

# **CITY OF SANFORD**

**NORTH CAROLINA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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City of Sanford, North Carolina  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2020

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City of Sanford

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November 24, 2020

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

The Comprehensive Annual Financial Report of the City of Sanford, North Carolina, for the year ended June 30, 2020 submitted herewith in compliance with North Carolina General Statutes Section 159-34 which requires an annual independent audit and report on the financial activity of the City. This report is composed of four major sections. The introductory section includes this letter of transmittal. The financial section includes the auditors' opinion, management's discussion and analysis, financial statements, footnotes, combining and individual fund statements. The statistical section includes various tables reflecting the social and economic information, financial trends and fiscal capacity of the City. The final section is the compliance section.

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

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

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

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

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

### **Profile of the Government**

The City of Sanford is the county seat of Lee County and is located in the central piedmont area of North Carolina. The City was incorporated in 1874 and presently has a land area of 25.29 square miles and a population of 30,085. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Lee County is the only overlapping governmental unit which has the authority to levy a tax. The City has the power by statute to extend its corporate limits by annexation which is done periodically when deemed appropriate by the Council.

The City of Sanford is operated under a council-manager form of government which was adopted in 1944. Policy making and legislative authority is vested in a City Council consisting of a mayor and seven council members who are elected for four-year terms in odd numbered years. The City Manager is appointed by the Council and is responsible to the Council for the administration of the affairs of the municipality. The City provides a full range of municipal services which include administrative services, police, fire, sanitation, streets, public improvements and planning. The City also operates a water and sewer system which provides water and sewer services to its citizens and people living in the area around the City.

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

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

### **Local Economy**

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

The diverse economic base of manufacturing, wholesale and retail trade, services and construction as well as the City's close proximity to the Research Triangle area and the Fayetteville/Ft. Bragg area normally allows the City's local economy to withstand fluctuations. Due to the recession in the national economy and housing market, the increase in consumer product costs as well as the high unemployment rate, the local economy in Sanford has remained slow over the past few years. However, we appear to be starting the rebound prior to COVID-19 and its impact on businesses in Lee County. The County's unemployment rate was 8.3 % in June 2020 due to COVID-19. This increase in unemployment rate compared to the prior year is consistent with what is being seen across the state of North Carolina.

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



Our regional airport, The Raleigh Executive Jetport at Sanford-Lee County, recently opened their new terminal building. The City is continuing to work with the airport to extend sewer to the area around the airport to encourage commercial growth on the premises. Golden Leaf has granted \$1,500,000 towards this project.

In September 2019, Bharat Forge Aluminum USA, a privately held industrial group from India, announced they will be building a plant off of Colon Road. The property this plant will be located on will be annexed into the City and will create over 450 new jobs in our area. The estimated investment value of real and personal property is expected to be \$170,900,000 over the next 5 years. The City worked with the County to offer an incentive package including purchase of land, site preparation, and roadwork to this site.

In February 2020, Audentes Therapeutics (life-science), an Astellas company based in San Francisco, California announced it will open a new facility in Sanford's Central Carolina Enterprise Park and will create 209 jobs at an average salary of \$83,900. The estimated investment value of real and personal property is expected to be \$109,400,000 over a five year period.

### **Long-Term Financial Planning**

The City issued \$2,000,000 in general obligation bonds for parks and recreation in May 2019 and this project was completed in Fiscal Year Ended June 30, 2020. This project constructed a Splash Pad, playground area, picnic area with shelter, parking, bathrooms, and paved walking trail at Kiwanis Family Park and required the City to set up and fund a Parks Department for future park operations.

The City issued \$38,595,000 in Enterprise System Revenue and Refunding Bonds in May 2019. Proceeds from the bonds provided financing for the completion of various water and sewer projects and to advance refund \$29,005,000 of the 2010 revenues bonds for over approximately \$2,700,000 in savings over the next 16 years. These various water and sewer projects are continuing in Fiscal Year Ended June 30, 2020.

City Council approved an increase of 5% in water and an increase of 5% in sewer rates in fiscal year 2020-21. 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

### **Relevant Financial Policies and Updates**

Moody's and Fitch rated the City's debt issuances in May 2019. Moody's rated the Series 2019 (\$38,595,000) revenue bonds with an Aa3 rating and the 2019 general obligation bonds (\$2,000,000) with an Aa2 which was an upgrade. Fitch rated the Series 2019 (\$38,595,000) revenue bonds with an AA-rating and the 2019 general obligation bonds (\$2,000,000) with an AA. Both rating agencies noted the City's stable outlook.

### **Major Initiatives**

There is one remaining project that was approved by our citizens in September 2013 to be funded through general obligation bonds totaling \$4,000,000. The project is \$4,000,000 to extend the greenway and that bond issuance is expected in fiscal year 2022 or later.

The City was awarded a \$4,000,000 grant from the Golden Leaf Foundation to assist with cost of extending sewer lines to the Moncure Megasite located in Chatham County. The cost of this project is estimated at \$14,500,000. Chatham County is budgeted to contribute \$3,500,000 towards the cost of the project and the balance will come from the City of Sanford. This in addition to the Golden Leaf grant will complete this sewer extension project to help attract economic development to our area while helping the City to diversify its sewer customer base and bring additional sewer revenue. This project continues and hopes to bring more commercial sewer usage.

Over 700 acres was annexed into the City in a prior fiscal year for a new Enterprise Industrial Park. The City completed the construction to provide water and sewer utilities to this site enabling this it to be a "certified-ready" site for economic development purposes. This Industrial Park is in close proximity to the Moncure Megasite as well. The City and County entered into a public-private partnership to help with costs

toward building a spec building at the Enterprise Industrial Park that has been purchased by Audentes Therapeutics. A second spec building is already being planned to hopefully recruit another industry to locate in our new Industrial Park.

### **Award and Acknowledgements**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford, North Carolina, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. 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, 2019. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The City has received this award every year for 33 straight years.

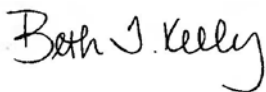
The City of Sanford also received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2019. The GFOA established the Popular Annual Financial Reporting Awards Program to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The City has received this award every year since 2015.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the financial services department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit must also go to the Mayor and members of the City Council for their interest and support for maintaining the highest standards of professionalism in the management of the City of Sanford's finances.

Respectfully submitted,



Hal Hegwer  
City Manager



Beth T. Kelly  
Financial Services Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sanford  
North Carolina**

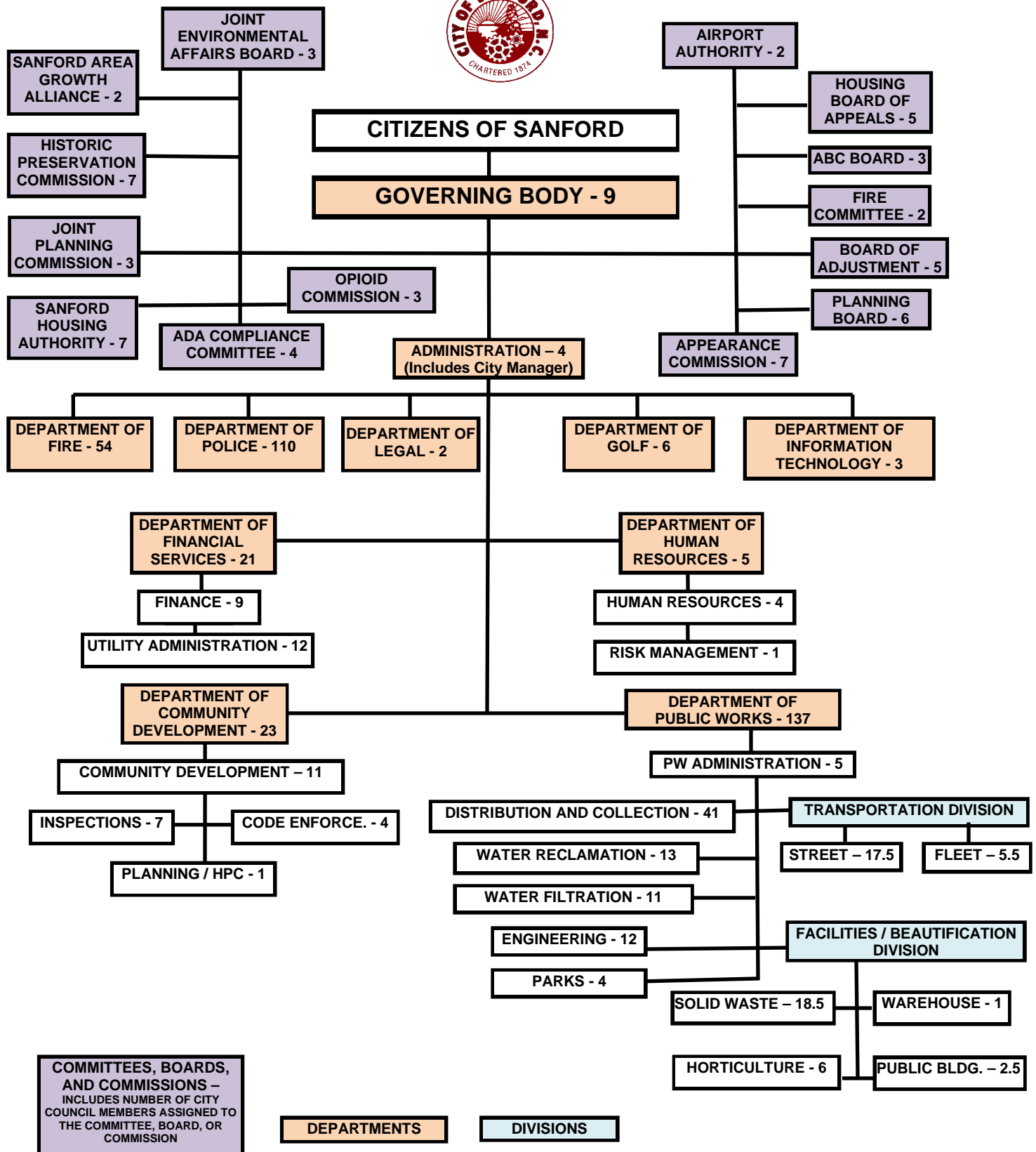
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

# CITY OF SANFORD ORGANIZATIONAL CHART





# **GOVERNING BODY**

**THE HONORABLE T. CHET MANN, MAYOR**

**MAYOR PRO TEM REBECCA WYHOF SALMON**

**COUNCIL MEMBER JAMES G. WILLIAMS**

**COUNCIL MEMBER JIMMY HAIRE**

**COUNCIL MEMBER BYRON M. BUCKELS**

**COUNCIL MEMBER CHARLES TAYLOR**

**COUNCIL MEMBER SAMUEL P. GASKINS**

**COUNCIL MEMBER NORMAN C. POST III**

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

**BY**

**Hal Hegwer  
City Manager**

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

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**CITY OF SANFORD, NORTH CAROLINA**  
**FINANCIAL SECTION**

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

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Sanford Board of Alcoholic Beverage Control, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Sanford Board of Alcoholic Beverage Control, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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 June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Sanford, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *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.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2020 on our consideration of City of Sanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sanford's internal control over financial reporting and compliance.

  
JOYCE AND COMPANY, CPA  
Cary, North Carolina

November 24, 2020

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, 2020. 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.

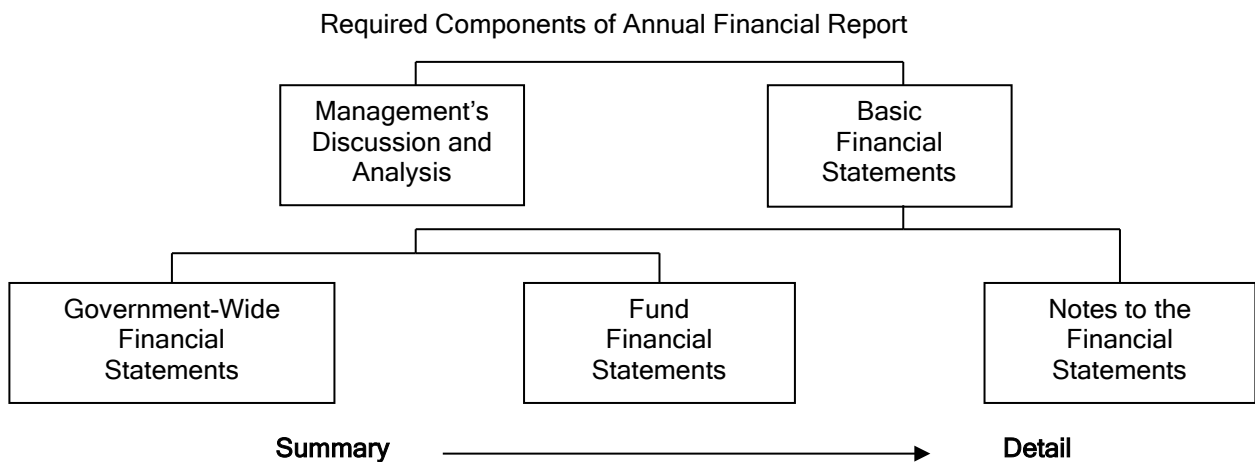
### **Financial Highlights**

- 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 \$128,931,756 (net position).
- The government's total net position increased by \$3,092,950, largely due to increases in the business-type activities' net position.
- As of the close of the current fiscal year, the City of Sanford's governmental funds reported combined ending fund balances of \$20,931,145, with an increase of \$1,800,607 in fund balance. Of this amount 31.3%, or \$6,558,901, is non-spendable or restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$13,885,712, or 42.6% of total General Fund expenditures and other financing uses for the fiscal year.
- The City of Sanford's total net debt decreased by \$4,251,747 during the fiscal year. The key factors in this decrease was the annual debt service payments for revenue bonds and notes payable in the utility fund and the annual debt service payment for the installment purchase contracts in the general fund.
- The City of Sanford maintains an Aa3 bond rating from Moody's and an AA- from Fitch for the revenue bond issuance.
- The City of Sanford maintains an AA bond rating from Fitch and was upgraded to an AA bond rating from Moody's for the general obligation bond debt issued.

### **Overview of the Financial Statements**

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

Figure 1



### Basic Financial Statements

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

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

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

### Government-Wide Financial Statements

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

## Government-Wide Financial Analysis

### City of Sanford's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets and other assets	\$ 24,215,092	\$ 22,852,099	\$ 26,405,715	\$ 39,023,640	\$ 50,620,807	\$ 61,875,739
Capital assets	40,685,758	39,598,788	165,719,509	153,925,922	206,405,267	193,524,710
Total assets	64,900,850	62,450,887	192,125,224	192,949,562	257,026,074	255,400,449
Total deferred outflows of resources	14,199,085	6,629,407	4,689,596	2,244,382	18,888,681	8,873,789
Long-term liabilities	64,420,010	53,311,772	70,007,785	68,832,659	134,427,795	122,144,431
Other liabilities	4,202,039	4,964,144	5,850,536	8,156,079	10,052,575	13,120,223
Total liabilities	68,622,049	58,275,916	75,858,321	76,988,738	144,480,370	135,264,654
Deferred inflows of resources	1,920,665	2,428,808	581,964	741,970	2,502,629	3,170,778
Net position:						
Net investment in capital assets	28,640,135	26,420,688	113,148,044	105,931,723	141,788,179	132,352,411
Restricted	6,365,236	4,230,784	-	-	6,365,236	4,230,784
Unrestricted	(26,448,150)	(22,275,902)	7,226,491	11,531,513	(19,221,659)	(10,744,389)
Total net position	\$ 8,557,221	\$ 8,375,570	\$ 120,374,535	\$ 117,463,236	\$ 128,931,756	\$ 125,838,806

- 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 \$128,931,756 as of June 30, 2020. The City's net position increased by \$3,092,950 for the fiscal year ended June 30, 2020. However, \$141,788,179 of net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Sanford uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sanford's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Also, \$6,365,236 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 \$(19,221,659) is unrestricted. This negative number is attributable to the implementation of Governmental Accounting Standards Board (GASB) Statement 75 (in fiscal year ended June 30, 2018) which reduced net position by \$30,917,695 as well as the increase of this liability by \$3,451,507 in fiscal year ended June 30, 2019 and the increase of this liability by \$14,777,593 in fiscal year ended June 30, 2020.

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

- The increase is attributable to the capital projects in the business-type activities.
- Slight increase in property tax revenues due to growth from prior year. The tax collection percentage in the current year is 98.6%.
- Expenses and accruals related to pension liabilities (LGERS and LEO)

CITY OF SANFORD, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2020

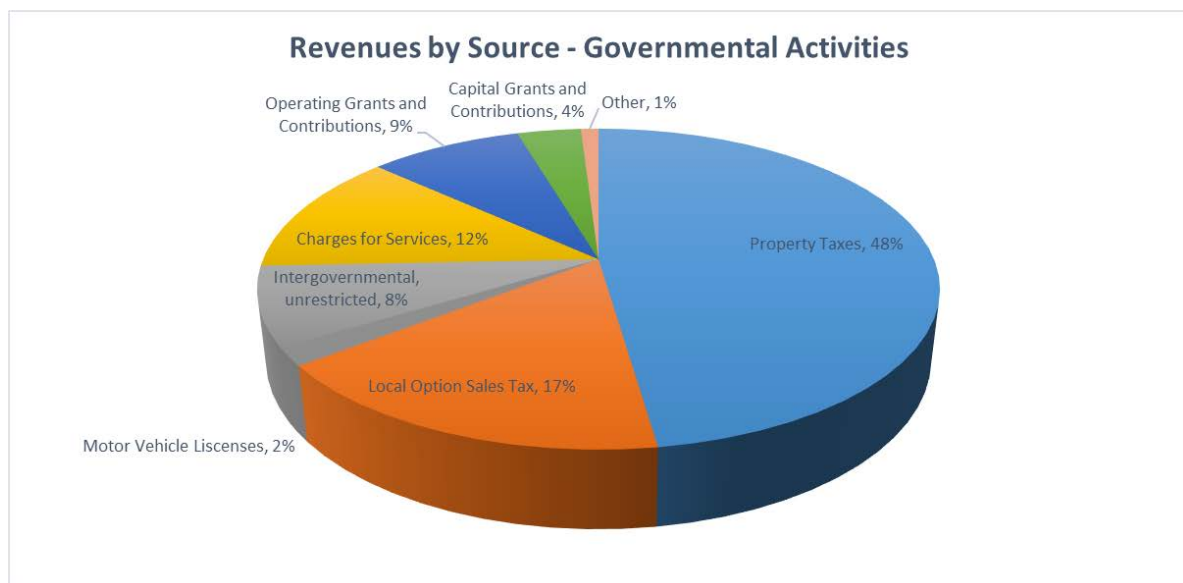
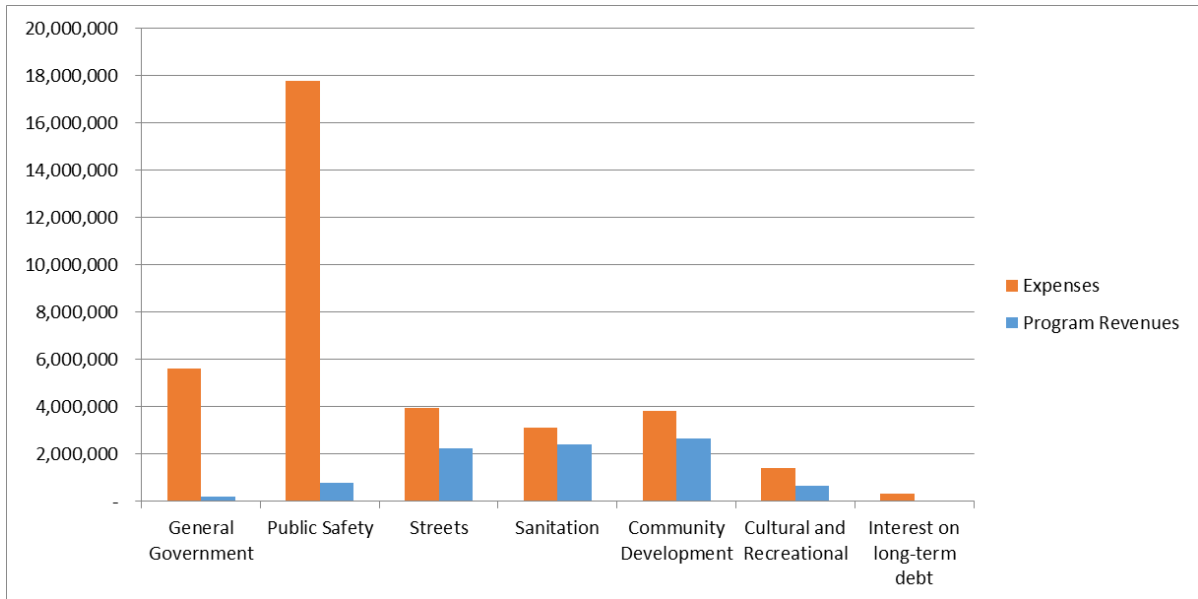
**City of Sanford's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,496,455	\$ 3,398,642	\$ 20,008,892	\$ 20,520,850	\$ 24,505,347	\$ 23,919,492
Operating grants and contributions	3,156,403	2,888,946	316,022	338,932	3,472,425	3,227,878
Capital grants and contributions	1,309,175	1,547,367	5,798,811	7,116,375	7,107,986	8,663,742
General revenues:						
Property taxes	17,337,021	16,500,145	-	-	17,337,021	16,500,145
Other taxes	6,797,785	6,249,952	-	-	6,797,785	6,249,952
Intergovernmental not restricted	2,755,817	2,697,547	-	-	2,755,817	2,697,547
Other	364,025	704,746	1,228,036	1,042,378	1,592,061	1,747,124
<b>Total revenues</b>	<b>36,216,681</b>	<b>33,987,345</b>	<b>27,351,761</b>	<b>29,018,535</b>	<b>63,568,442</b>	<b>63,005,880</b>
<b>Expenses:</b>						
General government	5,602,482	5,060,320	-	-	5,602,482	5,060,320
Public safety	17,769,264	16,185,250	-	-	17,769,264	16,185,250
Streets	3,969,429	3,875,563	-	-	3,969,429	3,875,563
Sanitation	3,124,629	2,874,729	-	-	3,124,629	2,874,729
Community development	3,810,430	2,622,400	-	-	3,810,430	2,622,400
Cultural and recreational	1,420,848	1,043,892	-	-	1,420,848	1,043,892
Interest on long-term debt	325,374	298,688	-	-	325,374	298,688
Utility	-	-	24,376,432	24,013,322	24,376,432	24,013,322
<b>Total expenses</b>	<b>36,022,456</b>	<b>31,960,842</b>	<b>24,376,432</b>	<b>24,013,322</b>	<b>60,398,888</b>	<b>55,974,164</b>
Increase (decrease) in net position before disposals and transfers	194,225	2,026,503	2,975,329	5,005,213	3,169,554	7,031,716
Gain (loss) on disposal Transfers	(12,574)	-	(64,030)	-	(76,604)	-
Increase (decrease) in net position	181,651	2,026,503	2,911,299	5,005,213	3,092,950	7,031,716
Net position, beginning, a previously state	8,375,570	6,349,067	117,463,236	113,453,668	125,838,806	119,802,735
Restatement	-	-	-	(995,645)	-	(995,645)
Net position, beginning, restated	8,375,570	6,349,067	117,463,236	112,458,023	125,838,806	118,807,090
Net position, ending	\$ 8,557,221	\$ 8,375,570	\$ 120,374,535	\$ 117,463,236	\$ 128,931,756	\$ 125,838,806



