,008,911	-	5,008,911	-	-
Net OPEB liability	22,459,395	6,320,446	28,779,841	183,684	-
Due in more than one year	20,329,554	133,172,700	153,502,254	2,164,191	2,600
Total non-current liabilities	56,065,832	142,125,571	198,191,403	2,733,824	2,600
Total liabilities	73,656,748	188,546,346	262,203,094	3,141,365	44,376
Deferred Inflows of Resources	16,306,127	15,290,051	31,596,178	5,576	-
Net Position:					
Net investment in capital assets	82,108,137	290,337,970	372,446,107	2,202,535	-
Restricted for:					
Stabilization by State statute	7,537,391	-	7,537,391	-	75,576
Community development	10,964,273	-	10,964,273	-	208,934
Inspections building permits	1,715,843	-	1,715,843	-	-
Public safety	131,900	-	131,900	-	-
Streets	1,965,244	-	1,965,244	-	-
Working capital	-	-	-	350,618	-
Unrestricted	(26,009,395)	45,832,029	19,822,634	1,224,870	-
Total net position	\$ 78,413,393	\$ 336,169,999	\$ 414,583,392	\$ 3,778,023	\$ 284,510

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

CITY OF SANFORD, NORTH CAROLINA

Exhibit 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		ABC Board	Tourism Development Authority	
					Governmental Activities	Business-Type Activities			Total
Primary Government:									
Governmental Activities:									
General government	\$ 8,065,669	\$ 9,026	\$ 47,449	\$ -	\$ (8,009,194)	\$ -	\$ (8,009,194)	\$ -	\$ -
Public safety	24,897,571	43,623	767,416	-	(24,086,532)	-	(24,086,532)	-	-
Streets	5,907,168	156,458	1,141,138	12,267,311	7,657,739	-	7,657,739	-	-
Sanitation	4,160,722	3,395,578	-	-	(765,144)	-	(765,144)	-	-
Community development	3,264,280	1,750,420	905,105	2,799,886	2,191,131	-	2,191,131	-	-
Cultural and recreational	2,011,724	1,196,161	-	-	(815,563)	-	(815,563)	-	-
Interest on long-term debt	645,847	-	-	-	(645,847)	-	(645,847)	-	-
Total governmental activities	48,952,981	6,551,266	2,861,108	15,067,197	(24,473,410)	-	(24,473,410)	-	-
Business-Type Activities:									
Utility	46,664,873	40,844,954	-	92,664,656	-	86,844,737	86,844,737	-	-
Total primary government	\$ 95,617,854	\$ 47,396,220	\$ 2,861,108	\$ 107,731,853	\$ (24,473,410)	86,844,737	62,371,327	-	-
Component Units:									
Tourism Development Authority	\$ 432,667	\$ 13,561	\$ 7,270	\$ -	\$ -	\$ -	\$ -	\$ -	(411,836)
ABC Board	11,929,393	11,819,730	-	-	-	-	(109,663)	-	-
Total component units	\$ 12,362,060	\$ 11,833,291	\$ 7,270	\$ -	\$ -	\$ -	\$ (109,663)	\$ (411,836)	
General revenues:									
Taxes:									
Property taxes, levied for general purpose					25,605,653	-	25,605,653	-	-
Local option sales tax					10,118,098	-	10,118,098	-	-
Motor vehicle licenses					785,310	-	785,310	-	-
Tourism development tax					-	-	-	-	422,005
Intergovernmental revenues, unrestricted					3,132,627	-	3,132,627	-	-
Investment earnings					1,595,067	4,658,349	6,253,416	15,956	-
Miscellaneous					17,380	526,879	544,259	93,498	14,698
Total general revenues not including transfers					41,254,135	5,185,228	46,439,363	109,454	436,703
Change in net position - before special item					16,780,725	92,029,965	108,810,690	(209)	24,867
Special item									
Merger of Town of Pittsboro water and sewer system					-	21,900,194	21,900,194	-	-
Change in net position					16,780,725	113,930,159	130,710,884	(209)	24,867
Net position - Beginning (as originally stated)					65,528,819	223,489,841	289,018,660	3,778,232	259,643
Restatement					(3,896,151)	(1,250,001)	(5,146,152)	-	-
Net position - beginning (as restated)					61,632,668	222,239,840	283,872,508	3,778,232	259,643
Net position, ending					\$ 78,413,393	\$ 336,169,999	\$ 414,583,392	\$ 3,778,023	\$ 284,510

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2025

	<u>Major Funds</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Assets:			
Assets:			
Cash, cash investments, and investments	\$ 30,439,309	\$ 10,406,550	\$ 40,845,859
Cash, restricted	3,825,067	477,156	4,302,223
Property taxes receivable, net	131,653	1,835	133,488
Accounts receivable, net	174,851	3,292	178,143
Due from other funds	49,022	-	49,022
Due from other governmental agencies	4,289,018	1,447,489	5,736,507
Prepaid items	390,336	5,158	395,494
Inventories	140,731	-	140,731
Total assets	<u>\$ 39,439,987</u>	<u>\$ 12,341,480</u>	<u>\$ 51,781,467</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 4,905,826	\$ 1,099,262	\$ 6,005,088
Due to other funds	-	49,022	49,022
Total liabilities	<u>4,905,826</u>	<u>1,148,284</u>	<u>6,054,110</u>
Deferred Inflows of Resources:			
Property taxes receivable	131,653	1,835	133,488
Sanitation fees receivable-net	29,890	-	29,890
Grants	-	60,000	60,000
Other receivables	112,944	-	112,944
Total deferred inflows of resources	<u>274,487</u>	<u>61,835</u>	<u>336,322</u>
Fund Balances:			
Non-spendable:			
Inventories	140,731	-	140,731
Prepaid items	390,336	5,158	395,494
Restricted:			
Stabilization by State statute	7,531,105	6,286	7,537,391
Community development	12,080	10,947,035	10,959,115
Inspections building permits	1,715,843	-	1,715,843
Public Safety	131,900	-	131,900
Streets	1,965,244	-	1,965,244
Committed:			
Cultural and recreational	-	28,391	28,391
LEO Special Separation Allowance	2,473,901	-	2,473,901
Assigned:			
Downtown revitalization	-	112,461	112,461
Subsequent year's expenditures	2,927,482	32,030	2,959,512
Unassigned	16,971,052	-	16,971,052
Total fund balances	<u>34,259,674</u>	<u>11,131,361</u>	<u>45,391,035</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,439,987</u>	<u>\$ 12,341,480</u>	<u>\$ 51,781,467</u>

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

CITY OF SANFORD, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2025

	<u>Total Governmental Funds</u>
Fund balances - Total Governmental Funds	\$ 45,391,035
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.	101,583,533
Intangible right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	462,200
Deferred inflows of resources related to pensions are not reported in the funds	(565,519)
Deferred inflows of resources related to OPEB are not reported in the funds	(15,675,608)
Notes receivable are not current financial assets and, therefore are not reported in the funds	378,801
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements	271,322
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.	3,356,833
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.	
Government bonds and notes payable	(17,223,634)
Premiums on bonds	(1,708,165)
Lease and subscription liabilities	(400,354)
Compensated absences	(7,602,843)
Total pension liability LGERS	(11,408,336)
Total pension liability LEO	(5,685,353)
Net OPEB liability	<u>(22,459,395)</u>
Deferred outflows of resources related to pensions are not reported in the funds	8,142,723
Deferred outflows of resources related to OPEB are not reported in the funds	1,783,507
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	
Accrued interest	<u>(227,354)</u>
Net position of governmental activities	<u>\$ 78,413,393</u>

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

CITY OF SANFORD, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025**

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	General Capital Projects Fund		
Revenues:				
Ad valorem taxes	\$ 25,484,484	\$ -	\$ 103,917	\$ 25,588,401
Other taxes	10,909,573	-	-	10,909,573
Penalties and interest	94,548	-	-	94,548
License and permits	1,788,373	-	-	1,788,373
Intergovernmental revenues	5,867,382	-	1,962,693	7,830,075
Investment income	1,432,964	-	162,103	1,595,067
Sales and services	3,401,421	-	-	3,401,421
Miscellaneous revenues	1,464,411	-	1,180,839	2,645,250
Total revenues	50,443,156	-	3,409,552	53,852,708
Expenditures:				
Current operating:				
General government	8,324,780	-	-	8,324,780
Public safety	23,179,017	-	-	23,179,017
Streets	2,941,150	-	-	2,941,150
Sanitation	3,859,590	-	-	3,859,590
Community development	2,395,455	-	758,312	3,153,767
Cultural and recreational	1,783,009	-	-	1,783,009
Capital outlay	7,045,354	-	5,829,087	12,874,441
Debt service:				
Principal	1,988,864	-	-	1,988,864
Interest	745,816	-	-	745,816
Debt issuance costs	3,232	-	-	3,232
Total expenditures	52,266,267	-	6,587,399	58,853,666
Revenues in excess of (less than) expenditures	(1,823,111)	-	(3,177,847)	(5,000,958)
Other Financing Sources (Uses):				
Insurance recovery	511,858	-	-	511,858
Subscription liabilities issued	230,369	-	-	230,369
Lease liabilities issued	114,345	-	-	114,345
Transfers in	107,815	-	4,725,876	4,833,691
Transfers (out)	(4,725,876)	-	(107,815)	(4,833,691)
Sale of property	37,506	-	-	37,506
Total other financing sources (uses)	(3,723,983)	-	4,618,061	894,078
Net change in fund balances	(5,547,094)	-	1,440,214	(4,106,880)
Fund balances, beginning of year, as previously reported	39,806,768	7,810,699	1,880,448	49,497,915
Change within financial reporting entity	-	(7,810,699)	7,810,699	-
Fund balances, beginning of year, as restated	39,806,768	-	9,691,147	49,497,915
Fund balances, end of year	\$ 34,259,674	\$ -	\$ 11,131,361	\$ 45,391,035

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

CITY OF SANFORD, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

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

Net changes in fund balance - total governmental funds (Exhibit 4) \$ (4,106,880)

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	\$ 12,874,441	
Current year depreciation expense	(5,481,520)	
Current year amortization expense	(303,141)	7,089,780

Current receipts of prior loans are not revenues (57,514)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Developer's contributed capital		12,267,311
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The net effect of various miscellaneous transactions involving capital assets (i.e.-sales, trade-ins, and transfers) is to decrease net position (813,168)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		2,973,098
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Benefit payments paid for the LEOSSA are not included on the Statement of Activities		394,733
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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	(77,296)	
Change in unavailable revenue - all others	12,302	(64,994)

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	1,679,368	
Lease and subscription liabilities issued	(344,714)	
Lease and subscription liabilities retired	309,496	
Amortization of bond premiums	102,808	
Accrued interest expense	(2,839)	1,744,119

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	(877,303)	
Pension expense (LERS)	(3,335,210)	
Pension expense (LEO)	(678,573)	
OPEB plan expense	1,984,386	(2,906,700)

Internal service funds are used by management to charge the costs of health insurance to individual funds. The net income of certain activities of internal service funds is reported with governmental activities.

260,940

Total changes in net position of governmental activities (Exhibit 2)		<u>\$ 16,780,725</u>
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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, 2025

	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 24,598,871	\$ 24,598,871	\$ 25,484,484	\$ 885,613
Other taxes	10,539,103	10,365,445	10,909,573	544,128
Penalties and interest	55,000	55,000	94,548	39,548
Licenses and permits	825,750	825,750	1,788,373	962,623
Intergovernmental revenues	5,310,202	5,668,860	5,867,382	198,522
Investment income	1,750,000	1,750,000	1,432,964	(317,036)
Sales and services	3,524,500	3,524,500	3,401,421	(123,079)
Miscellaneous revenues	1,577,275	1,393,475	1,464,411	70,936
Total revenues	<u>48,180,701</u>	<u>48,181,901</u>	<u>50,443,156</u>	<u>2,261,255</u>
Expenditures:				
Current operating:				
General government	10,290,322	12,205,699	9,573,102	2,632,597
Public safety	25,457,179	29,950,333	27,578,127	2,372,206
Streets	5,167,476	5,187,299	3,883,486	1,303,813
Sanitation	3,958,978	4,585,099	4,155,478	429,621
Community development	2,715,173	2,840,928	2,395,455	445,473
Cultural and recreational	1,996,652	2,201,101	1,942,707	258,394
Debt service				
Principal retirement	1,982,663	2,280,663	1,988,864	291,799
Interest	735,661	747,661	745,816	1,845
Issuance costs	15,000	15,000	3,232	11,768
Total expenditures	<u>52,319,104</u>	<u>60,013,783</u>	<u>52,266,267</u>	<u>7,747,516</u>
Revenues in excess of (less) than expenditures	<u>(4,138,403)</u>	<u>(11,831,882)</u>	<u>(1,823,111)</u>	<u>10,008,771</u>
Other Financing Sources (Uses):				
Insurance recovery	-	196,235	511,858	315,623
Subscription liabilities issued	-	348,000	230,369	(117,631)
Lease liabilities issued	-	120,000	114,345	(5,655)
Issuance of debt	2,450,000	2,450,000	-	(2,450,000)
Transfer from other funds	-	-	107,815	107,815
Transfer to other funds	-	(4,725,876)	(4,725,876)	-
Sale of property	172,000	172,000	37,506	(134,494)
Total other financing sources (uses)	<u>2,622,000</u>	<u>(1,439,641)</u>	<u>(3,723,983)</u>	<u>(2,284,342)</u>
Revenues and other financing sources more (less) than expenditures and other financing sources (uses)	<u>(1,516,403)</u>	<u>(13,271,523)</u>	<u>(5,547,094)</u>	<u>7,724,429</u>
Appropriated fund balance	<u>1,516,403</u>	<u>13,271,523</u>	<u>-</u>	<u>(13,271,523)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(5,547,094)</u>	<u>\$ (5,547,094)</u>
Fund balance, beginning of year			<u>39,806,768</u>	
Fund balance, end of year			<u>\$ 34,259,674</u>	

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2025

	Business-Type Activities			Governmental-Type Activities
	Major	Non-Major	Total	
	Utility Fund	Chatham Park Water Recovery Center	Business-Type Activities	Internal Service Fund Health Insurance
Assets:				
Current assets:				
Cash, cash equivalents and investments	\$ (4,144,333)	\$ 171,467	\$ (3,972,866)	\$ 4,252,929
Accounts receivable, net of allowance for uncollectible accounts	4,926,760	75,697	5,002,457	1,532
Due from other governmental agencies	55,060,716	15,476	55,076,192	-
Accrued interest receivable	2,024	-	2,024	-
Lease receivable	99,774	-	99,774	-
Inventories	208,429	-	208,429	-
Prepaid items	192,757	-	192,757	1,698
Deposits	-	-	-	36,900
Restricted cash	102,766,885	-	102,766,885	-
Total current assets	159,113,012	262,640	159,375,652	4,293,059
Non-current assets:				
Capital assets, non-depreciable	175,495,829	-	175,495,829	-
Capital assets, net of depreciation	200,918,561	-	200,918,561	-
Lease receivable, net of current portion	1,249,762	-	1,249,762	-
Right to use assets, net of amortization	182,431	-	182,431	-
Total non-current assets	377,846,583	-	377,846,583	-
Total assets	536,959,595	262,640	537,222,235	4,293,059
Deferred Outflows of Resources:				
Pension deferrals	2,258,640	-	2,258,640	-
Advance refunding of bonds	185,474	-	185,474	-
OPEB deferrals	340,047	-	340,047	-
Total deferred outflows of resources	2,784,161	-	2,784,161	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	36,188,934	12,140	36,201,074	124,505
Current portion of long-term debt	6,940,205	-	6,940,205	-
Accrued interest payable	620,925	-	620,925	-
Compensated absences	1,353,347	-	1,353,347	-
Claims incurred but not reported	-	-	-	811,722
Payable from restricted assets:				
Customer deposits	264,870	-	264,870	-
Total current liabilities	45,368,281	12,140	45,380,421	936,227
Non-current liabilities:				
Long-term debt	132,270,469	-	132,270,469	-
Compensated absences	902,231	-	902,231	-
Net OPEB liability	6,320,446	-	6,320,446	-
Net pension liability	3,632,290	-	3,632,290	-
Total non-current liabilities	143,125,436	-	143,125,436	-
Total liabilities	188,493,717	12,140	188,505,857	936,227
Deferred Inflows of Resources:				
Pension deferrals	87,805	-	87,805	-
Lease deferrals	1,358,724	-	1,358,724	-
OPEB deferrals	6,331,134	-	6,331,134	-
Grants	7,547,284	-	7,547,284	-
Rents	5,593	-	5,593	-
Total deferred inflows of resources	15,330,540	-	15,330,540	-
Net Position:				
Net investment in capital assets	290,337,970	-	290,337,970	-
Unrestricted	45,581,529	250,500	45,832,029	3,356,832
Total net position	\$ 335,919,499	\$ 250,500	\$ 336,169,999	\$ 3,356,832

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities			Governmental-Type Activities
	Major	Non-Major	Total	
	Utility Fund	Chatham Park Water Recovery Center	Business-Type Activities	Internal Service Fund Health Insurance
Operating Revenues:				
User charges	\$ 34,160,026	\$ 502,791	\$ 34,662,817	\$ -
System development fees	4,652,053	-	4,652,053	-
Monitoring fees	102,762	-	102,762	-
Connection and tap fees	359,561	-	359,561	-
Health insurance premiums	-	-	-	5,723,263
Other	999,630	75,000	1,074,630	-
Total operating revenues	40,274,032	577,791	40,851,823	5,723,263
Operating Expenses:				
Administration and engineering	7,273,767	-	7,273,767	-
Distribution and collection	8,459,444	-	8,459,444	-
Water plant operations	5,556,840	-	5,556,840	-
Sewer plant operations	1,482,625	-	1,482,625	-
Utility maintenance	1,894,120	-	1,894,120	-
Store expenses	224,307	-	224,307	-
Insurance claims and administrative fees	-	-	-	5,461,242
Wellness initiatives	-	-	-	145,448
Water reclamation	4,103,568	502,791	4,606,359	-
Depreciation and amortization	8,083,214	-	8,083,214	-
Total operating expenses	37,077,885	502,791	37,580,676	5,606,690
Operating income (loss)	3,196,147	75,000	3,271,147	116,573
Non-Operating Revenues (Expenses)				
Investment earnings	4,658,349	-	4,658,349	144,367
Interest and other charges	(4,832,595)	-	(4,832,595)	-
Debt issuance costs	(4,251,602)	-	(4,251,602)	-
Amortization of bond premiums	520,010	-	520,010	-
Total non-operating revenue (expenses)	(3,905,838)	-	(3,905,838)	144,367
Income (loss) before contributions and special item	(709,691)	75,000	(634,691)	260,940
Capital Contributions	92,664,656	-	92,664,656	-
Change in net position - before special item	91,954,965	75,000	92,029,965	260,940
Special Item				
Merger of Town of Pittsboro water and sewer system	21,900,194	-	21,900,194	-
Change in net position	113,855,159	75,000	113,930,159	260,940
Total net position - beginning (as originally stated)	223,314,341	175,500	223,489,841	3,095,892
Restatement	(1,250,001)	-	(1,250,001)	-
Total net position - beginning (as re-stated)	222,064,340	175,500	222,239,840	3,095,892
Total net position - ending	\$ 335,919,499	\$ 250,500	\$ 336,169,999	\$ 3,356,832

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type			Governmental-Type
	Major	Non-Major	Total	Activities -
	Utility Fund	Chatham Park Water Recovery Center	Business-Type Activities	Internal Service Fund Health Insurance
Cash Flows from Operating Activities:				
Cash received from customers	\$ 45,570,940	\$ 527,594	\$ 46,098,534	\$ 5,723,634
Contributions from other agencies	-	69,468	69,468	-
Cash paid for goods and services	(18,403,683)	(403,168)	(18,806,851)	-
Customer deposits	43,270	-	43,270	-
Cash payments to employees	(12,078,664)	(92,846)	(12,171,510)	-
Cash paid for health insurance claims and wellness initiatives	-	-	-	(5,324,646)
Net cash provided (used) by operating activities	15,131,863	101,048	15,232,911	398,988
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(65,612,466)	-	(65,612,466)	-
Debt issued	88,750,000	-	88,750,000	-
Premiums received on debt issued	5,579,303	-	5,579,303	-
Disposal of capital assets	6,740	-	6,740	-
Contributions from other agencies	38,821,019	-	38,821,019	-
Principal paid on bond, lease, and equipment contracts	(3,148,596)	-	(3,148,596)	-
Interest paid on bond maturities and installment purchase debt	(4,338,025)	-	(4,338,025)	-
Bond issuance costs	(4,251,602)	-	(4,251,602)	-
Cash received from water tank license agreements	97,089	-	97,089	-
Net cash used by capital and related financing activities	55,903,462	-	55,903,462	-
Cash Flow from Investing Activities:				
Interest on investments	4,658,415	-	4,658,415	144,368
Cash received in merger of Pittsboro water and sewer system	9,073,474	-	9,073,474	-
Net cash provided by investing activities	13,731,889	-	13,731,889	144,368
Net change in cash and cash equivalents	84,767,214	101,048	84,868,262	543,356
Balances - beginning of the year	13,855,338	70,419	13,925,757	3,709,573
Balances - end of the year	\$ 98,622,552	\$ 171,467	\$ 98,794,019	\$ 4,252,929
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 3,196,147	\$ 75,000	\$ 3,271,147	\$ 116,572
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	8,083,214	-	8,083,214	-
Changes in asset and liabilities:				
(Increase) decrease in accounts receivable	5,296,745	24,803	5,321,548	372
Increase in due from other governments	-	(5,532)	(5,532)	-
Increase in inventories	(30,304)	-	(30,304)	-
(Increase) decrease in prepaid items	(149,206)	-	(149,206)	21,750
Decrease in deferred outflow of resources for pensions	685,053	-	685,053	-
Decrease in net pension liability	(849,240)	-	(849,240)	-
Decrease in deferred inflow of resources for pensions	(10,276)	-	(10,276)	-
Decrease in deferred outflow of resources - OPEB	755,336	-	755,336	-
Decrease in net OPEB liability	(4,240,926)	-	(4,240,926)	-
Increase in deferred inflow of resources - OPEB	2,376,693	-	2,376,693	-
Decrease in accounts payable and accrued liabilities	(400,655)	6,777	(393,878)	78,207
Increase in compensated absences	375,849	-	375,849	-
Increase in claims incurred but not reported	-	-	-	182,087
Increase in deferred rental income	163	-	163	-
Increase in customer deposits	43,270	-	43,270	-
Total adjustments	11,935,716	26,048	11,961,764	282,416
Net cash provided (used) by operating activities	\$ 15,131,863	\$ 101,048	\$ 15,232,911	\$ 398,988
Non-cash capital activities and non-capital financing activities:				
Contributed capital assets	\$ 16,339,429	\$ -	\$ 16,339,429	\$ -
Assets acquired through IT Subscription and leasing arrangements	113,036	-	113,036	-
Total non-cash capital activities and non-capital financing activities	\$ 16,452,465	\$ -	\$ 16,452,465	\$ -

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2025

	Custodial Funds	Other Post- Employment Benefits
Assets:		
Cash and cash equivalents	\$ 75,605	\$ -
Investments:		
Mutual funds	-	4,978,691
NC State Treasurer's Short Term Investment Fund (STIF)	-	880,236
Accounts receivable	71,679	-
Total assets	<u>147,284</u>	<u>5,858,927</u>
Liabilities:		
Due to other governments	<u>71,679</u>	<u>-</u>
Net Position:		
Restricted for:		
Postemployment benefits other than pensions	-	5,858,927
Individuals, organization, and other governments	75,605	-
Total fiduciary net position	<u>\$ 75,605</u>	<u>\$ 5,858,927</u>

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

CITY OF SANFORD, NORTH CAROLINA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Custodial Funds</u>	<u>Other Post- Employment Benefits</u>
Additions:		
Net investment income	\$ 1,018	\$ 709,769
Occupancy tax	422,005	-
Contributions	8,177	-
Employer contributions	-	75,000
Total additions	<u>431,200</u>	<u>784,769</u>
Deductions:		
Benefit payments	8,598	-
Distributions	422,005	-
Administrative expense	-	886
Total deductions	<u>430,603</u>	<u>886</u>
Net decrease in fiduciary net position	597	783,883
Net position - beginning	<u>75,008</u>	<u>5,075,044</u>
Net position - ending	<u>\$ 75,605</u>	<u>\$ 5,858,927</u>

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

CITY OF SANFORD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City, a political subdivision of Lee County (the “County”), is located in the central portion of the State and has a population of 32,971. The City operates under a Council-Manager form of government. The City provides services, which include general government, public safety, streets, sanitation, public improvements, planning, zoning, and cultural and recreation. The City also operates a water and sewer system, which supplies service to the City and surrounding area on a user charge basis. Additionally, the City of Sanford operates a golf course on a user charge basis. In addition to the taxes levied by the City, the County also levies a tax of \$0.535 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.

