

SANFORD

NORTH CAROLINA



Popular Annual Financial Report

Fiscal Year Ending June 30, 2016



MESSAGE FROM THE CITY MANAGER



Dear Readers:

The City of Sanford takes pride in the quality of services that it offers to our community, all provided while maintaining a sound financial position.

We are focused on being “open for business,” which is proven by our revitalization projects. We will soon complete more than \$12 million in streetscape and sidewalk improvements. In 2016, we opened the Buggy Factory to provide a “one-stop shop” for new development (see page 6).

During 2016, our financial position was positively impacted by improving economic conditions. Even as a municipality, however, the City shares with every household the need to manage our resources by being committed to proper planning, balanced budgets, and a sustainable financial position.

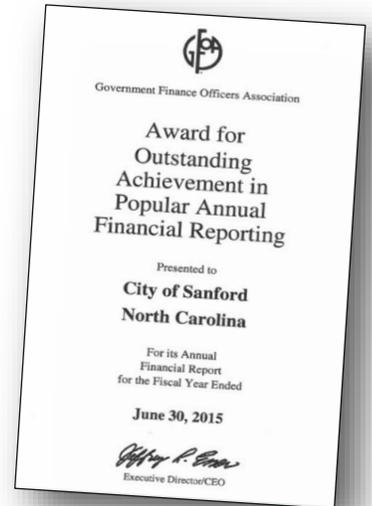
This Popular Annual Financial Report (PAFR) is a reflection of our effort to keep you informed about how your tax dollars are being spent. This non-technical report summarizes the financial activities of the City’s funds as reported in the 2016 Comprehensive Annual Financial Report (CAFR). The CAFR, located on our website at www.sanfordnc.net, provides in-depth financial detail as well as full disclosure of all material events, financial and non-financial.

Unlike the CAFR, the PAFR is not an audited document and it does not include details by fund, nor does it include the other disclosures required by generally accepted accounting principles (GAAP). Therefore, the PAFR is not intended to present a complete financial picture of the city in accordance with GAAP.

We hope you enjoy reading this report and that you have a better understanding of how the City of Sanford is continually working to improve Sanford for all residents.

Sincerely,

Hal Hegwer



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RECOGNITIONS

- ◆ Award for Excellence in Financial Reporting for the 2015 Comprehensive Annual Financial Report (CAFR) by the Government Finance Officers Association for the 35th year.
- ◆ Award for Distinguished Budget Presentation for the 2016 Annual Operating Budget by the Government Finance Officers Association for the 30th year.
- ◆ Award for Outstanding Achievement in Popular Annual Financial Reporting by the Government Finance Officers Association for 2015. This is the first submission and the first year to receive this award.
- ◆ Named a Tree City USA by the Arbor Day Foundation for the fourth consecutive year.
- ◆ Awarded second place in the nation by the National Association of Town Watch for Sanford's National Night Out program.
- ◆ Named a Certified Retirement Community for the fourth year by the North Carolina Department of Commerce's Economic Development Partnership.
- ◆ Award for Outstanding Project by the North Carolina Urban Forest Council for the 2015 streetscape bond project.
- ◆ The Sanford Municipal Golf Course was voted Best Golf Course for the third consecutive year by *The Sanford Herald*.
- ◆ Named a Vietnam Veterans Commemorative Partner by the United States Department of Defense.



From top: Clock in downtown Sanford; Newly installed downtown streetscape.

Sanford In Focus

In August 2015, the City of Sanford purchased the historical Depot Building, built in 1910. Leaders hope to turn the building into a visitors' center that will be the focal point of a newly revitalized downtown.



2016 Quick Facts

- ◆ Population | 29,144
- ◆ Median Age | 37.3
- ◆ Median Household Income | \$46,309
- ◆ Average Temperatures
January | 37° F
June | 76° F
- ◆ Average Annual Rainfall | 51 inches
- ◆ Average Annual Snowfall | 6 inches
- ◆ Land Area | 254.96 sq. miles
- ◆ Unemployment Rate | 5.4% (as of Sept. 2016)

HISTORY OF SANFORD

The Town of Sanford was incorporated in Moore County on February 11, 1874. The stimulus of growth provided by Sanford, along with the towns of Broadway and Jonesboro led to the birth of Lee County (from portions of Moore and Chatham counties) in 1907.