**Governmental Activities.** Governmental activities increased the City's net position by \$181,651. Key elements of this increase are as follows:

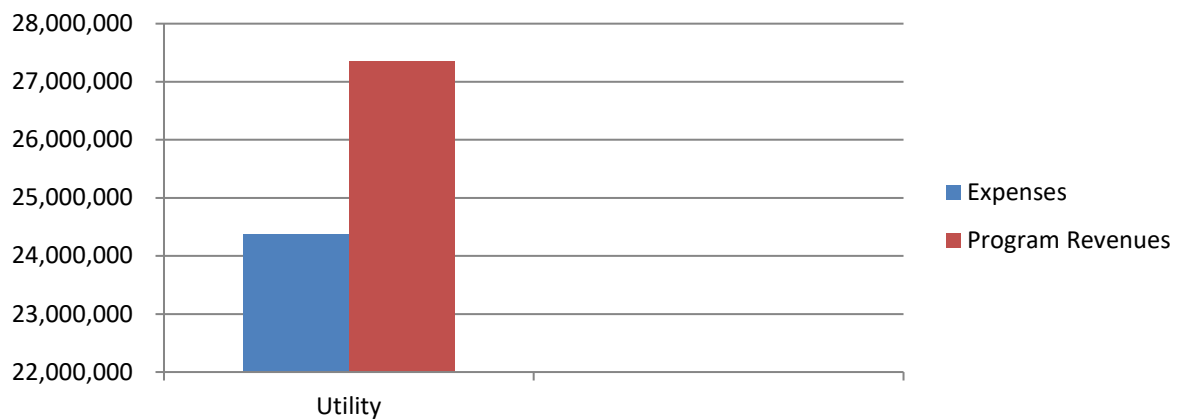
- Property tax revenues increased approximately \$837,000 compared to prior year due to growth in valuations and stable tax collection rate
- Increase in salary and benefit expenses due to insurance increases and cost of living adjustment given.



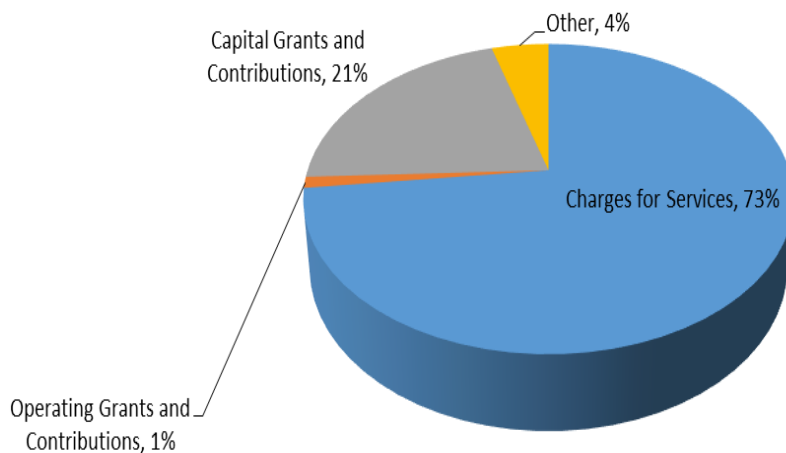
**Business-Type Activities:** Business-type activities increased the City of Sanford's net position by \$2,911,299, accounting for a portion of the growth in the government's net position. Key elements of this decrease are as follows:

- Charges for services decreased by approximately \$512,000 compared to prior year. This decrease was primarily due to reduction of septage hauler revenues.
- Capital grants and contributions decreased by approximately \$1,300,000 compared to prior year. This decrease was primarily due to grants related to the Moncure Megasite sewer extension that were received in the prior fiscal year.

### Expenses and Program Revenues - Business-Type Activities



### Revenues by Source - Business-Type Activities



### **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 \$12,521,454 while total fund balance reached \$18,414,444. The City currently has an available fund balance of 41.4% of General Fund expenditures, while total fund balance represents 60.9% of the same amount.

At June 30, 2020, the governmental funds of the City of Sanford reported a combined fund balance of \$20,931,145, a 9.4% increase from last year. Included in this change in fund balance is an increase of \$1,123,907 in the General Fund and an increase in the Non-Major Funds' fund balances of \$676,700.

**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 \$3,340,209 increase in appropriations between the original and final amended budget. The increase is primarily because of fund balance re-appropriated in the amount of \$1,022,756 and contributions to the Project Forge project in the amount of \$2,250,000.

Revenue came in over budget. Ad valorem tax, sales tax, building permits, and golf revenue all show increases compared to budget. However, investment income, sale of property, sanitation fees, and utilities sales tax revenues reflect a decrease compared to budget.

On the expenditure side, \$1,170,477 in capital items / projects were not received or completed by June 30. Other expenditures were held in check to comply with budgetary requirements.

**Proprietary Funds.** The City of Sanford's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$7,226,491. The total change in net position for the Utility Fund was \$2,911,299, 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, 2020 totals \$206,405,267, (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 \$5,170,000.
- Water and sewer construction in progress increased by approximately \$8,800,000 due to several water line and sewer line/lift station projects, the largest of which is the Project Forge water and sewer line project.
- Governmental type fund land improvements increased by approximately \$1,600,000 due to completion of the splash pad and playground at Kiwanis Family Park.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 6,306,420	\$ 5,998,007	\$ 1,163,403	\$ 1,047,739	\$ 7,469,823	\$ 7,045,746
Buildings	6,328,534	4,686,551	200,216	189,227	6,528,750	4,875,778
Plants	-	-	80,502,727	82,711,809	80,502,727	82,711,809
Tanks and lines	-	-	60,585,471	55,415,464	60,585,471	55,415,464
Streets	23,724,062	23,134,204	-	-	23,724,062	23,134,204
Equipment	3,533,303	3,347,493	922,031	998,756	4,455,334	4,346,249
Construction in progress	793,439	2,432,534	22,345,661	13,562,926	23,139,100	15,995,460
Total	<u>\$ 40,685,758</u>	<u>\$ 39,598,789</u>	<u>\$ 165,719,509</u>	<u>\$ 153,925,921</u>	<u>\$ 206,405,267</u>	<u>\$ 193,524,710</u>

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

**Long-Term Debt.** As of June 30, 2020, the City of Sanford had total bonded debt outstanding of \$46,745,000. Of this amount, \$38,595,000 is backed by revenues from water and sewer user charges. The other portion of the bonded debt is \$8,150,000 in general obligation bonds that were approved through referendum and supported by the tax base. The remainder of the City's debt represents notes payable and installment purchase agreements.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds	\$ 8,150,000	\$ 8,700,000	\$ 38,595,000	\$ 40,500,000	\$ 46,745,000	\$ 49,200,000
Deferred amounts, net	716,920	753,803	5,211,754	5,550,178	5,928,674	6,303,981
Notes payable	-	-	12,710,354	13,586,200	12,710,354	13,586,200
Installment purchase contracts	3,178,703	3,724,297	-	-	3,178,703	3,724,297
Total	<u>\$ 12,045,623</u>	<u>\$ 13,178,100</u>	<u>\$ 56,517,108</u>	<u>\$ 59,636,378</u>	<u>\$ 68,562,731</u>	<u>\$ 72,814,478</u>

The City of Sanford's total debt decreased by \$4,251,747 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 \$205,918,383.

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

### **Economic Factors and Next Year's Budget and Rates**

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

- The unemployment rate in Lee County increased from 5.1% in June 2019 to 8.3% in June 2020 due to COVID-19.
- The City is seeing industrial growth in the commercial sector. Residential growth has been slower, however several projects have recently been approved.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

#### **Governmental Activities:**

The coronavirus pandemic has provided an additional hurdle in planning the upcoming fiscal year. This budget aims to meet the goals set forth by the Sanford City Council. However, due to the uncertainty regarding the fiscal impact on City revenues and potential limited additional revenue sources, it is understood that some of these goals may be delayed or postponed. The City strives to continue to offer consistent, uninterrupted services to our citizens.

This budget includes funds to update the Unified Development Ordinance (UDO). Phase II of the UDO will concentrate on multi-family and commercial development and is funded in the amount of \$50,000.

This budget also includes funds to continue the accreditation process through the Commission of Accreditation for Law Enforcement Agencies, Inc. (CALEA). CALEA is a credentialing authority whose primary mission is to accredit public safety agencies. They seek to improve law enforcement by creating a national body of standards developed by law enforcement professionals. An additional Police Department position is funded for half of the year and is necessary to accommodate CALEA requirements pertaining to evidence collection, processing, and storage.

With the newly expanded city limits in the Deep River area, fire protection for new development is necessary. This budget includes the addition of nine new firefighter positions, which will be funded for three months of the fiscal year, and the required equipment for these personnel. To offset some of these costs, the City is applying for a Staffing for Adequate Fire & Emergency Response (SAFER) Grant, which would fund 75 percent of salaries for the first two years and 35 percent in the third year.

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

Major capital expenditures include a firing range berm at the Police Training Facility, Police patrol vehicles, Inspections vehicles, and street resurfacing.

In response to a cost increase of recycling by GFL Environmental as well as a 2.3 percent Consumer Price Index increase, the City increased the sanitation fee by \$40 per household. The new sanitation fee is \$310 annually per residence.

Tax rates will remain at \$0.60 per \$100 assessed valuation. A motor vehicle fee remains in place at \$30 per vehicle and trailer.

**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 20-21 budget includes 5 percent rate increases for both water and sewer services to become effective September 1, 2020.

The City is anticipating growth in consumption due to an increase in the number of utility accounts. However, as a result of changes in Duke Energy's needs, we will continue to see a decline in the industrial waste hauling.

A new solid handling operator position is included to accommodate the complexities associated with treatment and disposal processes at the Water Filtration Facility.

Major utility fund expenses include water and sewer rehabilitation (\$600,000); NCDOT waterline relocate (\$100,000); Water Filtration Facility Expansion Design (bond funding) (\$10,000,000); NC 42 waterline relocate (\$2,250,000); Gaster's Creek Lift Station replacement (\$300,000); Little Buffalo Upper Reach Sewer Remediation (SRF loan funding) (\$3,000,000); Skunk Creek railroad crossing replacement (\$400,000); and replacement of various equipment / vehicles (\$497,500).

**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, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority
<b>Assets:</b>					
Current assets:					
Cash, cash equivalents and investments	\$ 18,590,520	\$ 17,124,877	\$ 35,715,397	\$ 1,208,513	\$ 340,503
Property taxes receivable, net of allowance for uncollectible accounts	268,974	-	268,974	-	-
Accounts receivable, net of allowance for uncollectible accounts	211,936	3,838,132	4,050,068	-	105
Due from other governmental agencies	2,966,986	1,132,162	4,099,148	-	39,845
Prepaid items	129,332	57,579	186,911	5,846	-
Deposits	36,900	-	36,900	-	-
Inventories	81,703	117,077	198,780	588,980	-
Note receivable	51,637	-	51,637	-	-
Restricted cash	863,961	4,135,888	4,999,849	-	-
Total current assets	23,201,949	26,405,715	49,607,664	1,803,339	380,453
Non-current assets:					
Note receivable-net of current portion	1,013,143	-	1,013,143	-	-
Capital assets, non-depreciable	7,099,859	23,509,064	30,608,923	-	-
Capital assets, net of depreciation	33,585,899	142,210,445	175,796,344	733,051	-
Total non-current assets	41,698,901	165,719,509	207,418,410	733,051	-
Total assets	64,900,850	192,125,224	257,026,074	2,536,390	380,453
Deferred Outflows of Resources	14,199,085	4,689,596	18,888,681	100,913	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	1,923,789	2,499,246	4,423,035	484,590	8,766
Accrued interest payable	141,275	176,024	317,299	-	-
Current portion of long-term liabilities	2,136,975	2,985,021	5,121,996	-	-
Payable from restricted assets:					
Deposits	-	190,245	190,245	-	-
Total current liabilities	4,202,039	5,850,536	10,052,575	484,590	8,766
Non-current liabilities:					
Total pension liability LGERS	5,363,889	1,676,428	7,040,317	114,699	-
Total pension liability LEO	4,550,148	-	4,550,148	-	-
Net OPEB liability	42,797,001	14,416,568	57,213,569	217,726	-
Due in more than one year	11,708,972	53,914,789	65,623,761	-	-
Total liabilities	68,622,049	75,858,321	144,480,370	817,015	8,766
Deferred Inflows of Resources	1,920,665	581,964	2,502,629	-	-
<b>Net Position:</b>					
Net investment in capital assets	28,640,135	113,148,044	141,788,179	733,051	-
Restricted for:					
Stabilization by State statute	3,541,424	-	3,541,424	-	39,951
Community development	2,028,984	-	2,028,984	-	-
Inspections building permits	668,020	-	668,020	-	-
Public safety	110,813	-	110,813	-	-
Other	15,995	-	15,995	-	331,736
Working capital	-	-	-	229,450	-
Unrestricted	(26,448,150)	7,226,491	(19,221,659)	857,787	-
Total net position	\$ 8,557,221	\$ 120,374,535	\$ 128,931,756	\$ 1,820,288	\$ 371,687

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

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

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											
					Governmental Activities	Business-Type Activities	Total	ABC Board	Tourism Development Authority							
Primary Government:																
Governmental Activities:																
General government	\$	5,602,482	\$	7,745	\$	192,359	\$	-	\$	(5,402,378)	\$	-	\$	-		
Public safety		17,769,264		34,531		746,934		-		(16,987,799)		-		-		
Streets		3,969,429		139,400		799,869	1,309,175			(1,720,985)		-		-		
Sanitation		3,124,629		2,425,400		1,758	-			(697,471)		-		-		
Community development		3,810,430		1,226,978		1,415,483	-			(1,167,969)		-		-		
Cultural and recreational		1,420,848		662,401		-	-			(758,447)		-		-		
Interest on long-term debt		325,374		-		-	-			(325,374)		-		-		
Total governmental activities		36,022,456		4,496,455		3,156,403	1,309,175			(27,060,423)		-		-		
Business-Type Activities:																
Utility		24,376,432		20,008,892		316,022	5,798,811			-		1,747,293		1,747,293	-	-
Total primary government	\$	60,398,888	\$	24,505,347	\$	3,472,425	\$	7,107,986	\$	(27,060,423)		1,747,293		(25,313,130)	-	-
Component Units:																
Tourism Development Authority	\$	218,955	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(218,955)
ABC Board		7,721,954		7,731,285		-	-			-		-		-	9,331	-
Total component units	\$	7,940,909	\$	7,731,285	\$	-	\$	-	\$	-	\$	-	\$	-	9,331	\$ (218,955)
General revenues:																
Taxes:																

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



## CITY OF SANFORD, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
	General		
<b>Assets:</b>			
Assets:			
Cash, cash investments, and investments	\$ 15,672,903	\$ 2,560,076	\$ 18,232,979
Cash, restricted	814,158	49,803	863,961
Property taxes receivable, net	265,247	3,727	268,974
Accounts receivable, net	210,707	367	211,074
Due from other governmental agencies	2,864,335	102,651	2,966,986
Prepaid items	111,962	-	111,962
Inventories	81,703	-	81,703
Total assets	<u>\$ 20,021,015</u>	<u>\$ 2,716,624</u>	<u>\$ 22,737,639</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,169,182	\$ 196,196	\$ 1,365,378
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	265,247	3,727	268,974
Sanitation fees receivable-net	102,150	-	102,150
Other receivables	50,662	-	50,662
Prepaid annual golf memberships	19,330	-	19,330
Total deferred inflows of resources	<u>437,389</u>	<u>3,727</u>	<u>441,116</u>
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	81,703	-	81,703
Prepaid items	111,962	-	111,962
Restricted:			
Stabilization by State statute	3,540,239	1,185	3,541,424
Community development	-	2,028,984	2,028,984
Inspections building permits	668,020	-	668,020
Public Safety	110,813	-	110,813
Other	15,995	-	15,995
Committed:			
Economic development	-	353,795	353,795
LEO Special Separation Allowance	1,316,154	-	1,316,154
Assigned:			
Downtown revitalization	-	117,388	117,388
Subsequent year's expenditures	48,104	15,349	63,453
Unassigned	12,521,454	-	12,521,454
Total fund balances	<u>18,414,444</u>	<u>2,516,701</u>	<u>20,931,145</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,021,015</u>	<u>\$ 2,716,624</u>	<u>\$ 22,737,639</u>

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

## CITY OF SANFORD, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

		Total Governmental Funds
Fund balances - Total Governmental Funds		\$ 20,931,145
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.		40,685,758
Deferred inflows of resources related to pensions are not reported in the funds		(139,415)
Deferred inflows of resources related to OPEB are not reported in the funds		(1,761,920)
Notes receivable are not current financial assets and, therefore are not reported in the funds		1,064,780
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements		421,786
Consolidation adjustment for internal balances between the Internal Service Fund and the governmental funds.		(145,738)
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds.		
Government bonds and notes payable	(11,328,703)	
Premiums on bonds	(716,920)	
Compensated absences	(1,800,324)	
Total pension liability LGERS	(5,363,889)	
Total pension liability LEO	(4,550,148)	
Net OPEB liability	(42,797,001)	(66,556,985)
Deferred outflows of resources related to pensions are not reported in the funds		4,020,513
Deferred outflows of resources related to OPEB are not reported in the funds		10,178,572
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Accrued interest		(141,275)
Net position of governmental activities		\$ 8,557,221

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, 2020

	Major Funds General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Ad valorem taxes	\$ 17,089,953	\$ 79,756	\$ 17,169,709
Other taxes	6,800,515	-	6,800,515
Penalties and interest	48,240	-	48,240
License and permits	1,256,186	-	1,256,186
Intergovernmental revenues	4,972,577	923,646	5,896,223
Investment income	209,191	26,248	235,439
Sales and services	2,390,734	-	2,390,734
Miscellaneous revenues	887,286	74,142	961,428
Total revenues	33,654,682	1,103,792	34,758,474
<b>Expenditures:</b>			
Current operating:			
General government	5,174,512	-	5,174,512
Public safety	14,135,515	-	14,135,515
Streets	2,039,245	-	2,039,245
Sanitation	2,784,800	-	2,784,800
Community development	1,640,413	1,942,388	3,582,801
Cultural and recreational	1,044,494	-	1,044,494
Capital outlay	1,992,127	793,294	2,785,421
Debt service:			
Principal	1,095,594	-	1,095,594
Interest	350,897	-	350,897
Total expenditures	30,257,597	2,735,682	32,993,279
Revenues in excess of (less than) expenditures	3,397,085	(1,631,890)	1,765,195
<b>Other Financing Sources (Uses):</b>			
Insurance recovery	52,651	-	52,651
Transfers in	-	2,308,590	2,308,590
Transfers (out)	(2,358,590)	-	(2,358,590)
Sale of property	32,761	-	32,761
Total other financing sources (uses)	(2,273,178)	2,308,590	35,412
Net change in fund balances	1,123,907	676,700	1,800,607
Fund balances, beginning of year	17,290,537	1,840,001	19,130,538
Fund balances, end of year	\$ 18,414,444	\$ 2,516,701	\$ 20,931,145

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, 2020**

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)	\$	1,800,607
--	----	-----------

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	\$	2,785,421	
Current year depreciation expense		<u>(2,971,395)</u>	(185,974)

Current receipts of prior loans are not revenues			(50,429)
--	--	--	----------

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			1,309,175
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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			(36,231)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			1,254,357
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Benefit payments paid for the LEOSSA are not included on the Statement of Activities			262,335
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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	119,072	
Change in unavailable revenue - all others	<u>18,634</u>	137,706

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	1,095,594	
Amortization of bond premiums	36,883	
Accrued interest expense	<u>(11,360)</u>	1,121,117

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	(164,290)	
Pension expense (LGERS)	(2,356,369)	
Pension expense (LEO)	(418,872)	
OPEB plan expense	<u>(2,753,720)</u>	(5,693,251)

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.