The Other Post-Employment Benefit Trust Fund accounts for healthcare coverage provided to qualified retirees (the healthcare Benefits Plan) and for contributions made to finance future benefits, which are held in a qualifying irrevocable trust. The City performs the activities of the Trust, and the governing board has appointed the City Manager, the Finance Director, and the Human Resources Director as the Trust trustees, thus appointing the voting majority of the governing board of the Trust. The Trust is reported as a Pension (and Other Employee Benefit) Trust Fund.

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

City of Sanford ABC Board

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

Sanford Tourism Development Authority

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Friends of Sanford

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

Sanford Affordable Housing Development Corporation

The Sanford Affordable Housing Development Corporation is a separate 501(c)(3) organization which has the majority of its board represented by City of Sanford staff and board members. Due to the City's control of their board and because management of the primary government has operational responsibility for this component unit, this is reported as a blended component unit in the accompanying financial statements and is presented as a special revenue fund.

B. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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

Friends of Sanford. This is a legally separate 501(c)(3) organization formed to perform repairs and improvements within the City of Sanford. It is shown in these financial statements as a blended component unit as the City of Sanford board members comprise the organizations board and City staff has operational responsibility for this entity.

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

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

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

The City reports the following major Enterprise Fund:

Utility Fund. This fund is used to account for the City's water and sewer operations. This fund is composed of 3 sub-funds; The water and sewer operating fund, water and sewer capital project fund and the Pittsboro system development fees fund.

The City reports the following non-major Enterprise Fund;

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

The City reports the following funds:

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

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Activity occurs during the year involving transfers of resources between funds, which are reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made for the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only net amounts are included as transfers in the

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only net amounts are included as transfers in the business-type activities column.

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

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

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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, including lease and information technology subscription (SBITA) liabilities, 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. Issuance of general long-term debt and acquisitions under leases and subscription-based information technology arrangements (SBITAs) are reported as other financing sources.

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Municipal Service District Fund, and the Enterprise Funds. All appropriations lapse at year-end. Project ordinances are adopted for the Community Development Fund, 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 Assistant City Manager and Manager can only approve line item transfers within the departments. The Council must adopt the budget ordinance by July 1 of the fiscal year or the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Capital outlay (budgeted within departments), which benefits current and future periods, capitalized lease payments and capitalized Information Technology subscriptions, which benefit prior, current, and future periods, have been reclassified on the combined statements of revenues, expenditures, and changes in

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

fund balance to present expenditures by department or function. The amounts presented on the budget comparison statement are classified within the department where budgeted.

Encumbrances – The City is required by State statute to record encumbrances in its budgetary accounting system. Encumbrances include purchase orders, contracts, and other commitments related to unperformed contracts for goods and services and are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are considered in the subsequent budget when determining fund balance appropriated and charged to appropriations in the ensuing year. Encumbrances included \$526,762 in the General Fund, \$9,151,699 in the General Capital Project Fund, \$837,448 in the Utility Fund, \$433,674,601 in the Utility Capital Project Fund and \$460,675 in the Community Development Fund at June 30, 2025.

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

1. Deposits and Investments

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

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

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

The City's and its component unit's investments are reported at fair value as determined by quoted market prices. The North Carolina Capital Management Trust (NCCMT), which consists of SEC-registered money market mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market fund (2a7) and maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. The BIF is also valued at \$1 per share and had an average maturity of 8.11 years at June 30, 2025. The Equity Index Fund is priced at \$44.333857 per share at June 30, 2025. 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.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

City of Sanford Restricted Cash			
Governmental Activities:			
General Fund	Unexpended drug forfeitures	\$	131,757
	Unexpended grants and donations		12,222
	Unexpended Powell Bill funds		726,689
	Unexpended building permit fees		1,715,843
	Unexpended vehicle fees		1,238,555
Non-major governmental Funds			
Community Development Fund	Unexpended grants		477,156
Total governmental funds			<u>4,302,222</u>
Business-Type Activities:			
Utility Fund	Customer deposits		264,870
Utility Capital Project Fund	Unexpended debt proceeds		87,446,520
	Unexpended grants		9,257,302
Total business-type activities			<u>96,968,692</u>
Total restricted cash		\$	<u>101,270,914</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2024.

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.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

6. Leases Receivable

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

7. Inventory and Prepaid Items

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

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

8. Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure, are reported in the government-wide and proprietary fund financial statements. Capital assets of the City generally have an initial cost of more than \$5,000 and an estimated useful life of more than one year. All capital assets of the City are recorded at cost or estimated historical cost. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements, regardless of their amount. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or historical cost. Cost of repairs and minor renewals that do not add to the value of the asset or materially extend the assets' life are excluded from capital assets. When an asset is disposed of, the related cost and accumulated depreciation are removed from the accounts.

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

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

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets are amortized on a straight-line basis over the subscription term.

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

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has three items that meets this criterion, pension and OPEB related deferrals for the 2025 fiscal year and deferred costs from the advance refunding of bonds. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – unexpended grant proceeds, leases and other pension or OPEB related deferrals.

10. Long-Term Obligations

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

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

11. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or paid to an employee flex spending account) during or upon separation from employment. Based on the criteria above, three types of leave qualify for liability recognition for compensated absences - vacation, compensatory time and sick leave. The liability for compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable.

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

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. The City has used an average number of sick hours used over a five year look-back period to estimate an accrued liability at fiscal year in the government-wide and propriety financial statements. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability.

12. Net Position/Fund Balances

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

Restricted for Cultural and Recreational - portion of fund balance that is restricted by revenue source for certain cultural and recreational expenditures.

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

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

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

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

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

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

13. Defined Benefit Pension and OPEB Plans

The City participates in a cost-sharing, multiple employer, defined benefit pension plan that is administered by the State. The City also has a single employer defined benefit pension plan, the Law Enforcement Officers' Special Separation Allowance (LEOSSA) and a postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Sanford's employer contributions are recognized when due and the City of Sanford has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. For purposes of measuring the OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

II. DETAIL NOTES ON ALL FUNDS:

A. Assets

1. Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2025, the City's deposits had a carrying amount of \$26,162,998 and a bank balance of \$26,158,773. Of the bank balance, \$857,429 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2025, the City's cash on hand totaled \$6,100.

2. Investments

Investment balances as of June 30, 2025, were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2025</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust- Government Portfolio	Fair Value Level 1	\$ 122,101,537	N/A	AAAm

Interest Rate Risk

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

Credit Risk

The City has no formal policy regarding credit risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City's investments in the N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2024.

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, 2025, the City had no investments in commercial paper.

At June 30, 2025, the City's Healthcare Benefits Plan Fund had \$5,858,927 invested in the Ancillary Governmental Participant Investment Program (AGPIP) established by the North Carolina Department of State Treasurer (NCDST), pursuant to G.S. 159-30.1. The AGPIP Program 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 fiscal year-end, the City of Sanford's irrevocable OPEB trust was invested as

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

follows: State Treasurer's Short-Term Investment Fund (STIF) 15.02 percent, which is reported as cash and cash equivalents; Bond Index Fund (BIF) 5.62 percent, and Equity Index Fund (EIF) 79.36 percent (the equities were split with 64% in domestic securities and 36% 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 .62 years at June 30, 2025. The State Treasurers Bond Index Fund (BIF) is unrated and a weighted average maturity of 8.11 years at June 30, 2025.

Credit Risk

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

3. Receivables – Allowances for Doubtful Accounts

Property taxes receivable as of June 30, 2025, 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	\$ 560,435	\$ 2,308	\$ 562,743
Less: allowance for uncollectibles	428,782	473	429,255
Net property taxes receivable	<u>\$ 131,653</u>	<u>\$ 1,835</u>	<u>\$ 133,488</u>

Accounts receivables as of June 30, 2025, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds	Utility Funds	Total
Special assessments	\$ -	\$ 91,674	\$ 91,674
Waste management fees	33,091	-	33,091
Employee computer purchase	16,931	7,202	24,133
Demolition liens	52,809	-	52,809
Rental	3,292	-	3,292
Other	76,753	56,551	133,304
Utility user charges	-	6,431,247	6,431,247
Total receivables	<u>182,876</u>	<u>6,586,674</u>	<u>6,769,550</u>
Less: allowance for uncollectibles	3,201	1,584,217	1,587,418
Net total receivables	<u>\$ 179,675</u>	<u>\$ 5,002,457</u>	<u>\$ 5,182,132</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2025, consist of amounts due, classified as follows:

	General Fund	Non-major Governmental Funds	Utility Fund	Total
Tax refunds	\$ 341,970	\$ 110,414	\$ 1,684,654	\$ 2,137,038
State shared revenues	3,382,119	-	-	3,382,119
Grants	-	1,337,075	24,854,470	26,191,545
Reimbursements	564,929	-	28,752,568	29,317,497
Total	\$ <u>4,289,018</u>	\$ <u>1,447,489</u>	\$ <u>55,291,692</u>	\$ <u>61,028,199</u>

4. Leases Receivable

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

On June 23, 2018, the City entered into a 60 month lease as lessor with the utility company. The lessee has 4 extension options, each for 60 months. On July 11, 2023 this lease was modified to include extra space usage with an increase in the overall lease at that time of \$438,854. Under this modified lease the vendor pays the City amounts ranging from \$4,563 per month currently with costs adjustments annually up to a maximum of \$8,801 per month with the lease expiring June 23, 2043. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.419%, which is the City's incremental borrowing rate. In fiscal year 2025, the City recognized \$32,842 of lease revenue and \$29,191 of interest revenue under the lease. The remaining lease receivable at June 30, 2025 was \$1,188,884 on this lease.

On October 3, 2007, the City entered into a 60 month lease as lessor with the utility company in which the lessee had an extension option of 60 months. The lease was modified on August 5, 2014 giving the lessee 3 additional extension options of 60 months. Under this lease the vendor pays the City amounts ranging from \$3,919 per month currently with costs adjustments annually up to a maximum of \$5,934 per month with the lease expiring October 25, 2027. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.217%, which is the City's incremental borrowing rate. In fiscal year 2025, the City recognized \$64,247 of lease revenue and \$2,382 of interest revenue under the lease. The remaining lease receivable at June 30, 2025 was \$160,652 on this lease.

The annual amounts to be received under these contracts outstanding as of June 30, 2025, are as follows:

Year Ended June 30	Principal	Interest	Total
2026	\$ 102,571	\$ 29,951	\$ 132,522
2027	108,268	28,229	136,497
2028	64,944	26,577	91,521
2029	44,334	25,485	69,819
2030	47,537	24,377	71,914
2031-2035	290,877	102,376	393,253
2036-2040	394,649	61,240	455,889
2041-2045	296,356	11,328	307,684
Total	\$ <u>1,349,536</u>	\$ <u>309,563</u>	\$ <u>1,659,099</u>

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

5. Capital Assets

Primary Government

For the year ended June 30, 2025, capital asset activity was as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 21,129,916	\$ 758,508	\$ 215,200	\$ 21,673,224
Construction in progress	10,377,823	8,088,869	10,009,425	8,457,267
Total non-depreciable capital assets	<u>31,507,739</u>	<u>8,847,377</u>	<u>10,224,625</u>	<u>30,130,491</u>
Depreciable Capital Assets:				
Municipal center and other buildings	14,039,475	8,500,821	54,468	22,485,828
Land improvements	3,680,880	-	3,812	3,677,068
Streets	77,963,145	12,113,319	-	90,076,464
Equipment	20,232,781	4,703,988	143,185	24,793,584
Total depreciable capital assets	<u>115,916,281</u>	<u>25,318,128</u>	<u>201,465</u>	<u>141,032,944</u>
Less Accumulated Depreciation:				
Municipal center and other buildings	10,540,931	326,390	35,865	10,831,456
Land improvements	1,909,445	125,425	1,747	2,033,123
Streets	37,971,690	2,819,362	-	40,791,052
Equipment	13,864,835	2,210,343	150,907	15,924,271
Total accumulated depreciation	<u>64,286,901</u>	<u>5,481,520</u>	<u>188,519</u>	<u>69,579,902</u>
Total capital assets being Depreciated, net	<u>51,629,380</u>	<u>19,836,608</u>	<u>12,946</u>	<u>71,453,042</u>
Capital Assets Being Amortized:				
Intangible right to use assets:				
Leased buildings	\$ 439,034	\$ -	\$ -	\$ 439,034
Leased equipment	182,161	114,345	67,681	228,825
IT subscriptions	121,144	285,624	-	406,768
Total capital assets being amortized	<u>742,339</u>	<u>399,969</u>	<u>67,681</u>	<u>1,074,627</u>
Less Accumulated Amortization for:				
Intangible right to use assets:				
Leased buildings	219,516	109,758	-	329,274
Leased equipment	81,811	45,679	56,161	71,329
IT subscriptions	64,120	147,704	-	211,824
Total accumulated amortization	<u>365,447</u>	<u>303,141</u>	<u>56,161</u>	<u>612,427</u>
Total capital assets being amortized, net	<u>376,892</u>	<u>96,828</u>	<u>11,520</u>	<u>462,200</u>
Governmental activities Capital assets, net	<u>\$ 83,514,011</u>	<u>\$ 28,780,813</u>	<u>\$ 10,249,091</u>	<u>\$ 102,045,733</u>

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

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

Governmental Activities:	
General government	\$ 663,649
Public safety	1,332,916
Streets	3,013,093
Community development	170,153
Sanitation	326,119
Cultural and recreational	278,731
Total	<u>\$ 5,784,661</u>

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Business-Type Activities:				
Utility Fund:				
Capital assets, not being depreciated:				
Land	\$ 4,505,589	\$ 1,914,104	\$ -	\$ 6,419,693
Construction in progress	85,179,622	93,644,152	9,747,638	169,076,136
Total capital assets, not being depreciated	<u>89,685,211</u>	<u>95,558,256</u>	<u>9,747,638</u>	<u>175,495,829</u>
Capital Assets, Being Depreciated:				
Treatment plants	128,755,023	11,629,578	-	140,384,601
Water tanks and lines	71,000,392	15,655,203	-	86,655,595
Sewer lines	79,734,362	17,787,375	-	97,521,737
Equipment	5,747,210	2,999,847	2,705	8,744,352
Buildings	499,471	206,386	-	705,857
Total capital assets, being depreciated	<u>285,736,458</u>	<u>48,278,389</u>	<u>2,705</u>	<u>334,012,142</u>
Less Accumulated Depreciation for:				
Treatment plants	51,099,621	11,176,179	-	62,275,800
Water tanks and lines	31,466,108	4,632,883	-	36,098,991
Sewer lines	25,075,427	2,963,393	-	28,038,820
Equipment	4,273,924	1,971,926	2,705	6,243,145
Buildings	377,273	59,552	-	436,825
Total accumulated depreciation	<u>112,292,353</u>	<u>20,803,933</u>	<u>2,705</u>	<u>133,093,581</u>
Total Utility Fund capital assets, being Depreciated, net	<u>173,444,105</u>	<u>27,474,456</u>	<u>-</u>	<u>200,918,561</u>
Capital Assets Being Amortized				
Intangible right to use assets:				
IT subscriptions	\$ 139,072	\$ 44,483	\$ -	\$ 183,555
Leased buildings	-	68,553	-	68,553
Total capital assets being amortized	<u>139,072</u>	<u>113,036</u>	<u>-</u>	<u>252,108</u>
Less Accumulated Amortization for:				
IT subscriptions	12,063	53,153	-	65,216
Leased Buildings	-	4,461	-	4,461
Total accumulated amortization	<u>12,063</u>	<u>57,614</u>	<u>-</u>	<u>69,677</u>
Total capital assets being amortized, net	<u>127,009</u>	<u>55,422</u>	<u>-</u>	<u>182,431</u>
Total Utility Fund capital assets, net	<u>\$ 263,256,325</u>	<u>\$ 123,088,134</u>	<u>\$ 9,747,638</u>	<u>\$ 376,596,821</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

Note that a total of \$27,163,393 of the above asset additions and related accumulated depreciation of \$12,669,299 was a result of the merger of the Town of Pittsboro's water and sewer system as described in more detail in Note VI.

Construction Commitments

At June 30, 2025 the City had contractual commitments as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
General Capital Projects	\$ 617,286	\$ 4,183,901
Utility Capital Projects	200,624,899	429,170,094

B. Liabilities

1. Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description

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

Benefits Provided.

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

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Sanford employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Sanford's contractually required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.60% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Sanford were \$4,140,229 for the year ended June 30, 2025.

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

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

At June 30, 2025, the City reported a liability of \$15,040,626 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measurement date), the City's proportion was .22293% (which was a decrease of .01359% from its proportion measured as of June 30, 2023).

For the year ended June 30, 2025, the City recognized pension expense of \$4,594,091. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,635,687	\$ 17,721
Changes of assumptions	-	-
Net difference between projected and actual earnings pension plan investments	2,044,764	-
Changes in proportion and differences between City contributions and proportionate share of contributions	500,062	203,522
City contributions subsequent to the measurement date	4,140,229	-
Total	<u>\$ 9,320,742</u>	<u>\$ 221,243</u>

\$4,140,229 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 1,561,790
2027	3,025,947
2028	602,739
2029	(231,206)
Total	<u>\$ 4,959,270</u>

Actuarial Assumptions. The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2017.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

II. DETAIL NOTES ON ALL FUNDS (continued):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

The information above is based on 30 year expectations developed with an investment consulting firm's 2025 long term capital market assumptions. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized figures. Source data provided in the 2024 Annual Comprehensive Financial Report published on website of the NC Office of State Controller.

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

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 26,652,430	\$ 15,040,626	\$ 5,488,320

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

Law Enforcement Officers' Special Separation Allowance

Plan Description

The City of Sanford administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance.

At December 31, 2023, the Separation Allowance's membership consisted of:

Retirees receiving benefits	23
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>70</u>
Total	<u>93</u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age normal cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.28 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 year High Grade Rate Index as of December 31, 2023.

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

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$391,959 as benefits came due for the reporting period.

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

At June 30, 2025, the City reported a total pension liability of \$5,685,353. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

incorporating the actuarial assumptions. For the year ended June 30, 2025, the City recognized pension expense of \$676,442.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 766,900	\$ 2,012
Changes of assumptions	123,732	430,069
City benefit payments and plan administrative expense made subsequent to the measurement date	189,989	-
Total	<u>\$ 1,080,621</u>	<u>\$ 432,081</u>

\$189,989 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 119,686
2027	80,982
2028	157,317
2029	100,566

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 4.28 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	<u>1% Decrease (3.28%)</u>	<u>Discount Rate (4.28%)</u>	<u>1% Increase (5.28%)</u>
Total pension liability	\$ 6,114,900	\$ 5,685,353	\$ 5,293,166

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

	2025
Beginning balance	\$ 5,151,701
Service cost	187,598
Interest on the total pension liability	198,173
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	659,009
Changes of assumptions or other inputs	(116,395)
Benefit payments	(394,733)
Other changes	-
Ending balance of the total pension liability	<u>\$ 5,685,353</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	\$ 4,594,091	\$ 676,442	\$ 5,270,533
Pension Liability	15,040,626	5,685,353	20,725,979
Proportionate share of the net pension liability	.22293%	N/A	
 Deferred Outflows of Resources			
Differences between expected and actual experience	2,635,687	766,900	3,402,587
Changes of assumptions	-	123,732	123,732
 Net difference between projected and actual earnings on plan investments			
	2,044,764	-	2,044,764
 Changes in proportion and differences between contributions and proportionate share of contributions			
	500,062	-	500,062
 Benefit payments and administrative costs paid subsequent to the measurement date			
	4,140,229	189,989	4,330,218
 Deferred Inflows of Resources			
Differences between expected and actual experience	17,721	2,012	19,733
Changes of assumptions	-	430,069	430,069
 Changes in proportion and differences between contributions and proportionate share of contributions			
	203,522	-	203,522

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

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, 2025, were \$468,372, which consisted of \$332,196 from the City and \$136,176 from the law enforcement officers.

Supplemental Retirement Income Plan for all Other Employees

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

The City contributes each month an amount equal to five percent of eligible employees' salary. Contributions for the year ended June 30, 2025 were \$1,677,267, which consisted of \$1,141,458 from the City and \$535,809 from employees.

Other Employment Benefits

The City has elected to provide death benefits to law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. Beneficiaries of law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have

at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees engaged in law enforcement and those not engaged in law enforcement. The City considers these contributions to be immaterial.

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

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

Other Post-Employment Benefits

Healthcare Benefits

Plan Description

Under a City resolution the City of Sanford administers the Healthcare Benefits Plan (HCB Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB)

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

for qualified retirees of the City of Sanford. The benefits are available to qualified retirees from retirement until the earlier of age 65, Medicare eligibility, or covered by another individual health insurance plan.

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

Plan membership. At June 30, 2025 and June 30, 2024, the HCB Plan membership consisted of the following:

	<u>2025</u>	<u>2024</u>
Inactive plan members currently receiving benefit payments	132	135
Inactive plan members entitled to not yet receiving benefit payments	-	-
Active plan members	<u>384</u>	<u>325</u>
Total	<u>516</u>	<u>460</u>

Benefits Provided

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

Contributions

The City Council established the contribution requirements of plan members, which may be amended by the Council. Per a City policy, the City is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to pre-fund benefits as determined annually by the Council, effective October 21, 2008. For the current year, the City made total contributions of \$1,344,176 to the plan. The Fund is accounted for as a trust fund.

Investment Policy

The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Council's adopted asset allocation policy as of June 30, 2024 and June 30, 2025:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Bond Index Fund	10.0%	10.0%	5.72%	6.00%
Equity Index Fund	65.0%	65.0%	5.72%	6.00%
Short Term Investment Fund	25.0%	25.0%	5.72%	6.00%
Total	<u>100.0%</u>	<u>100.0%</u>		

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

Rate of return.

For the year ended June 30, 2025, the annual money weighted rate of return on investments, net of investment expense, was 13.10 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2025 were as follows:

Total OPEB Liability	\$	34,638,768
Plan fiduciary net position		<u>5,858,927</u>
City's net OPEB Liability	\$	<u><u>28,779,841</u></u>
Plan fiduciary net position as a Percentage of the total OPEB liability		16.91%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 to 8.41 percent, including inflation and productivity factor
Investment rate of return	5.72 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.00 percent decreasing to an ultimate rate of 4.50% by 2034

The total OPEB liability was rolled forward to June 30, 2025 utilizing update procedures incorporating the actuarial assumptions.

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

Discount rate. The discount rate used to measure the total OPEB liability June 30, 2024 and June 30, 2025 was 4.02 and 5.25 percent, respectively. The projection of cash flows used to determine the discount rate assumed that the City will contribute all current amounts plus the greater of 10% of the normal cost or

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

\$75,000 annually to the plan. However, because the OPEB plan's fiduciary net position was not projected to be sufficient to make all future benefit payments, the discount rate incorporates long-term rate of return of 5.72% for periods through 2034 and a municipal bond rate which is 5.20 percent for periods after 2034.

