

SANFORD

NORTH CAROLINA



Popular Annual Financial Report
Fiscal Year Ending June 30, 2017

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 completed \$13.5 million in streetscape and sidewalk improvements and we are committed to another \$6 million in park and greenway construction. Our community celebrated these long-awaited updates with fireworks over downtown (see pages 8-9).

During 2017, 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.

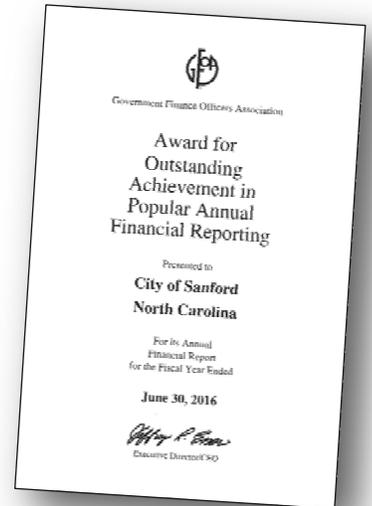
This Popular Annual Financial Report (PAFR) is a reflection of our effort to keep you informed about how your tax dollars are being spent. This non-technical report summarizes the financial activities of the City’s funds as reported in the 2017 Comprehensive Annual Financial Report (CAFR). The CAFR, located on our website at www.sanfordnc.net, provides more detailed and extensive information, such as audited financial statements, notes, schedules, and other relevant information.

Unlike the CAFR, the PAFR is not an audited document and it does not include details by fund or component unit, 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 2016 Comprehensive Annual Financial Report by the Government Finance Officers Association for the 36th consecutive year.
- ◆ Award for Distinguished Budget Presentation for the 2017 Annual Operating Budget by the Government Finance Officers Association for the 31st consecutive year.
- ◆ Award for Outstanding Achievement in Popular Annual Financial Reporting by the Government Finance Officers Association for 2016. This is the second year the city has received this award.
- ◆ Award for Outstanding Project for the Downtown Streetscape Initiative by the North Carolina Urban Forest Council.
- ◆ Awarded a \$4 million grant from the GoldenLeaf Foundation to provide sanitary sewer to the Moncure Megasite.
- ◆ Awarded a \$10,000 grant from Duke Energy Progress to install an electric vehicle charging station in the Horner Square Parking Lot.
- ◆ Awarded Third Place in National Night Out for the 15,000-50,000 population category by the National Association of Town Watch.
- ◆ Named a Tree City USA by the Arbor Day Foundation for the fifth consecutive year.
- ◆ Named a Vietnam 50th Anniversary Commemorative Partner by the U.S. Department of Defense.



Sanford has become known for its outdoor music. Pictured above are musicians performing live in Depot Park, the heart of downtown.

Sanford in Focus

In September 2016, the City of Sanford Appearance Commission completed "Silent Wings," a mural honoring three local men who served as glider pilots in World War II. The mural was funded in part by the families of the men along with other private donations. This is Sanford's fourth historic downtown mural.



2017 Quick Facts

- ◆ Population | 29,128
- ◆ Median Age | 37.3
- ◆ Median Household Income | \$45,608
- ◆ Average Temperatures
January | 37° F
June | 76° F
- ◆ Average Annual Rainfall | 51 inches
- ◆ Average Annual Snowfall | 6 inches
- ◆ County Land Area | 254.96 square miles
- ◆ Unemployment Rate | 4.2% (as of June 2017)

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

This railroad crossing gave birth to Sanford in the late 1800s and remains in use today.

Principal Employers

(in order of ranking)

Lee County Schools
Pilgrim Pride Corporation
Coty, LLC
Static Control Components, Inc.
Pentair Water Pool & Spa, Inc.
Caterpillar, Inc.
Central Carolina Community College
Belcan Staffing Services
Duke LifePoint Partner Central Carolina
Frontier Spinning Mills, Inc.

Principal Property Taxpayers

(in order of ranking)

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

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 2016-2017:

- ▶ The first phase of projects approved by voters in the 2013 Bond Referendum neared completion. Those projects included streetscape and sidewalk improvements totaling \$8.5 million. The City of Sanford began planning for the second phase of bond debt, which includes \$4 million for Greenway and Trails projects and \$2 million for Parks and Recreation projects. Both initiatives were included in the 2013 referendum.
- ▶ The City was awarded a \$10,000 grant from Duke Energy Progress' EV Charging Infrastructure Support Project to install an electric vehicle charging station in the Horner Square Parking Lot. Made by ChargePoint, the station is free to use and can fully charge an electric car in two to four hours. The station is located close to downtown shopping and entertainment.
- ▶ To continue improving the look and feel of downtown Sanford, the City improved the Horner Square Parking Lot by adding new curb, trees, and brick to replace the central median. The City also relocated streetlights to make them symmetrical and extended electrical lines to allow for future lighting options. The total cost was \$65,000.
- ▶ The Sanford/Lee County Planning and Community Development Department hosted a Homelessness Summit to begin the process of providing support and shelter to Sanford's homeless population. The meeting was attended by more than 100 people, including elected officials and representatives from local nonprofits, churches, law enforcement, healthcare providers, and government offices. The meeting was also attended by several engaged citizens who wanted to be part of the effort. From this meeting, a task force was created to explore ways to help those in need.