	<u>262,239</u>
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Total changes in net position of governmental activities (Exhibit 2)	<u>\$</u>	<u>181,651</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, 2020**

	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 16,413,059	\$ 16,413,059	\$ 17,089,953	\$ 676,894
Other taxes	6,572,417	6,572,417	6,800,515	228,098
Penalties and interest	51,000	51,000	48,240	(2,760)
Licenses and permits	505,100	505,100	1,256,186	751,086
Intergovernmental revenues	4,925,294	4,931,294	4,972,577	41,283
Investment income	300,100	300,100	209,191	(90,909)
Sales and services	2,443,500	2,443,500	2,390,734	(52,766)
Miscellaneous revenues	945,700	955,700	887,286	(68,414)
Total revenues	32,156,170	32,172,170	33,654,682	1,482,512
<b>Expenditures:</b>				
Current operating:				
General government	6,004,673	6,132,398	5,234,528	897,870
Public safety	16,395,676	16,654,780	14,821,699	1,833,081
Streets	3,331,696	3,999,452	3,223,065	776,387
Sanitation	2,803,129	2,829,629	2,784,800	44,829
Community development	1,822,070	1,976,849	1,655,620	321,229
Cultural and recreational	1,176,057	1,186,057	1,091,394	94,663
Debt service				
Principal retirement	1,174,053	1,103,009	1,095,594	7,415
Interest	382,588	353,333	350,897	2,436
Total expenditures	33,089,942	34,235,507	30,257,597	3,977,910
Revenues in excess of (less) than expenditures	(933,772)	(2,063,337)	3,397,085	5,460,422
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	37,856	52,651	14,795
Issuance of debt	640,000	640,000	-	(640,000)
Transfer to other funds	(117,732)	(2,366,232)	(2,358,590)	7,642
Sale of property	176,000	176,000	32,761	(143,239)
Total other financing sources (uses)	698,268	(1,512,376)	(2,273,178)	(760,802)
Revenues and other financing sources less than expenditures and other financing sources	(235,504)	(3,575,713)	1,123,907	4,699,620
Appropriated fund balance	235,504	3,575,713	-	(3,575,713)
Net change in fund balance	\$ -	\$ -	1,123,907	\$ 1,123,907
Fund balance, beginning of year			17,290,537	
Fund balance, end of year			\$ 18,414,444	

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

## CITY OF SANFORD, NORTH CAROLINA

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2020

	Business-Type Activities Major Utility Fund	Governmental-Type Activities Internal Service Fund Health Insurance
<b>Assets:</b>		
Current assets:		
Cash, cash equivalents and investments	\$ 17,124,877	\$ 357,541
Accounts receivable, net of allowance for uncollectible accounts	3,838,132	862
Due from other governmental agencies	1,132,162	-
Inventories	117,077	-
Prepaid items	57,579	17,370
Deposits	-	36,900
Restricted cash	4,135,888	-
Total current assets	26,405,715	412,673
Non-current assets:		
Capital assets, non-depreciable	23,509,064	-
Capital assets, net of depreciation	142,210,445	-
Total non-current assets	165,719,509	-
Total assets	192,125,224	412,673
<b>Deferred Outflows of Resources:</b>		
Pension deferrals	997,135	-
Advance refunding of bonds	288,515	-
OPEB deferrals	3,403,946	-
Total deferred outflows of resources	4,689,596	-
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	2,499,246	1,514
Current portion of long-term debt	2,755,400	-
Accrued interest payable	176,024	-
Compensated absences	229,621	-
Claims incurred but not reported	-	556,897
Payable from restricted assets:		
Customer deposits	190,245	-
Total current liabilities	5,850,536	558,411
Non-current liabilities:		
Long-term debt	53,761,708	-
Compensated absences	153,081	-
Net OPEB liability	14,416,568	-
Net pension liability	1,676,428	-
Total non-current liabilities	70,007,785	-
Total liabilities	75,858,321	558,411
<b>Deferred Inflows of Resources:</b>		
Pension deferrals	3,885	-
OPEB deferrals	578,079	-
Total deferred inflows of resources	581,964	-
<b>Net Position:</b>		
Net investment in capital assets	113,148,044	-
Unrestricted	7,226,491	(145,738)
Total net position	\$ 120,374,535	\$ (145,738)

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, 2019

	Business-Type Activities Utility Fund	Governmental-Type Activities Internal Service Fund Health Insurance
<b>Operating Revenues:</b>		
User charges	\$ 19,755,362	\$ -
Monitoring fees	77,616	-
Connection and tap fees	175,914	-
Health insurance premiums	-	4,267,305
Contribution from other agencies	316,022	-
Other	525,215	-
Total operating revenues	20,850,129	4,267,305
<b>Operating Expenses:</b>		
Administration and engineering	4,288,998	-
Distribution and collection	5,938,772	-
Water plant operations	3,049,304	-
Sewer plant operations	3,473,208	-
Store expenses	120,418	-
Insurance claims and administrative fees	-	3,899,684
Wellness initiatives	-	106,523
Depreciation	5,497,921	-
Total operating expenses	22,368,621	4,006,207
Operating income	(1,518,492)	261,098
<b>Non-Operating Revenues (Expenses)</b>		
Investment earnings	364,396	1,141
Interest and other charges	(2,007,811)	-
Gain (loss) on disposal of capital assets	(64,030)	-
Amortization of bond premiums	338,425	-
Total non-operating revenue (expenses)	(1,369,020)	1,141
Income (loss) before contributions and transfers	(2,887,512)	262,239
<b>Capital Contributions</b>	5,798,811	-
Change in net position	2,911,299	262,239
Total net position - beginning	117,463,236	(407,977)
Total net position - ending	\$ 120,374,535	\$ (145,738)

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, 2020

	Business-Type Utility Fund	Governmental-Type Activities - Internal Service Fund Health Insurance
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 23,937,732	\$ 4,267,857
Contributions from other agencies	316,022	-
Cash paid for goods and services	(11,172,091)	-
Customer deposits	700	-
Cash payments to employees	(6,337,643)	-
Cash paid for health insurance claims and wellness initiatives	-	(3,962,218)
Net cash provided by operating activities	6,744,720	305,639
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(15,649,961)	-
Contributions from other agencies	4,093,235	-
Principal paid on bond maturities and installment purchase debt	(2,780,845)	-
Interest paid on bond maturities and installment purchase debt	(1,988,578)	-
Net cash used by capital and related financing activities	(16,326,149)	-
<b>Cash Flow from Investing Activities:</b>		
Interest on investments	364,396	1,141
Net change in cash and cash equivalents	(9,217,033)	306,780
Balances - beginning of the year	30,477,798	50,761
Balances - end of the year	\$ 21,260,765	\$ 357,541
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	\$ (1,518,492)	\$ 261,098
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	5,497,921	-
Changes in asset and liabilities:		
Decrease in accounts receivable	3,384,565	552
Decrease in due from other governments	19,060	-
Decrease in inventories	2,625	-
(Increase) decrease in prepaid items	(5,358)	27,060
Decrease in deferred outflow of resources for pensions	180,316	-
Increase in net pension liability	198,165	-
Decrease in deferred inflow of resources for pensions	(15,831)	-
Increase in deferred outflow of resources - OPEB	(2,646,139)	-
Increase in net OPEB liability	3,715,087	-
Decrease in deferred inflow of resources - OPEB	(144,175)	-
Increase (decrease) in accounts payable and accrued liabilities	(1,966,909)	32
Increase in compensated absences	43,185	-
Increase in claims incurred but not reported	-	16,897
Increase in customer deposits	700	-
Total adjustments	8,263,212	44,541
Net cash provided by operating activities	\$ 6,744,720	\$ 305,639
Non-cash capital activities and non-capital financing activities:		
Contributed capital assets	\$ 1,705,577	\$ -



## CITY OF SANFORD, NORTH CAROLINA

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

June 30, 2020

	Agency Funds	Other Post- Employment Benefits
<b>Assets:</b>		
Cash and cash equivalents	\$ 211,085	\$ -
Investments:		
Mutual funds	-	2,552,831
NC State Treasurer's Short Term Investment Fund (STIF)	-	701,026
Accounts receivable	39,924	-
Total assets	251,009	3,253,857
<b>Liabilities:</b>		
Amounts available for benefits	251,009	-
<b>Net Position:</b>		
Net position restricted for OPEB	\$ -	\$ 3,253,857

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

CITY OF SANFORD, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 OPEB TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2020

	Other Post- Employment Benefits
<b>Additions:</b>	
Net investment income	\$ 88,313
Employer contributions	1,144,163
Total additions	<u>1,232,476</u>
<b>Deductions:</b>	
Benefit payments	1,069,163
Administrative expense	280
Total deductions	<u>1,069,443</u>
Change in net position	163,033
Net position restricted for OPEB, beginning of year	<u>3,090,824</u>
Net position restricted for OPEB, end of year	<u><u>\$ 3,253,857</u></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, 2020**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City, a political subdivision of Lee County (the "County"), is located in the central portion of the State and has a population of 30,085. The City operates under a Council-Manager form of government. The City provides services, which include general government, public safety, streets, sanitation, public improvements, planning, and zoning. The City also operates a water and sewer system, which supplies service to the City and surrounding area on a user charge basis. Additionally, the City of Sanford operates a golf course on a user charge basis. In addition to the taxes levied by the City, the County also levies a tax of \$0.775 per \$100 property valuation with which it finances County-wide services including assistance to the County's public school unit, community college, and health and social services.

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

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.

**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.

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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. 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.

The City reports the following non-major governmental funds:

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

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

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

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

The City reports the following major Enterprise Fund:

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

The City reports the following 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

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

collects premiums from City departments to cover claim expenses for employee-elected spouse and family coverage.

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

**Agency Funds.** These funds are custodial in nature and do not involve the measurement of operating results. An Agency Fund is used to account for assets the City holds on behalf of others. The City reports the following 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 except for the agency fund. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

**D. Budgetary Data**

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

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

year or the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Encumbrances – The City is required by State statute to record encumbrances in its budgetary accounting system. Encumbrances include purchase orders, contracts, and other commitments related to unperformed contracts for goods and services and are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are considered in the subsequent budget when determining fund balance appropriated and charged to appropriations in the ensuing year. Encumbrances included \$618,009 in the General Fund, \$464,000 in the General Capital Project Fund, \$1,164,672 in the Utility Fund, \$6,399,610 in the Utility Capital Project Fund and \$269,923 in the Community Development Fund at June 30, 2020.

**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 may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

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

The City's and its component unit's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, are measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are 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

**CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

STIF are distributed to participants of the fund. The BIF is also valued at \$1 per share. The MSCI ACWI EQ Index Non-Lendable Class B Fund is priced at \$23.11 per share at June 30, 2020.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

The unexpended debt proceeds of the Water and Sewer Fund series bonds 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 because they can only be used for uses restricted by the grantor. 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			
<b>Governmental Activities:</b>			
General Fund	Unexpended drug forfeitures	\$	108,437
	Unexpended grants and donations		18,371
	Unexpended building permit fees		668,020
	Prepaid Golf Fees		19,330
Non-major governmental Funds			
Friends of Sanford Fund	Unexpended donations		44,803
Community Development	Unexpended grants		5,000
Total governmental funds			<u>863,961</u>
<b>Business-Type Activities:</b>			
Utility Fund	Customer deposits		190,245
	Unexpended bond proceeds		3,945,643
Total business-type activities			<u>4,135,888</u>
Total restricted cash		\$	<u>4,999,849</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2019.



CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**5. Allowances for Doubtful Accounts**

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

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

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

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

**6. Inventory and Prepaid Items**

Inventories for the City consist of material and supply items and are recorded at 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.

**7. Capital Assets**

Capital assets of the City, which include property, plant, equipment, and infrastructure, are reported in the government-wide and proprietary fund financial statements. Capital assets of the City generally have an initial cost of more than \$2,500 and an estimated useful life of more than one year. All capital assets of the City are recorded at cost or estimated historical cost. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements, regardless of their amount. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or historical cost. Cost of repairs and minor renewals that do not add to the value of the asset or materially extend the assets' life are excluded from capital assets. When an asset is disposed of, the related cost and accumulated depreciation are removed from the accounts.

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

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

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government are reported at the lower of carrying value or fair value. Impairment

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

losses on capital assets that will continue to be used by the government are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the obligations loss.

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meets this criterion, pension and OPEB related deferrals for the 2020 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 position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, unearned property taxes, prepaid golf fees, special assessments and other pension or OPEB related deferrals.

**9. Long-Term Obligations**

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

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

**10. Compensated Absences**

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

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

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

**11. Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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.

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

Restricted Other - portion of fund balance that is restricted for specific uses as imposed by the donor.

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

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

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

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

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

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

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

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

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

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**12. Defined Benefit Pension Plans**

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

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

**II. DETAIL NOTES ON ALL FUNDS:**

**A. Assets**

**1. Deposits**

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

At June 30, 2020, the City's deposits had a carrying amount of \$5,937,683 and a bank balance of \$5,370,085. Of the bank balance, \$797,665 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the City's cash on hand totaled \$3,600.

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

2. **Investments**

Investment balances as of June 30, 2020, were as follows:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2020</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust- Government Portfolio	Fair Value Level 1	\$ 31,777,626	N/A	AAAm
NC Capital Management Trust-Term Portfolio	Fair Value Level 1	3,207,422	.15 years	Unrated
<b>Total</b>		<u>\$ 34,985,048</u>		

*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 as of June 30, 2020. The City's investment in the N.C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

*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, 2020, the City had no investments in commercial paper.

At June 30, 2020, the City's Healthcare Benefits Plan Fund had \$3,253,857 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust, pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 21.55 percent, State Treasurer's Bond Index Fund (BIF) 9.03 percent, and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund 69.42 percent (the equities were split with 57.49% in domestic securities and 42.51% in international securities.)

*Interest Rate Risk*

The City does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's Short-Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.3 years at June 30, 2020. The State Treasurers Bond Index Fund (BIF) is unrated and a weighted average maturity of 7.97 years at June 30, 2020.

**CITY OF SANFORD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

*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, 2020, reflect the uncollected portion of property tax levies reduced for a portion not expected to be collected and are summarized as follows:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
Property taxes receivable	\$ 521,958	\$ 4,186	\$ 526,144
Less: allowance for uncollectibles	256,711	459	257,170
Net property taxes receivable	<u>\$ 265,247</u>	<u>\$ 3,727</u>	<u>\$ 268,974</u>

Accounts receivables as of June 30, 2020, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Governmental Funds</b>	<b>Utility Funds</b>	<b>Total</b>
Special assessments	\$ -	\$ 20,054	\$ 20,054
Waste management fees	104,342	-	104,342
Employee computer purchase	23,278	5,279	28,557
Demolition liens	43,693	-	43,693
Other	42,815	29,078	71,893
Grants receivable	-	993,257	993,257
Utility user charges	-	4,063,630	4,063,630
Total receivables	<u>214,128</u>	<u>5,111,298</u>	<u>5,325,426</u>
Less: allowance for collectibles	2,192	1,273,166	1,275,358
Net total receivables	<u>\$ 211,936</u>	<u>\$ 3,838,132</u>	<u>\$ 4,050,068</u>

The amounts due from governmental agencies for the City's individual major funds and non-major funds as of June 30, 2020, consist of amounts due, classified as follows:

	<b>General Fund</b>	<b>Non-major Governmental Funds</b>	<b>Utility Fund</b>	<b>Total</b>
Tax refunds	\$ 2,363,620	\$ 33,621	\$ 426,792	\$ 2,824,033
Grants	133,528	69,030	705,370	907,928
Reimbursements	367,187	-	-	367,187
Total	<u>\$ 2,864,335</u>	<u>\$ 102,651</u>	<u>\$ 1,132,162</u>	<u>\$ 4,099,148</u>

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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II. **DETAIL NOTES ON ALL FUNDS (continued):**

Capital Assets

**Primary Government**

For the year ended June 30, 2020, capital asset activity was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 5,998,007	\$ 308,413	\$ -	\$ 6,306,420
Construction in progress	2,432,534	1,111,565	2,750,660	793,439
Total non-depreciable capital assets	8,430,541	1,419,978	2,750,660	7,099,859
<b>Depreciable Capital Assets:</b>				
Municipal center and other buildings	12,976,635	40,700	23,838	12,993,497
Land improvements	1,546,450	2,071,884	3,696	3,614,638
Streets	51,463,540	2,169,732	-	53,633,272
Equipment	13,839,176	1,199,419	80,746	14,957,849
Total depreciable capital assets	79,825,801	5,481,735	108,280	85,199,256
<b>Less Accumulated Depreciation:</b>				
Municipal center and other buildings	8,740,689	376,855	11,570	9,105,974
Land improvements	1,095,845	81,478	3,696	1,173,627
Streets	28,329,336	1,579,874	-	29,909,210
Equipment	10,491,684	983,644	50,782	11,424,546
Total accumulated depreciation	48,657,554	\$ 3,021,851	\$ 66,048	51,613,357
Total capital assets being Depreciated, net	31,168,247			33,585,899
Governmental activities Capital assets, net	\$ 39,598,788			\$ 40,685,758

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

<b>Governmental Activities:</b>	
General government	\$ 434,567
Public safety	574,891
Streets	1,668,979
Community development	17,737
Sanitation	120,858
Cultural and recreational	154,363
Total	\$ 2,971,395

Also note that during the year ended June 30, 2020 fully depreciated assets with original cost and accumulated depreciation of \$50,456 were transferred from the Utility Funds to the Governmental Funds.



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NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**4. Capital Assets (continued)**

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Business-Type Activities:</b>				
<b>Utility Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,047,739	\$ 115,664	\$ -	\$ 1,163,403
Construction in progress	13,562,926	15,300,981	6,518,246	22,345,661
Total capital assets, not being depreciated	14,610,665	15,416,645	6,518,246	23,509,064
<b>Capital Assets, Being Depreciated:</b>				
Treatment plants	119,016,110	659,828	14,109	119,661,829
Water tanks and lines	53,319,952	2,619,479	185,573	55,753,858
Sewer lines	43,956,257	4,927,762	-	48,884,019
Equipment	4,339,045	224,982	88,386	4,475,641
Buildings	533,345	25,088	3,409	555,024
Total capital assets, being depreciated	221,164,709	8,457,139	291,477	229,330,371
<b>Less Accumulated Depreciation for:</b>				
Treatment plants	36,304,301	2,866,855	12,054	39,159,102
Water tanks and lines	23,870,754	1,379,831	123,598	25,126,987
Sewer lines	17,989,990	935,429	-	18,925,419
Equipment	3,340,289	301,707	88,386	3,553,610
Buildings	344,118	14,099	3,409	354,808
Total accumulated depreciation	81,849,452	\$ 5,497,921	\$ 227,447	87,119,926
Total Utility Fund capital assets, being Depreciated, net	139,315,257			142,210,445
Total Utility Fund capital assets	\$ 153,925,922			\$ 165,719,509

**Construction Commitments**

At June 30, 2020 the City had contractual commitments as follows:

Project	Spent to Date	Remaining Commitment
General Capital Projects	\$ 391,318	\$ 464,000
Utility Capital Projects	21,691,073	5,769,485

**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

CITY OF SANFORD, NORTH CAROLINA  
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**II. DETAIL NOTES ON ALL FUNDS (continued):**

the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.*

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Sanford employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Sanford's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Sanford were \$1,667,138 for the year ended June 30, 2020.

*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, 2020, the City reported a liability of \$7,040,317 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to

**CITY OF SANFORD, NORTH CAROLINA  
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**II. DETAIL NOTES ON ALL FUNDS (continued):**

calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the City's proportion was .258% (measured as of June 30, 2019), which was a decrease of .005% from its proportion at June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the City recognized pension expense of \$3,118,990. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,205,481	\$ -
Changes of assumptions	1,147,455	-
Net difference between projected and actual earnings pension plan investments	171,723	-
Changes in proportion and differences between City contributions and proportionate share of contributions	27,137	27,206
City contributions subsequent to the measurement date	1,667,138	-
Total	<u>\$ 4,218,934</u>	<u>\$ 27,206</u>

\$1,667,138 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 1,242,896
2021	401,010
2022	685,602
2023	195,082
Total	<u>\$ 2,524,590</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 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

**CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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**II. DETAIL NOTES ON ALL FUNDS (continued):**

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, 2018 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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.

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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II. DETAIL NOTES ON ALL FUNDS (continued):

*Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 16,102,492	\$ 7,040,317	\$ (492,187)

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

Law Enforcement Officers' Special Separation Allowance

*Plan Description*

The City of Sanford administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	16
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>79</u>
Total	95

*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.

**CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

*Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 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, 2018.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

*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 \$270,436 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, 2020, the City reported a total pension liability of \$4,550,148. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$424,685.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 455,675	\$ -
Changes of assumptions	204,659	116,094
City benefit payments and plan administrative expense made subsequent to the measurement date	138,380	-
Total	<u>\$ 798,714</u>	<u>\$ 116,094</u>

\$138,380 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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II. DETAIL NOTES ON ALL FUNDS (continued):

Year ended June 30:

2021	\$	151,137
2022		152,199
2023		136,829
2024		87,770
2025		16,305

*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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate 3.26%	1% Increase (4.26%)
Total pension liability	\$ 4,880,112	\$ 4,550,148	\$ 4,247,059

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

	2020
Beginning balance	\$ 4,115,532
Service cost	127,870
Interest on the total pension liability	145,031
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	305,794
Changes of assumptions or other inputs	118,256
Benefit payments	(262,335)
Other changes	-
Ending balance of the total pension liability	\$ 4,550,148

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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II. **DETAIL NOTES ON ALL FUNDS (continued):**

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension Expense	\$ 3,118,990	\$ 424,685	\$ 3,543,675
Pension Liability	7,040,317	4,550,148	11,590,465
Proportionate share of the net pension liability	.2578%	N/A	-
Deferred Outflows of Resources			
Differences between expected and actual experience	1,205,481	455,675	1,661,156
Changes of assumptions	1,147,455	204,659	1,352,114
Net difference between projected and actual earnings on plan investments	171,723	-	171,723
Changes in proportion and differences between contributions and proportionate share of contributions	27,137	-	27,137
Benefit payments and administrative costs paid subsequent to the measurement date	1,667,138	138,380	1,805,518
Deferred Inflows of Resources			
Changes of assumptions	-	116,094	116,094
Changes in proportion and differences between contributions and proportionate share of contributions	27,206	-	27,206

**Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description*

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

*Funding Policy*

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, were \$315,064, which consisted of \$217,152 from the City and \$97,912 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, 2020 were \$971,528, which consisted of \$685,512 from the City and \$286,016 from employees.



CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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II. DETAIL NOTES ON ALL FUNDS (continued):

Other Employment Benefits

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

The City has elected to provide death benefits to all employees, including elected officials, through a group-term life insurance policy held with Lincoln National 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 Lincoln National Life Insurance Company; therefore, the City has no liability beyond the cost of premiums. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

Other Post-Employment Benefits

Healthcare Benefits

*Plan Description*

Under a City resolution the City of Sanford administers the Healthcare Benefits Plan (HCB Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for qualified retirees of the City of Sanford. The benefits are available to qualified retirees from retirement until the earlier of age 65, Medicare eligibility, or covered by another individual health insurance plan.

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

*Plan membership.* At June 30, 2020 and June 30, 2019, the HCB Plan membership consisted of the following:

	<u>2020</u>	<u>2019</u>
Inactive plan members currently receiving benefit payments	125	97
Inactive plan members entitled to not yet receiving benefit payments	-	-
Active plan members	335	330
Total	<u>460</u>	<u>427</u>

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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**II. DETAIL NOTES ON ALL FUNDS (continued):**

*Benefits Provided*

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

*Contributions*

The City Council established the contribution requirements of plan members, which may be amended by the Council. Per a City policy, the City is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to pre-fund benefits as determined annually by the Council, effective October 21, 2008. For the current year, the City made total contributions of \$1,069,163 to the plan. The Fund is accounted for as a trust fund.

*Investment Policy*

The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan's discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Council's adopted asset allocation policy as of June 30, 2019 and June 30, 2020:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2020	2019	2020	2019
Bond Index Fund	10.0%	10.0%	7.03%	7.03%
Equity Index Fund	65.0%	65.0%	7.03%	7.03%
Short Term Investment Fund	25.0%	25.0%	7.03%	7.03%
Total	100.0%	100.0%		

*Rate of return.*

For the year ended June 30, 2020, the annual money weighted rate of return on investments, net of investment expense, was 2.78 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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II. DETAIL NOTES ON ALL FUNDS (continued):

**Net OPEB Liability of the City**

The components of the net OPEB liability of the City at June 30, 2020 were as follows:

Total OPEB Liability	\$	60,467,426
Plan fiduciary net position		3,253,857
City's net OPEB Liability	\$	<u>57,213,569</u>
Plan fiduciary net position as a Percentage of the total OPEB liability		5.38%

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.03 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.25 percent decreasing to an ultimate rate of 4.75% by 2028

The total OPEB liability was rolled forward to June 30, 2019 and June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For general employees, rates are adjusted by 115% (male) and 79% (female) for ages under 78 and by 135% (male) and 116% (female) for age 78 and older. For law enforcement officers, rates are adjusted by 104% for males and 100% for females.

The actuarial assumptions used in the June 30, 2018 and June 30, 2019 valuations were based on the results of an actuarial experience study for the period 2010-2014.

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, 2019 and June 30, 2020 was 3.53 and 2.25 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 \$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 7.03% for periods through 2022 and a municipal bond rate which is 2.21 percent for periods on and after 2022.

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The following presents the net OPEB liability of the City at June 30, 2020, 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current discount rate:

	1% Decrease (1.25 percent)	Discount Rate (2.25 percent)	1% Increase (3.25 percent)
Net OPEB liability	\$ 70,616,859	\$ 57,213,569	\$ 47,010,941

*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, 2020, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current healthcare cost trend rate:

	1% Decrease (6.25 Percent decreasing 3.75 to percent)	Healthcare cost Trend Rate (7.25 Percent decreasing to 4.75 percent)	1% Increase (8.25 Percent decreasing to 5.75 percent)
Net OPEB liability	\$ 45,095,908	\$ 57,213,569	\$ 73,673,866

*Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At June 30, 2020 the City reported a net OPEB liability of \$57,213,569. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2020, the components of the net OPEB liability of the City, measured as of June 30, 2020, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2019	\$ 45,526,800	\$ 3,090,824	\$ 42,435,976
Changes for the Year:			
Service cost	1,663,761	-	1,663,761
Interest	1,588,389	-	1,588,389
Differences between Expected and Actual experience	143,702	-	143,702
Changes of assumptions	12,613,937	-	12,613,937
Contributions	-	1,144,163	(1,144,163)
Net investment income	-	88,033	(88,033)
Benefit Payments	(1,069,163)	(1,069,163)	-
Net Changes	14,940,626	163,033	14,777,593
Balances at June 30, 2020	\$ 60,467,426	\$ 3,253,857	\$ 57,213,569

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.53 percent in 2019 to 2.25 percent in 2020. 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 2022 and have been reflected.

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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II. DETAIL NOTES ON ALL FUNDS (continued):

For the year ended June 30, 2020, the City recognized OPEB expense of \$4,822,656. At June 30, 2020, 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	\$ 536,994	\$ 791,014
Changes of assumptions	12,983,846	1,548,985
Net difference between projected and actual earnings on plan investments	61,678	-
Total	\$ 13,582,518	\$ 2,339,999

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

Year ended June 30:	
2021	\$ 1,790,382
2022	1,790,381
2023	1,806,611
2024	1,810,388
2025	1,953,711
Thereafter	2,091,046

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)	\$ 1,667,138
Benefit payments made and administrative expenses (LEO)	138,380
Differences between expected and actual experience (LGERS)	1,205,481
Differences between expected and actual experience (LEO)	455,675
Differences between expected and actual experience (OPEB)	536,994
Changes of assumptions (LGERS)	1,147,455
Changes of assumptions (LEO)	204,659
Changes of assumptions (OPEB)	12,983,846
Net difference between projected and actual earnings (LGERS)	171,723
Net difference between projected and actual earnings (OPEB)	61,678
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	27,137
Debt refunding costs	288,515
Total	\$ 18,888,681

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

II. DETAIL NOTES ON ALL FUNDS (continued):

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

	Statement of Net Position	Governmental Funds Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 265,247
Taxes Receivable (Special Revenue Fund)	-	3,727
Sanitation Fees (General Fund)	-	102,150
Demolition and other Fees (General Fund)	-	50,662
Prepaid Golf Fees (General Fund)	19,330	19,330
Changes in assumptions (LEO)	116,094	-
Changes in assumptions (OPEB)	1,548,985	-
Differences between expected and actual experience (OPEB)	791,014	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (LGERS)	27,206	-
Total	\$ 2,502,629	\$ 441,116

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, auto liability, and property liability in excess of \$500,000 and \$1 million up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess, and stop-loss policies purchased by the Board of Trustees may be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

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

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

	Year Ended June 30	
	2020	2019
Unpaid claims, beginning	\$ 540,000	\$ 542,719
Incurred claims	3,516,677	3,388,725
Claim payments	(3,499,780)	(3,391,444)
Unpaid claims, ending	\$ 556,897	\$ 540,000

**CITY OF SANFORD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

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

**4. Contingent Liabilities and Commitments**

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

Commitments – The City has active commitments as of June 30, 2020. 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	\$ 8,366,313	\$ 13,181,495
Cultural and Recreational	-	20,000
Public Safety	298,949	416,049
General Government	41,791	63,233
Community Development	149,476	387,453
General Capital Projects	-	464,000
Water and Sewer Operations	866,610	1,164,671
Water and Sewer Projects	20,500,885	5,769,485
Total	<u>\$ 30,224,024</u>	<u>\$ 21,466,386</u>

Claims and Judgments – At June 30, 2020, 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, 2020

II. DETAIL NOTES ON ALL FUNDS (continued):

5. Long-Term Obligations

Installment Purchase

	<u>Governmental Activities</u>
Installment purchase with Regions Equipment; issued January 17, 2018, in the amount of \$3,500,000; semi-annual principal payments of \$184,211 plus interest at 2.28% for ten years, secured by improvements.	\$ 2,947,368
Installment purchase with BB&T Bank; issued July 25, 2012, in the amount of \$950,000; quarterly principal and interest installments \$26,380; interest rate of 2.09%; secured by real estate.	<u>231,335</u>
Total installment purchase contracts	\$ <u>3,178,703</u>

The annual requirements to retire all installment purchase contracts outstanding as of June 30, 2020, are as follows:

	<u>Governmental Activities</u>		
Year Ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	469,898	69,143	539,041
2022	472,036	58,606	530,642
2023	394,664	48,437	443,101
2024	368,421	39,900	408,321
2025	368,421	31,500	399,921
2026-2028	1,105,263	44,100	1,149,363
Total	\$ <u>3,178,703</u>	\$ <u>291,686</u>	\$ <u>3,470,389</u>

Notes Payable

State of North Carolina; issued April 12, 1999, in the amount of \$1,950,000; due in annual principal installments of \$97,500 with semi-annual interest installments beginning November 1, 2001; interest at 2.6% for 20 years; for the Jonesboro Pressure Zone Project	\$ 195,000
State of North Carolina; issued May 14, 2009, in the amount of \$903,583; due in annual principal installments of \$45,179 beginning May 1, 2011; interest rate of 0% for 20 years; for the Clearwell Rehabilitation Project	451,791
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>12,063,563</u>
Total notes payable	\$ <u>12,710,354</u>



CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The annual requirements to retire all notes payable outstanding as of June 30, 2020, are as follows:

Business-Type Activities			
Year Ended June 30	Principal	Interest	Total
2021	\$ 891,975	\$ 270,469	\$ 1,162,444
2022	908,459	251,449	1,159,908
2023	827,806	232,067	1,059,873
2024	845,024	214,849	1,059,873
2025	862,621	197,252	1,059,873
2026-2030	4,590,905	708,461	5,299,366
2031-2035	3,783,564	208,188	3,991,752
Total	\$ 12,710,354	\$ 2,082,735	\$ 14,793,089

General Obligation Bonds

General Obligation Bonds, Series 2020 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%

\$ 1,900,000

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%

6,250,000

Total general obligation bonds \$ 8,150,000

The annual requirements to retire all general obligation bond liability outstanding as of June 30, 2020, are as follows:

Governmental-Type Activities			
Year Ended June 30	Principal	Interest	Total
2021	\$ 550,000	\$ 273,500	\$ 823,500
2022	550,000	251,500	801,500
2023	550,000	229,500	779,500
2024	550,000	207,500	757,500
2025	545,000	185,500	730,500
2026-2030	2,725,000	662,800	3,387,800
2031-2035	2,280,000	238,500	2,518,500
2036-2040	400,000	30,000	430,000
Total	\$ 8,150,000	\$ 2,078,800	\$ 10,228,800

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%

\$ 38,595,000

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The annual requirements to retire all revenue bond liability outstanding as of June 30, 2020, are as follows:

Business-Type Activities			
Year Ended June 30	Principal	Interest	Total
2021	\$ 1,525,000	\$ 1,665,000	\$ 3,190,000
2022	1,600,000	1,588,750	3,188,750
2023	1,680,000	1,508,750	3,188,750
2024	1,760,000	1,424,750	3,184,750
2025	1,850,000	1,336,750	3,186,750
2026-2030	10,565,000	5,210,500	15,775,500
2031-2035	13,230,000	2,469,500	15,699,500
2036-2040	2,940,000	926,850	3,866,850
2041-2045	3,445,000	417,600	3,862,600
Total	\$ 38,595,000	\$ 16,548,450	\$ 55,143,450

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

The City is also in compliance with the covenants as to rates, fees, rentals and charges in Section 6.7 of the Bond Order, authorizing the issuance of the Enterprise System Revenue Bonds, Series 2019 since its adoption in June 2019. Section 6.6 of the Bond Order requires the debt service coverage ratio for parity indebtedness (revenue bonds only) to be 1.20 and for all indebtedness to be 1.00.

The debt service coverage ratio calculation for the year ended June 30, 2020, is as follows:

Debt service calculation:	
Operating revenues	\$ 20,850,129
Operating expenses	22,368,621
Operating income	(1,518,492)
Non-operating revenues (expenses)	(1,643,415)
Income before transfers and capital contributions	(3,161,907)
Adjustments	
Depreciation and amortization expenses (net)	5,497,921
Interest expense	2,007,811
Increase in other post-employment benefits	3,715,087
Income available for debt service	\$ 8,058,912
Parity debt service (revenue bonds only)	\$ 3,572,625
Parity debt services coverage ratio	2.26
G.O., subordinate, and all other indebtedness	1,164,978
Total debt service**	\$ 4,737,603
Total debt service coverage ratio	1.70

**CITY OF SANFORD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$38,595,000 in enterprise system revenue bonds issued in June 2019. Proceeds from the bonds provided financing for the completion of various water and sewer projects and to advance refund \$29,005,000 of the 2010 revenue bonds as detailed below. The bonds are payable solely from water and sewer customer net revenues and are payable through 2045. The total principal and interest remaining to be paid on the bonds is \$55,143,450. Interest payments for the current year totaled \$1,609,500 with no principal payments.

**Advance Refunding**

On June 1, 2019 the City issued \$30,184,726 of advance refunding revenue bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust to be used for all future debt service payments of \$29,005,000 of existing revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the utilities activity column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,179,726. In addition, there was an unamortized bond premium on the existing debt of \$870,602. The net difference of these amounts, \$309,124 is being netted against the new debt as a deferred outflow of resources. This will be amortized over the life of the existing bonds through fiscal year 2035. This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$2,708,578 and resulted in an economic gain of \$2,189,636.

**Changes in Long-Term Obligations**

	Beginning Of Year	Additions	Retirements	End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 8,700,000	\$ -	\$ 550,000	\$ 8,150,000	\$ 550,000
Unamortized bond premiums	753,803	-	36,883	716,920	36,883
Installment purchase contracts	3,724,297	-	545,594	3,178,703	469,898
Compensated absences	1,636,034	1,574,297	1,410,007	1,800,324	1,080,194
Net pension liability (LGERS)	4,761,709	1,858,829	1,256,649	5,363,889	-
Net pension obligation (LEO)	4,115,532	696,951	262,335	4,550,148	-
Other post-employment benefits	31,734,495	11,741,997	679,491	42,797,001	-
Total governmental activities	<u>\$ 55,425,870</u>	<u>\$ 15,872,074</u>	<u>\$ 4,740,959</u>	<u>\$ 66,556,985</u>	<u>\$ 2,136,975</u>
<b>Business-Type Activities:</b>					
Utility Fund:					
Revenue bonds	\$ 40,500,000	\$ -	\$ 1,905,000	\$ 38,595,000	\$ 1,525,000
Unamortized bond premiums	5,550,179	-	338,425	5,211,754	338,425
Notes payable	13,586,199	-	875,845	12,710,354	891,975
Net pension liability	1,478,263	608,655	410,490	1,676,428	-
Compensated absences	339,517	327,887	284,702	382,702	229,621
Other post-employment benefits	10,701,481	3,839,512	124,425	14,416,568	-
Total business-type activities	<u>\$ 72,155,639</u>	<u>\$ 4,776,054</u>	<u>\$ 3,938,887</u>	<u>\$ 72,992,806</u>	<u>\$ 2,985,021</u>

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

The legal debt margin for the City of Sanford is \$205,918,383.

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2020 is as follows:

	Governmental-Type Activities	Business-Type Activities
Capital assets	\$ 40,685,758	\$ 165,719,509
Less: Long-term debt	12,045,623	52,571,465
Net investment in capital assets	\$ 28,640,135	\$ 113,148,044

Business type activities is net of unexpended bond proceeds of \$3,945,643.

**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, 2020 follows:

From the General Fund to the Central Business Tax District Fund - program support	\$ 60,090
From the General Fund to the Community Development Fund - program support	2,248,500
From the General Fund to the Other Post Employment Benefits Trust Fund - fund future expenses	50,000
From the Utility Fund to the Other Post Employment Benefits Trust Fund - fund future expenses	25,000
From the Utility Fund to the Utility Capital Project Fund - program support	<u>7,380,871</u>
Total	\$ <u>9,764,461</u>

**CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**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	\$	18,414,444
<b>Less:</b>		
Inventories		(81,703)
Prepaid items		(111,962)
Stabilization by State statute		(3,540,239)
Restricted for Inspections		(668,020)
Restricted for Public Safety		(110,813)
Restricted - other		(15,995)
Committed - LEO Special Separation		
Allowance		(1,316,154)
Assigned - Subsequent Year's Expenditures		(48,104)
Unassigned fund balance	\$	<u>12,521,454</u>

**III. JOINTLY GOVERNED ORGANIZATION**

The City, in conjunction with seven counties and twenty-four other municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$11,483 to the Council during the fiscal year ended June 30, 2020. 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, 2020.

City of Sanford Housing Authority

The seven-member Board of the City of Sanford Housing Authority (Housing Authority) is appointed by the Council of the City of Sanford. The City is not financially accountable for the Housing Authority.

**IV. JOINT VENTURES**

The City, in conjunction with Lee County, participates in a regional airport. Each participating government appoints three members to the six-member Board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The City and County provide no funding for the airport. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2020.

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

**V. RELATED ORGANIZATION**

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

**VI. SUBSEQUENT EVENTS**

On August 31, 2020 a court decision was rendered and filed that removed the board of the Sanford Affordable Housing Development Corporation and replaced them with a 3 member board comprised of the City of Sanford Town Manager, a City of Sanford board member and the chair of the Historic Preservation

CITY OF SANFORD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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VI. **SUBSEQUENT EVENTS (continued):**

Society of Sanford. They will serve as the board of this organization through June 30, 2022 and then appoint a subsequent 5 member board for future periods. There may be further action needed to recover missing or appropriated assets from former directors.



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**CITY OF SANFORD, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

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

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## CITY OF SANFORD, NORTH CAROLINA

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**HEALTHCARE BENEFITS PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Total OPEB Liability	2020	2019	2018	2017
Service Cost	\$ 1,663,761	\$ 1,511,842	\$ 1,616,367	\$ 1,850,988
Interest	1,588,389	1,602,870	1,474,120	1,329,795
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	143,702	(1,098,204)	698,486	-
Changes of assumptions	12,613,937	2,962,872	(2,617,252)	(4,696,849)
Benefit payments	(1,069,163)	(1,302,490)	(1,446,676)	(1,076,601)
Net change in total OPEB liability	14,940,626	3,676,890	(274,955)	(2,592,667)
Total OPEB liability - beginning	45,526,800	41,849,910	42,124,865	44,717,532
Total OPEB liability - ending	<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	\$ 1,144,163	\$ 1,377,490	\$ 1,521,676	\$ 1,076,601
Net investment income	88,033	150,383	200,161	293,647
Benefit payments	(1,069,163)	(1,302,490)	(1,446,676)	(1,076,601)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	163,033	225,383	275,161	293,647
Plan fiduciary net position - beginning	3,090,824	2,865,441	2,590,280	2,296,633
Plan fiduciary net position - ending	<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>\$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	5.38%	6.79%	6.85%	6.15%
Covered payroll	\$16,939,485	\$16,939,485	\$15,682,087	\$15,682,087
City's net OPEB liability as a percentage of covered-employee payroll	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  
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2018
Actuarially determined contribution	\$ 2,281,610	\$ 2,966,951	\$ 2,966,951	\$ 1,750,985
Contributions in relation to the actuarially determined contribution	1,144,163	1,377,490	1,521,676	1,076,601
Contribution deficiency (excess)	<u>\$ 1,137,447</u>	<u>\$ 1,589,461</u>	<u>\$ 1,445,275</u>	<u>\$ 674,384</u>
Contributions as a percentage of covered payroll	6.75%	8.13%	9.70%	6.67%

**Notes to the Required Schedules:**

Valuation date: June 30, 2018

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	28 years
Asset valuation method	Market value of assets
Inflation	2.50%
Healthcare Cost trend rates	7.25% decreasing to an ultimate of 4.75% by 2028
Salary increases	3.50% to 7.75% including inflation and productivity factor
Investment rate of return	7.03% net of OPEB plan investment expense, including inflation
Retirement Age	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Health Annuitant Mortality Table.
Mortality	In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Health Annuitant Mortality Table.

## CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF INVESTMENT RETURNS  
 HEALTHCARE BENEFITS PLAN  
 FOR THE YEAR ENDED JUNE 30, 2020

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	2.78%	5.05%	7.34%	11.36%

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

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,667,138	\$ 1,430,608	\$ 1,363,502	\$ 1,290,220	\$ 1,139,107	\$ 1,152,110	\$ 1,118,587
Contributions in relation to the contractually required contributions	1,667,138	1,430,608	1,363,502	1,290,220	1,139,107	1,152,110	1,118,587
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Sanford's covered payroll	\$ 18,053,279	\$ 17,954,642	\$ 17,691,756	\$ 17,233,295	\$ 17,211,578	\$ 16,062,956	\$ 15,694,884
Contributions as a percentage of covered-employee payroll	9.23%	7.97%	7.71%	7.49%	6.62%	7.17%	7.13%

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

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Sanford's proportion of the net pension liability (asset) (%)	0.25780%	0.26303%	0.26874%	0.26842%	0.29946%	0.28942%	0.29860%
Sanford's proportion of the net pension liability (asset) (\$)	\$ 7,040,317	\$ 6,239,971	\$ 4,105,603	\$ 5,696,773	\$ 1,343,959	\$ (1,706,844)	\$ 3,599,277
Sanford's covered payroll	\$ 17,954,642	\$ 17,691,756	\$ 17,233,295	\$ 17,211,578	\$ 16,062,956	\$ 15,694,884	\$15,843,137
Sanford's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.21%	35.27%	23.82%	33.10%	8.37%	(10.88%)	22.72%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

## CITY OF SANFORD, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
 FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569	\$ 3,525,508
Service cost	127,870	138,665	129,921	121,976
Interest on the total pension liability	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	305,794	227,795	140,855	-
Changes of assumptions or other inputs	118,256	(143,824)	235,565	(78,738)
Benefit payments	(262,335)	(205,752)	(177,928)	(175,898)
Other changes	-	-	-	-
Ending balance of the total pension liability	<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 PAYROLL  
 FOR THE YEAR ENDED JUNE 30, 2020

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 4,550,148	\$ 4,115,532	\$ 3,976,249	\$ 3,515,569
Covered payroll	4,652,747	4,725,235	4,694,220	4,303,085
Total pension liability as a percentage of covered payroll	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**

### **GENERAL FUND**

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

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## CITY OF SANFORD, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
<b>Revenues:</b>				
Ad valorem taxes:				
Current year levy	\$ 16,333,059	\$ 17,012,794	\$ 679,735	\$ 16,177,770
Prior year's levy	80,000	77,159	(2,841)	75,411
Total - ad valorem taxes	16,413,059	17,089,953	676,894	16,253,181
Other taxes:				
Privilege licenses	3,600	2,730	(870)	4,520
Motor vehicle fees	690,000	669,360	(20,640)	538,260
Local option sales tax	5,878,817	6,128,425	249,608	5,711,692
Total - other taxes	6,572,417	6,800,515	228,098	6,254,472
Penalties and interest	51,000	48,240	(2,760)	53,163
Licenses and permits:				
Building permits	475,100	1,226,978	751,878	570,622
Fire permits	30,000	29,208	(792)	28,099
Total - licenses and permits	505,100	1,256,186	751,086	598,721
Intergovernmental revenues:				
Utilities sales tax	2,142,002	2,135,576	(6,426)	2,166,391
Beer and wine tax	65,360	64,434	(926)	63,611
State shared cable fees	180,902	170,403	(10,499)	181,149
Powell Bill allocation	784,945	799,869	14,924	796,057
Court costs and fees	5,500	5,323	(177)	6,281
Law Enforcement - Drug Forfeiture Program	47,700	85,544	37,844	18,515
Mowing reimbursement program	37,439	37,484	45	30,556
Disposal tax	20,337	22,674	2,337	21,876
911 surcharge reimbursement	405,106	245,103	(160,003)	299,911
FEMA - federal	-	495	495	123,714
FEMA - state	-	165	165	41,238
Federal grants	-	92,125	92,125	15,002
Alcoholic beverage control	210,000	360,000	150,000	260,000
Other local governments	1,032,003	953,382	(78,621)	919,453
Total - intergovernmental revenues	4,931,294	4,972,577	41,283	4,943,754
Investment income	300,100	209,191	(90,909)	377,646
Sales and service:				
Waste management fees	2,443,500	2,390,734	(52,766)	1,994,985

## 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, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Miscellaneous revenues:				
Golf revenues	\$ 571,500	\$ 662,401	\$ 90,901	\$ 599,845
Street charges	225,000	139,400	(85,600)	177,391
Civil violation fines	700	685	(15)	456
Parking fine	5,000	3,560	(1,440)	5,893
Sundry	153,500	81,240	(72,260)	128,914
Total - miscellaneous revenues	955,700	887,286	(68,414)	912,499
 Total revenues	 32,172,170	 33,654,682	 1,482,512	 31,388,421
 <b>Expenditures:</b>				
<b>General Government:</b>				
Governing body:				
Salaries and benefits	286,239	273,313	12,926	264,476
Current operating expenditures	132,705	77,401	55,304	86,791
Total - governing body	418,944	350,714	68,230	351,267
Less: interfund reimbursements	(79,789)	(79,789)	-	(75,239)
Net - governing body	339,155	270,925	68,230	276,028
 Administration:				
Salaries and benefits	454,684	460,129	(5,445)	430,094
Current operating expenditures	35,681	25,578	10,103	27,649
Total - administration	490,365	485,707	4,658	457,743
Less: interfund reimbursements	(125,996)	(125,996)	-	(101,826)
Net - administration	364,369	359,711	4,658	355,917
 Human resources:				
Salaries and benefits	279,665	279,364	301	268,162
Current operating expenditures	86,253	61,432	24,821	80,718
Total - human resources	365,918	340,796	25,122	348,880
Less: interfund reimbursements	(72,412)	(72,412)	-	(68,561)
Net - human resources	293,506	268,384	25,122	280,319
 Risk management :				
Salaries and benefits	88,640	88,963	(323)	84,937
Current operating expenditures	22,683	18,863	3,820	12,731
Total - risk management	111,323	107,826	3,497	97,668
Less: interfund reimbursements	(38,261)	(38,261)	-	(36,534)
Net - risk management	73,062	69,565	3,497	61,134
 Elections	 75,984	 32,613	 43,371	 -

## 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, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Finance :				
Salaries and benefits	\$ 721,476	\$ 711,876	\$ 9,600	\$ 679,809
Current operating expenditures	462,175	408,111	54,064	383,751
Total - finance	1,183,651	1,119,987	63,664	1,063,560
Less: interfund reimbursements	(354,277)	(354,277)	-	(349,607)
Net - finance	829,374	765,710	63,664	713,953
Information systems :				
Salaries and benefits	338,335	336,739	1,596	320,875
Current operating expenditures	146,245	115,270	30,975	121,503
Capital outlay	15,400	15,000	400	16,739
Total - information systems	499,980	467,009	32,971	459,117
Less: interfund reimbursements	(97,046)	(97,046)	-	(91,952)
Net - information systems	402,934	369,963	32,971	367,165
Legal:				
Salaries and benefits	240,646	241,838	(1,192)	232,236
Current operating expenditures	117,592	72,388	45,204	46,841
Total - legal	358,238	314,226	44,012	279,077
Less: interfund reimbursements	(138,854)	(138,854)	-	(119,738)
Net - legal	219,384	175,372	44,012	159,339
Public buildings:				
Salaries and benefits	176,667	152,012	24,655	182,263
Current operating expenditures	754,765	679,274	75,491	766,927
Capital outlay	61,002	40,700	20,302	48,909
Total - public buildings	992,434	871,986	120,448	998,099
Less: interfund reimbursements	(318,957)	(318,957)	-	(296,727)
Net - public buildings	673,477	553,029	120,448	701,372
Central mimeograph:				
Current operating expenditures	27,839	20,432	7,407	22,507
Less: interfund reimbursements	(8,062)	(8,062)	-	(7,194)
Net - central mimeograph	19,777	12,370	7,407	15,313
Fleet maintenance:				
Salaries and benefits	433,845	401,253	32,592	407,181
Current operating expenditures	788,442	573,660	214,782	685,101
Total - fleet maintenance	1,222,287	974,913	247,374	1,092,282
Less: interfund reimbursements	(82,402)	(82,402)	-	(79,370)
Less: charges to other departments	(575,000)	(513,606)	(61,394)	(615,677)
Net - fleet maintenance	564,885	378,905	185,980	397,235

## 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, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over/Under</b>	<b>Actual Prior Year</b>
Beautification:				
Salaries and benefits	\$ 342,699	\$ 330,421	\$ 12,278	\$ 326,272
Current operating expenditures	463,213	418,095	45,118	395,176
Capital outlay	4,320	4,316	4	-
Total - beautification	810,232	752,832	57,400	721,448
Other appropriations and contingencies:				
Associations and memberships	42,590	40,616	1,974	40,297
Regional and community support	188,400	25,900	162,500	25,900
Economic development	506,960	377,189	129,771	169,170
Intergovernmental transfers	101,953	101,953	-	99,102
Other post-employment benefits	626,356	679,491	(53,135)	566,795
Total - other appropriations	1,466,259	1,225,149	241,110	901,264
Total general government	6,132,398	5,234,528	897,870	4,950,487
<b>Community Development:</b>				
Salaries and benefits	946,695	913,761	32,934	844,389
Current operating expenditures	491,160	346,427	144,733	366,239
Total - community development	1,437,855	1,260,188	177,667	1,210,628
Code enforcement :				
Salaries and benefits	219,738	219,686	52	209,061
Current operating expenditures	143,722	49,536	94,186	85,404
Total - code enforcement	363,460	269,222	94,238	294,465
Planning/historic preservation:				
Salaries and benefits	97,179	95,125	2,054	92,023
Current operating expenditures	27,083	15,878	11,205	15,711
Capital outlay	51,272	15,207	36,065	30,007
Total - downtown/historic preservation	175,534	126,210	49,324	137,741
Total community development	1,976,849	1,655,620	321,229	1,642,834
<b>Public Safety:</b>				
Police:				
Salaries and benefits	8,419,155	7,966,686	452,469	8,022,652
Current operating expenditures	1,743,284	1,025,116	718,168	1,112,757
Capital outlay	302,804	248,333	54,471	441,304
Total - police	10,465,243	9,240,135	1,225,108	9,576,713
Fire :				
Salaries and benefits	4,066,691	4,019,586	47,105	3,970,865
Current operating expenditures	636,614	603,412	33,202	553,865
Capital outlay	778,559	410,778	367,781	427,123
Total - fire	5,481,864	5,033,776	448,088	4,951,853

## 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, 2020  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

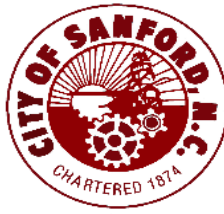
	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Inspection:				
Salaries and benefits	\$ 590,986	\$ 466,289	\$ 124,697	\$ 449,777
Current operating expenditures	89,687	54,426	35,261	46,858
Capital outlay	27,000	27,073	(73)	-
Total - inspection	707,673	547,788	159,885	496,635
Total public safety	16,654,780	14,821,699	1,833,081	15,025,201
<b>Streets:</b>				
Salaries and benefits	1,045,950	914,596	131,354	904,828
Current operating expenditures	1,308,245	1,124,649	183,596	1,208,078
Capital outlay	1,645,257	1,183,820	461,437	-
Total - streets and sidewalks	3,999,452	3,223,065	776,387	2,112,906
<b>Sanitation:</b>				
Refuse:				
Salaries and benefits	1,082,615	1,067,748	14,867	1,026,045
Current operating expenditures	712,542	696,579	15,963	369,814
Capital outlay	-	-	-	162,345
Total - refuse	1,795,157	1,764,327	30,830	1,558,204
Sanitation:				
Contracted services	1,034,472	1,020,473	13,999	1,212,460
Total sanitation	2,829,629	2,784,800	44,829	2,770,664
<b>Cultural and Recreational:</b>				
Parks and Recreation:				
Salaries and benefits	284,853	271,140	13,713	59,534
Current operating expenditures	117,220	84,853	32,367	14,976
Capital outlay	20,000	-	20,000	-
Total - parks and recreation	422,073	355,993	66,080	74,510
Golf:				
Salaries and benefits	494,309	482,380	11,929	469,690
Current operating expenditures	221,685	206,121	15,564	207,710
Capital outlay	47,990	46,900	1,090	-
Total - golf	763,984	735,401	28,583	677,400
Total cultural and recreational	1,186,057	1,091,394	94,663	751,910
<b>Debt Service:</b>				
Principal retirement	1,103,009	1,095,594	7,415	956,570
Interest	353,333	350,897	2,436	335,782
Bond issuance costs	-	-	-	90,826
	1,456,342	1,446,491	9,851	1,383,178
Total expenditures	34,235,507	30,257,597	3,977,910	28,637,180

## 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, 2020  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Revenue in excess of (less than) expenditures	\$ (2,063,337)	\$ 3,397,085	\$ 5,460,422	\$ 2,751,241
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds:				
General Capital Project Fund	-	-	-	2,096,000
Transfers (to) other funds:				
Capital Projects Fund	-	-	-	(1,923,299)
Central Business Tax District	(67,732)	(60,090)	7,642	(54,010)
Community development	(2,248,500)	(2,248,500)	-	(12,500)
Other Post Employment Benefits	(50,000)	(50,000)	-	(50,000)
Installment purchase issuance	640,000	-	(640,000)	-
Sale of property	176,000	32,761	(143,239)	165,017
Insurance recovery	37,856	52,651	14,795	89,637
Total - other financing sources (uses)	(1,512,376)	(2,273,178)	(760,802)	310,845
Revenues and other financing sources in excess of (less than) expenditures and other financing uses	(3,575,713)	1,123,907	4,699,620	3,062,086
Appropriated fund balance	3,575,713	-	(3,575,713)	-
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>1,123,907</u>	<u>\$ 1,123,907</u>	<u>\$ 3,062,086</u>
Fund balance, beginning of year		<u>17,290,537</u>		
Fund balance, end of year		<u><u>\$ 18,414,444</u></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.

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

**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.

**CAPITAL PROJECTS FUNDS:**

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

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## CITY OF SANFORD, NORTH CAROLINA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2020

	Special Revenue Funds			General	
	Community	Central	Friends of	Capital	
	Development	Business	Sanford	Projects Fund	Total
<b>Assets:</b>					
Cash, cash equivalents, and investments	\$ 2,008,435	\$ 143,259	\$ -	\$ 408,382	\$ 2,560,076
Cash, restricted	5,000	-	44,803	-	49,803
Accounts receivable	-	367	-	-	367
Property taxes receivable, net	-	3,727	-	-	3,727
Due from governmental agencies	34,403	818	-	67,430	102,651
Total assets	\$ 2,047,838	\$ 148,171	\$ 44,803	\$ 475,812	\$ 2,716,624
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 63,657	\$ 10,522	\$ -	\$ 122,017	\$ 196,196
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - property taxes	-	3,727	-	-	3,727
<b>Fund Balances:</b>					
Restricted:					
Stabilization by State statute	-	1,185	-	-	1,185
Community development	1,984,181	-	44,803	-	2,028,984
Committed:					
Economic Development	-	-	-	353,795	353,795
Assigned:					
Downtown revitalization	-	117,388	-	-	117,388
Subsequent year's expenditures	-	15,349	-	-	15,349
Total fund balances	1,984,181	133,922	44,803	353,795	2,516,701
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,047,838	\$ 148,171	\$ 44,803	\$ 475,812	\$ 2,716,624

## CITY OF SANFORD, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			General	
	Community	Central	Friends of	Capital	
	Development	Business	Sanford	Projects Fund	Total
		Tax District			
<b>Revenues:</b>					
Ad valorem taxes:					
Current year	\$ -	\$ 79,131	\$ -	\$ -	\$ 79,131
Prior years	-	625	-	-	625
Intergovernmental revenues:					
State of North Carolina	69,877	-	-	-	69,877
Federal grants	143,769	-	-	-	143,769
Other governments	710,000	-	-	-	710,000
Contributions	4,250	-	51,980	5,860	62,090
Investment income	13,248	1,436	-	11,564	26,248
Miscellaneous income	11,929	123	-	-	12,052
Total revenues	953,073	81,315	51,980	17,424	1,103,792
<b>Expenditures:</b>					
Current:					
Downtown revitalization	-	108,667	-	-	108,667
Community development:					
Community development grants	1,781,957	-	-	-	1,781,957
Other prior program expenditures	42,683	-	7,177	1,904	51,764
Capital outlay	6,600	-	-	786,694	793,294
Total expenditures	1,831,240	108,667	7,177	788,598	2,735,682
Revenues over (under) expenditures	(878,167)	(27,352)	44,803	(771,174)	(1,631,890)
<b>Other Financing Sources:</b>					
Transfers in - General Fund	2,248,500	60,090	-	-	2,308,590
Net change in fund balances	1,370,333	32,738	44,803	(771,174)	676,700
Fund balances, beginning of year	613,848	101,184	-	1,124,969	1,840,001
Fund balances, end of year	\$ 1,984,181	\$ 133,922	\$ 44,803	\$ 353,795	\$ 2,516,701

## 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, 2020**

	Project Budget	Current Year	Prior Years	Total to June 30, 2020
<b>Revenues:</b>				
Intergovernmental revenues:				
N.C. Urgent Repair (URP1828)				
Grant- N.C. Housing Finance Agency (C1901)	\$ 100,000	\$ 46,515	\$ 50,000	\$ 96,515
Interest income	1,194	250	967	1,217
Lee County	5,000	5,000	-	5,000
Total - N.C. Urgent Repair Program (URP 1828)	106,194	51,765	50,967	102,732
N.C. Urgent Repair (URP1933)				
Grant- N.C. Housing Finance Agency (C2001)	100,000	-	-	-
Lee County	5,000	5,000	-	5,000
Total - N.C. Urgent Repair Program (URP 1933)	105,000	5,000	-	5,000
NCDOT Bikeped Planning Study (G1702)				
Federal grants	84,000	83,920	-	83,920
Caterpillar Building Rescue (G1901)				
Contributions	25,000	-	25,000	25,000
State grants	500,000	-	500,000	500,000
Total - Caterpillar Building Rescue (G1901)	525,000	-	525,000	525,000
2018 Essential Single Family Rehab (C1902)				
Federal grants	175,000	-	-	-
CDBG Neighborhood Revitalization (C1903)				
Federal Grants	750,000	59,849	-	59,849
Sanford Mural Restoration and Public Art (G1801)				
State grant	40,000	-	40,000	40,000
Contributions - other	15,000	-	15,000	15,000
Total - Sanford Mural Restoration and Public Art (G1801)	55,000	-	55,000	55,000
Fincher Building Reuse (G1802)				
State grant	30,000	-	30,000	30,000
Contributions - other	1,500	-	1,500	1,500
Total - Fincher Building Reuse (G1802)	31,500	-	31,500	31,500
Sanford Architectural Survey Update (C2002)				
Federal grant	10,000	-	-	-
Triad Corrugated Metal Building Reuse (G2001)				
State grant	85,000	23,362	-	23,362
Contributions - other	4,250	4,250	-	4,250
Total - Triad Corrugated Metal Building Reuse (G2001)	89,250	27,612	-	27,612
Project Forge Site Preparation/Roadway (G2002)				
State grant	964,600	-	-	-
Lee County	700,000	700,000	-	700,000
Total - Project Forge Site Preparation/Roadway (G2002)	1,664,600	700,000	-	700,000

## 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, 2020

	Project Budget	Current Year	Prior Years	Total to June 30, 2020
Miscellaneous				
Interest income	\$ 94,986	\$ 12,998	\$ 189,956	\$ 202,954
Program income	105,557	11,929	483,986	495,915
Total miscellaneous revenue	200,543	24,927	673,942	698,869
Total revenues	3,796,087	953,073	1,336,409	2,289,482
<b>Expenditures:</b>				
Intergovernmental expenditures:				
N.C. Urgent Repair Program (URP1828) (C1901)				
Rehabilitation	101,194	97,732	-	97,732
Local Match	10,000	10,000	-	10,000
Total - N.C. Urgent Repair Program (URP1828)	111,194	107,732	-	107,732
N.C. Urgent Repair Program (URP1933) (C2001)				
Rehabilitation	100,000	-	-	-
Local Match	10,000	-	-	-
Total - N.C. Urgent Repair Program (URP1933)	110,000	-	-	-
2018 Essential Single Family Rehab (C1902)				
Rehabilitation	125,000	-	-	-
Soft costs	50,000	-	-	-
Total-2018 Essential Single Family Rehab (C1902)	175,000	-	-	-
CDBG Neighborhood Revitalization (C1903)				
Administrative	75,000	29,339	-	29,339
Rehabilitation	350,000	-	-	-
Flood and drainage	184,196	15,255	-	15,255
Pedestrian improvements	140,804	15,255	-	15,255
Total-CDBG Neighborhood Revitalization (C1903)	750,000	59,849	-	59,849
NCDOT Bikeped Planning Study (G1702)				
Contract services	105,000	83,920	21,000	104,920
Caterpillar Building Rescue (G1901)				
Grant administration	7,500	5,625	-	5,625
Improvements	525,000	-	525,000	525,000
Total - Caterpillar Building Rescue (G1901)	532,500	5,625	525,000	530,625
Sanford Mural Restoration and Public Art (G1801)				
Mural restoration	40,000	-	40,000	40,000
Public art	42,200	7,528	28,052	35,580
Capital outlay	12,800	6,600	6,200	12,800
Total - Sanford Mural Restoration and Public Art (G1801)	95,000	14,128	74,252	88,380