Sanford sprung up from the crossing of the Western and Chatham Railroads. These rails are now known as the Atlantic and Western and Seaboard Coastline. Sanford was named in honor of Colonel C.O. Sanford, chief civil engineer of the now Seaboard Coastline.

In 1947, Sanford merged with Jonesboro. A new municipal charter was adopted and the official name became the City of Sanford. The merged cities maintained their presence as retail hubs, giving the City of Sanford two downtowns.



Sanford has seen steady growth over the years. In the late 1950s, the city's population was approximately 10,000. The city's current population is more than 29,000 residents and growing.



Sanford In Focus

Depot Park, located in the center of Sanford, is the result of a successful public-private partnership.

Principal Employers

(in order of ranking)

- Lee County Schools
- Coty, LLC
- Belflex Staffing Network
- Static Control Components, Inc.
- Caterpillar, Inc.
- Pilgrim Pride Corporation
- Central Carolina Community College
- Pentair Water Pool & Spa, Inc.
- Dip Partner Central Carolina
- County of Lee

Principal Property Taxpayers

(in order of ranking)

- Coty, Inc.
- Frontier Spinning Mills
- Simpson & Simpson
- Magneti Marelli USA, Inc.
- Static Control
- Moen
- The Pantry
- Tyson Foods
- Central Carolina Hospital/AMISUB
- Pentair

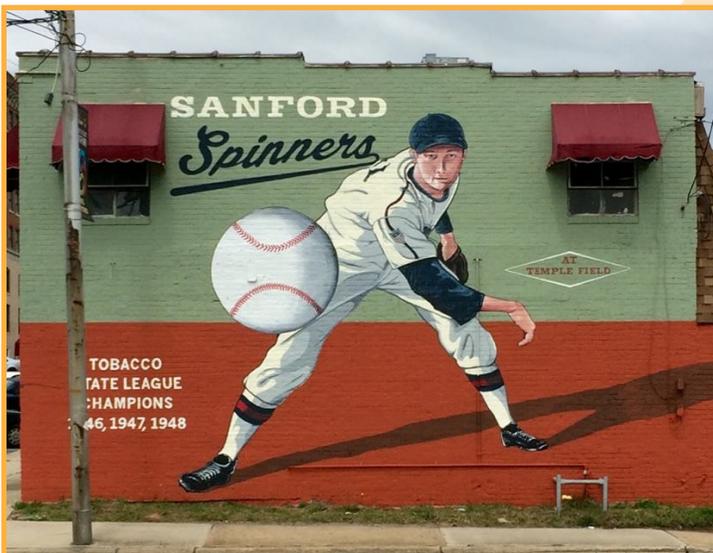
SIGNIFICANT EVENTS

This year was one of transition and revitalization for Sanford. Several developments that had been in the works for years finally came to fruition. These are the city's highlights for fiscal year 2015-2016:

- ▶ The Streetscape and Sidewalk Improvement bond projects passed by voters in the 2013 bond referendum are nearly complete. These projects provide quality-of-life improvements in Downtown Sanford and historic Jonesboro that make the areas pedestrian friendly and aesthetically appealing. In the years to come, the City will issue another \$6 million in bond debt to complete greenway and park projects.
- ▶ Through public-private partnerships, the City of Sanford's Appearance Commission completed three historical murals. The murals were: "Sanford Spinners" in honor of Sanford's 1940s baseball team, "Off to War" in celebration of Sanford's military men and women, and "Visionary Builders" in tribute to local African American forefathers.
- ▶ The City of Sanford restored a blighted historical building known as the Buggy Factory for use as a consolidated "one-stop shop" for planning and community development functions. Prior to the restored facility, the department operated from five separate locations throughout the city.
- ▶ In partnership with Lee County Government, the City funded a merger between the Lee County Economic Development Corporation and Sanford Area Chamber of Commerce. The new organization, known as the Sanford Area Growth Alliance, operates from the newly restored Buggy Factory, completing the "one-stop shop" concept.



Muralist Chris Dalton painted this scene depicting the military men and women of Sanford/Lee County.



Muralist Scott Nurkin painted this homage to Sanford's champion Tobacco League baseball team from the 1940s.

- ▶ The Sanford/Lee County Permitting Office reported dramatic growth in residential and commercial permits. Residential permits have risen 27 percent and commercial permits 562 percent over the same period last year. This was the highest percentage increase in the state of North Carolina.
- ▶ The City of Sanford won a Building Integrated Communities grant from the University of North Carolina's Latino Migration Project. The grant allowed City staff to research and better integrate Sanford's growing Latino population. The next step will be to create a strategic plan for engaging Latino residents.