Mayor Chet Mann led a tour for the Municipal Equation podcast to discuss how murals help the economy.



The City of Sanford installed illuminated holiday streetlight decorations for use in streetscaped areas.

- ▶ The City contracted with Civic Plus to redesign the municipal website and create a mobile app. The revamped site includes megamenus and enhanced navigation to make web visitors' experience more efficient and user friendly. The new site also offers software to improve the City's ability to notify citizens about updates and emergencies. The total cost of the project was approximately \$40,000 spread over three years.

COMMUNITY ASSISTANCE

The City of Sanford created the “Sanford Cares” Community Assistance & Relief Emergency Support program to allow customers to contribute toward an emergency relief fund to help struggling residents pay their water and sewer bills.

The program is administered by Johnston-Lee-Harnett Community Action, a private, non-profit agency that has helped local families in need since 1966.



COMMUNITY ASSISTANCE & RELIEF
EMERGENCY SUPPORT

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.



UPCOMING CAPITAL PROJECTS



Greenways and Parks

Much of Fiscal Year 2016-17 has been spent planning and preparing for Phase Two of the 2013 Bond Referendum.

This phase will include \$4 million in bond debt for an expansion of the Endor Iron Furnace Greenway and \$2 million to construct a new park on recreation property previously owned by Lee County.

Voters approved the upcoming bond projects as well as the completed \$6.5 million in Streetscape & Pedestrian Improvement bonds and \$2 million in Sidewalk Improvement bonds.

The goals of the greenway and parks projects are to make Sanford a more walkable and modern city. These projects will complete the bond improvement package and equal \$14.5 million in bond investment.

Triassic Development

Partnering with Lee County and private sector investors, the City of Sanford created a

new industrial park referred to as the Central Carolina Enterprise Park (CCEP).

The City plans to extend water and sewer lines to this 700-acre site located near the Deep River.

Moncure Megasite

The 2,500-acre Moncure Megasite is a joint venture between the City of Sanford and Chatham County.

When fully developed, the megasite could bring thousands of jobs to Lee County, as well as serve as a regional catalyst for economic development and growth.

The City will provide sanitary sewer for a total cost of approximately \$11 million, of which \$4 million was granted from the GoldenLeaf Foundation. The City and Chatham County have agreed to split the remaining cost.

This project will also extend sanitary sewer to the Raleigh Exec Jetport, an offering that will benefit new and existing businesses located at the airport.

DOWNTOWN STREETFEST & FIREWORKS

In April 2017, the City of Sanford and Downtown Sanford, Inc partnered to present the first annual Downtown StreetFest & Fireworks, a half-day celebration in downtown Sanford. The event was designed to formally announce the completion of \$13.5 million in streetscape and sidewalk projects.

Along with the City and Downtown Sanford, Inc., the Sanford Area Growth Alliance and local nonprofits and businesses sponsored interactive art, music, food trucks, demos, yoga, corn hole, live street entertainers, bands, and more.

The evening was capped off with a 20-minute firework display set to a live orchestra. The display and pyrotechnician were funded by the City and managed by the Sanford Fire Department.

Looking to the Future

Due to the overwhelming success of the event and the demand for more associated activities, planning for the 2018 event is underway.

A significant change will be increasing the event to a full day and adding aerialists, small group performers, and more food trucks.





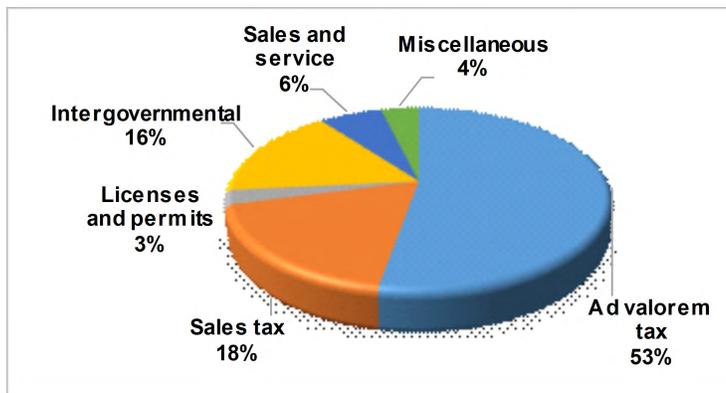
circumstance”