The following presents the net OPEB liability of the City at June 30, 2025, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25 percent) or 1-percentage-point higher (6.25 percent) than the current discount rate:

	1% Decrease (4.25 percent)	Discount Rate (5.25 percent)	1% Increase (6.25 percent)
Net OPEB liability	\$ 33,885,170	\$ 28,779,841	\$ 24,618,019

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City at June 30, 2025, as well as what the City's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (6.00 Percent decreasing 3.50 to percent)	Healthcare cost Trend Rate (7.00 Percent decreasing to 4.50 percent)	1% Increase (8.00 Percent decreasing to 5.50 percent)
Net OPEB liability	\$ 23,974,345	\$ 28,779,841	\$ 34,798,418

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2025 the City reported a net OPEB liability of \$28,779,841. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024. The total OPEB liability was then rolled forward to the measurement date of June 30, 2025 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2025, the components of the net OPEB liability of the City, measured as of June 30, 2025, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2024	\$ 45,575,473	\$ 5,075,044	\$ 40,500,429
Changes for the Year:			
Service cost	1,434,012	-	1,434,012
Interest	1,814,363	-	1,814,363
Differences between Expected and Actual experience	(7,489,916)	-	(7,489,916)
Changes of assumptions	(5,425,988)	-	(5,425,988)
Contributions	-	1,344,176	(1,344,176)
Net investment income	-	716,038	(716,038)
Administrative costs	-	(7,155)	
Benefit Payments	(1,269,176)	(1,269,176)	-
Net Changes	(10,936,705)	783,883	(11,720,588)
Balances at June 30, 2025	\$ 34,638,768	\$ 5,858,927	\$ 28,779,841

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 4.02 percent in 2024 to 5.25 percent in 2025. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The Excise tax of 40 percent on health care plans that are above the thresholds set by the Affordable Care Act are effective in 2023 and have been reflected.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

For the year ended June 30, 2025, the City recognized OPEB income of \$1,468,573. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,455	\$ 10,050,269
Changes of assumptions	2,100,099	11,430,979
Net difference between projected and actual earnings on plan investments	-	525,494
Total	\$ <u>2,123,554</u>	\$ <u>22,006,742</u>

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

Year ended June 30:	
2026	\$ (4,228,824)
2027	(5,755,753)
2028	(4,496,387)
2029	(2,578,581)
2030	(2,071,538)
Thereafter	(752,105)

2. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year (LGERS)	\$ 4,140,229
Benefit payments made and administrative expenses (LEO)	189,989
Differences between expected and actual experience (LGERS)	2,635,687
Differences between expected and actual experience (LEO)	766,900
Differences between expected and actual experience (OPEB)	23,455
Changes of assumptions (LGERS)	-
Changes of assumptions (LEO)	123,732
Changes of assumptions (OPEB)	2,100,099
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	500,062
Net difference between projected and actual earnings on plan investments (LGERS)	2,044,764
Debt refunding costs	<u>185,474</u>
Total	\$ <u>12,710,391</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

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

	Statement of Net Position	Governmental Funds Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 131,653
Taxes Receivable (Special Revenue Fund)	-	1,835
Leases Receivable (Utility Fund)	1,358,724	-
Sanitation Fees (General Fund)	-	29,890
Grants (Utility Fund)	7,506,795	-
Grants (Community Development Fund)	60,000	60,000
Demolition and other Fees (General Fund)	-	107,944
Prepaid Golf Fees (General Fund)	5,000	5,000
Rents (Utility Fund)	5,593	-
Differences between expected and actual experience (LEO)	2,012	-
Differences between expected and actual experience (LGERS)	17,721	-
Changes in assumptions (LEO)	430,069	-
Changes in assumptions (OPEB)	11,430,979	-
Differences between expected and actual experience (OPEB)	10,050,269	-
Net difference between projected and actual Earnings on plan investments (OPEB)	525,494	
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	203,522	-
Total	<u>\$ 31,596,178</u>	<u>\$ 336,322</u>

3. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$2,000,000, property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess, and stop-loss policies purchased by the Board of Trustees may be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

In addition, the City obtains \$2,000,000 in cyber security coverage through Beazley Breach Response.

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

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

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

financial statements and the amount of the loss is reasonably estimable. An excess coverage insurance policy provides for individual claims in excess of \$100,000.

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

	Year Ended June 30	
	2025	2024
Unpaid claims, beginning	\$ 629,635	\$ 493,243
Incurred claims	4,906,844	3,727,778
Claim payments	(4,724,757)	(3,591,386)
Unpaid claims, ending	<u>\$ 811,722</u>	<u>\$ 629,635</u>

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

The City carries flood insurance through the National League of Municipalities Interlocal Risk Financing Fund of North Carolina. This policy covers property that has been designated entirely 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 \$7.5 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 is individually bonded for \$1,000,000 and 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, 2025. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Garbage Collection and Disposal	\$ 15,600,158	\$ 6,235,854
Cultural and Recreational	435,622	753,122
Public Safety	56,044	383,425
Streets	71,647	958,049
General Government	2,510,548	4,955,717
Community Development	1,002,947	724,146
General Capital Projects	617,286	4,183,901
Water and Sewer Operations	2,597,668	4,107,159
Water and Sewer Projects	200,624,899	429,170,094
Total	<u>\$ 223,516,819</u>	<u>\$ 451,471,467</u>

Claims and Judgments – At June 30, 2025, the City was a defendant to various lawsuits. In the opinion of the City's management and the City's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

II. DETAIL NOTES ON ALL FUNDS (continued):

5. Long-Term Obligations

Leases

The City has entered into agreements to lease certain equipment and real property. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. During the fiscal year ended June 30, 2025 the City had a total of 7 leases in the Governmental Funds and one in the Utility Funds.

The first agreement is to lease equipment. The initial lease term was 45 months with a term of 9 months remaining at June 30, 2024. The City was required to make monthly fixed payments of \$1,530 in fiscal year 2024. There are no variable payment components of the lease. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.99% was used to discount the remaining minimum lease payments. The City did an early termination of this lease at July 29, 2024 resulting in a gain on termination of \$680.

The second agreement is to lease real property. The initial term was 48 months with a term of 12 months remaining at June 30, 2025. The City was required to make monthly fixed payments of \$9,908 in fiscal year 2025. Payments have a 3% annual increase thereafter through the end of the lease term. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.275% was used to discount the remaining lease payments. As a result, the amount of \$439,034 was added as a leased asset and a lease liability as of July 1, 2022. The liability balance as of June 30, 2025 is \$120,963.

The third agreement is to lease office equipment. The initial term was 60 months with a term of 24 to 35 months remaining at June 30, 2025, for the individual items. The City monthly payments of \$1,396 in fiscal year 2025. Payments total \$1,396 monthly through the remaining lease period and there is no variable components of the lease. The lease does not contain a stated interest rate. Accordingly, the City's incremental borrowing rate at the time of equipment delivery was used to discount the remaining lease payments. This incremental borrowing rate ranged from 2.31% to 2.682%. As a result, the amount of \$79,094 was added as a leased asset and a lease liability as of July 1, 2022. The liability balance as of June 30, 2025 is \$44,384.

The fourth agreement was is to lease equipment and was entered into on July 1, 2023. The initial term was 36 months with a term of 12 months remaining at June 30, 2025. The City was required to make quarterly fixed payments of \$1,326 in fiscal year 2025. There are no variable payment components of the lease. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.901% was used to discount the remaining lease payments. As a result, the amount of \$15,297 was added as a leased asset and an lease liability as of July 1, 2023. The liability balance as of June 30, 2025 is \$5,209.

The fifth agreement is to lease equipment and was entered into on October 23, 2023. The initial term was 72 months with a term of 52 months remaining at June 30, 2025. The City was required to make an annual fixed payment of \$3,507 in fiscal year 2025. Payments have a 3% annual increase thereafter through the end of the lease term. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 3.687% was used to discount the remaining lease payments. As a result, the amount of \$20,089 was added as a leased asset and a lease liability at October 23, 2023. The liability balance as of June 30, 2025 is \$13,796.

The sixth agreement is to lease equipment and was entered into on February 10, 2025. The initial term was 52 months with a term of 47 months remaining at June 30, 2025. The City was required to make monthly payments of \$245 in fiscal year 2025. Payments have a 2% annual increase thereafter through the end of the lease term. The lease does not contain a stated interest rate. Accordingly, he City's estimated incremental borrowing rate of 2.885% was used to discount the remaining lease payments. As a result, the amount of \$12,546 was added as a leased asset and a lease liability at February 10, 2025. The liability balance as of June 30, 2025 is \$11,511.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

The seventh agreement is to lease equipment. The initial lease term was 60 months with a term of 48 months remaining at June 30, 2025. The City was required to make monthly fixed payments of \$1,824 in fiscal year 2025. There are no variable payment components of the lease. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.999% was used to discount the remaining minimum lease payments. As a result, the amount of \$101,800 was added as leased assets and a lease liability as of July 29, 2024. The liability balance as of June 30, 2025 is \$82,428.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 in the Governmental Funds were as follows:

Year Ending June 30:	Principal Payments	Interest Payments	Total
2026	\$ 167,515	\$ 5,462	\$ 172,977
2027	42,677	2,704	45,381
2028	39,660	1,523	41,183
2029	28,439	540	28,979
Total	\$ <u>278,291</u>	\$ <u>10,229</u>	\$ <u>288,520</u>

The eighth agreement is to lease real estate in the Utility Fund. The initial lease term was for 36 months with a term of 33 months remaining at June 30, 2025. The City was required to make monthly fixed payments of \$1,900 in fiscal year 2025. These payments increase to \$1,907 on April 1, 2026 and to \$2,016 on April 1, 2027. The lease does not contain a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.723% was used to discount the remaining minimum lease payments. As a result, the amount of \$68,553 was added as a leased asset and a lease liability as of April 20, 2025. The liability balance as of June 30, 2025 is \$64,176.

Year Ending June 30:	Principal Payments	Interest Payments	Total
2026	\$ 21,489	\$ 1,482	\$ 22,971
2027	22,779	881	23,660
2028	19,908	249	20,157
Total	\$ <u>64,176</u>	\$ <u>2,612</u>	\$ <u>66,788</u>

Installment Purchase

	Governmental Activities
Installment purchase with Regions Equipment; issued January 17, 2018, in the amount of \$3,500,000; semi-annual principal payments of \$184,211 plus interest at 2.28% for ten years, secured by improvements.	\$ 1,105,263
Installment purchase with Truist Bank; issued June 16, 2021, in the amount of \$1,165,909; semi-annual principal payments of \$38,973 plus interest at 2.18%; secured by improvements.	857,372
Installment purchase with Bank of America; issued June 22, 2013, in the amount of \$2,015,000; semi-annual interest payments with interest at 3.45% with annual principal payments of \$170,000 increasing to \$241,000 over the life of the loan; secured by fire trucks.	<u>1,661,000</u>
Total installment purchase contracts	\$ <u>3,623,635</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2025, are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2026	\$ 630,368	\$ 98,670	\$ 729,038
2027	636,368	82,223	718,591
2028	643,368	65,569	708,937
2029	280,945	50,773	331,718
2030	288,947	42,071	331,018
2031-2035	1,065,719	79,020	1,144,739
2036-2040	77,920	1,274	79,194
Total	\$ 3,623,635	\$ 419,600	\$ 4,043,235

There is also a note payable from the Sanford Affordable Housing Development Corporation to the City of Sanford totaling \$743,960 at June 30, 2025. This balance is shown on Exhibit 3 but not on Exhibit 1 since the Sanford Affordable Housing Development Corporation is a blended component unit and this is eliminated in the consolidation of the governmental funds. This consists of five loans. A \$36,000 loan has interest accruing at 3% and is repayable December 3, 2032 or upon the sale of the Wilrik Apartments, whichever occurs first. The second loan of \$242,460 has interest accruing at 3% and is repayable April 12, 2033 or upon the sale of the Wilrik Apartments, whichever occurs first. The third loan of \$5,500 has interest accruing at 3% and is repayable September 5, 2033 or upon the sale of the Wilrik Apartments, whichever occurs first. The fourth loan of \$400,000 has interest accruing at 3% and is repayable November 21, 2033 or upon the sale of the Wilrik Apartments, whichever occurs first. The fifth loan of \$60,000 has interest accruing at 3% and is repayable July 2, 2034 or upon the sale of the Wilrik Apartments, whichever occurs first.

General Obligation Bonds

General Obligation Bonds, Series 2019 issued for \$2,000,000 for recreation improvements; principal installments are due annually on February 1 with semi-annual interest payments due on August 1 and February 1, at an annual interest rate varying from 3.0% to 5.0%

\$ 1,400,000

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

4,005,000

Total general obligation bonds \$ 5,405,000

The annual requirements to retire all general obligation bond liability outstanding as of June 30, 2024, are as follows:

Year Ended June 30	Governmental-Type Activities		
	Principal	Interest	Total
2026	\$ 545,000	\$ 163,700	\$ 708,700
2027	545,000	150,800	695,800
2028	545,000	133,450	678,450
2029	545,000	116,100	661,100
2030	545,000	98,750	643,750
2031-2035	2,280,000	238,500	2,518,500
2036-2040	400,000	30,000	430,000
Total	\$ 5,405,000	\$ 931,300	\$ 6,336,300

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

Limited Obligation Bonds

Limited Obligation Bonds, Series 2023 issued for \$9,210,000 for fire station construction and related equipment; principal installments are due annually on April 1 with semi-annual interest payments due on October 1 and April 1, at an annual interest rate of 5.0% \$ 8,195,000

The annual requirements to retire these limited obligation bond liability outstanding as of June 30, 2025, are as follows:

Governmental-Type Activities			
Year Ended June 30	Principal	Interest	Total
2026	\$ 515,000	\$ 409,750	\$ 924,750
2027	520,000	384,000	904,000
2028	530,000	358,000	888,000
2029	535,000	331,500	866,500
2030	545,000	304,750	849,750
2031-2035	2,460,000	1,117,000	3,577,000
2036-2040	1,935,000	578,250	2,513,250
2041-2045	1,155,000	115,500	1,270,500
Total	\$ <u>8,195,000</u>	\$ <u>3,598,750</u>	\$ <u>11,793,750</u>

Notes Payable

	Business-Type Activities
State of North Carolina; issued May 14, 2009, in the amount of \$903,583; due in annual principal installments of \$45,179 beginning May 1, 2011; interest rate of 0% for 20 years; for the Clearwell Rehabilitation Project	\$ 225,896
State of North Carolina; issued September 15, 2010, in the amount of \$17,500,000; annual principal installments will be due May 1 following completion of the project with semi-annual interest installments beginning November 1 following project completion; interest rate of 2.22% for 20 years; for the Waste Water Treatment Plant expansion and upgrade	<u>8,148,573</u>
Total notes payable-business type activities	\$ <u>8,374,469</u>

The annual requirements to retire all notes payable outstanding as of June 30, 2025, are as follows:

Business-Type Activities			
Year Ended June 30	Principal	Interest	Total
2026	\$ 880,605	\$ 179.269	\$ 1,059,874
2027	898,984	160.889	1,059,873
2028	917,768	142.106	1,059,874
2029	936,964	61.454	998,418
2030	956,584	51.645	1,008,229
2031-2035	3,783,564	321.287	4,104,851
Total	\$ <u>8,374,469</u>	\$ <u>916.650</u>	\$ <u>9,291,119</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

Revolving Fund Loans

	<u>Business-Type Activities</u>
State of North Carolina; issued September 10, 2024, in the amount of \$400,000; due in annual principal installments of \$80,000 beginning May 1, 2025; interest rate of 0% for 5 years; for water and sewer expansion projects	\$ 320,000
State of North Carolina; issued August 4, 2009, in the amount of \$1,246,380; due in annual principal installments of \$62,319 beginning May 1, 2011; interest rate of 0% for 20 years; for Pittsboro water and sewer projects	304,021
State of North Carolina; issued November 29, 2016, in the amount of \$494,500; due in annual principal installments of \$24,725 beginning May 1, 2018; interest rate of 0% for 20 years; for Pittsboro water and sewer projects	<u>296,700</u>
Total notes payable-business type activities	\$ <u>920,721</u>

The annual requirements to retire all promissory notes outstanding as of June 30, 2025, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 165,529	\$ -	\$ 165,529
2027	165,529	-	165,529
2028	165,530	-	165,530
2029	165,529	-	165,529
2030	85,529	-	85,529
2031-2035	123,625	-	123,625
2036-2040	49,450	-	49,450
Total	\$ <u>920,721</u>	\$ -	\$ <u>920,721</u>

Installment Purchase

Truist Bank; issued June 16, 2021, in the amount of \$3,158,091; due in semi-annual installments of \$105,557 plus interest at 2.18% beginning December 1, 2021; for various utility improvements	\$ <u>2,322,358</u>
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The annual requirements to retire all installment purchase contracts as of June 30, 2025, are as follows:

Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 211,133	\$ 49,477	\$ 260,610
2027	211,134	44,874	256,008
2028	211,133	40,271	251,404
2029	211,134	35,668	246,802
2030	211,133	31,066	242,199
2031-2035	1,055,631	86,295	1,141,926
2036-2040	211,060	3,452	214,512
Total	\$ <u>2,322,358</u>	\$ <u>291,103</u>	\$ <u>2,613,461</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

Revenue Bonds

Taxable Enterprise Systems Revenue Bonds; Series 2019; issued \$38,595,000 for various water and sewer improvements and the advance refunding of prior issued revenue bonds; principal installments are due annually on June 1 with semi-annual interest payments due on December 1 and June 1, at an annual interest rate of between 3.0% and 5.0%	\$ 30,180,000
Taxable Enterprise Systems Revenue Bonds; Series 2024; issued \$71,085,000 for various water and sewer improvements; 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 4.0% and 5.0%	71,085,000
Taxable Enterprise Systems Revenue Bonds; Series 2025A; issued \$17,265,000 for various water and sewer improvements; 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 4.0% and 5.0%	<u>17,265,000</u>
Total revenue bonds	<u>\$ 118,530,000</u>

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2025, are as follows:

Year Ended	Business-Type Activities		
	June 30	Principal	Interest
2026	\$ 5,045,000	\$ 5,496,374	\$ 10,541,374
2027	5,450,000	5,098,031	10,548,031
2028	5,680,000	4,825,531	10,505,531
2029	4,385,000	4,541,531	8,926,531
2030	4,610,000	4,322,281	8,932,281
2031-2035	26,575,000	18,078,906	44,653,906
2036-2040	19,950,000	12,851,256	32,801,256
2041-2045	25,110,000	7,699,756	32,809,756
2046-2050	21,725,000	2,313,033	24,038,033
Total	\$ <u>118,530,000</u>	\$ <u>65,226,699</u>	\$ <u>183,756,699</u>

The City is in compliance with the covenants as to rates, fees, rentals and charges in Section 6.7 of the Bond Order, authorizing the issuance of the Enterprise System Revenue Bonds, Series 2019, Series 2024 and Series 2025 since its adoption in June 2019. Section 6.7 of the Bond Order requires the debt service coverage ratio for parity indebtedness (revenue bonds only) to be 1.20 and for all indebtedness to be 1.00.

The debt service coverage ratio calculation for the year ended June 30, 2025, is as follows:

Debt service calculation:	
Operating revenues	\$ 40,274,032
Operating expenses	<u>37,077,885</u>
Operating loss	3,196,147
Non-operating revenues (expenses)	<u>(174,246)</u>
Loss before transfers and capital contributions	3,021,901
Adjustments	
Depreciation and amortization expenses (net)	8,083,214

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

Interest expense		4,832,595
Increase in other post-employment benefits accruals		(1,071,807)
Increase in net pension accruals		(211,553)
Income available for debt service	\$	<u>14,654,350</u>
Parity debt service (revenue bonds only)	\$	5,934,167
Parity debt services coverage ratio		2.47
G.O., subordinate, and all other indebtedness		1,490,615
Total debt service**	\$	<u>7,424,782</u>
Total debt service coverage ratio		1.97

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$126,945,000 in enterprise system revenue bonds issued in June 2019, September 2024 and March 2025. Proceeds from the bonds provided financing for the completion of various water and sewer projects and to advance refund \$29,005,000 of the 2010 revenue bonds. The bonds are payable solely from water and sewer customer net revenues and are payable through 2050. The total principal and interest remaining to be paid on the bonds is \$183,756,700. Interest payments for the current year totaled \$4,084,167 with principal payments of \$1,850,000.

Subscriptions

The City had a total of seven Subscriptions in the Governmental Funds and three in the Utility Funds.

The first agreement is for a Subscription used to track and calculate leasing agreements and Subscriptions. The initial term of the agreement was three years. The remaining term at June 30, 2025 is 33 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.723% was used to discount the subscription payments. As a result, the amount of \$35,542 was added as a right-to use subscription asset and a subscription liability as of April 1, 2025. The liability balance at June 30, 2025 was \$23,623.

The second agreement is for a Subscription used for law enforcement camera evidence storage. The initial term of the agreement was five years. The remaining term at June 30, 2025 is 9 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.2753% was used to discount the subscription payments. As a result, the amount of \$70,277 was added as a right-to use subscription asset and a subscription liability as of July 1, 2022. The liability balance at June 30, 2025 was \$-0-.

The third agreement is for a Subscription for law enforcement surveillance software used on cell phones. The initial term of the agreement was eleven years. The remaining term at June 30, 2025 is 13 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 1.71% was used to discount the subscription payments. As a result, the amount of \$11,544 was added as a right-to use subscription asset and a subscription liability as of July 1, 2022. The liability balance at June 30, 2025 was \$2,913.

The fourth agreement is for a Subscription for fire investigation software and was entered into on October 1, 2023. The initial term was 36 months with a remaining term at June 30, 2025 of 15 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 3.764% was used to discount the subscription payments. As a result \$10,061 was added as a right-to use subscription asset and a subscription liability at October 1, 2023. The liability balance at June 30, 2025 was \$3,373.

The fifth agreement is for a Subscription for community engagement interface software and was entered into on August 16, 2023. The initial term was 24 months with a remaining term at June 30, 2025 of 1 months.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 3.158% was used to discount the subscription payments. As a result \$9,811 was added as a right-to use subscription assets and a subscription liability at August 16, 2023. The liability balance at June 30, 2024 was \$-0-.

The sixth agreement is for a Subscription for inventory software and was entered into on September 26, 2024. The initial term was 60 months with a remaining term at June 30, 2025 of 51 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.99% was used to discount the subscription payments. As a result \$44,483 was added as a right-to use subscription assets and a subscription liability at September 26, 2024. The liability balance at June 30, 2025 was \$35,156.

The seventh agreement is for a Subscription for budgeting software and was entered into on July 1, 2024. The initial term was 24 months with a remaining term at June 30, 2025 of 12 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 3.177% was used to discount the subscription payments. As a result \$150,344 was added as a right-to use subscription assets and a subscription liability at July 1, 2024. The liability balance at June 30, 2025 was \$56,998.

The future minimum subscription obligations and the net present value of these minimum payments of the governmental activities as of June 30, 2025, were as follows:

Year Ended June 30	Principal	Interest	Total
2026	\$ 83,045	\$ 3,682	\$ 86,727
2027	20,922	1,134	22,056
2028	8,915	541	9,456
2029	9,181	275	9,456
Total	\$ 122,063	\$ 5,632	\$ 127,695

The eighth agreement is for a Subscription used for forms creation and workflow submission software and was entered into on February 12, 2024. The initial term of the agreement was for 36 months with a remaining term at June 30, 2025 of 29 months. The Subscription did not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.533% was used to discount the subscription payments. As a result, the amount of \$20,146 was added as a right-to use subscription asset and a subscription liability as of February 12, 2024. Their liability balance at June 30, 2025 was \$6,730.

The ninth agreement is for a Subscription used for geographic information system (GIS) software and was entered into on April 5, 2024. The initial term of the agreement was for 36 months with a remaining term at June 30, 2025 of 21 months. The Subscription did not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.975% was used to discount the subscription payments. As a result, the amount of \$118,926 was added as a right-to use subscription asset and a subscription liability as of April 5, 2024. The liability balance at June 30, 2024 was \$39,718.