## 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, 2020**

	Project Budget	Current Year	Prior Years	Total to June 30, 2020
Fincher Building Reuse (G1802)				
Grant administration	\$ 1,500	\$ 750	\$ 750	\$ 1,500
Building repairs	31,500	-	31,500	31,500
Total - Fincher Building Reuse (G1802)	33,000	750	32,250	33,000
Sanford Architectural Survey Update (C2002)				
Architectural survey update	20,000	4,000	-	4,000
Triad Corrugated Metal Building Reuse (G2001)				
Grant administration	8,500	4,000	-	4,000
Building Repairs	89,250	27,612	-	27,612
Total - Triad Corrugated Metal Building Reuse (G2001)	97,750	31,612	-	31,612
Project Forge Site Preparation/Roadway (G2002)				
Engineering-site preparation	116,730	114,390	-	114,390
Engineering-roadway	35,800	31,410	-	31,410
Site preparation construction	1,355,967	1,115,967	-	1,115,967
Public roadway NCDOT	1,091,626	15,160	-	15,160
Roadway easement	204,014	204,014	-	204,014
Private roadway	999,330	-	-	-
Contingency	86,133	-	-	-
Total - Project Forge Site Preparation/Roadway (G2002)	3,889,600	1,480,941	-	1,480,941
Other prior program expenditures:				
Rehabilitation	\$ 45,396	\$ 3,383	\$ 36,001	\$ 39,384
Land disposition	32,905	-	26,334	26,334
Homelessness project	92,000	39,300	52,482	91,782
Local match	242	-	242	242
Total - other prior program expenditures	170,543	42,683	115,059	157,742
Total expenditures	6,089,587	1,831,240	767,561	2,598,801
Revenues in excess of expenditures	(2,293,500)	(878,167)	568,848	(309,319)
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	2,323,500	2,248,500	75,000	2,323,500
Transfer to Community Development	(30,000)	-	(30,000)	(30,000)
Total other financing sources (uses)	2,293,500	2,248,500	45,000	2,293,500
Net changes in fund balance (before closed projects)	\$ -	1,370,333	\$ 613,848	\$ 1,984,181
Fund balance, beginning of year		613,848		
Fund balance, end of year		\$ 1,984,181		

## CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - CENTRAL BUSINESS TAX DISTRICT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2020  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
<b>Revenues:</b>				
Ad valorem taxes:				
Current year	\$ 78,353	\$ 79,131	\$ 778	\$ 64,459
Prior year	-	625	625	1,073
Investment earnings	2,500	1,436	(1,064)	3,044
Penalties and interest	-	123	123	181
Total revenues	80,853	81,315	462	68,757
<b>Expenditures:</b>				
Operating expenditures	133,928	92,977	40,951	107,482
Downtown Façade Reimbursement Program	30,000	15,690	14,310	7,536
Capital Outlay	-	-	-	2,000
Total expenditures	163,928	108,667	55,261	117,018
Excess of revenues over expenditures	(83,075)	(27,352)	55,723	(48,261)
<b>Other Financing Sources:</b>				
Transfer from General Fund	67,732	60,090	(7,642)	54,010
Appropriated fund balance	15,343	-	(15,343)	-
Total other financing sources	83,075	60,090	(22,985)	54,010
Net change in fund balance	\$ -	32,738	\$ 32,738	5,749
Fund balance, beginning of year		101,184		95,435
Fund balance, end of year		\$ 133,922		\$ 101,184



## 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, 2020

	Budget	Actual	Variance with Final Budget Over/Under
<b>Revenues:</b>			
Donations	\$ 50,000	\$ 51,980	\$ 1,980
<b>Expenditures:</b>			
Administrative expenses	-	1,071	(1,071)
Events	-	5,323	(5,323)
Supplies	-	783	(783)
Community development	50,000	-	50,000
Total expenditures	50,000	7,177	42,823
Net change in fund balance	<u>\$ -</u>	<u>44,803</u>	<u>\$ 44,803</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ 44,803</u>	

## CITY OF SANFORD, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUND - GENERAL CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Budget	Prior Years	Closed Projects	Current Year	Total to June 30, 2020
<b>REVENUES</b>					
Grants	\$ 722,000	\$ 350,000	\$ (350,000)	\$ -	\$ -
Contribution	5,860	-	(5,860)	5,860	-
Interest Income	-	3,629	-	11,564	15,193
Total revenues	727,860	353,629	(355,860)	17,424	15,193
<b>Expenditures:</b>					
Greenway:					
Land acquisition-easements	40,032	-	-	-	-
Engineering	441,298	391,318	-	-	391,318
Wicker Street Sidepath					-
Construction	464,000	-	-	-	-
Parks and Recreation:					-
Construction	2,396,792	1,569,122	(2,246,155)	677,033	-
Playground equipment	250,480	160,583	(244,619)	84,036	-
Engineering	160,552	134,835	(160,460)	25,625	-
Non-capitalized expenditures	1,904	-	(1,904)	1,904	-
Total expenditures	3,755,058	2,255,858	(2,653,138)	788,598	391,318
Revenues under expenditures	(3,027,198)	(1,902,229)	2,297,278	(771,174)	(376,125)
<b>Other Financing Sources (Uses):</b>					
Bonds issued	2,000,000	2,000,000	(2,000,000)	-	-
Bond premium	161,403	161,403	(118,813)	-	42,590
Transfers in - General Fund	2,783,330	2,783,330	(2,096,000)	-	687,330
Transfers in - General Capital Reserve	178,465	178,465	(178,465)	-	-
Transfers out - General Fund	(2,096,000)	(2,096,000)	2,096,000	-	-
Total other financing sources (uses)	3,027,198	3,027,198	(2,297,278)	-	729,920
Net change in fund balance	\$ -	\$ 1,124,969	\$ -	\$ (771,174)	\$ 353,795



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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.

**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, 2020

## WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
<b>Revenues:</b>				
User charges:				
Water	\$ 11,535,688	\$ 11,403,746	\$ (131,942)	\$ 11,028,895
Sewer	8,698,586	8,393,462	(305,124)	9,244,219
Total user charges	20,234,274	19,797,208	(437,066)	20,273,114
Monitoring fees	75,000	77,616	2,616	75,240
Connection and tap fees	135,000	175,914	40,914	155,905
Contributions from other agencies	-	31,820	31,820	820,153
FEMA - Federal	-	222,029	222,029	254,199
FEMA - State	-	74,010	74,010	84,733
Federal grants	-	19,983	19,983	-
Investment income	300,100	206,229	(93,871)	418,092
Other	507,000	491,568	(15,432)	511,911
Charges to other funds	30,000	33,647	3,647	36,001
Total revenues	21,281,374	21,130,024	(151,350)	22,629,348
<b>Expenditures:</b>				
Engineering:				
Salaries and benefits	866,302	766,781	99,521	634,862
Maintenance of infrastructure and related equipment	3,500	1,429	2,071	2,241
Other operating expenditures	139,926	124,380	15,546	77,427
Capital outlay	92,050	59,454	32,596	4,484
Total - engineering	1,101,778	952,044	149,734	719,014
Utility administration:				
Salaries and benefits	847,340	741,282	106,058	754,240
Operating expenditures	621,115	404,061	217,054	433,353
Interfund reimbursment	1,316,057	1,316,057	-	1,226,748
Total - utility administration	2,784,512	2,461,400	323,112	2,414,341
Public works administration:				
Salaries and benefits	539,492	530,546	8,946	526,474
Maintenance of infrastructure and related equipment	2,770	307	2,463	3,036
Other operating expenditures	42,450	30,049	12,401	34,374
Capital outlay	-	-	-	17,994
Total - public works administration	584,712	560,902	23,810	581,878
Water plant operations:				
Salaries and benefits	860,119	814,627	45,492	794,178
Maintenance of infrastructure and related equipment	272,100	248,381	23,719	232,595
Other operating expenditures	1,419,163	1,376,750	42,413	1,299,707
Capital outlay	293,000	128,219	164,781	31,758
Total - water plant operations	2,844,382	2,567,977	276,405	2,358,238

## CITY OF SANFORD, NORTH CAROLINA

## UTILITY FUND

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2020

## WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Sewer plant operations:				
Salaries and benefits	\$ 963,201	\$ 968,234	\$ (5,033)	\$ 932,455
Maintenance of infrastructure and related equipment	142,000	127,639	14,361	257,436
Other operating expenditures	1,601,900	1,437,454	164,446	1,332,344
Capital outlay	9,500	9,681	(181)	14,778
Total - sewer plant operations	2,716,601	2,543,008	173,593	2,537,013
Distribution and collection:				
Salaries and benefits	2,790,703	2,629,414	161,289	2,494,987
Maintenance of infrastructure and related equipment	96,187	75,305	20,882	57,514
Other operating expenditures	2,966,578	2,634,121	332,457	2,927,898
Capital outlay	545,113	548,053	(2,940)	204,152
Total - distribution and collection	6,398,581	5,886,893	511,688	5,684,551
Store:				
Salaries and benefits	67,370	67,197	173	63,810
Purchases and supplies	265,000	238,494	26,506	247,352
Maintenance of infrastructure and related equipment	175	9	166	29
Other operating expenditures	10,786	9,838	948	11,217
Total - store	343,331	315,538	27,793	322,408
Less charges to other departments	(205,000)	(209,422)	4,422	(189,733)
Net store	138,331	106,116	32,215	132,675
Capital improvements:				
Capital outlay	2,369,605	1,054,857	1,314,748	1,153,018
Contractual services	1,362,512	1,157,808	204,704	914,296
Total capital improvements	3,732,117	2,212,665	1,519,452	2,067,314
Debt service:				
Interest	2,139,234	1,988,578	150,656	2,461,278
Bonds principal	1,905,000	1,905,000	-	31,580,000
State loan principal	875,846	875,845	1	860,063
Other fees	1,700	2,350	(650)	467,000
Total debt service	4,921,780	4,771,773	150,007	35,368,341
Total expenditures	25,222,794	22,062,778	3,160,016	51,863,365
Revenues in excess of (less than) expenditures	(3,941,420)	(932,754)	3,008,666	(29,234,017)

## CITY OF SANFORD, NORTH CAROLINA

## UTILITY FUND

## SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2020

## WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance with Final Budget Over/Under	Actual Prior Year
Other financing sources (uses):				
Transfers in:				
Capital Project Fund	\$ -	\$ -	\$ -	\$ 10,000,000
Transfers (out):				
Capital Project Fund	(7,380,871)	(7,380,871)	-	(8,744,276)
Other Post Employment Benefits	(25,000)	(25,000)	-	-
Bonds issued	-	-	-	25,095,000
Bond premium	-	-	-	5,564,280
Payment to refunded bond escrow agent	-	-	-	(1,179,726)
Appropriated fund balance	11,347,291	-	(11,347,291)	-
Total other financing sources (uses)	3,941,420	(7,405,871)	(11,347,291)	30,735,278
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	\$ -	(8,338,625)	\$ (8,338,625)	\$ 1,501,261
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
Capital outlay		\$ 1,800,264		
Capital contributions - contractors		1,705,577		
Principal payments on debt		2,780,845		
Decrease in accrued interest		1,375		
Depreciation		(5,497,921)		
Bad debt allowance		(41,846)		
Bond premium amortization		338,425		
Loss on disposal of capital assets		(64,030)		
Intrafund transfers		7,380,871		
Decrease in deferred outflows of resources - pensions		(180,316)		
Increase in net pension liability		(198,165)		
Decrease in deferred inflows of resources - pensions		15,830		
Increase in compensated absences		(43,185)		
Increase in deferred outflows of resources - OPEB		2,646,139		
Increase in net OPEB liability		(3,715,087)		
Decrease in deferred inflows of resources - OPEB		144,175		
Deferred outflows from debt refunding		(20,608)		
Utility Capital Projects Fund				
Grant funds		1,299,973		
Contributions from other governments		2,153,594		
Developer's refund		607,847		
Interest income		158,167		
Non-capitalized expenditures		(22,000)		
Change in net position		\$ 2,911,299		

Note: Prepared for comparison with the legally adopted budget.

## CITY OF SANFORD, NORTH CAROLINA

UTILITY CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL - FROM INCEPTION AND  
 FOR THE YEAR ENDED JUNE 30, 2020

	Project Budget	Prior Years	Closed Projects	Current Year	Total to Date
<b>Revenues:</b>					
Grants	\$ 11,157,270	\$ 4,785,372	\$ (143,341)	\$ 1,299,973	\$ 5,942,004
Contributions from other governments	3,500,000	1,306,156	-	2,153,594	3,459,750
Developer's refund	-	-	-	607,847	607,847
Interest income	71,694	14,845	(8,927)	158,167	164,085
Total revenues	14,728,964	6,106,373	(152,268)	4,219,581	10,173,686
<b>Expenditures:</b>					
Water capital project - capital outlay	8,684,918	2,524,096	(1,192,387)	3,381,958	4,713,667
Sewer capital project - capital outlay	34,381,481	10,001,861	(3,492,194)	10,467,739	16,977,406
Non-capitalized expenditures	50,000	-	-	22,000	22,000
Total expenditures	43,116,399	12,525,957	(4,684,581)	13,871,697	21,713,073
Revenues less than expenditures	(28,387,435)	(6,419,584)	4,532,313	(9,652,116)	(11,539,387)
<b>Other Financing Sources (Uses):</b>					
Transfer from Utility Fund	24,887,435	17,506,566	(4,710,046)	7,380,871	20,177,391
Transfer to Utility Fund	(10,000,000)	(10,000,000)	1,177,733	-	(8,822,267)
Bonds issued	13,500,000	13,500,000	(1,000,000)	-	12,500,000
Total other financing sources (uses)	28,387,435	21,006,566	(4,532,313)	7,380,871	23,855,124
Revenues and other financing sources in excess of (less than) expenditures	\$ -	\$ 14,586,982	\$ -	\$ (2,271,245)	\$ 12,315,737

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



## 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, 2020

	Financial Plan	Actual	Variance with Final Budget Over/Under
<b>Revenues:</b>			
Health insurance premiums	\$ 4,308,936	\$ 4,267,305	\$ (41,631)
Interest income	-	1,141	1,141
Total revenues	4,308,936	4,268,446	(40,490)
<b>Expenditures:</b>			
Health insurance claims	3,800,975	3,482,884	318,091
Wellness initiatives	-	106,523	(106,523)
Health savings account contributions	25,625	14,687	10,938
Administration	482,336	385,216	97,120
Total expenditures	4,308,936	3,989,310	319,626
Revenues less than expenditures	\$ -	\$ 279,136	\$ 279,136
Reconciliation from financial plan (modified accrual) to full accrual:			
Revenues in excess of expenditures		\$ 279,136	
Reconciling items:			
Increase in claims incurred but not reported		(16,897)	
Change in net position		\$ 262,239	

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## **CITY OF SANFORD, NORTH CAROLINA**

### **FIDUCIARY FUNDS**

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

The following comprise the City's Agency 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 NET POSITION  
 AGENCY FUNDS  
 JUNE 30, 2020

	Firemen's and Rescue Squad Workers' Pension Fund	Customer Assistance Program Fund	Sanford Tourism Authority Fund	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 199,139	\$ 11,946	\$ -	\$ 211,085
Accounts receivable	79	-	39,845	39,924
Total assets	<u>\$ 199,218</u>	<u>\$ 11,946</u>	<u>\$ 39,845</u>	<u>\$ 251,009</u>
<b>Liabilities:</b>				
Amounts available for benefits	<u>\$ 199,218</u>	<u>\$ 11,946</u>	<u>\$ 39,845</u>	<u>\$ 251,009</u>

## CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2020

	Balance				Balance	
	June 30, 2019		Additions	Deletions	June 30, 2020	
<b>Firemen's Supplemental Pension Fund:</b>						
<b>Assets:</b>						
Cash and cash equivalents	\$ 222,699	\$	3,586	\$ 27,146	\$	199,139
Accounts receivable	508		3,157	3,586		79
Total assets	<u>\$ 223,207</u>	<u>\$</u>	<u>6,743</u>	<u>\$ 30,732</u>	<u>\$</u>	<u>199,218</u>
<b>Liabilities:</b>						
Amounts available for benefits	<u>\$ 223,207</u>	<u>\$</u>	<u>6,743</u>	<u>\$ 30,732</u>	<u>\$</u>	<u>199,218</u>

## CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2020

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<b>Customer Assistance:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 5,650	\$ 11,287	\$ 4,991	\$ 11,946
<b>Liabilities:</b>				
Amounts available for benefits	\$ 5,650	\$ 11,287	\$ 4,991	\$ 11,946

## CITY OF SANFORD, NORTH CAROLINA

AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2020

	Balance				Balance	
	June 30, 2019		Additions	Deletions	June 30, 2020	
<b>Sanford Tourism Development Authority</b>						
<b>Assets:</b>						
Cash and cash equivalents	\$ -	\$	-	\$	-	\$
Accounts receivable	47,044		39,845		47,044	39,845
Total assets	\$ 47,044	\$	39,845	\$	47,044	\$ 39,845
<b>Liabilities:</b>						
Amounts available for benefits	\$ 47,044	\$	39,845	\$	47,044	\$ 39,845





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## **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 2019 Tax Levy
- Central Business Tax District Schedule of Ad Valorem Taxes Receivable
- Central Business Tax District Supplemental Schedule of 2019 Tax Levy

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## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 17,263,421	\$ 17,027,314	\$ 236,107
2018-2019	146,408	-	55,699	90,709
2017-2018	66,238	-	13,460	52,778
2016-2017	42,752	-	2,900	39,852
2015-2016	37,618	-	1,444	36,174
2014-2015	30,734	-	175	30,559
2013-2014	12,198	-	106	12,092
2012-2013	6,738	-	122	6,616
2011-2012	9,054	-	120	8,934
2010-2011	8,281	-	144	8,137
2009-2010	9,918	-	9,918	-
	<u>\$ 369,939</u>	<u>\$ 17,263,421</u>	<u>\$ 17,111,402</u>	<u>521,958</u>

Less: allowance for uncollectible accounts:

General Fund

256,711

Ad valorem taxes receivable - net

\$ 265,247

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 17,089,953

Reconciling items:

Add: Adjustments

21,449

Total collections and credits

\$ 17,111,402

## CITY OF SANFORD, NORTH CAROLINA

GENERAL FUND  
 SUPPLEMENTAL SCHEDULE OF 2019 TAX LEVY  
 FOR THE YEAR ENDED JUNE 30, 2020

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate \$	2,803,489,500	0.60	\$ 16,820,937	\$ 15,468,059	1,352,878
Corporate utilities	54,086,333	0.60	324,518	324,518	-
Penalties			13,362	13,362	-
Total	2,857,575,833		17,158,817	15,805,939	1,352,878
Discoveries:					
Current years taxes	17,384,500	0.60	104,307	104,307	-
Prior years taxes	9,667	0.60	58	-	58
Gap bills	4,665,667	0.60	27,994	27,994	-
Penalties			3,251	3,251	-
Total	2,879,635,667		17,294,427	15,941,491	1,352,936
Abatements	(5,167,667)	0.60	(31,006)	(31,006)	-
Total property valuation	\$ 2,874,468,000				
Net levy			17,263,421	15,910,485	1,352,936
Uncollected taxes at June 30, 2020			236,107	205,134	30,973
Current year's taxes collected		\$	17,027,314	\$ 15,705,351	\$ 1,321,963
Current levy collection percentage			98.6%	98.7%	97.7%

## CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance July 1, 2020
2019-2020	\$ -	\$ 81,630	\$ 79,541	\$ 2,089
2018-2019	987	-	175	812
2017-2018	447	-	44	403
2016-2017	121	-	-	121
2015-2016	83	-	-	83
2014-2015	49	-	-	49
2013-2014	75	-	-	75
2012-2013	108	-	-	108
2011-2012	263	-	-	263
2010-2011	183	-	-	183
2009-2010	253	-	253	-
Total	<u>\$ 2,569</u>	<u>\$ 81,630</u>	<u>\$ 80,013</u>	4,186

Less: Allowance for uncollectible accounts:

Central Business Tax District

459

Ad valorem taxes receivable - net

\$ 3,727

Reconcilement with revenues:

Ad valorem taxes - Central Business Tax District

\$ 79,756

Reconciling items:

Add: Adjustments

257

Total collections and credits

\$ 80,013

## CITY OF SANFORD, NORTH CAROLINA

CENTRAL BUSINESS TAX DISTRICT  
 SUPPLEMENTAL SCHEDULE OF 2019 TAX LEVY  
 FOR THE YEAR ENDED JUNE 30, 2020

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 73,829,091	0.11	\$ 81,212	\$ 79,260	\$ 1,952
Penalties			134	134	-
Discoveries and late lists					
Current years taxes	618,182	0.11	680	680	-
Penalties			6	6	-
Abatements	<u>(365,455)</u>	0.11	<u>(402)</u>	<u>(402)</u>	<u>-</u>
Total property valuation	<u>\$ 74,081,818</u>		<u>81,630</u>	<u>79,678</u>	<u>1,952</u>
Net levy			81,630	79,678	1,952
Uncollected taxes at June 30, 2020			<u>2,089</u>	<u>2,084</u>	<u>5</u>
Current year's taxes collected			<u>\$ 79,541</u>	<u>\$ 77,594</u>	<u>\$ 1,947</u>
Current levy collection percentage			<u>97.4%</u>	<u>97.4%</u>	<u>99.7%</u>