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	2017	2016	2015
Ad valorem tax	\$15,216,230	\$14,959,396	\$14,555,304
Sales Tax	5,211,914	5,126,460	4,561,945
Licenses and Permits	737,715	671,132	400,860
Intergovernmental	4,688,737	4,111,194	3,948,316
Sales and Service	1,852,633	2,188,242	1,802,784
Miscellaneous	1,110,443	1,022,811	882,489
Total Revenues	\$28,817,672	\$28,079,235	\$26,151,698

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 16% of total City revenues.

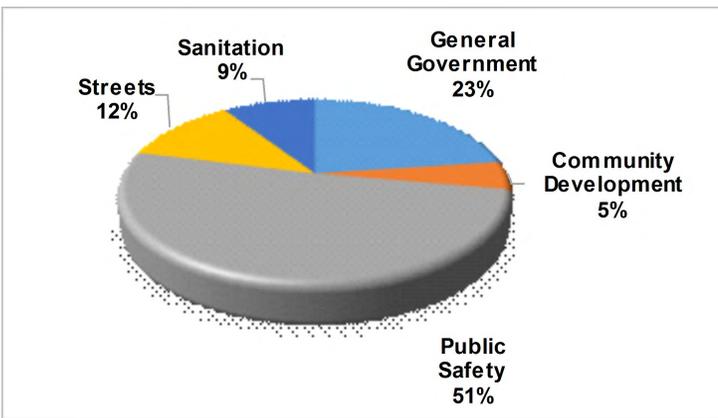
Revenue Trend Variances

- ◆ **Licenses and permits** revenue increased by 9.9% compared to prior year. The city is seeing continued business growth in the commercial sector. Residential growth has been slower, however, several projects have recently been approved.
- ◆ **Intergovernmental** revenue reflects an increase of 14.0% compared to prior year mainly due to 911 surcharge reimbursement.
- ◆ **Sales and service** revenue is showing a decrease of 15.3% compared to prior year. This is the result of not having an auction in current year.
- ◆ **Miscellaneous** revenue increased by 8.6% compared to prior year due to the Golf Fund being transferred into the General Fund in FY 16-17.

GENERAL FUND

Expenditures	2017	2016	2015
General Government	\$6,484,787	\$6,575,153	\$4,747,007
Community Development	1,395,507	1,362,229	1,126,641
Public Safety	14,502,979	14,259,330	13,158,819
Streets	3,335,117	2,309,972	3,115,985
Sanitation	2,631,291	2,611,212	2,665,014
Total Expenditures	\$28,349,681	\$27,117,896	\$24,813,466

Where The Money Goes



Public Safety accounts for 51% of general fund expenditures and consists of police, fire, and building inspections.

At 23%, 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.

Expenditure Trend Variances

- ◆ **Street** revenue increased by 44.4% compared to prior year. This significant increase is due to timing of projects such as street resurfacing.



General Fund in Focus

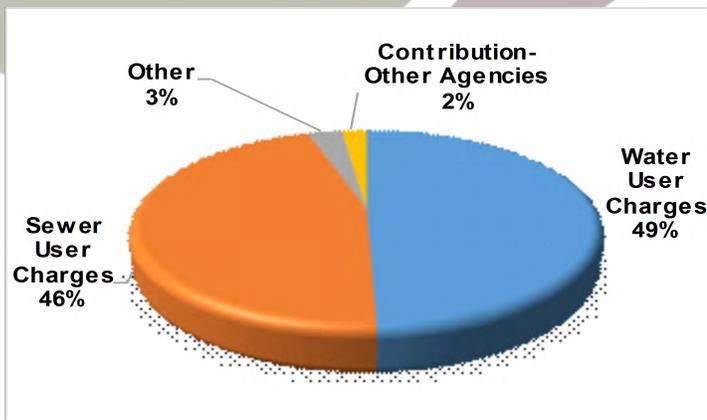
The City of Sanford's public safety personnel are the highlight of Sanford's award-winning National Night Out program each year.

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	2017	2016	2015
Water User Charges	\$10,590,494	\$10,275,173	\$10,342,799
Sewer User Charges	9,763,436	7,644,040	7,171,039
Other	622,932	603,141	588,172
Contribution from Other Agencies	442,230	0	0
Total Revenues	\$21,419,092	\$18,522,354	\$18,102,010

Where The Money Comes From



User charges comprise the vast majority of utility fund revenues at 95%. Other funding sources are items such as monitoring fees, connection and tap fees, investment income, and charges to other funds.