BUGGY FACTORY

Downtown Sanford is known for its charming boutiques and historic brick buildings. However, several of those buildings had fallen into disrepair.

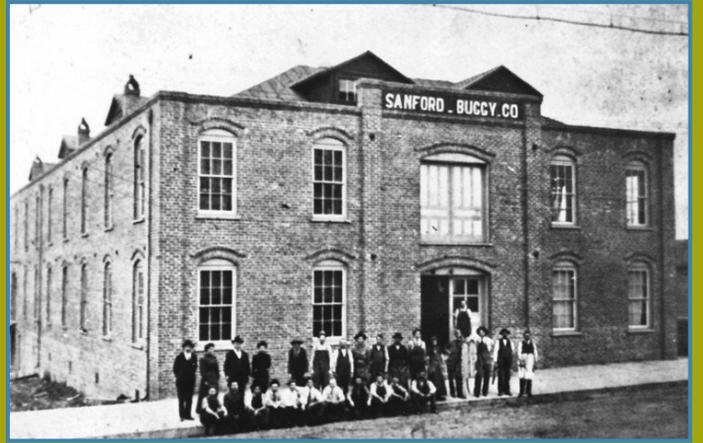
With the catalyst of the 2013 bond referendum, the City of Sanford and Lee County Government saw an opportunity to accomplish two goals:

- ◆ Consolidate joint city-county services into one location, and
- ◆ Restore the renowned Buggy Factory building.

In January, the Sanford/Lee County Planning and Community Development Department moved into the facility.

In the months that followed, the department reported dramatic growth in new business, including 600,000 square feet of new retail, \$19 million in new payroll, and a 562-percent increase in commercial permits.

Both the City of Sanford and Lee County Government are proud of the collaboration's ability to provide efficient and convenient service to residents and businesses owners.



Top: Employees of the Sanford Buggy Company in 1907. Bottom: Employees of the Sanford/Lee County Planning Department in 2016.

“one-stop shop”

In 2014, the City of Sanford and Lee County Government jointly funded a merger of the Sanford Area Chamber of Commerce and the Lee County Economic Development Corporation



with the goal of strengthening the economies of Sanford and Lee County.

The newly formed organization became the Sanford Area Growth Alliance and is now located in the Buggy Factory with the Sanford/Lee County Planning Department.

With economic development, planning, and business services in one location, the City and County can offer a “one-stop shop” for revitalization and development.

MUNICIPAL RECREATION

Sanford Municipal Golf Course



The Sanford Municipal Golf Course is a great place for citizens to play a round of golf at a reasonable rate. Originally designed by the esteemed Donald Ross in 1934, this uniquely challenging course offers a large driving range, chipping green, practice bunker, putting green, pro shop and snack bar.

With fairway-lined pine trees, beautiful azaleas, and a stunning view of Buffalo Creek on the back nine, the

Sanford Municipal Golf Course is named “Best Local Golf Course” by Sanford’s residents each year.

Whether you are playing 18 holes or tuning up your game, the lush fairways, fast greens and friendly staff leave golfers wanting to return again and again.



Neighborhood Parks

In the 1970s, Sanford handed control of parks located in the city limits to Lee County Government.

However, in recent years, the Sanford City Council has taken a renewed interest in creating parks in the city.

There are currently four municipal parks featuring playgrounds. They are the Carr Creek Community Park, the Maple Avenue Park, the Walter McNeil Jr Memorial Park, and the Third Street Park.



Urban Parks

The City of Sanford owns and maintains two traditional urban parks. One is Depot Park, located in the heart of downtown Sanford. Long a center city, Depot Park hosts the seasonal Sanford Farmer’s Market, movies in the park, a summer concert series, and more.

Recently, the City created the Martin Luther King, Jr. Memorial to revitalize and beautify a section of Sanford along its main thoroughfare, Horner Boulevard. The memorial features flowers and benches centered around carved brick. Future improvements to the memorial include a walking trail and a water feature.