The tenth agreement is for a Subscription for inventory software and was entered into on September 26, 2024. The initial term was 60 months with a remaining term at June 30, 2025 of 51 months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.99% was used to discount the subscription payments. As a result \$44,483 was added as a right-to use subscription assets and a subscription liability at September 26, 2024. The liability balance at June 30, 2025 was \$35,156.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

II. DETAIL NOTES ON ALL FUNDS (continued):

The future minimum subscription obligations and the net present value of these minimum payments of the business-type activities as of June 30, 2025, were as follows:

Year Ended June 30	Principal	Interest	Total
2026	\$ 54,852	\$ 2,403	\$ 57,255
2027	8,656	1,134	9,790
2028	8,915	541	9,456
2029	9,181	275	9,456
Total	<u>\$ 81,604</u>	<u>\$ 4,353</u>	<u>\$ 85,957</u>

Changes in Long-Term Obligations

	Beginning Of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 5,950,000	\$ -	\$ 545,000	\$ 5,405,000	\$ 545,000
Limited obligation bonds	8,705,000	-	510,000	8,195,000	515,000
Unamortized bond premiums	1,810,973	-	102,809	1,708,164	102,808
IT Subscription liabilities	41,070	230,369	149,376	122,063	83,045
Lease liabilities	336,266	114,345	172,320	278,291	167,515
Installment purchase contracts	4,248,002	-	624,367	3,623,635	630,368
Compensated absences	6,725,540	3,314,249	2,436,946	7,602,843	4,561,706
Net pension liability (LGERS)	11,210,204	3,182,622	2,984,490	11,408,336	3,140,364
Net pension obligation (LEO)	5,151,701	928,385	394,733	5,685,353	676,442
Other post-employment benefits	30,311,215	-	7,851,820	22,459,395	-
Total governmental activities	<u>\$ 74,489,971</u>	<u>\$ 7,769,970</u>	<u>\$ 15,771,861</u>	<u>\$ 66,488,080</u>	<u>\$ 10,422,248</u>
Business-Type Activities:					
Utility Fund:					
Revenue bonds	\$ 32,030,000	\$ 88,350,000	\$ 1,850,000	\$ 118,530,000	\$ 5,045,000
Revolving loan funds	-	1,086,250	165,529	920,721	165,529
Unamortized bond premium	3,858,054	5,579,303	520,011	8,917,346	561,597
Lease Liabilities	-	68,553	4,377	64,176	21,489
IT Subscription liabilities	92,056	44,483	54,935	81,604	54,852
Notes payable	9,237,090	-	862,621	8,374,469	1,046,134
Installment purchase contracts	2,533,492	-	211,134	2,322,358	211,133
Net pension liability	3,554,511	1,233,518	1,155,739	3,632,290	999,865
Compensated absences	1,822,295	1,065,874	632,591	2,255,578	1,353,347
Other post-employment benefits	10,189,214	-	3,868,768	6,320,446	-
Total business-type activities	<u>\$ 63,316,712</u>	<u>\$ 97,427,981</u>	<u>\$ 9,325,705</u>	<u>\$ 151,418,988</u>	<u>\$ 9,293,417</u>

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

Note that a total of \$686,250 of the above Revolving loan funds that were added was a result of the merger of the Town of Pittsboro's water and sewer system as described in more detail in Note VI.

The legal debt margin for the City of Sanford is \$352,192,342.

CITY OF SANFORD, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2025 is as follows:

	Governmental-Type Activities	Business-Type Activities
Capital assets	\$ 102,045,733	\$ 376,596,821
Less:		
Related debt	(18,931,800)	(51,618,374)
Accounts payable and retainage related to capital assets	(1,005,796)	(34,825,951)
Deferred debt refunding costs	-	185,474
Net investment in capital assets	<u>\$ 82,108,137</u>	<u>\$ 290,337,970</u>

Business type activities related debt is net of unexpended bond proceeds of \$87,446,520.

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, 2025 follows:

From the General Fund to the Municipal Service District Fund - program support	\$ 97,808
From the General Fund to the Community Development Fund - program support	232,500
From the General Fund to the General Capital Projects Fund - fund current improvements	4,310,568
From the Community Development Fund to the General Fund - to reimburse expenditures	107,815
From the General Fund to the General Capital Reserve Fund - fund future improvements	25,000
From the Utility Fund to the Utility Capital Project Fund - fund current improvements	7,735,780
From the Utility Capital Project Fund to the Utility Fund - reimburse excess amounts	4,852,974
From the Utility Fund to the Utility Capital Reserve Fund - fund future improvements	3,296,484
From the Utility Fund to the Other Post Employment Benefits Trust Fund - fund future expenses	<u>25,000</u>
Total	<u>\$ 20,683,929</u>

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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	\$ 34,259,674
Less:	
Inventories	(140,731)
Prepaid items	(390,336)
Stabilization by State statute	(7,531,105)
Restricted for Inspections	(1,715,843)
Restricted for Public Safety	(131,900)
Restricted for Streets	(1,965,244)
Restricted for Community Development	(12,080)
Committed - LEO Special Separation	
Allowance	(2,473,901)
Assigned - Subsequent Year's Expenditures	(2,927,482)
Unassigned fund balance	<u>\$ 16,971,052</u>

III. JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with seven counties and twenty-four other municipalities, established the Central Pines Regional 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 \$13,902 to the Council during the fiscal year ended June 30, 2025. 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, 2025.

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, 2025.

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

The City of Sanford entered into a regional partnership with the Town of Holly Springs and the Town of Fuquay-Varina to upgrade and expand the City's Water Treatment Plant. The project increases the plant's treatment capacity from 12 million gallons per day (MGD) to 30 MGD in order to meet long-term water demands within the participating service areas.

Under the terms of the interlocal agreement, the expanded treatment capacity will be allocated among the partners as follows:

- **City of Sanford:** 8 MGD
- **Town of Holly Springs:** 4 MGD
- **Town of Fuquay-Varina:** 6 MGD

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

IV. JOINT VENTURES (continued):

The whole of the expanded facility will be upgraded for granular activated carbon (GAC) treatment. This upgrade will be allocated among the partners as follows:

- City of Sanford: 20 MGD
- Town of Holly Springs: 4 MGD
- Town of Fuquay-Varina: 6 MGD

The City of Sanford received \$16,470,552 in American Rescue Plan Act (ARPA) grant funding appropriated by the NC General Assembly to support the project, and grant proceeds were shared among the municipalities based on their respective capacity allocations. \$15,646,995 in grant funds were drawn down for project expenses through June 30, 2025.

Construction and related improvements are ongoing, and the partners will share eligible project costs in accordance with the interlocal agreement.

	Sanford	Fuquay-Varina	Holly Springs	Total
Contributions - non-shared	10,634,580	7,286,827	4,857,885	22,779,292
Shared Grant	6,954,220	5,215,665	3,477,110	15,646,995
Total through 06/30/25	17,588,800	12,502,492	8,334,995	38,426,287

The City of Sanford is accounting for the expansion as a capital asset under construction in progress (CIP). All project costs are recorded as CIP within the City's financial statements. In accordance with the interlocal agreement, the portion of the construction costs attributable to the Town of Holly Springs and the Town of Fuquay-Varina is recognized as a liability, representing the obligation of the respective municipalities for their proportional share of project costs.

Upon project completion and placement into service, the City will recognize only its share of the capitalized asset, and the participating municipalities will assume ownership of their respective capacity interests pursuant to the terms of the agreement.

V. SUBSEQUENT EVENTS

The City of Sanford took over operations of the Sanford Affordable Housing Development Corporation effective as of October 1, 2020 and the activity of this organization is shown as a blended component unit in the accompanying financial statements. It was determined that this organization had its 501(c)(3) status revoked by the Internal Revenue Service (IRS) on May 15, 2018 due to the failure to file required income tax returns for several consecutive years. Since taking over the operations of the Sanford Affordable Housing Development Corporation application for the reinstatement of this exempt status as well as applicable income tax returns through June 30, 2025 have been submitted to the IRS and their determination of their tax exempt status is still pending.

Effective July 1, 2025 the Chatham County's water and sewer operations were merged with the City of Sanford. As part of this all of the existing assets and liabilities of Chatham County's water and sewer funds were transferred to the City of Sanford. Going forward the City of Sanford will administer all of the future functions of this system. The overall change in retained earnings to the City of Sanford of this merger Utility Merger with Chatham County has not yet been determined as the results of the audit for the Town of Chatham County's water and sewer system as of June 30, 2025 have not yet been received.

On November 5, 2024 the City approved the merger of the water and sewer systems for the Town of Siler City into their operations. The anticipated date of this merger would be July 1, 2027.

**CITY OF SANFORD, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

VI. SPECIAL ITEM

Effective July 1, 2025 the water and sewer operations of the Town of Pittsboro were transferred to the City of Sanford and merged into their operations going forward. The result of this merger was to increase the City of Sanford's net position for business type activities by a total of \$21,900,194. The detail of the items transferred is as follows;

Cash	\$	9,073,474
Accounts Receivable		967,623
Due from other governments		286,344
Deferred Outflows		623,134
Capital Assets (net)		14,494,094
Accounts Payable		(1,337,300)
Vacation Payable		(57,433)
Interest Payable		(5,134)
Revolving Loans Payable		(686,250)
Deferred Inflows		(159,181)
Net Pension Liability		(927,019)
OPEB Liability		(372,158)
Increase in net position	\$	<u>21,900,194</u>

VII. CHANGE IN ACCOUNTING PRINCIPLE FOR GASB 101

GASB Statement No. 101, Compensated Absences, was implemented for the current fiscal year. This implementation resulted in a decrease in beginning net position and an increase in beginning compensated absences payable of \$3,896,151 in the governmental activities and \$1,250,001 in the business-type activities.



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

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CITY OF SANFORD, NORTH CAROLINA

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

Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018	2017
Service Cost	\$ 1,247,741	\$ 1,285,191	\$ 1,526,020	\$ 2,262,844	\$ 2,541,127	\$ 1,663,761	\$ 1,511,842	\$ 1,616,367	\$ 1,850,988
Interest	1,814,363	1,699,785	1,774,919	1,329,929	1,351,333	1,588,389	1,602,870	1,474,120	1,329,795
Differences between expected and actual experience	(7,489,916)	(73,586)	(6,087,933)	(304,074)	(1,860,478)	143,702	(1,098,204)	698,486	-
Changes of assumptions	(5,425,988)	(1,906,680)	(565,434)	(13,917,013)	(225,975)	12,613,937	2,962,872	(2,617,252)	(4,696,849)
Benefit payments	(1,269,176)	(1,023,282)	(979,718)	(897,958)	(820,970)	(1,069,163)	(1,302,490)	(1,446,676)	(1,076,601)
Net change in total OPEB liability	(11,122,976)	(18,572)	(4,332,146)	(11,526,272)	985,037	14,940,626	3,676,890	(274,955)	(2,592,667)
Total OPEB liability - beginning	45,761,744	45,594,045	49,926,191	61,452,463	60,467,426	45,526,800	41,849,910	42,124,865	44,717,532
Total OPEB liability - ending	<u>\$34,638,768</u>	<u>\$45,575,473</u>	<u>\$45,594,045</u>	<u>\$49,926,191</u>	<u>\$61,452,463</u>	<u>\$60,467,426</u>	<u>\$45,526,800</u>	<u>\$41,849,910</u>	<u>\$42,124,865</u>
Plan fiduciary net position									
Contributions - employer	\$ 1,344,176	\$ 1,098,282	\$ 1,054,718	\$ 972,958	\$ 895,970	\$ 1,144,163	\$ 1,377,490	\$ 1,521,676	\$ 1,076,601
Net investment income	716,038	681,748	476,054	(531,263)	894,648	88,033	150,383	200,161	293,647
Benefit payments	(1,269,176)	(1,023,282)	(979,718)	(897,958)	(820,970)	(1,069,163)	(1,302,490)	(1,446,676)	(1,076,601)
Administrative expense	(7,155)	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	783,883	756,748	551,054	(456,263)	969,648	163,033	225,383	275,161	293,647
Plan fiduciary net position - beginning	5,075,044	4,318,296	3,767,242	4,223,505	3,253,857	3,090,824	2,865,441	2,590,280	2,296,633
Plan fiduciary net position - ending	<u>\$ 5,858,927</u>	<u>\$ 5,075,044</u>	<u>\$ 4,318,296</u>	<u>\$ 3,767,242</u>	<u>\$ 4,223,505</u>	<u>\$ 3,253,857</u>	<u>\$ 3,090,824</u>	<u>\$ 2,865,441</u>	<u>\$ 2,590,280</u>
City's net OPEB liability - ending	<u>\$28,779,841</u>	<u>\$40,500,429</u>	<u>\$41,275,749</u>	<u>\$46,158,949</u>	<u>\$57,228,958</u>	<u>\$57,213,569</u>	<u>\$42,435,976</u>	<u>\$38,984,469</u>	<u>\$39,534,585</u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.91%	11.14%	9.47%	7.55%	6.87%	5.38%	6.79%	6.85%	6.15%
Covered payroll	\$ 27,001,426	\$ 18,482,606	\$ 18,482,606	\$ 16,937,013	\$ 16,937,013	\$ 16,939,485	\$ 16,939,485	\$ 15,682,087	\$ 15,682,087
City's net OPEB liability as a percentage of covered-employee payroll	106.59%	219.13%	223.32%	272.53%	337.89%	337.75%	250.52%	248.59%	252.10%

Notes to Schedule:

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

Measurement date. Is the same as the reporting date.

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF CITY CONTRIBUTIONS
HEALTHCARE BENEFIT PLAN
LAST NINE FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 2,815,939	\$ 2,671,379	\$ 2,451,556	\$ 2,451,556	\$ 2,281,610	\$ 2,281,610	\$ 2,966,951	\$ 2,966,951	\$ 1,750,985
Contributions in relation to the actuarially determined contribution	1,344,176	1,098,282	1,054,718	972,958	895,970	1,144,163	1,377,490	1,521,676	1,076,601
Contribution deficiency (excess)	<u>\$ 1,471,763</u>	<u>\$ 1,573,097</u>	<u>\$ 1,396,838</u>	<u>\$ 1,478,598</u>	<u>\$ 1,385,640</u>	<u>\$ 1,137,447</u>	<u>\$ 1,589,461</u>	<u>\$ 1,445,275</u>	<u>\$ 674,384</u>
Covered payroll	\$ 27,001,426	\$ 18,482,606	\$ 18,482,606	\$ 16,937,013	\$ 16,937,013	\$ 16,939,485	\$ 16,939,485	\$ 15,682,087	\$ 15,682,087
Contributions as a percentage of covered payroll	4.98%	5.94%	5.71%	5.74%	5.29%	6.75%	8.13%	9.70%	6.67%

Notes to the Required Schedules:

Valuation date: June 30, 2024

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	22 years
Asset valuation method	Market value of assets
Inflation	2.50%
Healthcare Cost trend rates	7.00% decreasing to an ultimate of 4.50% by 2032
Salary increases	3.25% to 8.41% including inflation and productivity factor
Investment rate of return	5.72% net of OPEB plan investment expense, including inflation
Retirement Age	In the 2024 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2019 Health Annuitant Mortality Table.
Mortality	In the 2024 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the MP-2019 Health Annuitant Mortality Table.

CITY OF SANFORD, NORTH CAROLINA

**SCHEDULE OF INVESTMENT RETURNS
HEALTHCARE BENEFITS PLAN
LAST EIGHT FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	13.10%	14.52%	11.78%	-13.30%	23.93%	2.78%	5.05%	7.34%

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 4,140,229	\$ 3,217,206	\$ 2,544,270	\$ 2,256,515	\$ 1,915,634	\$ 1,667,138	\$ 1,430,608	\$ 1,363,502	\$ 1,290,220	\$ 1,139,107
Contributions in relation to the contractually required contributions	4,140,229	3,217,206	2,544,270	2,256,515	1,915,634	1,667,138	1,430,608	1,363,502	1,290,220	1,139,107
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Sanford's covered payroll	\$ 29,506,448	\$ 24,174,945	\$ 20,386,926	\$ 19,445,471	\$ 18,394,849	\$ 18,053,279	\$ 17,954,642	\$ 17,691,756	\$ 17,233,295	\$ 17,211,578
Contributions as a percentage of covered payroll	14.03%	13.31%	12.48%	11.60%	10.41%	9.23%	7.97%	7.71%	7.49%	6.62%

Schedule A-5

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Sanford's proportion of the net pension liability (asset) (%)	0.22311%	0.22293%	0.23652%	0.23481%	0.24442%	0.25780%	0.26303%	0.26874%	0.26842%	0.29946%
Sanford's proportion of the net pension liability (asset) (\$)	\$ 15,040,626	\$ 14,764,715	\$ 13,343,106	\$ 3,601,037	\$ 8,734,168	\$ 7,040,317	\$ 6,239,971	\$ 4,105,603	\$ 5,696,773	\$ 1,343,959
Sanford's covered payroll	\$ 24,174,945	\$ 20,386,926	\$ 19,445,471	\$ 18,394,849	\$ 18,053,279	\$ 17,954,642	\$ 17,691,756	\$ 17,233,295	\$ 17,211,578	\$ 16,062,956
Sanford's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	62.22%	72.42%	68.62%	19.58%	48.38%	39.21%	35.27%	23.82%	33.10%	8.37%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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

CITY OF SANFORD, NORTH CAROLINA

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$5,151,701	\$4,943,788	\$5,450,838	\$5,662,346	\$4,550,148	\$4,115,532	\$3,976,249	\$3,515,569	\$3,525,508
Service cost	187,598	138,683	195,759	193,121	129,533	127,870	138,665	129,921	121,976
Interest on the total pension liability	198,173	204,523	117,986	105,490	143,599	145,031	122,399	132,267	122,721
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	659,009	157,041	368,724	6,432	(37,922)	305,794	227,795	140,855	-
Changes of assumptions or other inputs	(116,395)	104,601	(775,492)	(123,487)	1,167,508	118,256	(143,824)	235,565	(78,738)
Benefit payments	(394,733)	(396,935)	(414,027)	(393,064)	(290,520)	(262,335)	(205,752)	(177,928)	(175,898)
Other changes	-	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$5,685,353</u>	<u>\$5,151,701</u>	<u>\$4,943,788</u>	<u>\$5,450,838</u>	<u>\$5,662,346</u>	<u>\$4,550,148</u>	<u>\$4,115,532</u>	<u>\$3,976,249</u>	<u>\$3,515,569</u>

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

CITY OF SANFORD, NORTH CAROLINA

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 5,685,353	\$ 5,151,701	\$ 4,943,788	\$ 5,450,838	\$ 5,662,346	\$ 4,550,148	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569
Covered payroll	6,031,136	4,792,303	4,542,554	4,371,895	4,409,078	4,652,747	4,725,235	4,694,220	4,303,085
Total pension liability as a percentage of covered-employee payroll	94.27%	107.50%	108.83%	124.68%	128.42%	97.79%	87.10%	84.71%	81.70%

Notes to the schedules:

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

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CITY OF SANFORD, NORTH CAROLINA

MAJOR GOVERNMENTAL FUNDS

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

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, 2025
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year levy	\$ 24,538,871	\$ 25,334,660	\$ 795,789	\$ 24,298,374
Prior year's levy	60,000	149,824	89,824	266,170
Total - ad valorem taxes	24,598,871	25,484,484	885,613	24,564,544
Other taxes:				
Privilege licenses	3,000	6,165	3,165	8,415
Motor vehicle fees	600,000	785,310	185,310	751,110
Local option sales tax	9,762,445	10,118,098	355,653	9,564,348
Total - other taxes	10,365,445	10,909,573	544,128	10,323,873
Penalties and interest	55,000	94,548	39,548	119,746
Licenses and permits:				
Building permits	744,250	1,703,975	959,725	1,142,944
Zoning fees	51,500	46,445	(5,055)	38,169
Fire permits	30,000	37,953	7,953	23,141
Total - licenses and permits	825,750	1,788,373	962,623	1,204,254
Intergovernmental revenues:				
Utilities sales tax	2,241,723	2,725,021	483,298	2,362,997
Beer and wine tax	62,123	64,553	2,430	76,821
State shared cable fees	148,590	131,968	(16,622)	148,378
Powell Bill allocation	1,025,936	1,141,138	115,202	1,025,936
Court costs and fees	4,000	5,670	1,670	4,566
Law Enforcement - Drug Forfeiture Program	90,000	2,359	(87,641)	19,147
Mowing reimbursement program	38,796	32,961	(5,835)	35,804
Disposal tax	25,068	24,920	(148)	24,608
911 surcharge reimbursement	533,502	204,817	(328,685)	151,992
Federal grants	-	-	-	338,176
State grants	12,500	2,502	(9,998)	2,568
Alcoholic beverage control	135,000	180,000	45,000	180,000
Other local governments	1,351,622	1,351,473	(149)	1,203,761
Total - intergovernmental revenues	5,668,860	5,867,382	198,522	5,574,754
Investment income	1,750,000	1,432,964	(317,036)	2,178,050
Sales and service:				
Waste management fees	3,524,500	3,401,421	(123,079)	3,247,473

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, 2025
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Miscellaneous revenues:				
Golf revenues	\$ 1,072,975	\$ 1,196,161	\$ 123,186	\$ 1,211,071
Street charges	225,000	156,458	(68,542)	196,308
Civil violation fines	-	300	300	-
Parking fine	3,000	5,176	2,176	10,666
Sundry	92,500	106,316	13,816	98,905
Total - miscellaneous revenues	1,393,475	1,464,411	70,936	1,516,950
Total revenues	48,181,901	50,443,156	2,261,255	48,729,644
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits	436,659	418,563	18,096	373,027
Current operating expenditures	211,485	112,628	98,857	144,629
Capital outlay	-	-	-	9,811
Total - governing body	648,144	531,191	116,953	527,467
Less: interfund reimbursements	(115,796)	(115,796)	-	(105,071)
Net - governing body	532,348	415,395	116,953	422,396
Administration:				
Salaries and benefits	803,167	766,421	36,746	615,223
Current operating expenditures	89,355	66,533	22,822	48,979
Total - administration	892,522	832,954	59,568	664,202
Less: interfund reimbursements	(205,863)	(205,863)	-	(195,033)
Net - administration	686,659	627,091	59,568	469,169
Human resources:				
Salaries and benefits	477,296	473,233	4,063	370,820
Current operating expenditures	154,514	89,878	64,636	105,700
Total - human resources	631,810	563,111	68,699	476,520
Less: interfund reimbursements	(99,361)	(99,361)	-	(100,888)
Net - human resources	532,449	463,750	68,699	375,632
Risk management:				
Salaries and benefits	140,081	140,212	(131)	128,528
Current operating expenditures	39,206	26,011	13,195	27,461
Total - risk management	179,287	166,223	13,064	155,989
Less: interfund reimbursements	(71,340)	(71,340)	-	(63,401)
Net - risk management	107,947	94,883	13,064	92,588
Elections:	-	-	-	56,912