Contribution from other agencies includes Federal Emergency Management Agency (FEMA) funds.

Revenue Trend Variances

- ◆ **Sewer user charges** increased by 27.7% compared to prior year. The city is seeing an increase in industrial waste hauled to and treated at the Water Reclamation Facility.
- ◆ **Contribution from other agencies** includes federal and state revenue received from FEMA due to damage caused by Hurricane Matthew.

Utility Fund in Focus

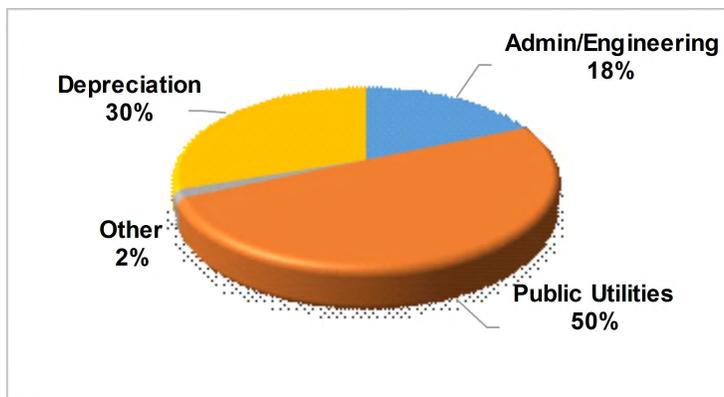
The City of Sanford paid \$450,000 to repaint the Spruce Street Water Tank as part of its 10-year maintenance program.



UTILITY FUND

Expenses	2017	2016	2015
Administration/Engineering	\$3,389,058	\$3,002,873	\$2,655,947
Public Utilities	9,172,099	8,377,312	7,788,469
Other	277,145	470,966	458,754
Depreciation	5,563,619	5,532,519	3,720,583
Total Expenses	\$18,401,921	\$17,383,670	\$14,623,753

Where The Money Goes



Public utilities represent 50% of the total utility fund expenses.

This money is used to maintain the water and sewer lines, as well as operate the water filtration and water reclamation facilities.

Depreciation accounts for 30% of utility fund expenses.

Expense Trend Variances

- ◆ **Administration/Engineering** increased by 12.9% compared to prior year. This is mainly due to personnel cost which includes the re-organization of the public works department and an increase in Local Government Employee Retirement System pension expense.
- ◆ **Public Utilities** reflect a 9.5% increase from prior year. This increase is mainly due to a grant match contribution to the airport, repair of a 24-inch water main (damage caused by Hurricane Matthew), upgrade lighting and raw water pump #3 at Water Filtration Facility, contractual fees for engineering study of water supply and software maintenance.
- ◆ **Other** expenses show a 41.2% decrease compared to prior year due to actuarial study of Other Post Employment Benefits (OPEB).

Important Note

For the modified accrual basis (non-GAAP) reports on pages 91-93 of the 2017 Comprehensive Annual Financial Report (CAFR), \$6.3 million for debt service and \$1.6 million for capital outlay account for approximately 39% of the \$20.4 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 \$7,279,653 while total fund balance reached \$10,425,457. We will replace \$2.5 million in fund balance during FY 2017-18 when we are reimbursed by loan proceeds related to the streetscape project.

The City currently has an available fund balance of 25.7% of General Fund expenditures, while total fund balance represents 36.8% of the same amount.

General Fund	2017	2016	2015
Beginning General Fund Balance	\$11,810,474	\$10,931,196	\$9,444,886
Adjustment to Beginning Fund Balance	147,764	474,451	405,021
Revenues	28,817,672	28,079,235	26,151,698
Expenditures	(28,349,681)	(27,117,896)	(24,813,466)
Issuance of Debt	0	0	1,058,506
Insurance Recovery	29,817	71,775	0
Transfers In	54,809	0	1,410,700
Transfers out	(2,085,398)	(628,287)	(2,726,149)
Net Change in Fund Balance	(1,532,781)	404,827	1,081,289
Ending General Fund Balance	\$10,425,457	\$11,810,474	\$10,931,196

Long-Term Debt

As of June 30, 2017, the City of Sanford had total bonded debt outstanding of \$43,565,000. 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 \$178,377,409.

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.



Back row left to right: Byron Buckels, Council Member; Sam Gaskins, Council Member and Mayor Pro Tem; Chas Post, Council Member; and Jimmy Haire, Council Member. Front row left to right: Rebecca Wyhof, Council Member; T. Chet Mann, Mayor; James Williams, Council Member; and Charles Taylor, 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.