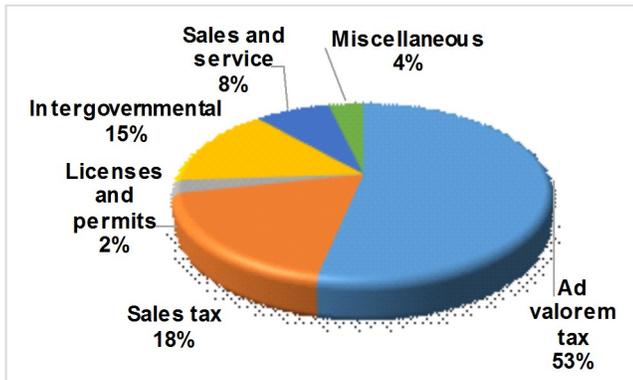
GENERAL FUND

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, including general government, public safety, streets, and sanitation. These services and functions are financed primarily by property taxes, other taxes, and intergovernmental revenues.

REVENUES	2016	2015
Ad valorem tax	\$14,959,396	\$14,555,304
Sales Tax	5,126,460	4,561,945
Licenses and Permits	671,132	400,860
Intergovernmental	4,111,194	3,948,316
Sales and Service	2,188,242	1,802,784
Miscellaneous	1,022,811	882,489
Total Revenues	\$28,079,235	\$26,151,698

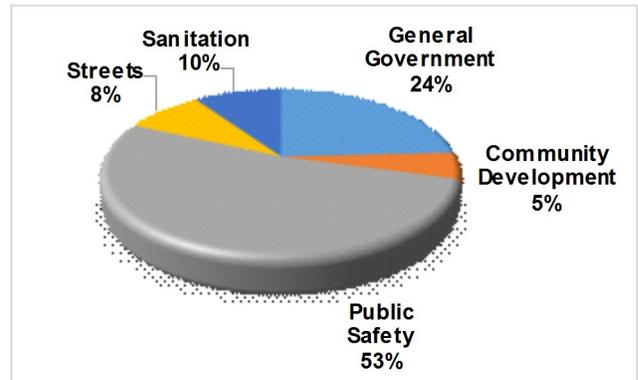
EXPENDITURES	2016	2015
General Government	\$6,575,153	\$4,747,007
Community Development	1,362,229	1,126,641
Public Safety	14,259,330	13,158,819
Streets	2,309,972	3,115,985
Sanitation	2,611,212	2,665,014
Total Expenditures	\$27,117,896	\$24,813,466

Where The Money Comes From



Taxes comprise the vast majority of the general fund revenues at 71% of the total. Property taxes are the largest funding source at 53% of total City revenues. Sales and use taxes are second at 18% of total City revenues. Intergovernmental funding source consists of items such as utility franchise tax, Powell Bill, 911 surcharge reimbursement, and revenue received from other local governments and reflects 15% of total City revenues.

Where The Money Goes



Public safety accounts for 53% of general fund expenditures and consists of police, fire, and building inspections. At 24%, general government function includes Governing Body, Administration, Human Resources, Finance, Information Technology, Legal, Public Buildings, Fleet Maintenance, and Horticulture. Streets include street maintenance as well as street capital improvements. Community Development includes Code Enforcement and Downtown/Historic Preservation.

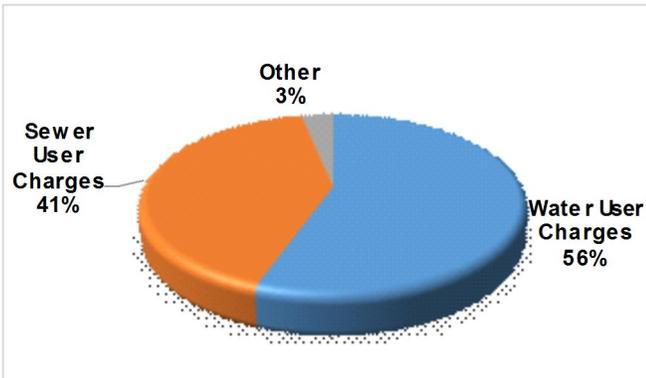
UTILITY FUND

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.