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, 2025
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance:				
Salaries and benefits	\$ 1,219,116	\$ 1,308,736	\$ (89,620)	\$ 1,083,304
Current operating expenditures	1,029,813	601,918	427,895	600,171
Capital outlay	302,000	241,141	60,859	19,450
Total - finance	2,550,929	2,151,795	399,134	1,702,925
Less: interfund reimbursements	(621,392)	(621,392)	-	(649,473)
Net - finance	1,929,537	1,530,403	399,134	1,053,452
Information systems:				
Salaries and benefits	579,936	526,820	53,116	447,205
Current operating expenditures	154,288	121,362	32,926	118,422
Capital outlay	32,534	32,330	204	43,001
Total - information systems	766,758	680,512	86,246	608,628
Less: interfund reimbursements	(148,526)	(148,526)	-	(133,291)
Net - information systems	618,232	531,986	86,246	475,337
Legal:				
Salaries and benefits	367,491	368,150	(659)	321,413
Current operating expenditures	278,578	104,416	174,162	308,201
Total - legal	646,069	472,566	173,503	629,614
Less: interfund reimbursements	(219,302)	(219,302)	-	(192,606)
Net - legal	426,767	253,264	173,503	437,008
Public buildings:				
Salaries and benefits	235,329	228,564	6,765	214,571
Current operating expenditures	926,042	783,119	142,923	1,007,355
Capital outlay	907,273	890,649	16,624	811,207
Total - public buildings	2,068,644	1,902,332	166,312	2,033,133
Less: interfund reimbursements	(428,642)	(428,642)	-	(403,045)
Net - public buildings	1,640,002	1,473,690	166,312	1,630,088
Central mimeograph:				
Current operating expenditures	8,500	1,993	6,507	14,864
Capital outlay	27,454	11,532	15,922	15,297
Total - central mimeograph	35,954	13,525	22,429	30,161
Less: interfund reimbursements	(11,896)	(11,896)	-	(12,855)
Net - central mimeograph	24,058	1,629	22,429	17,306
Fleet maintenance:				
Salaries and benefits	575,831	487,959	87,872	495,965
Current operating expenditures	1,212,596	1,020,969	191,627	971,318
Capital outlay	57,856	44,483	13,373	35,085
Total - fleet maintenance	1,846,283	1,553,411	292,872	1,502,368
Less: interfund reimbursements	(105,059)	(105,059)	-	(109,048)
Less: charges to other departments	(750,000)	(897,246)	147,246	(780,061)
Net - fleet maintenance	991,224	551,106	440,118	613,259

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, 2025
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Beautification:				
Salaries and benefits	\$ 552,516	\$ 556,856	\$ (4,340)	\$ 521,586
Current operating expenditures	661,817	582,635	79,182	577,898
Capital outlay	45,111	39,719	5,392	207,068
Total - beautification	1,259,444	1,179,210	80,234	1,306,552
Other appropriations and contingencies:				
Associations and memberships	43,746	72,560	(28,814)	42,385
Regional and community support	428,402	304,027	124,375	424,652
Economic development	1,653,361	1,022,489	630,872	1,275,643
Intergovernmental transfers	193,480	193,480	-	158,620
Other post-employment benefits	1,070,543	858,139	212,404	825,148
Contingency	67,500	-	67,500	-
Total - other appropriations	3,457,032	2,450,695	1,006,337	2,726,448
Total general government	12,205,699	9,573,102	2,632,597	9,676,147
Community Development:				
Salaries and benefits	1,510,012	1,470,524	39,488	1,259,708
Current operating expenditures	591,833	261,811	330,022	444,367
Capital outlay	-	-	-	-
Total - community development	2,101,845	1,732,335	369,510	1,704,075
Code enforcement:				
Salaries and benefits	393,030	392,122	908	360,493
Current operating expenditures	150,693	111,551	39,142	104,060
Total - code enforcement	543,723	503,673	40,050	464,553
Planning/historic preservation:				
Salaries and benefits	134,805	131,492	3,313	123,450
Current operating expenditures	50,555	27,955	22,600	44,071
Capital outlay	10,000	-	10,000	-
Total - downtown/historic preservation	195,360	159,447	35,913	167,521
Total community development	2,840,928	2,395,455	445,473	2,336,149
Public Safety:				
Police:				
Salaries and benefits	13,255,703	12,198,730	1,056,973	10,992,112
Current operating expenditures	2,641,078	2,246,092	394,986	1,280,072
Capital outlay	1,836,288	1,652,380	183,908	1,052,419
Total - police	17,733,069	16,097,202	1,635,867	13,324,603
Fire:				
Salaries and benefits	7,176,523	7,017,742	158,781	5,355,068
Current operating expenditures	1,205,554	996,135	209,419	1,079,358
Capital outlay	2,475,076	2,258,371	216,705	456,534
Total - fire	10,857,153	10,272,248	584,905	6,890,960

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, 2025
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Inspection:				
Salaries and benefits	\$ 1,149,589	\$ 1,056,247	\$ 93,342	\$ 979,734
Current operating expenditures	175,259	121,436	53,823	114,584
Capital outlay	35,263	30,994	4,269	82,920
Total - inspection	1,360,111	1,208,677	151,434	1,177,238
Total public safety	29,950,333	27,578,127	2,372,206	21,392,801
Streets:				
Salaries and benefits	1,362,992	1,281,005	81,987	982,292
Current operating expenditures	1,943,199	1,660,145	283,054	1,625,803
Capital outlay	1,881,108	942,336	938,772	1,559,523
Total - streets and sidewalks	5,187,299	3,883,486	1,303,813	4,167,618
Sanitation:				
Refuse:				
Salaries and benefits	1,577,826	1,490,832	86,994	1,390,027
Current operating expenditures	1,003,629	916,391	87,238	850,246
Capital outlay	551,566	295,888	255,678	589,339
Total - refuse	3,133,021	2,703,111	429,910	2,829,612
Sanitation:				
Contracted services	1,452,078	1,452,367	(289)	1,361,653
Total sanitation	4,585,099	4,155,478	429,621	4,191,265
Cultural and Recreational:				
Parks and Recreation:				
Salaries and benefits	399,284	359,004	40,280	370,494
Current operating expenditures	407,892	395,392	12,500	537,015
Capital outlay	112,347	109,700	2,647	54,502
Total - parks and recreation	919,523	864,096	55,427	962,011
Golf:				
Salaries and benefits	676,523	707,877	(31,354)	648,380
Current operating expenditures	407,072	320,736	86,336	277,049
Capital outlay	197,983	49,998	147,985	40,216
Total - golf	1,281,578	1,078,611	202,967	965,645
Total cultural and recreational	2,201,101	1,942,707	258,394	1,927,656
Debt Service:				
Principal retirement	2,280,663	1,988,864	291,799	1,872,333
Interest	747,661	745,816	1,845	781,072
Debt issuance costs	15,000	3,232	11,768	3,232
	3,043,324	2,737,912	305,412	2,656,637
Total expenditures	60,013,783	52,266,267	7,747,516	46,348,273

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, 2025

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenue in excess of (less than) expenditures	\$ (11,831,882)	\$ (1,823,111)	\$ 10,008,771	\$ 2,381,371
Other Financing Sources (Uses):				
Transfers from other funds:				
General Capital Project Fund	-	107,815	107,815	-
ARP CSLRF Special Revenue Fund	-	-	-	-
Capital Reserve Fund	-	-	-	200,000
Transfers (to) other funds:				
Capital Reserve Fund	(25,000)	(25,000)	-	(25,000)
Central Business Tax District	(97,808)	(97,808)	-	(83,074)
Community development	-	-	-	(7,500)
General Capital Project Fund	(4,543,068)	(4,543,068)	-	(891,799)
Sanford Affordable Housing Development Corporation	(60,000)	(60,000)	-	(405,500)
Installment purchase issuance	2,450,000	-	(2,450,000)	-
Lease liabilities issued	120,000	114,345	(5,655)	35,386
Subscription liabilities issued	348,000	230,369	(117,631)	19,872
Sale of property	172,000	37,506	(134,494)	33,338
Insurance recovery	196,235	511,858	315,623	273,199
Total - other financing sources (uses)	(1,439,641)	(3,723,983)	(2,284,342)	(851,078)
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(13,271,523)	(5,547,094)	7,724,429	1,530,293
Appropriated fund balance	13,271,523	-	(13,271,523)	-
Net Change in Fund Balance	<u>\$ -</u>	<u>(5,547,094)</u>	<u>\$ (5,547,094)</u>	1,530,293
Fund balance, beginning of year		<u>39,806,768</u>		
Fund balance, end of year		<u>\$ 34,259,674</u>		

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CITY OF SANFORD, NORTH CAROLINA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

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

CAPITAL PROJECTS FUNDS:

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

CAPITAL RESERVE FUNDS:

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

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CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Special Revenue Funds				Formerly Major Fund	General Capital Reserve Fund	Total
	Community Development	Municipal Service District	Friends of Sanford	Sanford Affordable Housing Development Corporation	General Capital Projects Fund		
Assets:							
Cash, cash equivalents and investments	\$ 1,058,693	\$ 160,014	\$ 102,423	\$ 42,518	\$ 9,014,511	\$ 28,391	\$ 10,406,550
Cash, restricted	477,156	-	-	-	-	-	477,156
Accounts receivable	-	-	-	199	-	-	199
Property taxes receivable, net	-	1,835	-	-	-	-	1,835
Due from governmental agencies	5,820	2,136	-	-	1,439,533	-	1,447,489
Prepaid items	-	-	-	5,158	-	-	5,158
Total assets	\$ 1,541,669	\$ 163,985	\$ 102,423	\$ 47,875	\$ 10,454,044	\$ 28,391	\$ 12,338,387
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities:							
Accounts payable	\$ 66,073	\$ 11,373	\$ 673	\$ 9,091	\$ 1,005,796	\$ -	\$ 1,093,006
Due to other funds	(3,093)	-	-	55,278	-	-	52,185
Total liabilities	62,980	11,373	673	64,369	1,005,796	-	1,145,191
Deferred Inflows of Resources:							
Unavailable revenue - property taxes	-	1,835	-	-	-	-	1,835
Deferred grants	60,000	-	-	-	-	-	60,000
Total deferred inflows of resources	60,000	1,835	-	-	-	-	61,835
Fund Balances:							
Restricted:							
Stabilization by State statute	-	6,286	-	-	-	-	6,286
Community development	1,418,689	-	101,750	(16,494)	9,448,248	-	10,952,193
Committed:							
Cultural and recreational	-	-	-	-	-	28,391	28,391
Assigned:							
Downtown revitalization	-	112,461	-	-	-	-	112,461
Subsequent year's expenditures	-	32,030	-	-	-	-	32,030
Total fund balances	1,418,689	150,777	101,750	(16,494)	9,448,248	28,391	11,131,361
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,541,669	\$ 163,985	\$ 102,423	\$ 47,875	\$ 10,454,044	\$ 28,391	\$ 12,338,387

CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue Funds				Formerly	General	Total
	Community	Municipal	Friends of	Sanford Affordable	Major Fund		
	Development	Service	Sanford	Housing Development	Capital	Capital	
		District		Corporation	Projects Fund	Reserve Fund	
Revenues:							
Ad valorem taxes:							
Current year	\$ -	\$ 101,456	\$ -	\$ -	\$ -	\$ -	\$ 101,456
Prior years	-	2,461	-	-	-	-	2,461
Intergovernmental revenues:							
State of North Carolina	121,513	-	-	-	502,870	-	624,383
Federal grants	-	-	-	-	1,338,310	-	1,338,310
Foundation	-	-	-	-	958,706	-	958,706
Contributions	7,500	-	21,500	-	-	-	29,000
Rental income	-	-	-	155,603	-	-	155,603
Investment income	37,927	5,413	-	-	117,714	1,049	162,103
Miscellaneous income	36,489	507	-	534	-	-	37,530
Total revenues	203,429	109,837	21,500	156,137	2,917,600	1,049	3,409,552
Expenditures:							
Current:							
Community development:							
Downtown revitalization	-	190,207	-	-	53,416	-	243,623
Other prior program expenditures	310,436	-	23,705	180,548	-	-	514,689
Capital outlay	-	-	-	291,884	5,537,203	-	5,829,087
Total expenditures	310,436	190,207	23,705	472,432	5,590,619	-	6,587,399
Revenues over (under) expenditures	(107,007)	(80,370)	(2,205)	(316,295)	(2,673,019)	1,049	(3,177,847)
Other Financing Sources:							
Transfers from other funds	232,500	97,808	-	60,000	4,310,568	25,000	4,725,876
Transfers to other funds	(107,815)	-	-	-	-	-	(107,815)
	124,685	97,808	-	60,000	4,310,568	25,000	4,618,061
Net change in fund balances	17,678	17,438	(2,205)	(256,295)	1,637,549	26,049	1,440,214
Fund balances, beginning of year, as previously presented	1,401,011	133,339	103,955	239,801	-	2,342	1,880,448
Change within financial reporting entity	-	-	-	-	7,810,699	-	7,810,699
Fund balances, beginning of year, as restated	1,401,011	133,339	103,955	239,801	7,810,699	2,342	9,691,147
Fund balances, end of year	\$ 1,418,689	\$ 150,777	\$ 101,750	\$ (16,494)	\$ 9,448,248	\$ 28,391	\$ 11,131,361

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

	Project Budget	Current Year	Prior Years	Total to June 30, 2025
Revenues:				
Intergovernmental revenues:				
2021 Essential Single Family Rehab (C2103)				
Federal grants	\$ 255,800	\$ -	\$ 252,281	\$ 252,281
CDBG Neighborhood Revitalization (C1903)				
Federal grants	991,967	-	987,696	987,696
N.C. Urgent Repair (URP2234)				
Grant-N.C. Housing Finance Agency (C2301)	132,000	-	130,582	130,582
Lee County	7,500	-	7,500	7,500
Total - N.C. Urgent Repair Program (URP 2234)	139,500	-	138,082	138,082
Sanford/Lee County Home Repair Program (C2302)				
Lee County	375,000	-	125,000	125,000
N.C. Urgent Repair (URP2346)				
Grant-N.C. Housing Finance Agency (C2401)	132,000	115,693	-	115,693
Lee County	7,500	7,500	-	7,500
Total - N.C. Urgent Repair Program (URP 2346)	139,500	123,193	-	123,193
N.C. Urgent Repair (URP2443)				
Grant-N.C. Housing Finance Agency (C2501)	132,000	-	-	-
Lee County	7,500	-	-	-
Total - N.C. Urgent Repair Program (URP 2433)	139,500	-	-	-
Triad Corrugated Metal Building Reuse (G2001)				
State grant	85,000	-	48,644	48,644
Contributions - other	4,250	-	4,250	4,250
Total - Triad Corrugated Metal Building Reuse (G2001)	89,250	-	52,894	52,894
Project Forge Site Preparation/Roadway (G2002)				
Foundation grants	89,000	-	89,000	89,000
State grants	964,600	-	964,600	964,600
Lee County	700,000	-	700,000	700,000
Total - Project Forge Site Preparation/Roadway (G2002)	1,753,600	-	1,753,600	1,753,600
Little Buffalo Creek Stream Restoration (G2301)				
State grant-N.C. Dept. of Public Safety Disaster Relief and Mitigation Fund	2,653,816	5,820	263,830	269,650
Cashion Fishing Rods Building Reuse (G2502)				
State grant-N.C. Dept. of Public Safety Disaster Relief and Mitigation Fund	90,000	-	-	-
Miscellaneous				
Interest income	175,703	37,927	310,401	348,328
Program income	232,411	36,489	980,560	1,017,049
Total miscellaneous revenue	408,114	74,416	1,290,961	1,365,377
Total revenues	7,036,047	203,429	4,864,344	5,067,773

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

	Project Budget	Current Year	Prior Years	Total to June 30, 2025
Expenditures:				
Intergovernmental expenditures:				
2021 Essential Single Family Rehab (C2103)				
Rehabilitation	\$ 195,800	\$ -	\$ 192,281	\$ 192,281
Soft costs	60,000	-	60,000	60,000
Total - 2021 Essential Single Family Rehab (C2103)	255,800	-	252,281	252,281
CDBG Neighborhood Revitalization (C1903)				
Administrative	92,500	-	88,230	88,230
Rehabilitation	668,534	-	668,534	668,534
Capital outlay	230,933	-	230,932	230,932
Total-CDBG Neighborhood Revitalization (C1903)	991,967	-	987,696	987,696
N.C. Urgent Repair (C2301)				
Rehabilitation	132,000	-	131,678	131,678
Local Match	15,000	-	15,000	15,000
Total - N.C. Urgent Repair Program (C2301)	147,000	-	146,678	146,678
Sanford/Lee County Home Repair Program (C2302)				
Rehabilitation	750,000	154,175	-	154,175
N.C. Urgent Repair (C2401)				
Rehabilitation	132,000	116,563	-	116,563
Local Match	15,000	15,000	-	15,000
Total - N.C. Urgent Repair Program (C2401)	147,000	131,563	-	131,563
N.C. Urgent Repair (C2501)				
Rehabilitation	132,000	-	-	-
Local Match	15,000	-	-	-
Total - N.C. Urgent Repair Program (C2501)	147,000	-	-	-
Triad Corrugated Metal Building Reuse (G2001)				
Grant administration	8,500	-	8,500	8,500
Building Repairs	89,250	-	52,894	52,894
Total - Triad Corrugated Metal Building Reuse (G2001)	97,750	-	61,394	61,394
Project Forge Site Preparation/Roadway (G2002)				
Engineering-site preparation	114,985	-	114,985	114,985
Engineering-roadway	33,054	-	33,053	33,053
Site preparation construction	1,135,135	-	1,135,136	1,135,136
Public roadway NCDOT	1,003,467	-	1,003,467	1,003,467
Roadway easement	204,014	-	204,014	204,014
Private roadway	952,692	-	952,692	952,692
Capital outlay	427,438	-	427,439	427,439
Total - Project Forge Site Preparation/Roadway (G2002)	3,870,785	-	3,870,786	3,870,786
Little Buffalo Creek Stream Restoration (G2301)				
Grant Administration	16,825	-	5,220	5,220
Design	384,875	8,070	280,065	288,135
Construction	2,290,456	-	-	-
Land easements	1,660	-	-	-
Total - Little Buffalo Creek Stream Restoration (G2301)	2,693,816	8,070	285,285	293,355
Affordable Housing Utility Fees (G2501)				
Affordable housing utility fees	100,000	16,553	-	16,553
Cashion Fishing Rods Building Reuse (G2502)				
Building reuse	90,000	-	-	-

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

	Project Budget	Current Year	Prior Years	Total to June 30, 2025
Other prior program expenditures:				
Rehabilitation	\$ 48,765	\$ 75	\$ 45,081	\$ 45,156
Land disposition	29,536	-	26,334	26,334
Homelessness project	97,090	-	96,735	96,735
Local match	242	-	242	242
Capital outlay	121,764	-	121,764	121,764
Total - other prior program expenditures	<u>297,397</u>	<u>75</u>	<u>290,156</u>	<u>290,231</u>
Total expenditures	<u>9,588,515</u>	<u>310,436</u>	<u>5,894,276</u>	<u>6,204,712</u>
Expenditures in excess of revenues	<u>(2,552,468)</u>	<u>(107,007)</u>	<u>(1,029,932)</u>	<u>(1,136,939)</u>
Other Financing Sources (Uses):				
Transfer from General Fund	2,771,000	232,500	2,538,500	2,771,000
Transfer to General Fund	(107,815)	(107,815)	-	(107,815)
Transfer to Sanford Affordable Housing Development Corporation	(80,717)	-	(77,557)	(77,557)
Transfer to Community Development	(30,000)	-	(30,000)	(30,000)
Total other financing sources (uses)	<u>2,552,468</u>	<u>124,685</u>	<u>2,430,943</u>	<u>2,555,628</u>
Net changes in fund balance	<u>\$ -</u>	<u>17,678</u>	<u>\$ 1,401,011</u>	<u>\$ 1,418,689</u>
Fund balance, beginning of year		<u>1,401,011</u>		
Fund balance, end of year		<u>\$ 1,418,689</u>		

CITY OF SANFORD, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUND - MUNICIPAL SERVICE DISTRICT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2025
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Ad valorem taxes:				
Current year	\$ 97,187	\$ 101,456	\$ 4,269	\$ 99,174
Prior year	3,065	2,461	(604)	2,060
Investment earnings	5,000	5,413	413	7,400
Penalties and interest	200	507	307	315
Total revenues	<u>105,452</u>	<u>109,837</u>	<u>4,385</u>	<u>108,949</u>
Expenditures:				
Operating expenditures	205,942	177,217	28,725	171,682
Downtown Façade Reimbursement Program	39,050	12,991	26,059	20,300
Capital outlay	16,500	-	16,500	-
Total expenditures	<u>261,492</u>	<u>190,208</u>	<u>71,284</u>	<u>191,982</u>
Excess of revenues over expenditures	<u>(156,040)</u>	<u>(80,371)</u>	<u>75,669</u>	<u>(83,033)</u>
Other Financing Sources:				
Transfer from General Fund	97,808	97,808	-	83,074
Appropriated fund balance	58,232	-	(58,232)	-
Total other financing sources	<u>156,040</u>	<u>97,808</u>	<u>(58,232)</u>	<u>83,074</u>
Net change in fund balance	<u>\$ -</u>	<u>17,437</u>	<u>\$ 17,437</u>	<u>41</u>
Fund balance, beginning of year		<u>133,339</u>		<u>133,298</u>
Fund balance, end of year		<u>\$ 150,776</u>		<u>\$ 133,339</u>

CITY OF SANFORD, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUND - FRIENDS OF SANFORD - BLENDED COMPONENT UNIT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2025**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Donations	\$ 100,000	\$ 21,500	\$ (78,500)	\$ 44,709
Expenditures:				
Advertising and marketing	-	133	(133)	1,335
Events	-	11,160	(11,160)	6,350
Office supplies	-	1,092	(1,092)	981
Merchant fees	-	55	(55)	15
Murals	-	-	-	30,000
Printing and postage	-	572	(572)	15
Supplies	-	656	(656)	309
Community development	100,000	10,037	89,963	3,322
Total expenditures	<u>100,000</u>	<u>23,705</u>	<u>76,295</u>	<u>42,327</u>
Net change in fund balance	<u>\$ -</u>	<u>(2,205)</u>	<u>\$ (2,205)</u>	2,382
Fund balance, beginning of year		<u>103,955</u>		<u>101,573</u>
Fund balance, end of year		<u>\$ 101,750</u>		<u>\$ 103,955</u>

CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - SANFORD AFFORDABLE HOUSING DEVELOPMENT
CORPORATION - BLENDED COMPONENT UNIT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
Rental income	\$	\$ 155,603	\$	\$ 168,205
Miscellaneous income		534		660
Total revenues	850,000	156,137	(693,863)	168,865
Expenditures:				
Commissions		42,426		41,225
Contractual services		50,447		39,282
Insurance		21,444		21,336
Repairs and maintenance		34,098		30,931
Legal and professional services		3,548		241
Supplies		2,371		1,843
Utilities		25,838		28,513
Merchant fees		26		111
Property taxes		350		4,168
Capital outlay		291,884		128,017
Total expenditures	850,000	472,432	377,568	295,667
Expenditures in excess of revenues	-	(316,295)	(316,295)	(126,802)
Other Financing Sources:				
Transfers in - General Fund	-	60,000	-	405,500
Net change in fund balance	\$ -	(256,295)	\$ (316,295)	278,698
Fund balance, beginning of year		239,801		(38,897)
Fund balance, end of year		\$ (16,494)		\$ 239,801