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## CITY OF SANFORD, NORTH CAROLINA

### STATISTICAL SECTION

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

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

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

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

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

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 27,673,170	\$ 22,652,548	\$ 20,899,153	\$ 18,131,711	\$ 20,400,535	\$ 22,090,646	\$ 25,495,917	\$ 26,743,541	\$ 26,420,688	\$ 28,640,135
Restricted	2,864,743	3,206,960	2,521,404	2,236,904	3,469,771	4,012,807	3,520,290	3,879,722	4,230,784	6,365,236
Unrestricted	7,165,418	6,261,110	4,847,379	4,408,911	3,615,924	3,135,561	(3,224,949)	(24,274,196)	(22,275,902)	(26,448,150)
Total governmental activities net position	<u>\$ 37,703,331</u>	<u>\$ 32,120,618</u>	<u>\$ 28,267,936</u>	<u>\$ 24,777,526</u>	<u>\$ 27,486,230</u>	<u>\$ 29,239,014</u>	<u>\$ 25,791,258</u>	<u>\$ 6,349,067</u>	<u>\$ 8,375,570</u>	<u>\$ 8,557,221</u>
Business-type activities										
Net investment in capital assets	\$ 55,534,931	\$ 77,983,124	\$ 83,299,026	\$ 87,283,627	\$ 92,253,408	\$ 94,240,181	\$ 96,260,059	\$ 101,354,726	\$ 105,931,723	\$ 113,148,044
Restricted	37,117,012	21,795,811	22,787,250	23,721,020	23,095,054	21,304,803	20,718,964	12,098,942	11,531,513	7,226,491
Total business-type activities net position	<u>\$ 92,651,943</u>	<u>\$ 99,778,935</u>	<u>\$ 106,086,276</u>	<u>\$ 111,004,647</u>	<u>\$ 115,348,462</u>	<u>\$ 115,544,984</u>	<u>\$ 116,979,023</u>	<u>\$ 113,453,668</u>	<u>\$ 117,463,236</u>	<u>\$ 120,374,535</u>
Primary government										
Net investment in capital assets	\$ 83,208,101	\$ 100,635,672	\$ 104,198,179	\$ 105,415,338	\$ 112,653,943	\$ 116,330,827	\$ 121,755,976	\$ 128,098,267	\$ 132,352,411	\$ 141,788,179
Restricted	2,864,743	3,206,960	2,521,404	2,236,904	3,469,771	4,012,807	3,520,290	3,879,722	4,230,784	6,365,236
Unrestricted	44,282,430	28,056,921	27,634,629	28,129,931	26,710,978	24,440,364	17,494,015	(12,175,254)	(10,744,389)	(19,221,659)
Total primary government net position	<u>\$ 130,355,274</u>	<u>\$ 131,899,553</u>	<u>\$ 134,354,212</u>	<u>\$ 135,782,173</u>	<u>\$ 142,834,692</u>	<u>\$ 144,783,998</u>	<u>\$ 142,770,281</u>	<u>\$ 119,802,735</u>	<u>\$ 125,838,806</u>	<u>\$ 128,931,756</u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 3,016,734	\$ 5,605,231	\$ 7,267,624	\$ 7,104,258	\$ 4,699,265	\$ 5,242,139	\$ 6,435,236	\$ 6,255,998	\$ 5,060,320	\$ 5,602,482
Public safety	13,318,508	13,472,642	12,078,750	12,099,391	13,219,059	14,215,520	15,218,284	15,554,343	16,185,250	17,769,264
Streets	2,790,579	4,648,290	4,452,716	4,478,512	4,647,762	3,439,470	4,157,492	3,426,390	3,875,563	3,969,429
Sanitation	2,587,595	2,672,967	2,928,930	2,364,285	2,469,079	2,562,183	2,676,312	2,781,911	2,874,729	3,124,629
Community development	3,138,720	1,914,042	2,159,206	1,756,840	1,432,923	1,638,135	1,943,751	2,083,800	2,622,400	3,810,430
Cultural and recreational	-	-	-	-	-	-	-	-	1,043,892	1,420,848
Interest on long-term debt	27,759	13,652	22,348	20,451	219,692	285,362	262,234	318,914	298,688	325,374
Total governmental activities expenses	<u>24,879,895</u>	<u>28,326,824</u>	<u>28,909,574</u>	<u>27,823,737</u>	<u>26,687,780</u>	<u>27,382,809</u>	<u>30,693,309</u>	<u>30,421,356</u>	<u>31,960,842</u>	<u>36,022,456</u>
Business-type activities:										
Utility	15,139,661	14,696,274	14,512,849	14,562,696	14,971,383	20,121,897	21,145,567	21,780,988	24,013,322	24,376,432
Golf	-	861,249	826,763	820,350	801,895	780,163	-	-	-	-
Total business-type activities expenses	<u>15,139,661</u>	<u>15,557,523</u>	<u>15,339,612</u>	<u>15,383,046</u>	<u>15,773,278</u>	<u>20,902,060</u>	<u>21,145,567</u>	<u>21,780,988</u>	<u>24,013,322</u>	<u>24,376,432</u>
Total primary government expenses	<u>40,019,556</u>	<u>43,884,347</u>	<u>44,249,186</u>	<u>43,206,783</u>	<u>42,461,058</u>	<u>48,284,869</u>	<u>51,838,876</u>	<u>52,202,344</u>	<u>55,974,164</u>	<u>60,398,888</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	677,099	150,353	894,690	831,559	82,128	77,977	640,998	633,298	9,849	7,745
Public safety	630,177	1,003,647	507,856	468,407	44,831	49,328	55,606	689,143	34,380	34,531
Streets	331,620	315,920	271,876	174,497	189,993	224,649	234,558	215,402	177,391	139,400
Sanitation	909,322	1,178,877	1,090,125	1,304,491	1,744,064	1,761,988	1,750,558	1,991,261	2,006,555	2,425,400
Community development	385,108	395,812	314,165	309,714	356,029	621,804	689,730	-	570,622	1,226,978
Cultural and recreational	-	-	-	-	-	-	-	-	599,845	662,401
Operating grants & contributions	1,662,981	1,001,168	957,771	849,360	1,874,202	2,046,992	2,342,136	2,507,804	2,888,946	3,156,403
Capital grants & contributions	<u>1,724,582</u>	<u>386,557</u>	<u>1,126,887</u>	<u>187,186</u>	<u>-</u>	<u>168,632</u>	<u>521,943</u>	<u>3,804,509</u>	<u>1,547,367</u>	<u>1,309,175</u>
Total governmental activities program revenue	<u>6,320,889</u>	<u>4,432,334</u>	<u>5,163,370</u>	<u>4,125,214</u>	<u>4,291,247</u>	<u>4,951,370</u>	<u>6,235,529</u>	<u>9,841,417</u>	<u>7,834,955</u>	<u>8,962,033</u>
Business-type activities:										
Charges for services	18,058,603	17,948,275	18,664,530	18,935,706	18,630,862	19,050,350	20,976,862	21,500,595	20,520,850	20,008,892
Operating grants & contributions	-	1,090,427	1,014,919	892,864	891,902	896,713	442,230	6,888	338,932	316,022
Capital grants & contributions	<u>1,216,697</u>	<u>3,054,860</u>	<u>1,856,873</u>	<u>366,670</u>	<u>1,026,551</u>	<u>1,024,340</u>	<u>1,842,864</u>	<u>4,283,958</u>	<u>7,116,375</u>	<u>5,798,811</u>
Total business-type activities program revenues	<u>19,275,300</u>	<u>22,093,562</u>	<u>21,536,322</u>	<u>20,195,240</u>	<u>20,549,315</u>	<u>20,971,403</u>	<u>23,261,956</u>	<u>25,791,441</u>	<u>27,976,157</u>	<u>26,123,725</u>
Total primary government program revenues	<u>25,596,189</u>	<u>26,525,896</u>	<u>26,699,692</u>	<u>24,320,454</u>	<u>24,840,562</u>	<u>25,922,773</u>	<u>29,497,485</u>	<u>35,632,858</u>	<u>35,811,112</u>	<u>35,085,758</u>
Net (Expense)/Revenue										
Governmental activities	(18,559,006)	(23,894,490)	(23,746,204)	(23,698,523)	(22,396,533)	(22,431,439)	(24,457,780)	(20,579,939)	(24,125,887)	(27,060,423)
Business-type activities	<u>4,135,639</u>	<u>6,536,039</u>	<u>6,196,710</u>	<u>4,812,194</u>	<u>4,776,037</u>	<u>69,343</u>	<u>2,116,389</u>	<u>4,010,453</u>	<u>3,962,835</u>	<u>1,747,293</u>
Total primary government net expense	<u>(14,423,367)</u>	<u>(17,358,451)</u>	<u>(17,549,494)</u>	<u>(18,886,329)</u>	<u>(17,620,496)</u>	<u>(22,362,096)</u>	<u>(22,341,391)</u>	<u>(16,569,486)</u>	<u>(20,163,052)</u>	<u>(25,313,130)</u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 11,986,083	\$ 12,060,189	\$ 12,348,647	\$ 13,463,737	\$ 14,600,475	\$ 14,954,420	\$ 15,330,856	\$ 15,616,271	\$ 16,500,145	\$ 17,337,021
Other taxes	4,902,884	5,086,479	4,962,300	3,968,458	4,559,891	5,121,585	5,209,274	5,425,297	6,249,952	6,797,785
Intergovernmental not restricted	3,189,003	2,532,033	2,293,336	2,395,515	2,548,187	2,554,309	2,529,998	2,513,887	2,697,547	2,755,817
Other	357,904	600,430	396,129	452,661	314,713	418,630	305,067	410,080	603,109	364,025
Total governmental activities	20,435,874	20,279,131	20,000,412	20,280,371	22,023,266	23,048,944	23,375,195	23,965,535	26,050,753	27,254,648
Business-type activities:										
Other	80,913	108,762	712,634	33,919	15,550	54,457	85,759	247,151	991,306	1,228,036
Total business-type activities	80,913	108,762	712,634	33,919	15,550	54,457	85,759	247,151	991,306	1,228,036
Total primary government	20,516,787	20,387,893	20,713,046	20,314,290	22,038,816	23,103,401	23,460,954	24,212,686	27,042,059	28,482,684
Gain (loss) on disposal of assets										
Governmental activities	-	-	-	-	17,558	271,904	-	306,949	101,637	(12,574)
Business activities	-	-	(159,820)	-	52,492	(84,419)	-	-	51,072	(64,030)
Transfer:										
Governmental activities	141,000	(482,191)	(106,890)	(72,258)	(121,149)	(157,141)	22,216	10,250	-	-
Business activities	(141,000)	482,191	106,890	72,258	121,149	157,141	(22,216)	(10,250)	-	-
Change in Net Position										
Governmental activities	2,017,868	(4,097,550)	(3,852,682)	(3,490,410)	(476,858)	732,268	(1,060,369)	3,702,795	2,026,503	181,651
Business-type activities	4,075,552	7,126,992	6,856,414	4,918,371	4,965,228	196,522	2,179,932	4,247,354	5,005,213	2,911,299
Total primary government	\$ 6,093,420	\$ 3,029,442	\$ 3,003,732	\$ 1,427,961	\$ 4,488,370	\$ 928,790	\$ 1,119,563	\$ 7,950,149	\$ 7,031,716	\$ 3,092,950

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

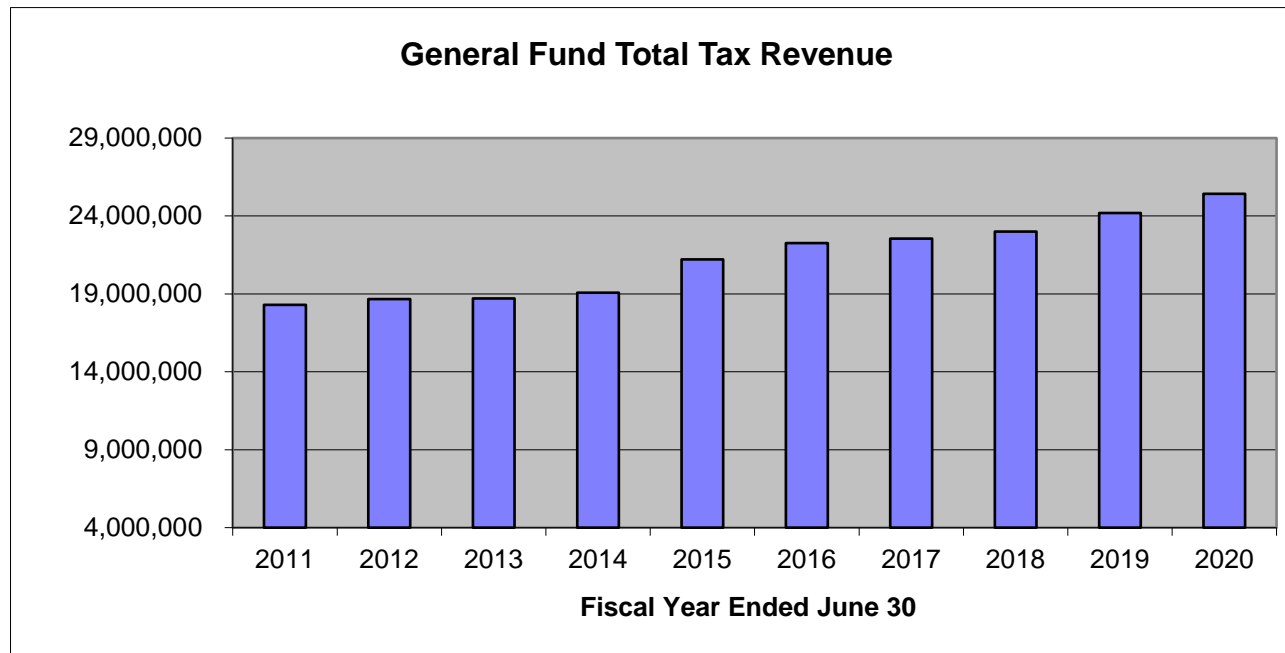
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund</b>										
Non-spendable										
Inventories	\$ 123,581	\$ 96,485	\$ 86,407	\$ 94,157	\$ 74,785	\$ 88,160	\$ 98,911	\$ 105,321	\$ 113,598	\$ 81,703
Prepaid expenses	110,876	34,261	50,816	81,239	51,875	100,604	112,323	52,118	128,922	111,962
Restricted										
Stabilization by State statute	2,302,092	2,337,854	1,610,328	1,650,217	3,019,939	2,791,727	2,879,721	2,975,575	3,440,133	3,540,239
Inspections building permits	-	-	-	-	-	-	-	167,791	100,860	668,020
Public Safety	70,473	111,243	77,231	63,249	-	97,858	45,617	60,866	65,449	110,813
Other	-	-	-	-	-	8,500	9,232	9,473	8,915	15,995
Committed										
LEO Special Separation Allowance	-	-	-	-	-	542,204	780,617	979,041	1,166,562	1,316,154
Assigned										
Subsequent year's expenditures	1,373,706	1,155,772	876,074	184,922	624,788	851,510	-	58,300	235,504	48,104
Unassigned	7,942,215	8,144,854	7,983,961	7,371,102	7,159,809	7,329,911	6,499,036	9,998,121	12,030,594	12,521,454
Total General Fund	<u>\$ 11,922,943</u>	<u>\$ 11,880,469</u>	<u>\$ 10,684,817</u>	<u>\$ 9,444,886</u>	<u>\$ 10,931,196</u>	<u>\$ 11,810,474</u>	<u>\$ 10,425,457</u>	<u>\$ 14,406,606</u>	<u>\$ 17,290,537</u>	<u>\$ 18,414,444</u>
<b>All Other Governmental Funds</b>										
Restricted										
Stabilization by State statute	\$ 91,953	\$ 191,061	\$ 443,325	\$ 94,585	\$ 651	\$ 3,254	\$ 1,366	\$ 5,921	\$ 1,579	\$ 1,185
Community Development	400,225	566,802	390,520	428,853	449,181	502,184	584,354	660,096	613,848	2,028,984
Economic Development	-	-	-	-	7,240,484	331,481	-	-	-	-
Committed										
Economic Development	-	-	-	1,622,142	2,812,514	1,589,228	851,397	299,475	1,124,969	353,795
Assigned										
Subsequent year's expenditures	3,787	-	-	-	-	-	-	-	-	15,349
Downtown revitalization	81,514	101,485	80,555	92,866	103,916	105,468	87,884	89,514	99,605	117,388
Unassigned	(63,335)	(7,209)	(56,852)	(45,238)	16,195	16,195	-	-	-	-
Total All Other Governmental Funds	<u>\$ 514,144</u>	<u>\$ 852,139</u>	<u>\$ 857,548</u>	<u>\$ 2,193,208</u>	<u>\$ 10,622,941</u>	<u>\$ 2,547,810</u>	<u>\$ 1,525,001</u>	<u>\$ 1,055,006</u>	<u>\$ 1,840,001</u>	<u>\$ 2,516,701</u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Ad valorem taxes	\$ 11,935,967	\$ 12,079,490	\$ 12,302,920	\$ 13,563,480	\$14,609,593	\$15,016,794	\$15,273,669	\$15,545,626	\$16,318,713	\$17,169,709
Other taxes	4,902,504	5,086,599	4,965,130	3,968,458	4,561,945	5,126,460	5,211,914	5,431,167	6,254,472	6,800,515
Penalties and interest	49,068	59,190	60,830	79,295	77,529	80,210	57,417	54,395	53,163	48,240
Licenses and permits	367,185	327,955	320,529	336,949	400,860	671,132	737,715	682,409	598,721	1,256,186
Intergovernmental revenues	5,482,794	4,595,279	4,631,931	3,790,141	4,219,193	4,449,601	5,156,371	5,216,811	5,950,754	5,896,223
Investment income	76,919	41,803	36,937	30,099	20,320	88,545	122,504	216,637	407,883	235,439
Sales and service	1,557,478	1,259,761	1,248,962	1,493,779	1,802,784	2,188,242	1,852,633	1,986,415	1,994,985	2,390,734
Miscellaneous revenues	639,826	844,510	938,496	640,484	787,041	933,020	1,038,797	974,355	952,905	961,428
Total revenues	25,011,741	24,294,587	24,505,735	23,902,685	26,479,265	28,554,004	29,451,020	30,107,815	32,531,596	34,758,474
<b>Expenditures</b>										
General government	4,460,405	4,173,142	4,129,363	4,340,125	4,235,483	5,293,876	5,442,873	5,446,965	4,884,839	5,174,512
Public safety	11,892,123	12,125,757	12,327,105	12,442,930	12,570,385	13,192,477	13,626,610	14,102,110	14,156,774	14,135,515
Streets	1,967,299	2,046,528	2,065,933	2,036,612	2,057,927	1,848,071	2,913,139	2,457,959	2,112,906	2,039,245
Sanitation	2,331,859	2,438,569	2,892,187	2,336,932	2,318,992	2,347,787	2,420,734	2,545,634	2,608,319	2,784,800
Community development	3,043,718	1,959,759	2,444,284	1,889,568	1,426,911	1,590,637	1,860,065	2,013,720	2,500,872	3,582,801
Cultural and recreational	-	-	-	-	-	-	-	-	751,910	1,044,494
Capital outlay	1,503,104	684,454	2,512,410	494,345	4,051,029	10,765,808	4,666,768	2,737,190	2,829,929	2,785,421
Debt service										
Principal	1,063,218	77,580	145,555	172,208	235,533	781,766	761,920	767,095	956,570	1,095,594
Interest	31,620	11,086	22,251	21,978	24,217	314,974	299,318	276,143	335,782	350,897
Bond issuance costs	-	-	-	-	-	-	-	-	90,826	-
Total expenditures	26,293,346	23,516,875	26,539,088	23,734,698	26,920,477	36,135,396	31,991,427	30,346,816	31,228,727	32,993,279
Excess (deficiency) of revenues over expenditures	(1,281,605)	777,712	(2,033,353)	167,987	(441,212)	(7,581,392)	(2,540,407)	(239,001)	1,302,869	1,765,195
<b>Other Financing Sources (Uses)</b>										
Insurance recovery	-	-	-	-	-	71,775	29,817	12,822	89,637	52,651
Transfers in (out)	(141,000)	(482,191)	(106,890)	(72,258)	(121,149)	(160,687)	(45,000)	(80,750)	(50,000)	(50,000)
Sale of Property	-	-	-	-	-	-	-	361,833	165,017	32,761
Miscellaneous	-	-	-	-	(205,454)	-	-	-	-	-
Installment purchase contract	-	-	950,000	-	10,278,837	-	-	3,500,000	-	-
Bond issued	-	-	-	-	-	-	-	-	2,000,000	-
Bond premiums	-	-	-	-	-	-	-	-	161,403	-
Debt issuance costs	-	-	-	-	-	-	-	(43,750)	-	-
Total other financing sources (uses)	(141,000)	(482,191)	843,110	(72,258)	9,952,234	(88,912)	(15,183)	3,750,155	2,366,057	35,412
<b>Special Item</b>										
Release of interfund debt	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (1,422,605)	\$ 295,521	\$ (1,190,243)	\$ 95,729	\$ 9,511,022	\$ (7,670,304)	\$ (2,555,590)	\$ 3,511,154	\$ 3,668,926	\$ 1,800,607
Debt service as a percentage of noncapital expenditures	4.42%	0.39%	0.70%	0.84%	1.14%	4.32%	3.88%	3.78%	4.55%	4.79%