REVENUES	2016	2015
Water User Charges	\$10,275,173	\$10,342,799
Sewer User Charges	7,644,040	7,171,039
Other	603,141	588,172
Total Revenues	\$18,522,354	\$18,102,010

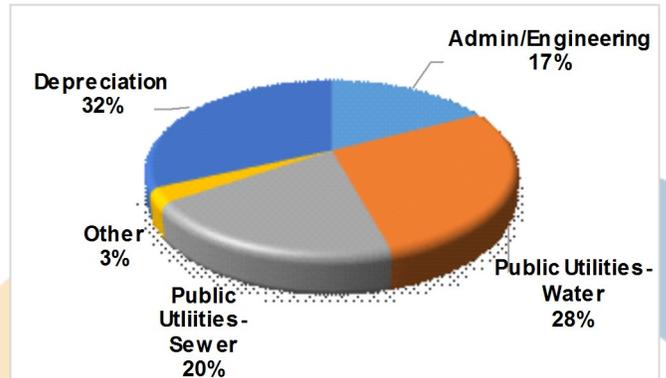
EXPENSES	2016	2015
Administration/Engineering	\$3,002,873	\$2,655,947
Public Utilities—Water	4,943,547	4,528,242
Public Utilities—Sewer	3,433,765	3,260,227
Other	470,966	458,754
Depreciation	5,532,519	3,720,583
Total Expenses	\$17,383,670	\$14,623,753

Where The Money Comes From



User charges comprise the vast majority of utility fund revenues at 97%. Other funding sources are items such as monitoring fees, connection and tap fees, investment income, and charges to other funds.

Where The Money Goes



Public utilities represent 48% of the total utility fund expenses. This money is used to maintain the water and sewer lines, as well as operate the water and sewer plants. Depreciation accounts for 32% of utility fund expenses.

Important Note

For the modified accrual basis (non-GAAP) reports on pages 88-90 of the 2016 Comprehensive Annual Financial Report (CAFR), \$6.5 million for debt service and \$1.3 million for capital outlay account for approximately 40% of the \$19.7 million in expenditures in the Utility Fund.

FUND BALANCE

Fund balance is similar to a savings plan in that it represents monies which remain unspent after all budgeted expenditures have been made. The City strives to only use fund balance to cover capital items and other one-time use items. The City works to keep at least 30% of the closing fiscal year's General Fund operating budget as reserves.

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 \$8,181,421 while total fund balance reached \$11,810,474.

The City currently has an available fund balance of 30.1% of General Fund expenditures, while total fund balance represents 43.6% of the same amount.

General Fund	2016	2015
Beginning General Fund Balance	\$10,931,196	\$9,444,886
Adjustment to Beginning Fund Balance	474,451	405,021
Revenues	28,079,235	26,151,698
Expenditures	(27,117,896)	(24,813,466)
Issuance of debt	0	1,058,506
Insurance Recovery	71,775	0
Transfers In	0	1,410,700
Transfers out	(628,287)	(2,726,149)
Net Change in Fund Balance	404,827	1,081,289
Ending General Fund Balance	\$11,810,474	\$10,931,196

Long-Term Debt

As of June 30, 2016, the City of Sanford had total bonded debt outstanding of \$46,730,000. This debt is backed by revenues from water and sewer user charges. The remainder of the City's debt represents notes payable and installment purchase agreements.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Sanford is \$172,748,432.

Budget Process

The City operates under an annual budget ordinance adopted in accordance with the provisions of the Local Government Budget and Fiscal Control Act. The budget ordinance is the legal basis of the budgetary accounting system and the standard by which proposed expenditures are measured. The balanced budget ordinance must be adopted prior to the beginning of the fiscal year. The ordinance is subject to public inspection and a public hearing prior to adoption. The budget is considered balanced when estimated net revenue equals appropriations.

City Council has the authority to amend the annual operating budget through legislative action. All budget amendments must be reported in a public Council meeting and made a matter of record.

SANFORD CITY COUNCIL

The City's policy-making and legislative authority are vested in a governing council (City Council), which consists of a mayor and seven council members.

Five of the council members are elected from individual wards and two are elected at-large. The mayor is elected for a four-year term of office and the council members are elected for staggered terms of four years. There are no term limits for council members or the mayor.

The City Council's primary responsibilities are adopting ordinances, adopting the budget, and setting policy for the City.

Working hand in hand with the city manager, the council plays a key role in the budget process and the financial well being of the City of Sanford.



Seated left to right: Sam Gaskins, Council Member and Mayor Pro Tem; T. Chet Mann, Mayor; Rebecca Wyhof, Council Member. Standing left to right: James Williams, Council Member; Charles Taylor, Council Member; Jimmy Haire, Council Member; and Byron Buckels; Council Member. Not Pictured: Chas Post, Council Member.

If you have any questions about this report, or need additional financial information, please contact the Finance Department of the City of Sanford by email at cindy.oquinn@sanfordnc.net, by phone at (919)777-1141, or by mail at City of Sanford, Finance Department, PO Box 3729, Sanford, NC 27331-3729.



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