CITY OF SANFORD, NORTH CAROLINA

GOVERNMENTAL FUND - GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

	Project Budget	Prior Years	Closed Projects	Current Year	Total to June 30, 2025
Revenues:					
Grants	\$ 10,963,373	\$ 184,036	\$ -	\$ 2,799,886	\$ 2,983,922
Contribution	252,400	25,000	-	-	25,000
Interest Income	2,176	500,915	-	117,714	618,629
Total revenues	11,217,949	709,951	-	2,917,600	3,627,551
Expenditures:					
Greenway					
Land acquisition-easements	40,032	-	-	-	-
Engineering	441,298	391,318	(391,318)	-	-
Total - Greenway	481,330	391,318	(391,318)	-	-
Wicker Street Sidepath Construction	464,000	-	-	-	-
Sanford Agricultural Marketplace					
Administrative Expense - non-capitalized	78,096	1,741	-	26,512	28,253
Engineering	429,200	380,934	-	34,359	415,293
Construction	5,917,299	670	-	1,538,566	1,539,236
Feasibility Study	46,295	46,294	-	-	46,294
Construction Administration	101,100	-	-	35,385	35,385
Flood study	43,461	43,461	-	-	43,461
Audio visual	25,000	-	-	-	-
Machinery and equipment	136,964	-	-	-	-
Total - Sanford Agricultural Marketplace	6,777,415	473,100	-	1,634,822	2,107,922
Fire Station No. 5					
Design	385,753	352,805	(352,805)	-	-
Construction	7,790,562	5,096,441	(7,484,148)	2,387,707	-
Construction Administration	146,250	87,306	(146,116)	58,810	-
Soft Costs	60,000	-	(17,819)	17,819	-
Capital Outlay - Vehicles	3,567,721	3,567,720	-	-	3,567,720
Total - Fire Station No. 5	11,950,286	9,104,272	(8,000,888)	2,464,336	3,567,720
Depot Park Improvements					
Engineering	145,608	52,591	-	12,200	64,791
Construction	1,307,392	-	-	925,046	925,046
Total - Depot Park Improvements	1,453,000	52,591	-	937,246	989,837
NC Highway 42 Sidewalks and Bike Lanes					
Sidewalk improvements	112,500	-	-	-	-
Bike lanes	195,716	-	-	-	-
Street improvements	29,608	-	-	-	-
Total - NC Highway 42 Sidewalks and Bike Lanes	337,824	-	-	-	-
CDBG Neighborhood Revitalization - Washington Ave.					
Administrative Expense - non-capitalized	55,556	29,504	-	3,835	33,339
Street Improvements	400,400	-	-	38,849	38,849
Flood & Drainage	396,400	-	-	38,460	38,460
Pedestrian Improvements	131,000	-	-	12,710	12,710
Total - CDBG Neighborhood Revitalization - Washington Ave.	983,356	29,504	-	93,854	123,358

CITY OF SANFORD, NORTH CAROLINA

GOVERNMENTAL FUND - GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

	Project Budget	Prior Years	Closed Projects	Current Year	Total to June 30, 2025
CDBG Neighborhood Revitalization - Jackson Heights					
Administrative Expense - non-capitalized	\$ 405,129	\$ 53,905	\$ -	\$ 23,069	\$ 76,974
Street Improvements	1,158,413	-	-	27,721	27,721
Flood & Drainage	2,613,500	-	-	62,540	62,540
Pedestrian Improvements	279,375	-	-	6,685	6,685
Total - CDBG Neighborhood Revitalization - Jackson Heights	4,456,417	53,905	-	120,015	173,920
Kiwanis Park Project:					
Construction	436,375	74,900	(95,089)	20,189	-
Woodland Avenue Sidewalk Project					
Design	700,000	-	-	250,630	250,630
Construction	1,172,391	-	-	-	-
	1,872,391	-	-	250,630	250,630
Fields Drive Sidewalk Project					
Design	524,871	-	-	69,527	69,527
Construction	831,129	-	-	-	-
	1,356,000	-	-	69,527	69,527
Walter McNeil Park Project					
Construction Administration	118,070	-	-	-	-
Construction	346,692	-	-	-	-
	464,762	-	-	-	-
Enterprise Park Drive Rehab Project					
Construction	2,000,000	-	-	-	-
Total expenditures	33,033,156	10,179,590	(8,487,295)	5,590,619	7,282,914
Revenues under expenditures	(21,815,207)	(9,469,639)	8,487,295	(2,673,019)	(3,655,363)
Other Financing Sources (Uses):					
Transfers in - General Fund	12,226,415	7,682,649	(486,407)	4,310,568	11,506,810
Transfers out - General Fund	(2,628,022)	(2,628,021)	-	-	(2,628,021)
Bonds Issued	9,210,000	9,210,000	(8,000,888)	-	1,209,112
Bond Premium	1,318,500	1,318,500	-	-	1,318,500
Issuance of Debt	2,015,000	2,015,000	-	-	2,015,000
Debt Issuance Cost	(326,686)	(317,790)	-	-	(317,790)
Total Other Financing Sources (Uses):	21,815,207	17,280,338	(8,487,295)	4,310,568	13,103,611
Net change in fund balance	\$ -	\$ 7,810,699	\$ -	\$ 1,637,549	\$ 9,448,248

CITY OF SANFORD, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUND - CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2025**

	Budget	Prior Years	Current Year	Total to Date	Variance with Final Budget Over/Under
Revenues:					
Interest income	\$ 11,642	\$ 13,342	\$ 1,049	\$ 14,391	\$ 2,749
Other Financing Sources (Uses):					
Transfers in - General Fund	189,000	189,000	25,000	214,000	25,000
Transfers out - General Fund	(200,642)	(200,000)	-	(200,000)	642
Total other financing sources	(11,642)	(11,000)	25,000	14,000	25,642
Net change in fund balance	\$ -	\$ 2,342	26,049		\$ 28,391
Fund balance, beginning of year			2,342		
Fund balance, end of year			\$ 28,391		

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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.

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

Chatham Park Water Recovery Center Operations Fund – This fund is used to account for Chatham Park Water Recovery Center operations. This fund operates in a manner similar to private business enterprises.

Capital Reserve Fund Pittsboro System Development Fees – The Capital Reserve Fund is used to account for system development fees for the Pittsboro service location.

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

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CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges:				
Water	\$ 20,920,694	\$ 21,030,988	\$ 110,294	\$ 16,695,143
Sewer	12,919,440	13,135,906	216,466	10,295,032
Total user charges	33,840,134	34,166,894	326,760	26,990,175
Monitoring fees	84,000	102,762	18,762	79,200
Connection and tap fees	265,000	359,561	94,561	244,122
Sales and Services	-	98,425	98,425	-
Investment income	610,000	632,020	22,020	832,156
Other	2,037,897	3,041,445	1,003,548	2,421,106
Charges to other funds	30,000	25,706	(4,294)	34,552
Total revenues	36,867,031	38,426,813	1,559,782	30,601,311
Expenditures:				
Engineering:				
Salaries and benefits	1,414,338	1,321,938	92,400	1,071,138
Maintenance of infrastructure and related equipment	3,500	4,248	(748)	5,482
Other operating expenditures	232,057	191,307	40,750	377,397
Capital outlay	47,740	46,578	1,162	54,266
Total - engineering	1,697,635	1,564,071	133,564	1,508,283
Utility administration:				
Salaries and benefits	1,624,648	1,115,445	509,203	931,670
Operating expenditures	1,956,674	1,014,394	942,280	739,789
Capital outlay	9,435	117,120	(107,685)	244,687
Right to use asset IT subscription	-	-	-	20,146
Interfund reimbursement	1,976,686	2,027,177	(50,491)	1,964,711
Total - utility administration	5,567,443	4,274,136	1,293,307	3,901,003
Utility business:				
Salaries and benefits	519,459	501,901	17,558	82,953
Maintenance of infrastructure and related equipment	-	166	(166)	-
Other operating expenditures	309,360	229,223	80,137	8,667
Capital outlay	-	-	-	16,650
Right to use asset lease	-	68,552	(68,552)	-
Right to use asset IT subscription	120,000	-	120,000	118,926
Total - public works administration	948,819	799,842	148,977	227,196
Public works administration:				
Salaries and benefits	967,167	928,798	38,369	860,324
Maintenance of infrastructure and related equipment	2,000	179	1,821	1,259
Other operating expenditures	47,837	37,826	10,011	84,113
Capital outlay	-	-	-	25,751
Total - public works administration	1,017,004	966,803	50,201	971,447

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Water plant operations:				
Salaries and benefits	\$ 2,039,989	\$ 1,920,610	\$ 119,379	\$ 1,041,988
Maintenance of infrastructure and related equipment	115,100	100,101	14,999	105,127
Other operating expenditures	3,333,115	2,844,406	488,709	1,818,112
Capital outlay	131,634	124,776	6,858	140,975
Total - water plant operations	5,619,838	4,989,893	629,945	3,106,202
Sewer plant operations:				
Salaries and benefits	1,701,556	1,605,244	96,312	962,205
Maintenance of infrastructure and related equipment	107,576	54,670	52,906	73,566
Other operating expenditures	2,785,435	2,592,855	192,580	1,537,051
Capital outlay	452,000	160,000	292,000	31,006
Total - sewer plant operations	5,046,567	4,412,769	633,798	2,603,828
Distribution and collection:				
Salaries and benefits	4,223,298	4,129,886	93,412	3,154,531
Maintenance of infrastructure and related equipment	261,652	145,066	116,586	159,639
Other operating expenditures	5,226,289	4,489,288	737,001	4,740,420
Capital outlay	1,845,350	1,451,151	394,199	588,288
Total - distribution and collection	11,556,589	10,215,391	1,341,198	8,642,878
Utility maintenance:				
Salaries and benefits	656,282	659,091	(2,809)	471,490
Maintenance of infrastructure and related equipment	1,555,566	863,470	692,096	754,785
Other operating expenditures	722,071	433,316	288,755	140,291
Right to use asset IT subscription	8,204	-	8,204	-
Capital outlay	925,061	406,519	518,542	38,389
Total - distribution and collection	3,867,184	2,362,396	1,504,788	1,404,955
Store:				
Salaries and benefits	73,443	52,068	21,375	87,353
Purchases and supplies	429,726	345,516	84,210	313,893
Maintenance of infrastructure and related equipment	475	280	195	324
Other operating expenditures	90,008	68,115	21,893	25,826
Right to use asset IT subscription	55,456	44,483	10,973	-
Capital outlay	-	-	-	31,704
Total - store	649,108	510,462	138,646	459,100
Less charges to other departments	(200,000)	(237,663)	37,663	(272,462)
Net store	449,108	272,799	176,309	186,638
Capital improvements:				
Capital outlay	1,467,082	1,166,805	300,277	291,253
Contractual services	4,481,979	1,702,601	2,779,378	1,480,913
Total capital improvements	5,949,061	2,869,406	3,079,655	1,772,166

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Debt service:				
Interest	\$ 5,092,955	\$ 4,338,025	\$ 754,930	\$ 1,699,065
Principal retirement	3,173,005	3,148,596	24,409	2,863,174
Other fees	10,000	-	10,000	1,000
Total debt service	8,275,960	7,486,621	789,339	4,563,239
Total expenditures	49,995,208	40,214,127	9,781,081	28,887,835
Revenues in excess of (less than) expenditures	(13,128,177)	(1,787,314)	11,340,863	1,713,476
Other financing sources (uses):				
Transfers in:				
Capital Project Fund	3,246,416	4,852,974	1,606,558	-
Transfers (out):				
Capital Project Fund	(7,736,050)	(7,735,780)	270	(4,400,000)
Capital Reserve Fund	(3,296,485)	(3,296,485)	-	-
Other Post Employment Benefits	(25,000)	(25,000)	-	(25,000)
Installment Purchase	1,200,000	-	(1,200,000)	-
Lease liabilities issued	120,000	68,553	(51,447)	-
Subscription liabilities issued	46,000	44,483	(1,517)	139,072
Insurance recovery	-	6,740	6,740	136,617
Appropriated fund balance	19,573,296	-	(19,573,296)	-
Total other financing sources (uses)	13,128,177	(6,084,515)	(19,212,692)	(4,149,311)
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	\$ -	(7,871,829)	\$ (7,871,829)	\$ (2,435,835)

CITY OF SANFORD, NORTH CAROLINA

UTILITY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2025

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2024

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses		\$ (7,871,829)		
Reconciling items:				
Capital outlay		3,472,949		
Capital contributions - contractors		16,339,429		
Principal payments on debt		3,148,596		
Decrease in accrued interest payable		(473,961)		
Depreciation and amortization		(8,083,214)		
Bad debt allowance		(6,868)		
Bond premium amortization		520,010		
Disposal of capital assets		-		
Intrafund transfers		6,179,291		
Increase in deferred outflows of resources - pensions		(647,963)		
Increase in net pension liability		849,240		
Increase in deferred inflows of resources - pensions		10,276		
Increase in compensated absences		(375,850)		
Decrease in deferred outflows of resources - OPEB		(792,426)		
Decrease in net OPEB liability		4,240,926		
Decrease in deferred inflows of resources - OPEB		(2,376,693)		
Deferred outflows from debt refunding		(20,608)		
Utility Capital Projects Fund				
Grant funds		76,325,227		
Contributions from other governments		-		
Interest income		3,882,938		
Non-capitalized expenditures		(735,660)		
Loan fees		(3,072,698)		
Bond issuance cost		(1,178,904)		
Capital Reserve Fund				
System Development fees		2,479,366		
Interest income		143,391		
Change in net position		91,954,965		
Special item				
Merger of Town of Pittsboro water and sewer system		21,900,194		
Change in net position		<u>\$ 113,855,159</u>		

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, 2025

	Project Budget	Prior Years	Closed Projects	Current Year	Total to Date
Revenues:					
Grants	\$ 351,513,569	\$ 80,215,608	\$ (8,023,300)	\$ 85,018,003	\$ 157,210,311
Less Shared Grants	(9,150,307)	-	-	(8,692,776)	(8,692,776)
Contributions - Other	78,252,430	1,952,919	-	19,345,803	21,298,722
Interest income	1,582,141	1,205,221	-	3,882,938	5,088,159
Total revenues	<u>422,197,833</u>	<u>83,373,748</u>	<u>(8,023,300)</u>	<u>99,553,968</u>	<u>174,904,416</u>
Expenditures:					
Water capital project - capital outlay	466,932,363	39,540,109	(439,375)	67,393,016	106,493,750
Less Water Capital Project Due to Other Govts	(194,491,996)	-	-	(20,837,487)	(20,837,487)
Sewer capital project - capital outlay	218,059,947	50,225,906	(9,260,814)	40,448,675	81,413,767
Non-capitalized expenditures	80,354,635	151,824	-	20,081,463	20,233,287
Total expenditures	<u>570,854,949</u>	<u>89,917,839</u>	<u>(9,700,189)</u>	<u>107,085,667</u>	<u>187,303,317</u>
Revenues over (under) expenditures	<u>(148,657,116)</u>	<u>(6,544,091)</u>	<u>1,676,889</u>	<u>(7,531,699)</u>	<u>(12,398,901)</u>
Other Financing Sources (Uses):					
Transfer from Utility Fund	25,345,966	17,610,186	(1,160,448)	7,735,780	24,185,518
Transfer to Utility Fund	(8,095,943)	(3,242,968)	-	(4,852,974)	(8,095,942)
State Revolving Loan	41,380,500	-	-	400,000	400,000
Bonds Issued	88,350,004	-	-	88,350,000	88,350,000
Bond Premium	5,579,304	-	-	5,579,303	5,579,303
Loan Fees	(3,231,114)	(81,078)	-	(3,072,698)	(3,153,776)
Bond Issuance Cost	(1,188,042)	-	-	(1,178,904)	(1,178,904)
Issuance of Debt	516,441	516,441	(516,441)	-	-
Total other financing sources (uses)	<u>148,657,116</u>	<u>14,802,581</u>	<u>(1,676,889)</u>	<u>92,960,507</u>	<u>106,086,199</u>
Revenues and other financing sources in excess of expenditures	<u>\$ -</u>	<u>\$ 8,258,490</u>	<u>\$ -</u>	<u>\$ 85,428,808</u>	<u>\$ 93,687,298</u>

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

CITY OF SANFORD, NORTH CAROLINA

CHATHAM PARK - WATER RECOVERY CENTER OPERATIONS
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - FROM INCEPTION AND
FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenues:				
User charges	\$ 884,576	\$ 502,791	\$ (381,785)	\$ 507,927
Other	-	75,000	75,000	62,500
	<u>884,576</u>	<u>577,791</u>	<u>(306,785)</u>	<u>570,427</u>
Expenditures:				
Salaries and benefits	75,750	92,846	(17,096)	85,998
Maintenance of infrastructure and related equipment	144,382	44,352	100,030	29,550
Other operating expenditures	664,444	365,593	298,851	392,379
Total expenditures	<u>884,576</u>	<u>502,791</u>	<u>381,785</u>	<u>507,927</u>
Revenues over (under)expenditures	<u>-</u>	<u>75,000</u>	<u>(75,000)</u>	<u>62,500</u>
Revenues and other financing sources in excess of expenditures	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 62,500</u>

CITY OF SANFORD, NORTH CAROLINA

**CAPITAL RESERVE FUND - PITTSBORO SYSTEM DEVELOPMENT FEES
 SCHEDULE OF REVENUES AND EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues:			
System development fees	\$ -	\$ 2,479,366	\$ 2,479,366
Interest income	-	143,391	143,391
Total revenues	<u>-</u>	<u>2,622,757</u>	<u>2,622,757</u>
Other Financing Sources (Uses):			
Transfers in - Utility fund	-	3,296,484	3,296,484
Net change in fund balance - before special item	<u>\$ -</u>	<u>5,919,241</u>	<u>\$ 5,919,241</u>
Special item			
Merger of Town of Pittsboro water and sewer system		<u>(1,103,936)</u>	
Fund balance, end of year		<u>\$ 4,815,305</u>	

CITY OF SANFORD, NORTH CAROLINA

**HEALTH INSURANCE INTERNAL SERVICE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL
 PLAN AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2025**

	Financial Plan	Actual	Variance with Final Budget Over/Under
Revenues:			
Health insurance premiums	\$ 4,625,103	\$ 5,723,263	\$ 1,098,160
Interest income	-	144,367	144,367
Total revenues	<u>4,625,103</u>	<u>5,867,630</u>	<u>1,242,527</u>
Expenditures:			
Healthcare:			
Insurance claims	3,808,993	4,542,670	(733,677)
Health savings account contributions	22,437	23,063	(626)
Administrative Fees	681,010	713,422	(32,412)
Wellness initiatives	112,663	145,448	(32,785)
Total expenditures	<u>4,625,103</u>	<u>5,424,603</u>	<u>(799,500)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 443,027</u>	<u>\$ 443,027</u>
Reconciliation from financial plan (modified accrual) to full accrual:			
Revenues in excess of expenditures		\$ 443,027	
Reconciling items:			
Decrease in claims incurred but not reported		<u>(182,087)</u>	
Change in net position		<u>\$ 260,940</u>	



CITY OF SANFORD, NORTH CAROLINA

FIDUCIARY FUNDS

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

The following comprise the City's Custodial Funds:

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

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CITY OF SANFORD, NORTH CAROLINA

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2025**

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
Assets:				
Cash and cash equivalents	\$ 47,933	\$ 27,672	\$ -	\$ 75,605
Accounts receivable	-	-	71,679	71,679
Total assets	<u>47,933</u>	<u>27,672</u>	<u>71,679</u>	<u>147,284</u>
Liabilities:				
Due to other governments	-	-	71,679	71,679
Total liabilities	<u>-</u>	<u>-</u>	<u>71,679</u>	<u>71,679</u>
Net Position:				
Restricted for:				
Individuals, organizations, and other governments	47,933	27,672	-	75,605
Total net position	<u>\$ 47,933</u>	<u>\$ 27,672</u>	<u>\$ -</u>	<u>\$ 75,605</u>

CITY OF SANFORD, NORTH CAROLINA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
Additions:				
Interest income	\$ -	\$ 1,018	\$ -	\$ 1,018
Occupancy tax	-	-	422,005	422,005
Contributions	-	8,177	-	8,177
Total additions	-	9,195	422,005	431,200
Deductions:				
Benefit payments	-	8,598	-	8,598
Distributions	-	-	422,005	422,005
Total deductions	-	8,598	422,005	430,603
Net increase (decrease) in fiduciary net position	-	597	-	597
Net position, beginning	47,933	27,075	-	75,008
Net position, ending	\$ 47,933	\$ 27,672	\$ -	\$ 75,605



CITY OF SANFORD, NORTH CAROLINA
OTHER SUPPLEMENTAL SCHEDULES

This section contains additional information on property taxes.

- General Fund Schedule of Ad Valorem Taxes Receivable
- General Fund Supplemental Schedule of 2024 Tax Levy
- Municipal Service District Schedule of Ad Valorem Taxes Receivable
- Municipal Service District Supplemental Schedule of 2024 Tax Levy

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Schedule F-1

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2025

Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections And Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 25,481,617	\$ 25,354,676	\$ 126,941
2023-2024	168,497	-	113,318	55,179
2022-2023	60,789	-	13,709	47,080
2021-2022	53,617	-	5,916	47,701
2020-2021	48,442	-	2,838	45,604
2019-2020	47,436	-	2,485	44,951
2018-2019	45,532	-	1,443	44,089
2017-2018	33,830	-	1,177	32,653
2016-2017	29,141	-	805	28,336
2015-2016	30,138	-	827	29,311
2014-2015	26,479	-	26,479	
2013-2014	6,341		6,341	-
	<u>\$ 550,242</u>	<u>\$ 25,481,617</u>	<u>\$ 25,530,014</u>	501,845
Less: allowance for uncollectible accounts:				
General Fund				395,270
Ad valorem taxes receivable - net				<u>\$ 106,575</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 25,484,484
Reconciling items:				
Taxes released and written off				45,530
Total collections and credits				<u>\$ 25,530,014</u>

CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND
SUPPLEMENTAL SCHEDULE OF 2024 TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2025

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate \$	4,689,241,495	0.535	\$ 25,087,442	\$ 23,082,682	\$ 2,004,760
Utilities	66,763,178	0.535	357,183	357,183	-
Penalties	3,945,981	0.535	21,111	21,111	-
Total	<u>4,759,950,654</u>		<u>25,465,736</u>	<u>23,460,976</u>	<u>2,004,760</u>
Discoveries:					
Current years taxes	5,140,374	0.535	27,501	27,501	-
Gap bills	8,737,196	0.535	46,744	46,744	-
Penalties	183,364	0.535	981	981	-
Total	<u>4,774,011,588</u>		<u>25,540,962</u>	<u>23,536,202</u>	<u>2,004,760</u>
Abatements	<u>(11,092,523)</u>	0.535	<u>(59,345)</u>	<u>(59,345)</u>	<u>-</u>
Total property valuation	<u>\$ 4,762,919,065</u>				
Net levy			25,481,617	23,476,857	2,004,760
Uncollected taxes at June 30, 2024			<u>126,941</u>	<u>67,361</u>	<u>59,580</u>
Current year's taxes collected			<u>\$ 25,354,676</u>	<u>\$ 23,409,496</u>	<u>\$ 1,945,180</u>
Current levy collection percentage			<u>99.5%</u>	<u>99.7%</u>	<u>97.0%</u>

CITY OF SANFORD, NORTH CAROLINA

MUNICIPAL SERVICE DISTRICT
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2025

Fiscal Year	Uncollected Balance July 1, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 103,118	\$ 102,616	\$ 502
2023-2024	1,643	-	1,215	428
2022-2023	244	-	42	202
2021-2022	134	-	19	115
2020-2021	210	-	8	202
2019-2020	194	-	7	187
2018-2019	173	-	7	166
2017-2018	355	-	6	349
2016-2017	88	-	-	88
2015-2016	69	-	-	69
2014-2015	34	-	34	-
Total	<u>\$ 3,144</u>	<u>\$ 103,118</u>	<u>\$ 103,954</u>	2,308

Less: Allowance for uncollectible accounts:

Central Business Tax District 473

Ad valorem taxes receivable - net \$ 1,835

Reconcilement with revenues:

Ad valorem taxes - Central Business Tax District \$ 103,916

Reconciling items:

Taxes released and written off 38

Total collections and credits \$ 103,954

CITY OF SANFORD, NORTH CAROLINA

**MUNICIPAL SERVICE DISTRICT
 SUPPLEMENTAL SCHEDULE OF 2024 TAX LEVY
 FOR THE YEAR ENDED JUNE 30, 2025**

	City - Wide			Total Levy	
	Property	Rate	Total	Property	Registered
	Valuation		Levy	excluding	Motor
				Registered	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current rate	\$ 93,502,727	0.11	\$ 102,853	\$ 99,505	\$ 3,348
Penalties	249,091	0.11	274	274	-
Discoveries:					
Current years taxes	9,091	0.11	10	10	-
Gap bills	22,727	0.11	25	25	-
Abatements	<u>(40,000)</u>	0.11	<u>(44)</u>	<u>(44)</u>	<u>-</u>
Total property valuation	\$ <u>93,743,636</u>		<u>103,118</u>	<u>99,770</u>	<u>3,348</u>
Net levy			103,118	99,770	3,348
Uncollected taxes at June 30, 2024			<u>502</u>	<u>402</u>	<u>100</u>
Current year's taxes collected			\$ <u>102,616</u>	\$ <u>99,368</u>	\$ <u>3,248</u>
Current levy collection percentage			<u>99.5%</u>	<u>99.6%</u>	<u>97.0%</u>