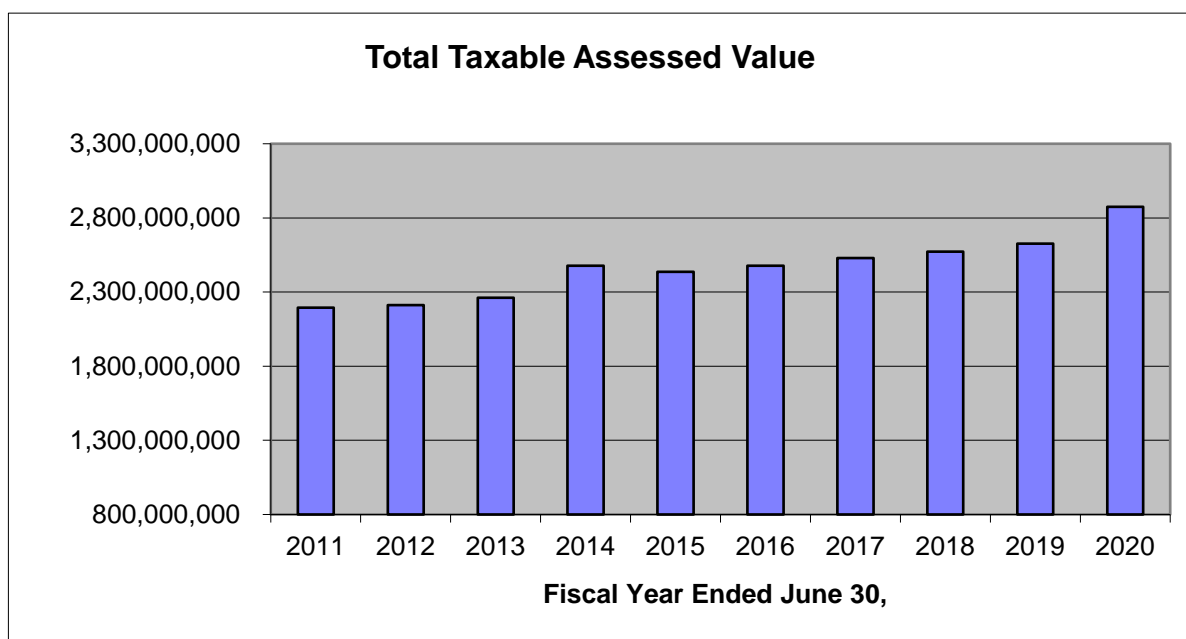
CITY OF SANFORD, NORTH CAROLINA  
GENERAL FUND TAX REVENUE BY SOURCE  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Ad valorem taxes	Sales tax	Utility franchise/sales tax	Intangibles personal property tax	Privilege licenses	Wine and beer tax	Assessments	Total
2011	11,883,618	4,898,749	1,445,370	-	3,755	62,252	2,641	18,296,385
2012	12,024,161	5,083,374	1,471,408	-	3,225	61,044	20,250	18,663,462
2013	12,246,704	4,962,300	1,443,802	-	2,830	57,090	3,390	18,716,116
2014	13,479,966	3,965,664	1,562,537	-	2,795	62,706	3,053	19,076,721
2015	14,555,303	4,559,891	2,016,387	-	2,054	68,827	2,993	21,205,455
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



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
2011	1,617,354,027	524,799,038	51,607,449	2,193,760,514	0.54	96.60%
2012	1,608,945,658	553,086,452	50,526,305	2,212,558,415	0.54	98.50%
2013	1,658,374,237	552,791,412	49,831,105	2,260,996,754	0.54	98.37%
2014	1,757,667,113	671,166,645	47,978,665	2,476,812,423	0.54	99.33%
2015	1,766,911,283	621,920,459	47,521,925	2,436,353,667	0.60	99.00%
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%



Source: Lee County Tax Office

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

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Fiscal Year Ended June 30,	City Direct Rates	Overlapping Rates		Total Direct & Overlappings Rates
	Basic Rate	Central Business Tax District	Lee County	
2011	0.54	0.13	0.75	1.42
2012	0.54	0.13	0.75	1.42
2013	0.54	0.13	0.75	1.42
2014	0.54	0.11	0.72	1.37
2015	0.60	0.11	0.72	1.43
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

Source: Lee County Tax Office

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



CITY OF SANFORD, NORTH CAROLINA  
 PRINCIPAL PROPERTY TAX PAYERS  
 JUNE 30, 2020 COMPARED TO JUNE 30, 2010

Taxpayer	2020			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Frontier Spinning Mills, Inc.	\$ 95,276,865	1	3.31%	\$ 40,454,907	3	1.88%
Coty	91,915,049	2	3.20%	77,791,530	1	3.62%
Simpson & Simpson	79,368,782	3	2.76%	62,337,868	2	2.90%
Magneti Marelli USA, Inc.	53,771,443	4	1.87%	35,052,094	4	1.63%
Moen	40,057,711	5	1.39%	34,021,535	5	1.58%
Static Control Components, Inc.	35,163,164	6	1.22%	26,314,627	6	1.22%
Central Carolina Hospital/AMISUB	34,707,151	7	1.21%	22,746,629	10	1.06%
Southpark Village, LLC	31,276,600	8	1.09%			
Tyson	29,534,941	9	1.03%			
Pentair	26,091,500	10	0.91%			
The Pantry				25,601,806	7	1.19%
Praxis Biologics				24,627,051	8	1.15%
Windstream				23,438,005	9	1.09%
Total	<u>\$ 517,163,206</u>		<u>17.99%</u>	<u>\$ 372,386,052</u>		<u>17.33%</u>

Source: Lee County Tax Office

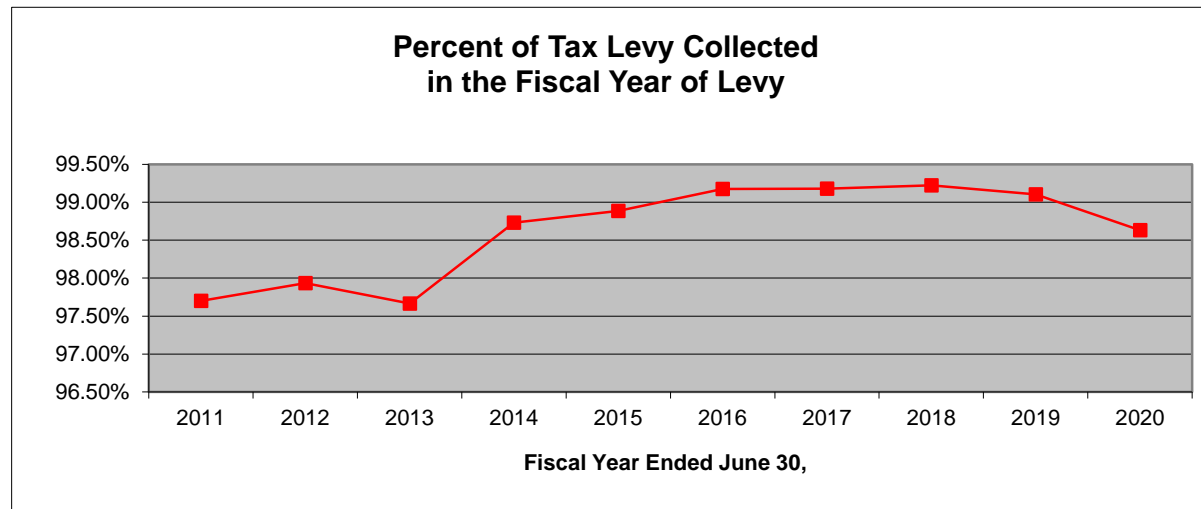
CITY OF SANFORD, NORTH CAROLINA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

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
2011	2010	11,943,217	11,668,582	97.70%	266,498	11,935,080	99.93%
2012	2011	12,001,949	11,753,896	97.93%	239,119	11,993,015	99.93%
2013	2012	12,280,705	11,994,033	97.67%	280,056	12,274,089	99.95%
2014	2013	13,380,720	13,210,856	98.73%	157,772	13,368,628	99.91%
2015	2014	14,685,766	14,522,406	98.89%	132,801	14,655,207	99.79%
2016	2015	14,881,565	14,758,667	99.17%	86,724	14,845,391	99.76%
2017	2016	15,195,824	15,071,109	99.18%	84,863	15,155,972	99.74%
2018	2017	15,475,098	15,354,949	99.22%	67,371	15,422,320	99.66%
2019	2018	16,324,178	16,177,770	99.10%	55,699	16,233,469	99.44%
2020	2019	17,263,421	17,027,314	98.63%	(1)	17,027,314	98.63%

Notes:

Source: Lee County Tax Office

(1) Information not yet available



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

Governmental Activities					Business-type Activities					Total Government	Percentage of Personal Income	Per Capita Personal Income
Fiscal Year Ended June 30,	General Obligation Bonds	Unamortized Bond Premium	Installment Purchases	Annexation Liability	General Obligation Bonds	Unamortized Bond Premium	Notes Payable	Revenue Bonds	Installment Purchases			
2011	-	-	331,630	5,958	-	1,292,713	19,430,904	52,095,000	-	73,156,205	N/A	2,544
2012	-	-	209,050	2,185	-	1,239,949	19,288,225	49,555,000	-	70,294,409	11.85%	2,493
2013	-	-	1,013,495	-	-	1,187,185	19,145,546	46,925,000	-	68,271,226	10.95%	2,381
2014	-	-	841,287	2,995	-	1,134,421	19,002,866	44,245,000	-	65,226,569	10.41%	2,260
2015	8,500,000	708,325	1,664,260	-	-	1,081,658	16,915,504	41,530,000	36,131	70,435,878	11.38%	2,419
2016	8,050,000	679,512	1,333,798	-	-	1,028,894	16,120,392	38,680,000	26,084	65,918,681	10.62%	2,289
2017	7,600,000	650,699	1,047,962	-	-	976,130	15,290,882	35,965,000	-	61,530,673	9.67%	2,102
2018	7,150,000	621,886	4,230,867	-	-	923,366	14,446,262	33,485,000	-	60,857,381	9.94%	2,076
2019	8,700,000	753,803	3,724,297	-	-	5,550,179	13,586,199	40,500,000	-	72,814,478	11.18%	2,434
2020	8,150,000	716,920	3,178,703	-	-	5,211,754	12,710,354	38,595,000	-	68,562,731	10.10%	2,279

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

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

Fiscal Year Ended June 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2011	-	0.00%	-
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	9,208,325	0.38%	316
2016	8,729,512	0.35%	303
2017	8,250,699	0.33%	282
2018	7,771,886	0.30%	265
2019	9,453,803	0.36%	316
2020	8,866,920	0.31%	295

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

CITY OF SANFORD, NORTH CAROLINA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2020

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<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	\$ 12,045,623	100%	\$ 12,045,623
Lee County	<u>91,292,493</u>	49%	<u>44,733,322</u>
Total direct and overlapping debt	<u>\$ 103,338,116</u>		<u>\$ 56,778,945</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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 175,500,841	\$ 177,389,669	\$ 181,664,371	\$ 198,021,260	\$ 194,908,293	\$ 198,278,707	\$ 202,316,253	\$ 205,863,200	\$ 210,186,026	\$ 229,957,440
Total net debt applicable to limit	<u>19,768,492</u>	<u>19,499,460</u>	<u>20,159,041</u>	<u>19,844,153</u>	<u>18,615,895</u>	<u>25,530,275</u>	<u>23,938,844</u>	<u>25,827,129</u>	<u>26,010,497</u>	<u>24,039,057</u>
Legal debt margin	<u>\$ 155,732,349</u>	<u>\$ 157,890,209</u>	<u>\$ 161,505,330</u>	<u>\$ 178,177,107</u>	<u>\$ 176,292,399</u>	<u>\$ 172,748,432</u>	<u>\$ 178,377,409</u>	<u>\$ 180,036,071</u>	<u>\$ 184,175,529</u>	<u>\$ 205,918,383</u>
Total net debt applicable to limit as a percentage of debt limit	11.26%	10.99%	11.10%	10.02%	9.55%	12.88%	11.83%			

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	\$ 2,874,468,000
Debt limit 8% of assessed value	229,957,440
Amount of debt applicable to debt limit:	46,745,000
Outstanding debt not evidenced by bonds:	
Notes	12,710,354
Installment purchase contracts	<u>3,178,703</u>
	62,634,057
Less deduction allowed by G.S. 159.55 (a)(2) and G.S. 159.55(b) utility debt	<u>38,595,000</u>
	<u>24,039,057</u>
Legal Debt Margin	<u>\$ 205,918,383</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

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Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2011	28,249	N/A	N/A	N/A	9,565	11.9%
2012	28,198	593,144,930	21,035	37.20	9,871	11.8%
2013	28,670	623,715,850	21,755	37.00	9,585	11.2%
2014	28,862	626,767,192	21,716	38.00	9,697	8.1%
2015	29,116	619,064,392	21,262	38.00	9,944	7.9%
2016	28,802	620,855,912	21,556	37.30	9,936	6.0%
2017	29,267	636,352,381	21,743	37.30	9,981	4.8%
2018	29,313	611,967,501	20,877	37.40	9,948	4.7%
2019	29,917	651,203,339	21,767	34.80	9,839	5.1%
2020	30,085	678,928,195	22,567	34.80	9,876	8.3%

Sources of Information:

Population information provided by the North Carolina Office of State Budget and Management

Personal income and median age 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, 2020 COMPARED TO JUNE 30, 2010

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	<u>2020</u>		<u>2010</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Lee County Schools	1000+	1		
Caterpillar, Inc.	1000+	2		
Pilgrims Pride Corporation	500-999	3		
Kelly Services Inc.	500-999	4		
Central Carolina Community College	500-999	5		
Pentair Water Pool & Spa, Inc.	500-999	6	683	3
County of Lee	500-999	7		
Coty	500-999	8	900	1
Frontier Yarns Inc	250-499	9	325	8
Central Carolina Hospital	250-499	10		
Static Control			850	2
Tyson			508	4
Moen			490	5
Arden			384	6
J.T. Davenport			339	7
Magneti Marelli			220	9
Parkdale Mills			100	10

Source: NC Department of Commerce



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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function/Program										
General Government	34	35	34	36	37	38	37	37	34	34
Public Safety										
Police Officers	84	82	75	84	82	83	81	80	78	72
Police Civilians	20	19	15	19	18	21	23	22	24	24
Firefighters and Officers	52	53	51	51	52	52	52	47	49	48
Fire Civilians	1	1	1	1	1	1	1	4	4	4
Inspections	5	5	5	5	5	5	6	5	6	6
Streets	18	18	17	17	18	16	17	18	15	15
Sanitation	17	17	16	17	17	16	17	17	16	17
Community Development	14	15	14	13	13	13	13	13	13	14
Cultural and Recreation	6	5	5	5	5	5	5	5	9	10
Utility	82	82	77	84	85	81	83	84	83	89
Total	<u>333</u>	<u>332</u>	<u>310</u>	<u>332</u>	<u>333</u>	<u>331</u>	<u>335</u>	<u>332</u>	<u>331</u>	<u>333</u>

Source: The City of Sanford Human Resources department

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Function/Program</u>										
Police										
Physical arrests	3,115	3,076	2,842	2,952	2,704	2,400	2,124	2,316	2,043	2,010
Parking violations	831	750	481	461	332	44	563	270	270	151
Traffic violations	5,738	6,145	4,573	4,769	4,374	3,761	2,969	2,565	2,541	2,400
Fire										
Emergency responses	1,000	1,001	1,016	954	1,054	1,196	1,344	1,295	1,431	162
Fires extinguished	118	110	128	114	115	113	111	126	123	106
Inspections	945	961	1,428	1,424	1,832	1,528	1,303	1,037	1,040	911
Inspections										
Building permits issued	475	458	412	333	416	467	586	514	590	761
Building inspections conducted	7,349	7,816	6,509	5,786	5,848	6,617	8,030	8,337	6,381	10,214
Street										
Street resurfacing (miles)	-	-	5.87	-	4.60	0.396	2.594	3.49	-	3.83
Refuse collection										
Refuse collected (tons per day)	31.41	33.00	30.00	28.75	28.31	30.42	33.76	32.17	29.91	33.94
Utility										
New Water connections	91	103	204	155	75	101	111	122	114	115
Water main breaks	226	212	215	158	119	182	133	116	52	88
Average daily consumption (mgd)	6.300	6.800	6.825	8.160	6.900	7.1	7.813	7.295	7.256	7.498
Golf										
Rounds	30,433	31,961	29,296	26,966	24,649	24,440	27,406	27,341	26,083	29,189

Sources: Various City of Sanford departments

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Function/Program</u>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse collection Collection trucks	10	11	11	11	11	11	11	11	11	11
Streets Streets (miles)	135.13	135.51	135.82	135.82	135.70	135.70	135.70	137.61	138.33	139.23
Water Water mains (miles)	585.00	587.00	577.16	578.00	579.00	582.00	582.80	585.09	585.09	588.82
Fire hydrants	2,786	2,786	2,990	3,001	3,006	3,006	3,040	3,081	3,102	3,136
Storage capacity (thousands of gallons)	5,500	5,500	5,500	5,500	5,550	5,550	5,550	5,550	5,550	5,550
Sewer Sanitary sewers (miles)	215.00	250.00	254.50	255.00	226.00	232.00	232.08	236.61	236.61	250.90
Golf Courses	1	1	1	1	1	1	1	1	1	1

Sources: Various City of Sanford departments

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**CITY OF SANFORD, NORTH CAROLINA**  
**COMPLIANCE SECTION**

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, 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, 2020 and the related notes to the financial statements, which collectively comprises the City of Sanford's basic financial statements and have issued our report thereon dated November 24, 2020.

**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.

**Compliance and Other Matters**


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

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

**Purpose of this Report**

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

November 24, 2020

  
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 the Major State Program;  
Report on Internal Control Over Compliance in Accordance 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 the Major State Program**

We have audited the City of Sanford, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Sanford's major state program for the year ended June 30, 2020. The City of Sanford's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Sanford's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Sanford's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on the Major State Program**

In our opinion, the City of Sanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the City of Sanford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sanford's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

  
JOYCE AND COMPANY, CPA  
Cary, North Carolina

November 24, 2020

CITY OF SANFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES AND SUMMARY SCHEDULE OF PRIOR  
YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

**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 statement noted

yes No  
\_\_\_\_\_ X

**Federal Awards**

The City of Sanford had no major federal programs.

**State Awards**

Internal control over major state program:

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

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

Identification of major state program: Powell Bill

**Section II. Financial Statement Findings**

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, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project No.</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Pass-through to Subrecipients</u>
<b>Federal Grants:</b>						
<b>Cash Programs:</b>						
<u>U.S. Department of Justice Direct Programs</u>						
Asset Forfeiture and Money Laundering Section						
Federal Equitable Sharing Program	16.922	NC0530100	\$ 41,021	\$ 266	\$ -	\$ -
<u>U.S. Department of Housing and Urban Development</u>						
Passed-through N.C. Housing Finance Agency						
CDBG Neighborhood Revitalization Program	14.228	17-C-2990	59,849	-	-	-
Passed-through N.C. Department of Commerce						
Project Forge	14.228	CDBG 18-E-3078	119,230	-	-	-
<u>U.S. Department of Transportation</u>						
Passed-through N.C. Department of Transportation						
Bikeped Planning Study	20.205	WBS Element 55062.1.3	83,921	-	-	-
Highway Planning and Construction	20.205	WBS Element 38887.1.2	11,101	-	-	-
<u>U.S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety						
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4393-DR-NC 105-59280-00	245,530	81,878	-	-
<u>U.S. Department of Treasury</u>						
Passed-through N.C. Pandemic Recovery						
Office through Lee County						
Coronavirus Relief Funds	21.019		112,108	-	-	-
Total Assistance - Federal Programs			\$ 672,760	\$ 82,144	\$ -	\$ -
<b>State Grants:</b>						
<b>Cash Assistance:</b>						
<u>N.C. Housing Trust Fund</u>						
Pass through NC Housing Finance Agency						
Urgent Repair Program - Housing Trust Funds	N/A	2018 URP 18	-	97,732	-	-
<u>N.C. Rural Economic Development Center</u>						
Triad Corrugated Metal Reuse Grant	N/A	2019-146-3201-2587	-	23,362	-	-
<u>N.C. Department of Commerce</u>						
Project Forge	N/A	U-512	-	47,692	11,923	-
<u>N.C. Department of Environmental Quality</u>						
Water Asset Inventory & Assessment Grant	N/A	H-AIA-D-17-0058	-	2,100	-	-
<u>N.C. Department of Transportation</u>						
Powell Bill Funds	N/A	32570	-	978,950	-	-
Total State Assistance			\$ 672,760	\$ 1,231,980	\$ 11,923	\$ -

**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, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Sanford, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Sanford.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting, with the exception of the Department of Homeland Security Grant CFDA No. 97.036, Disaster Grants-Public Assistance. The expenditures reported for that grant are those for which reimbursement had been approved as of June 30, 2020. Expenditures in the amount of \$450,730 (Federal \$338,047 and State of \$112,683) had been incurred as of June 30, 2020 but reimbursement had not been approved as of that date. 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: Coronavirus Relief Funds**

The City of Sanford received \$112,108 of funding from the Coronavirus Relief Fund (21.019) from Lee County in accordance with HB 1043 and HB 1023. The City of Sanford has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties; however, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.