CITY OF SANFORD, NORTH CAROLINA
STATISTICAL SECTION

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

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

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

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

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

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

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets	\$ 22,090,646	\$ 25,495,917	\$ 26,743,541	\$ 26,420,688	\$ 28,640,135	\$ 30,504,251	\$ 33,978,733	\$ 53,121,751	\$ 64,648,716	\$ 82,108,137
Restricted	4,012,807	3,520,290	3,879,722	4,230,784	6,365,236	8,062,742	10,456,936	21,656,360	19,843,072	22,314,651
Unrestricted	3,135,561	(3,224,949)	(24,274,196)	(22,275,902)	(26,448,150)	(27,974,758)	(24,418,101)	(22,256,406)	(18,962,969)	(26,009,395)
Total governmental activities net position	\$ 29,239,014	\$ 25,791,258	\$ 6,349,067	\$ 8,375,570	\$ 8,557,221	\$ 10,592,235	\$ 20,017,568	\$ 52,521,705	\$ 65,528,819	\$ 78,413,393
Business-type activities										
Net investment in capital assets	\$ 94,240,181	\$ 96,260,059	\$ 101,354,726	\$ 105,931,723	\$ 113,148,044	\$ 121,612,137	\$ 126,428,450	\$ 150,808,050	\$ 206,751,214	\$ 290,337,970
Unrestricted	21,304,803	20,718,964	12,098,942	11,531,513	7,226,491	4,342,926	4,019,836	17,191,942	16,738,627	45,832,029
Total business-type activities net position	\$ 115,544,984	\$ 116,979,023	\$ 113,453,668	\$ 117,463,236	\$ 120,374,535	\$ 125,955,063	\$ 130,448,286	\$ 167,999,992	\$ 223,489,841	\$ 336,169,999
Primary government										
Net investment in capital assets	\$ 116,330,827	\$ 121,755,976	\$ 128,098,267	\$ 132,352,411	\$ 141,788,179	\$ 152,116,388	\$ 160,407,183	\$ 203,929,801	\$ 271,399,930	\$ 372,446,107
Restricted	4,012,807	3,520,290	3,879,722	4,230,784	6,365,236	8,062,742	10,456,936	21,656,360	19,843,072	22,314,651
Unrestricted	24,440,364	17,494,015	(12,175,254)	(10,744,389)	(19,221,659)	(23,631,832)	(20,398,265)	(5,064,464)	(2,224,342)	19,822,634
Total primary government net position	\$ 144,783,998	\$ 142,770,281	\$ 119,802,735	\$ 125,838,806	\$ 128,931,756	\$ 136,547,298	\$ 150,465,854	\$ 220,521,697	\$ 289,018,660	\$ 414,583,392

Table of Contents

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General government	\$ 5,242,139	\$ 6,435,236	\$ 6,255,998	\$ 5,060,320	\$ 5,602,482	\$ 5,588,065	\$ 5,201,465	\$ 6,895,677	\$ 8,331,613	\$ 8,065,669
Public safety	14,215,520	15,218,284	15,554,343	16,185,250	17,769,264	17,903,610	16,543,793	18,901,810	21,681,894	24,897,571
Streets	3,439,470	4,157,492	3,426,390	3,875,563	3,969,429	4,140,957	4,102,928	4,550,980	5,377,627	5,907,168
Sanitation	2,562,183	2,676,312	2,781,911	2,874,729	3,124,629	3,308,770	3,262,148	3,579,547	3,895,348	4,160,722
Community development	1,638,135	1,943,751	2,083,800	2,622,400	3,810,430	4,537,967	2,601,108	3,290,096	3,487,545	3,264,280
Cultural and recreational	-	-	-	1,043,892	1,420,848	1,608,805	1,620,489	1,826,399	2,186,475	2,011,724
Interest on long-term debt	285,362	262,234	318,914	298,688	325,374	302,656	295,932	352,944	704,183	645,847
Total governmental activities expenses	27,382,809	30,693,309	30,421,356	31,960,842	36,022,456	37,390,830	33,627,863	39,397,453	45,664,685	48,952,981
Business-type activities:										
Utility	20,121,897	21,145,567	21,780,988	24,013,322	24,376,432	25,675,701	25,786,335	28,329,912	32,482,530	46,664,873
Golf	780,163	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	20,902,060	21,145,567	21,780,988	24,013,322	24,376,432	25,675,701	25,786,335	28,329,912	32,482,530	46,664,873
Total primary government expenses	48,284,869	51,838,876	52,202,344	55,974,164	60,398,888	63,066,531	59,414,198	67,727,365	78,147,215	95,617,854
Program Revenues										
Governmental activities:										
Charges for services:										
General government	77,977	640,998	633,298	9,849	7,745	9,918	8,920	5,681	15,916	9,026
Public safety	49,328	55,606	689,143	34,380	34,531	38,190	1,403,403	34,562	27,707	43,623
Streets	224,649	234,558	215,402	177,391	139,400	163,043	217,009	194,498	196,308	156,458
Sanitation	1,761,988	1,750,558	1,991,261	2,006,555	2,425,400	2,790,260	2,826,590	2,963,927	3,201,576	3,395,578
Community development	621,804	689,730	-	570,622	1,226,978	971,489	-	1,015,177	1,181,113	1,750,420
Cultural and recreational	-	-	-	599,845	662,401	789,294	915,079	1,003,535	1,211,071	1,196,161
Operating grants & contributions	2,046,992	2,342,136	2,507,804	2,888,946	3,156,403	4,161,882	3,154,193	11,463,680	2,969,363	2,861,108
Capital grants & contributions	168,632	521,943	3,804,509	1,547,367	1,309,175	1,874,673	3,524,217	20,534,522	9,107,823	15,067,197
Total governmental activities program revenue	4,951,370	6,235,529	9,841,417	7,834,955	8,962,033	10,798,749	12,049,411	37,215,582	17,910,877	24,479,571
Business-type activities:										
Charges for services	19,050,350	20,976,862	21,500,595	20,520,850	20,008,892	21,075,436	23,411,502	27,201,102	30,185,806	40,844,954
Operating grants & contributions	896,713	442,230	6,888	338,932	316,022	20,268	-	-	-	-
Capital grants & contributions	1,024,340	1,842,864	4,283,958	7,116,375	5,798,811	8,549,694	5,773,856	36,778,789	60,860,168	92,664,656
Total business-type activities program revenues	20,971,403	23,261,956	25,791,441	27,976,157	26,123,725	29,645,398	29,185,358	63,979,891	91,045,974	133,509,610
Total primary government program revenues	25,922,773	29,497,485	35,632,858	35,811,112	35,085,758	40,444,147	41,234,769	101,195,473	108,956,851	157,989,181
Net (Expense)/Revenue										
Governmental activities	(22,431,439)	(24,457,780)	(20,579,939)	(24,125,887)	(27,060,423)	(26,592,081)	(21,578,452)	(2,181,871)	(27,753,808)	(24,473,410)
Business-type activities	69,343	2,116,389	4,010,453	3,962,835	1,747,293	3,969,697	3,399,023	35,649,979	58,563,444	86,844,737
Total primary government net expense	(22,362,096)	(22,341,391)	(16,569,486)	(20,163,052)	(25,313,130)	(22,622,384)	(18,179,429)	33,468,108	30,809,636	62,371,327

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 14,954,420	\$ 15,330,856	\$ 15,616,271	\$ 16,500,145	\$ 17,337,021	\$ 17,803,540	\$ 18,942,896	\$ 19,929,894	\$ 24,681,890	\$ 25,605,653
Other taxes	5,121,585	5,209,274	5,425,297	6,249,952	6,797,785	7,903,928	8,964,680	9,720,568	10,315,458	10,903,408
Intergovernmental not restricted	2,554,309	2,529,998	2,513,887	2,697,547	2,755,817	2,418,091	2,507,755	3,271,893	2,801,219	3,132,627
Other	418,630	305,067	410,080	603,109	364,025	423,600	726,997	2,413,253	2,962,355	1,612,447
Total governmental activities	<u>23,048,944</u>	<u>23,375,195</u>	<u>23,965,535</u>	<u>26,050,753</u>	<u>27,254,648</u>	<u>28,549,159</u>	<u>31,142,328</u>	<u>35,335,608</u>	<u>40,760,922</u>	<u>41,254,135</u>
Business-type activities:										
Other	54,457	85,759	247,151	991,306	1,228,036	1,610,831	955,657	1,252,127	2,068,256	5,185,228
Total business-type activities	<u>54,457</u>	<u>85,759</u>	<u>247,151</u>	<u>991,306</u>	<u>1,228,036</u>	<u>1,610,831</u>	<u>955,657</u>	<u>1,252,127</u>	<u>2,068,256</u>	<u>5,185,228</u>
Total primary government	<u>23,103,401</u>	<u>23,460,954</u>	<u>24,212,686</u>	<u>27,042,059</u>	<u>28,482,684</u>	<u>30,159,990</u>	<u>32,097,985</u>	<u>36,587,735</u>	<u>42,829,178</u>	<u>46,439,363</u>
Special items:										
Merger of water and sewer systems	-	-	-	-	-	-	-	-	-	21,900,194
Gain (loss) on disposal of assets										
Governmental activities	271,904	-	306,949	101,637	(12,574)	-	-	-	-	-
Business activities	(84,419)	-	-	51,072	(64,030)	-	-	-	-	-
Transfer:										
Governmental activities	(157,141)	22,216	10,250	-	-	-	(138,543)	(649,600)	-	-
Business activities	157,141	(22,216)	(10,250)	-	-	-	138,543	649,600	-	-
Change in Net Position										
Governmental activities	732,268	(1,060,369)	3,702,795	2,026,503	181,651	1,957,078	9,425,333	32,504,137	13,007,114	16,780,725
Business-type activities	196,522	2,179,932	4,247,354	5,005,213	2,911,299	5,580,528	4,493,223	37,551,706	60,631,700	113,930,159
Total primary government	<u>\$ 928,790</u>	<u>\$ 1,119,563</u>	<u>\$ 7,950,149</u>	<u>\$ 7,031,716</u>	<u>\$ 3,092,950</u>	<u>\$ 7,537,606</u>	<u>\$ 13,918,556</u>	<u>\$ 70,055,843</u>	<u>\$ 73,638,814</u>	<u>\$ 130,710,884</u>

Table of Contents

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

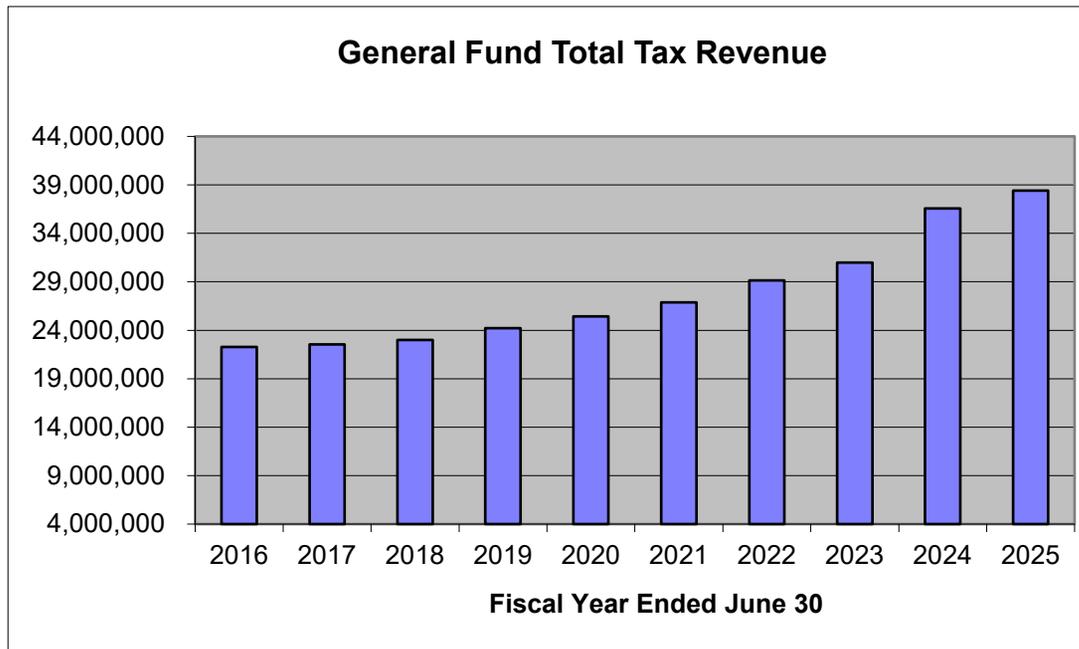
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Non-spendable										
Inventories	\$ 88,160	\$ 98,911	\$ 105,321	\$ 113,598	\$ 81,703	\$ 108,005	\$ 120,150	\$ 120,845	\$ 135,334	\$ 140,731
Prepaid expenses	100,604	112,323	52,118	128,922	111,962	156,974	217,605	288,568	368,376	390,336
Restricted										
Stabilization by State statute	2,791,727	2,879,721	2,975,575	3,440,133	3,540,239	4,318,895	5,546,081	5,437,897	7,971,245	7,531,105
Community Development	-	-	-	-	-	-	11,991	7,240	7,080	12,080
Inspections building permits	-	-	167,791	100,860	668,020	857,120	1,374,954	1,399,085	1,250,218	1,715,843
Public Safety	97,858	45,617	60,866	65,449	110,813	185,954	211,141	180,667	136,447	131,900
Powell Bil	-	-	-	-	-	193,574	-	-	-	-
General government	-	-	-	-	-	1,164,322	465,115	-	-	-
Streets	-	-	-	-	-	-	1,011,466	1,231,703	910,646	1,965,244
Other	8,500	9,232	9,473	8,915	15,995	15,995	-	-	-	-
Committed										
LEO Special Separation Allowance	542,204	780,617	979,041	1,166,562	1,316,154	1,429,482	1,632,774	1,908,734	2,176,198	2,473,901
Assigned										
Subsequent year's expenditures	851,510	-	58,300	235,504	48,104	756,641	1,831,642	2,995,264	1,516,403	2,927,482
Unassigned	7,329,911	6,499,036	9,998,121	12,030,594	12,521,454	14,992,210	16,283,077	24,687,022	25,334,821	16,971,052
Total General Fund	\$ 11,810,474	\$ 10,425,457	\$ 14,406,606	\$ 17,290,537	\$ 18,414,444	\$ 24,179,172	\$ 28,705,996	\$ 38,257,025	\$ 39,806,768	\$ 34,259,674
All Other Governmental Funds										
Non-spendable										
Prepaid expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,760	\$ 5,158
Restricted										
Stabilization by State statute	3,254	1,366	5,921	1,579	1,185	1,474	1,719	5,178	19,730	6,286
Community development	502,184	584,354	660,096	613,848	2,028,984	1,325,408	2,299,584	5,833,112	5,541,023	10,947,035
Economic development	331,481	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	7,561,478	3,512,562	-
Cultural and recreational	-	-	-	-	-	-	-	-	494,121	-
Committed										
Economic development	1,589,228	851,397	299,475	1,124,969	353,795	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	114,009	139,238	170,835	2,342	28,391
Assigned										
Subsequent year's expenditures	-	-	-	-	15,349	11,290	10,253	36,207	22,240	32,030
Downtown revitalization	105,468	87,884	89,514	99,605	117,388	120,297	128,734	91,913	91,369	112,461
Unassigned	16,195	-	-	-	-	-	7,105	(38,897)	-	-
Total All Other Governmental Funds	\$ 2,547,810	\$ 1,525,001	\$ 1,055,006	\$ 1,840,001	\$ 2,516,701	\$ 1,572,478	\$ 2,586,633	\$ 13,659,826	\$ 9,691,147	\$ 11,131,361

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Ad valorem taxes	\$ 15,016,794	\$ 15,273,669	\$ 15,545,626	\$ 16,318,713	\$ 17,169,709	\$ 17,716,692	\$ 18,853,196	\$ 19,825,159	\$ 24,665,778	\$ 25,588,401
Other taxes	5,126,460	5,211,914	5,431,167	6,254,472	6,800,515	7,906,193	8,966,725	9,723,278	10,323,873	10,909,573
Penalties and interest	80,210	57,417	54,395	53,163	48,240	86,360	71,082	78,397	119,746	94,548
Licenses and permits	671,132	737,715	682,409	598,721	1,256,186	1,005,314	1,399,181	1,044,283	1,204,254	1,788,373
Intergovernmental revenues	4,449,601	5,156,371	5,216,811	5,950,754	5,896,223	6,579,677	5,704,625	14,660,894	6,238,731	7,830,075
Investment income	88,545	122,504	216,637	407,883	235,439	25,910	75,160	1,681,490	2,631,202	1,595,067
Sales and service	2,188,242	1,852,633	1,986,415	1,994,985	2,390,734	2,793,856	2,829,948	2,977,493	3,247,473	3,401,421
Miscellaneous revenues	933,020	1,038,797	974,355	952,905	961,428	1,134,298	1,957,325	1,740,199	1,749,627	2,645,250
Total revenues	28,554,004	29,451,020	30,107,815	32,531,596	34,758,474	37,248,300	39,857,242	51,731,193	50,180,684	53,852,708
Expenditures										
General government	5,293,876	5,442,873	5,446,965	4,884,839	5,174,512	5,257,784	5,643,134	7,126,059	8,485,228	8,274,780
Public safety	13,192,477	13,626,610	14,102,110	14,156,774	14,135,515	14,555,970	15,318,410	16,871,217	19,800,928	23,179,017
Streets	1,848,071	2,913,139	2,457,959	2,112,906	2,039,245	2,127,545	2,208,743	2,344,328	2,608,095	2,941,150
Sanitation	2,347,787	2,420,734	2,545,634	2,608,319	2,784,800	2,962,903	3,080,332	3,313,284	3,601,926	3,859,590
Community development	1,590,637	1,860,065	2,013,720	2,500,872	3,582,801	4,331,639	2,566,188	3,071,022	3,290,792	3,153,767
Cultural and recreational	-	-	-	751,910	1,044,494	1,137,831	1,295,356	1,471,927	1,832,938	1,783,009
Capital outlay	10,765,808	4,666,768	2,737,190	2,829,929	2,785,421	2,040,984	2,894,396	7,700,695	10,634,871	12,874,441
Debt service										
Principal	781,766	761,920	767,095	956,570	1,095,594	1,033,152	1,134,360	1,432,399	1,872,333	1,988,864
Interest	314,974	299,318	276,143	335,782	350,897	350,737	345,588	320,287	781,072	745,816
Bond issuance costs	-	-	-	90,826	-	-	-	-	3,232	3,232
Total expenditures	36,135,396	31,991,427	30,346,816	31,228,727	32,993,279	33,798,545	34,486,507	43,651,218	52,911,415	58,803,666
Excess (deficiency) of revenues over expenditures	(7,581,392)	(2,540,407)	(239,001)	1,302,869	1,765,195	3,449,755	5,370,735	8,079,975	(2,730,731)	(4,950,958)
Other Financing Sources (Uses)										
Insurance recovery	71,775	29,817	12,822	89,637	52,651	47,117	112,427	210,985	273,199	511,858
Transfers in (out)	(160,687)	(45,000)	(80,750)	(50,000)	(50,000)	(50,000)	(188,543)	(699,600)	(50,000)	(50,000)
Sale of Property	-	-	361,833	165,017	32,761	218,891	246,360	187,752	33,338	37,506
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Installment purchase contract	-	-	3,500,000	-	-	1,165,909	-	-	-	-
Bond issued	-	-	-	2,000,000	-	-	-	9,210,000	-	-
Bond premiums	-	-	-	161,403	-	-	-	1,318,500	-	-
Issuance of debt	-	-	-	-	-	-	-	2,015,000	-	-
Debt issuance costs	-	-	(43,750)	-	-	(15,410)	-	(317,790)	-	-
Subscription liabilities issued	-	-	-	-	-	-	-	101,272	19,872	230,369
Lease liabilities issued	-	-	-	-	-	-	-	518,128	35,386	114,345
Total other financing sources (uses)	(88,912)	(15,183)	3,750,155	2,366,057	35,412	1,366,507	170,244	12,544,247	311,795	844,078
Net change in fund balances	\$ (7,670,304)	\$ (2,555,590)	\$ 3,511,154	\$ 3,668,926	\$ 1,800,607	\$ 4,816,262	\$ 5,540,979	\$ 20,624,222	\$ (2,418,936)	\$ (4,106,880)
Debt service as a percentage of noncapital expenditures	4.32%	3.88%	3.78%	4.55%	4.79%	4.36%	4.68%	4.88%	6.28%	5.95%

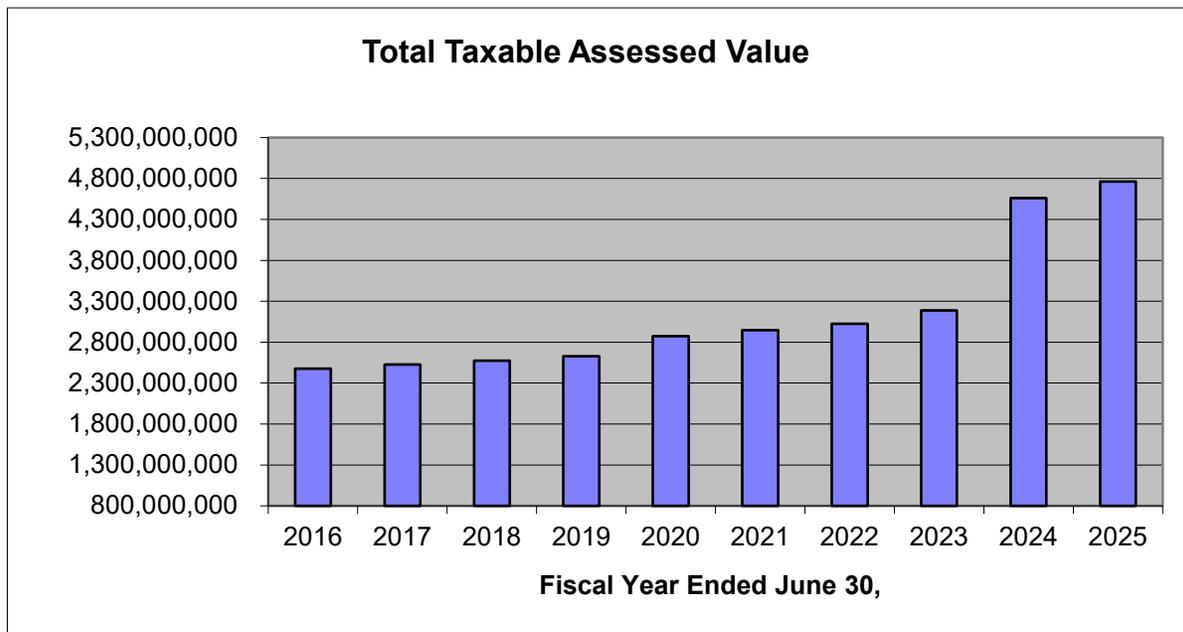
CITY OF SANFORD, NORTH CAROLINA
 GENERAL FUND TAX REVENUE BY SOURCE
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Ad valorem taxes	Sales tax	Utility franchise/sales tax	Privilege licenses	Wine and beer tax	Assessments	Total
2016	14,959,396	5,121,585	2,112,691	4,965	63,180	3,640	22,265,457
2017	15,216,230	5,209,274	2,048,870	2,640	65,181	2,337	22,544,532
2018	15,485,911	5,425,297	2,025,682	5,870	63,382	-	23,006,142
2019	16,253,181	5,711,692	2,166,391	4,520	63,611	-	24,199,395
2020	17,089,953	6,128,425	2,135,576	2,730	64,434	-	25,421,118
2021	17,635,742	7,182,308	1,986,475	2,265	62,725	-	26,869,515
2022	18,769,491	8,252,540	2,073,935	2,045	60,322	-	29,158,333
2023	19,740,543	8,978,248	2,187,149	2,710	69,712	-	30,978,362
2024	24,564,544	9,564,348	2,362,997	8,415	76,821	-	36,577,125
2025	25,484,484	10,118,098	2,725,021	6,165	64,553	-	38,398,321



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
2016	1,784,972,909	639,868,257	53,642,667	2,478,483,833	0.60	98.00%
2017	1,807,543,431	664,271,235	57,138,500	2,528,953,166	0.60	97.86%
2018	1,835,878,842	684,560,991	52,850,167	2,573,290,000	0.60	96.95%
2019	1,874,114,073	699,663,185	53,548,065	2,627,325,323	0.62	96.35%
2020	2,094,325,413	726,056,254	54,086,333	2,874,468,000	0.60	97.53%
2021	2,143,988,374	748,611,126	54,339,500	2,946,939,000	0.60	93.57%
2022	2,196,823,033	770,566,161	56,622,258	3,024,011,452	0.62	89.88%
2023	2,290,064,466	839,664,566	59,198,387	3,188,927,419	0.62	73.89%
2024	3,392,771,788	1,103,514,455	64,174,019	4,560,460,262	0.535	94.72%
2025	3,554,353,293	1,141,802,594	66,763,178	4,762,919,065	0.535	87.66%



Source: Lee County Tax Office

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

Fiscal Year Ended June 30,	City Direct Rates	Overlapping Rates		Total Direct & Overlappings Rates
	Basic Rate	Municipal Service District	Lee County	
2016	0.60	0.11	0.795	1.505
2017	0.60	0.11	0.795	1.505
2018	0.60	0.11	0.795	1.505
2019	0.62	0.11	0.795	1.525
2020	0.60	0.11	0.775	1.485
2021	0.60	0.11	0.775	1.485
2022	0.62	0.11	0.760	1.490
2023	0.62	0.11	0.730	1.460
2024	0.535	0.11	0.650	1.295
2025	0.535	0.11	0.650	1.295

Source: Lee County Tax Office

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

CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL PROPERTY TAX PAYERS
 JUNE 30, 2025 COMPARED TO JUNE 30, 2015

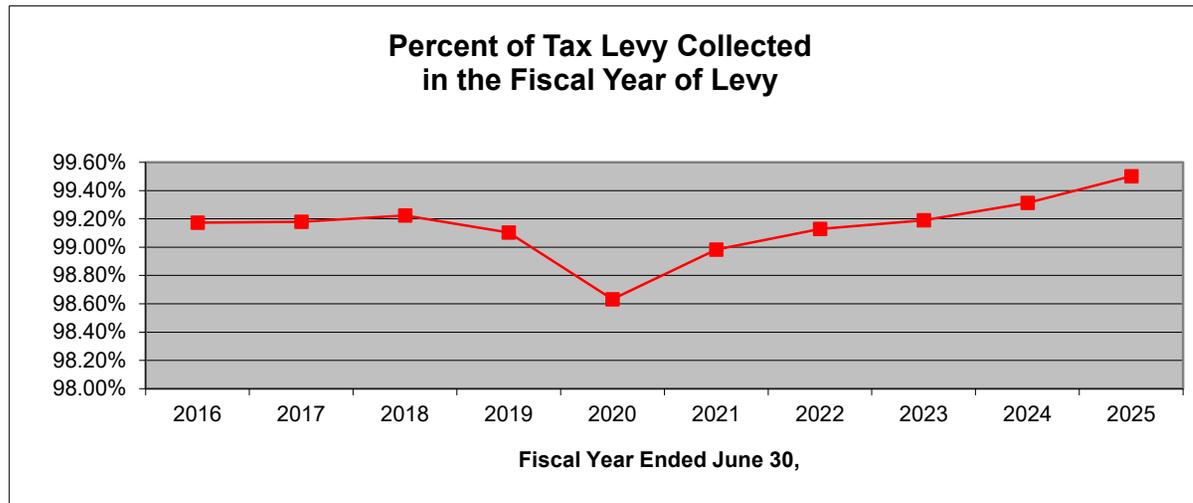
Taxpayer	2025			2015		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Bharat Forge	\$ 139,070,779	1	2.92%			
Astellas	122,670,848	2	2.58%			
Gildan Yarns LLC	98,204,062	3	2.06%			
Donald Simpson Real Estate Companies & Apts (Simpson & Simpson)	86,737,322	4	1.82%	\$ 68,510,366	3	2.81%
Coty, Inc.	86,178,747	5	1.81%	102,297,682	1	4.20%
Pfizer Inc (Abzena Bought By Pfizer)	85,543,050	6	1.80%			
Pentair Water	43,292,458	7	0.91%	22,056,409	9	0.90%
South Park Village	42,025,555	8	0.88%			
EWT 66, LLC	40,827,400	9	0.86%			
Hawkins Walk Apartments, LLC	40,203,400	10	0.84%			
Frontier Spinning Mills				78,856,742	2	3.23%
Magneti Marelli				43,985,722	4	1.80%
Moen, Inc.				36,855,454	5	1.51%
Static Control				35,170,732	6	1.44%
The Pantry				28,141,131	7	1.15%
AMISUB/Central Carolina Hospital				24,470,148	8	1.00%
Postoak Sanford				20,420,500	10	0.84%
Total	\$ 784,753,621		16.48%	\$ 460,764,886		18.88%

Source: Lee County Tax Office

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

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2016	2015	14,881,565	14,758,667	99.17%	93,587	14,852,254	99.80%
2017	2016	15,195,824	15,071,109	99.18%	96,379	15,167,488	99.81%
2018	2017	15,475,098	15,354,949	99.22%	87,496	15,442,445	99.79%
2019	2018	16,324,178	16,177,770	99.10%	102,319	16,280,089	99.73%
2020	2019	17,263,421	17,027,314	98.63%	191,156	17,218,470	99.74%
2021	2020	17,704,119	17,524,116	98.98%	134,399	17,658,515	99.74%
2022	2021	18,839,203	18,674,981	99.13%	116,521	18,791,502	99.75%
2023	2022	19,813,025	19,652,658	99.19%	113,287	19,765,945	99.76%
2024	2023	24,488,851	24,320,354	99.31%	113,318	24,433,672	99.77%
2025	2024	25,481,617	25,354,676	99.50%	-	25,354,676	99.50%

Notes:
 Source: Lee County Tax Office
 (1) Information not yet available



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

Fiscal Year Ended June 30	Governmental Activities							Business-type Activities							Total Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Limited Obligation Bonds	Unamortized Bond Premium	IT Subscription Liabilities	Lease Liabilities	Installment Purchases	Revolving Loan Funds	Unamortized Bond Premium	Notes Payable	Revenue Bonds	IT Subscription Liabilities	Lease Liabilities	Installment Purchases				
2016	8,050,000	-	679,512	-	-	1,333,798	-	1,028,894	16,120,392	38,680,000	-	-	26,084	65,918,681	10.62%	2,289	
2017	7,600,000	-	650,699	-	-	1,047,962	-	976,130	15,290,882	35,965,000	-	-	-	61,530,673	9.67%	2,102	
2018	7,150,000	-	621,886	-	-	4,230,867	-	923,366	14,446,262	33,485,000	-	-	-	60,857,381	9.94%	2,076	
2019	8,700,000	-	753,803	-	-	3,724,297	-	5,550,179	13,586,199	40,500,000	-	-	-	72,814,478	11.18%	2,434	
2020	8,150,000	-	716,920	-	-	3,178,703	-	5,211,754	12,710,354	38,595,000	-	-	-	68,562,731	10.10%	2,279	
2021	7,600,000	-	680,037	-	-	4,152,091	-	4,873,329	11,818,380	37,070,000	-	-	3,158,091	69,351,928	9.97%	2,292	
2022	7,050,000	-	643,153	-	49,857	3,585,555	-	4,534,904	10,909,920	35,470,000	-	-	2,955,759	65,199,148	9.09%	2,125	
2023	6,500,000	9,210,000	1,913,782	65,726	451,317	4,870,370	-	4,196,479	10,082,114	33,790,000	-	-	2,744,625	73,824,413	9.47%	2,364	
2024	5,950,000	8,705,000	1,810,973	41,070	336,266	4,248,002	-	3,858,054	9,237,090	32,030,000	92,056	-	2,533,492	68,842,003	7.99%	2,147	
2025	5,405,000	8,195,000	1,708,164	122,063	278,291	3,623,635	920,721	8,917,346	8,374,469	118,530,000	81,604	64,176	2,322,358	158,542,827	16.71%	4,809	

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

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

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2016	8,729,512	0.35%	303
2017	8,250,699	0.33%	282
2018	7,771,886	0.30%	265
2019	9,453,803	0.36%	316
2020	8,866,920	0.31%	295
2021	8,280,037	0.28%	274
2022	7,693,153	0.25%	251
2023	7,106,269	0.22%	228
2024	6,519,386	0.14%	203
2025	5,937,503	0.12%	180

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

CITY OF SANFORD, NORTH CAROLINA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2025

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>*Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Sanford - debt applicable to debt limit	\$ 20,252,874	100%	\$ 20,252,874
Lee County	<u>122,491,190</u>	48%	<u>58,795,771</u>
Total direct and overlapping debt	<u>\$ 142,744,064</u>		<u>\$ 79,048,645</u>

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

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt Limit	\$ 198,278,707	\$ 202,316,253	\$ 205,863,200	\$ 210,186,026	\$ 229,957,440	\$ 235,755,120	\$ 241,920,916	\$ 255,114,194	\$ 364,836,501	\$ 381,033,525
Total net debt applicable to limit	<u>25,530,275</u>	<u>23,938,844</u>	<u>25,827,129</u>	<u>26,010,497</u>	<u>24,039,057</u>	<u>26,728,562</u>	<u>24,501,234</u>	<u>33,407,109</u>	<u>30,673,583</u>	<u>28,841,183</u>
Legal debt margin	<u>\$ 172,748,432</u>	<u>\$ 178,377,409</u>	<u>\$ 180,036,071</u>	<u>\$ 184,175,529</u>	<u>\$ 205,918,383</u>	<u>\$ 209,026,558</u>	<u>\$ 217,419,682</u>	<u>\$ 221,707,085</u>	<u>\$ 334,162,918</u>	<u>\$ 352,192,342</u>
Total net debt applicable to limit as a percentage of debt limit	12.88%	11.83%	12.55%	12.37%	10.45%	11.34%	10.13%	13.09%	8.41%	7.57%

Legal Debt Margin Calculation for Fiscal Year 2025

Assessed value	\$4,762,919,065
Debt limit 8% of assessed value	381,033,525
Amount of debt applicable to debt limit:	132,130,000
Outstanding debt not evidenced by bonds:	
Notes	5,945,993
Installment purchase contracts	<u>9,295,190</u>
	147,371,183
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	<u>118,530,000</u>
	<u>28,841,183</u>
Legal Debt Margin	<u>\$ 352,192,342</u>

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

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

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2016	28,802	620,855,912	21,556	37.30	9,936	6.0%
2017	29,267	636,352,381	21,743	37.30	9,981	4.8%
2018	29,313	611,967,501	20,877	37.40	9,948	4.7%
2019	29,917	651,203,339	21,767	34.80	9,839	5.1%
2020	30,085	678,928,195	22,567	34.80	9,876	8.3%
2021	30,261	695,428,041	22,981	34.80	9,800	5.1%
2022	30,678	716,975,538	23,371	38.60	9,159	4.6%
2023	31,224	779,632,056	24,969	36.90	9,072	4.0%
2024	32,064	862,008,576	26,884	40.50	8,966	4.8%
2025	32,971	948,740,525	28,775	34.90	8,964	3.9%

Sources of Information:

Population, personal income and median age information provided by United States Census Bureau

School enrollment provided by NC School Report Cards

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

CITY OF SANFORD, NORTH CAROLINA
 PRINCIPAL EMPLOYERS
 JUNE 30, 2025 COMPARED TO JUNE 30, 2015

<u>Employer</u>	<u>2025</u>		<u>2015</u>	
	Employees	Rank	Employees	Rank
Caterpillar Inc	1000+	1	500-999	6
Pfizer Payroll Services Llc	1000+	2		
Lee County Schools	1000+	3	1000+	1
Pilgrims Pride Corporation	1000+	4	500-999	2
Central Carolina Community College	500-999	5	500-999	9
County Of Lee	500-999	6		
Pentair Water Pool & Spa Inc	500-999	7	500-999	8
Tyson Mexican Original Inc	250-499	8	443	8
Gildan Yarns Llc	250-499	9		
City Of Sanford	250-499	10		
Static Control Components Inc			500-999	3
Belcan Services Group Li Ltd Partne			500-999	4
Coty Us Llc			500-999	5
Amisub Of North Carolina Inc			500-999	7
Frontier Spinning Mills Inc			500-999	10

Source: NC Department of Commerce
 d4.nccommerce.com

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Function/Program</u>										
General Government	38	37	37	34	34	36	37	37	37	43
Public Safety										
Police Officers	83	81	80	78	72	68	66	66	71	72
Police Civilians	21	23	22	24	24	22	21	23	24	21
Firefighters and Officers	52	52	47	49	48	48	47	47	63	67
Fire Civilians	1	1	4	4	4	4	4	6	6	5
Inspections	5	6	5	6	6	6	8	9	10	9
Streets	16	17	18	15	15	16	12	15	16	17
Sanitation	16	17	17	16	17	16	18	17	19	19
Community Development	13	13	13	13	14	14	13	15	17	16
Cultural and Recreation	5	5	5	9	10	10	11	11	10	20
Utility	81	83	84	83	89	88	88	88	97	119
Total	<u>331</u>	<u>335</u>	<u>332</u>	<u>331</u>	<u>333</u>	<u>328</u>	<u>325</u>	<u>334</u>	<u>370</u>	<u>408</u>

Source: The City of Sanford Human Resources department

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>Function/Program</u>										
Police										
Physical arrests	2,400	2,124	2,316	2,043	2,010	2,015	1,928	1,858	1,805	1,303
Parking violations	44	563	270	270	151	237	239	516	585	277
Traffic violations	3,761	2,969	2,565	2,541	2,400	2,379	2,020	1,729	1,916	1,725
Fire										
Emergency responses	1,196	1,344	1,295	1,431	162	1,432	1,781	1,676	1,814	1,858
Fires extinguished	113	111	126	123	106	75	126	105	92	122
Inspections	1,528	1,303	1,037	1,040	911	718	617	1,270	1,952	1,702
Inspections										
Building permits issued	467	586	514	590	761	911	871	1,019	1,219	1,386
Building inspections conducted	6,617	8,030	8,337	6,381	10,214	12,301	13,194	15,590	14,645	14,280
Street										
Street resurfacing (miles)	0.396	2.594	3.49	-	3.83	-	1.80	1.50	1.80	-
Refuse collection										
Refuse collected (tons per day)	30.42	33.76	32.17	29.91	33.94	33.14	32.65	32.83	32.30	32.60
Utility										
New Water connections	101	111	122	114	115	160	165	523	584	639
Water main breaks	182	133	116	52	88	63	134	100	105	88
Average daily consumption (mgd)	7.1	7.813	7.295	7.256	7.498	7.440	7.480	7.718	7.846	7.826
Golf										
Rounds	24,440	27,406	27,341	26,083	29,189	33,243	37,585	40,650	44,474	42,594

Sources: Various City of Sanford departments

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024
<u>Function/Program</u>									
Police									
Stations	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3
Refuse collection									
Collection trucks	11	11	11	11	11	11	11	11	11
Streets									
Streets (miles)	135.70	135.70	137.61	138.33	139.23	139.73	141.23	148.47	149.85
Water									
Water mains (miles)	582.00	582.80	585.09	585.09	588.82	610.00	612.60	602.97	612.12
Fire hydrants	3,006	3,040	3,081	3,102	3,136	3,105	3,105	3,207	3,299
Storage capacity (thousands of gallons)	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,550	5,300
Sewer									
Sanitary sewers (miles)	232.00	232.08	236.61	232.78	234.05	234.05	245.37	267.69	278.92
Golf									
Courses	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

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CITY OF SANFORD, NORTH CAROLINA
COMPLIANCE SECTION

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sanford, North Carolina, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprises the City of Sanford's basic financial statements and have issued our report thereon dated December 29, 2025.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

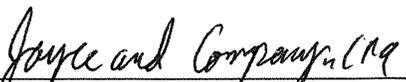
As part of obtaining reasonable assurance about whether the City of Sanford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

Purpose of this Report

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

December 29, 2025



JOYCE AND COMPANY, CPA
Cary, North Carolina

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Sanford's major federal programs for the year ended June 30, 2025. The City of Sanford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Sanford's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Sanford's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Sanford's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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


JOYCE AND COMPANY, CPA
Cary, North Carolina

December 29, 2025

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Sanford's major state programs for the year ended June 30, 2025. The City of Sanford's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The City of Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Sanford's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Sanford's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Sanford's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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


JOYCE AND COMPANY, CPA
Cary, North Carolina

December 29, 2025

CITY OF SANFORD, NORTH CAROLINA

**SCHEDULE OF FINDINGS, QUESTIONED COSTS, RESPONSES AND
SUMMARY SCHEDULE OF PRIOR
YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2025**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

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

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

Identification of major federal programs:

<u>Assistance Listing No(s)</u>	<u>Names of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
66.468	Water Infrastructure Funds
14.228	Community Development Block Grant

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

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

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

State Awards

Internal control over major state program:

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

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

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

Identification of major state programs: North Carolina Department of Commerce
-Project Blue/Vinfast Water & Sewer Infr.
-Chatham County Water/Sewer Improvement
North Carolina Department of Environmental Quality
-State Reserve Earmark
-Siler City Wastewater Operation & Mgmt.
-Grace School & Tramway Fire Dept. Sewer
-Third St. Area Sewer Rehabilitation

Dollar threshold used to determine a State major Program \$500,000

Auditee qualified as State low-risk auditee yes no

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

Section IV. State Award Findings and Questioned Costs

None.

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>State/ Pass-through Grantor's No.</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Pass-through to Subrecipients</u>
Federal Grants:						
Cash Programs:						
<u>U.S. Department of Justice Direct Programs</u>						
Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program	16.922	NC0530100	-	11,887	-	-
<u>U.S. Department of Housing and Urban Development</u>						
Passed-through N.C. Housing Finance Agency						
CDBG Neighborhood Revitalization Program	14.228	21-C-4022	172,653	-	125,462	-
CDBG Neighborhood Revitalization Program	14.228	21-C-4032	133,241	-	-	-
Passed-through N. C. Dept. of Environmental Quality						
CDBG East Sanford Sewer Line Rehab	14.228	CDBG 19-I-3113	1,437,033	-	-	-
Total CDBG			1,742,927	-	125,462	-
<u>U.S. Department of Transportation</u>						
Passed-through N.C. Department of Transportation						
Highway Planning and Construction	20.205	WBS Element 38887.1.1	842	-	842	-
Sidewalk Planning and Construction - Woodland Ave.	20.205	WBS Element 47324.1.1; 2; 3.1	200,504	-	50,126	-
Sidewalk Planning and Construction - Fields Dr.	20.205	WBS 47323.1.1;2.1;2.2;3.1	55,621	-	13,905	-
Total N.C. Department of Transportation			256,967	-	64,873	-
<u>U.S. Environmental Protection Agency</u>						
Passed-through N.C. Department of Environmental Quality						
Sanford Lead Service Line Inventory	66.468	SRF-D-LSL-0033	461,250	-	-	-
Pittsboro Lead Service Line Inventory	66.468	SRF-D-LSL-0019	478,530	-	-	-
Water Treatment Plant Expansion	66.468	SRF-WIF-2025	9,456,789	-	-	-
Total N.C. Department of Environmental Quality			10,396,569	-	-	-
Pittsboro Force Main & Lift Station	66.458	CS370413-06	40,489	-	-	-
<u>U.S. Department of Treasury</u>						
Passed-through N.C. Department of Commerce						
Sanford Agricultural Marketplace	21.027	SLFRP0129	868,316	-	-	-
Passed-through N.C. Department of Environmental Quality						
VinFast/Triangle Innovation Point Water Improvements	21.027	SRP-D-ARP-0286	1,636,845	-	-	-
Sanford WTP Expansion	21.027	SRP-D-ARP-0344	15,646,996	-	-	-
Pittsboro Find It-Fix It Sewer Rehabilitation	21.027	SRP-W-ARP-0144	522,599	-	-	-
Pittsboro Wastewater Master Plan	21.027	AIA-W-ARP-0057	97,158	-	-	-
Total Department of Treasury			17,903,597	-	-	-
Total Assistance - Federal Programs			\$ 31,208,866	\$ 11,887	\$ 190,335	\$ -
State Grants:						
Cash Assistance:						
<u>N.C. Housing Trust Fund</u>						
Passed-through N.C. Housing Finance Agency						
Urgent Repair Program - Housing Trust Funds	N/A	2023 URP 2346	-	115,693	15,870	-
<u>N.C. Department of Transportation</u>						
Powell Bill Funds	N/A	32570	-	434,667	-	-
<u>N.C. Department of Public Safety</u>						
Emergency Management Disaster Relief and Mitigation	N/A	NCEM-DRMG1026	-	5,820	-	-
<u>N.C. Department of Commerce</u>						
Project Blue/Vinfast Water & Sewer Infrastructure	N/A	N/A	-	30,219,424	-	-
Chatham County Water & Sewer Improvements	N/A	N/A	-	893,086	-	-
Total N.C. Department of Commerce			-	31,112,510	-	-
<u>N.C. Office of State Budget & Management</u>						
State Construction & Infrastructure Fund	N/A	Grant ID 11641	-	447,409	-	-
<u>N.C. Department of Environmental Quality</u>						
Siler City Wastewater Operation & Management	N/A	SRP-W-134-0052	-	1,311,036	-	-
Grace School & Tramway Fire Department Sewer	N/A	SRP-W-134-0053	-	389,579	-	-
Third St Area Sewer Rehabilitation	N/A	SRP-W-0223	-	51,516	-	-
Total N.C. Department of Environmental Quality			-	1,752,131	-	-

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>State/Pass-through Grantor's No.</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Pass-through to Subrecipients</u>
<u>N.C Tobacco Trust Fund Commission</u>						
Sanford Agricultural Marketplace Kitchen (B2101)	N/A	2021-025-04	-	31,929	-	-
Sanford Agricultural Marketplace Pavilion (B2101)	N/A	2024-015-03	-	23,532	-	-
Total N.C. Tobacco Trust Fund Commission			-	55,461	-	-
<u>N.C. Department of Insurance</u>						
Passed-through N.C. Office of State Fire Marshal						
Fire Protection Fund Grant Award	N/A	N/A	-	2,502	-	-
Total State Assistance			\$ -	\$ 33,926,193	\$ 15,870	\$ -
Total Federal and State Assistance			\$ 31,208,866	\$ 33,938,080	\$ 206,205	\$ -

Notes to the Schedule of Expenditures of Federal and State Financial Awards:**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Sanford under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Sanford, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Sanford.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Outstanding Loans

The City obtained loans under the N.C. Department of Environmental Quality Water Infrastructure program during the year ended June 30, 2025. The City's loan proceeds and qualified expenditures incurred during the projects are included in the accompanying SEFSA in accordance with 2 CFR Section 200.502(b). The projects are still open as of year-end. Once the project is completed, the City will not be required to report any outstanding loan balances as the loans are no longer considered to have continuing compliance requirements. The balance of the loans outstanding at June 30, 2025 is \$320,000.