

SANFORD

NORTH CAROLINA



Popular Annual Financial Report

Fiscal Year Ending June 30, 2018

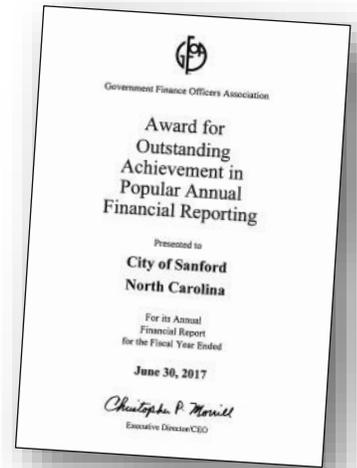


MANAGER'S MESSAGE



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.

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 2018 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, and schedules.



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 our city for all residents.

Sincerely,

Hal Hegwer

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RECOGNITIONS

- ◆ Award for Excellence in Financial Reporting for the 2017 Comprehensive Annual Financial Report by the Government Finance Officers Association for the 37th consecutive year.
- ◆ Award for Distinguished Budget Presentation for the 2018 Annual Operating Budget by the Government Finance Officers Association for the 32nd consecutive year.
- ◆ Award for Outstanding Achievement in Popular Annual Financial Reporting by the Government Finance Officers Association for 2017. This is the third year the city has received this award.
- ◆ Awarded a \$1,500,000 grant from the Golden LEAF Foundation to extend sewer to the Sanford/Lee County Regional Airport.
- ◆ Awarded a \$150,000 grant from the NC Department of Environmental Quality for a Water Asset Inventory and Assessment Management Project.
- ◆ Awarded Best Outdoor Space Improvement by North Carolina Main Street for the Downtown Sanford Streetscape bond project.
- ◆ Named a Tree City USA by the Arbor Day Foundation for the sixth consecutive year.



Music, food, art and fireworks took center stage at the annual Downtown Sanford StreetFest & Fireworks festival.

SANFORD IN FOCUS

The City of Sanford is a proud partner of the U.S. Department of Defense for the U.S. Vietnam War Commemoration program.

As a partner, the City holds a flag ceremony at the City Hall Veterans Memorial each March to mark the anniversary of the last day troops left Vietnam.

Lee County Senior High School JROTC performed the flag ceremony for 2018. The event is supported each year by the Private John Grady Chapter of the National Society Daughters of the American Revolution.





OUR CITY

Incorporated in 1874, Sanford has seen steady growth. 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.

Centered in the heart of North Carolina, Sanford offers residents and visitors a unique blend of small town charm and big city amenities. Our city boasts an active, energized downtown complimented by lush natural resources and a thriving community.

Whether relaxing, playing, or working, Sanford offers a high quality, well centered way of life.

POPULATION



29,313

MEDIAN AGE



37

MEDIAN HOUSING VALUE



\$136,900

MEDIAN HOUSEHOLD INCOME



\$46,402

UNEMPLOYMENT RATE



4.2%

CITY LIMITS



28.18 sq mi

Principal Employers

(in order of ranking)

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

Principal Property Taxpayers

(in order of ranking)

- Coty, Inc.
- Frontier Spinning Mills
- Simpson & Simpson
- Magneti Marelli USA, Inc.
- Moen
- Static Control Components, Inc.
- Pentair Water Pool and Spa, Inc.
- Central Carolina Hospital/AMISUB
- Tyson
- E and R Moore



SIGNIFICANT EVENTS



- ▶ The City of Sanford held the third annual Downtown StreetFest & Fireworks in partnership with Downtown Sanford, Inc. The festival featured live music, food trucks, and art, and was capped off with a 20-minute firework display.
- ▶ Sanford City Council agreed to share the cost of adding a spec building to Central Carolina Enterprise Park. The City and Lee County Government will each invest \$325,000 over two years. The remaining costs of the building will be paid by a private investment group. The goal for the building is to entice industry to the park. Construction will begin in the fall of 2018.
- ▶ The N.C. General Assembly passed legislation that allows the City of Sanford to levy a 3% occupancy tax inside Sanford's city limits. The City created the Sanford Tourism Development Authority to manage the funds.
- ▶ The N.C. Department of Commerce granted the City of Sanford \$40,000 for the Sanford Mural Restoration Project. The Appearance Commission will use the funds to restore ghost signs throughout the city as well as to add more art through the Public Art Program.
- ▶ The City of Sanford spearheaded S3 Housing Connect, a public-private task force comprised of members from local nonprofits, churches, law enforcement, healthcare providers, and government officials and staff. In FY 2017-18, S3 Housing Connect opened Sanford's first low-barrier Emergency Weather Shelter. A long-term goal is to build a low-barrier shelter for daily use.

SANFORD IN FOCUS



The City of Sanford installed a plaque showcasing the last three horse hitching rings located in Downtown Sanford. These rings were used by locals during the early 1900s to hitch horses and other livestock when they came to town for supplies or business.



COMMUNITY SUPPORT

The City of Sanford created the “Sanford Cares” Community Assistance & Relief Emergency Support program in Fiscal Year 2016-17 to allow customers to contribute toward an emergency relief fund to help struggling residents pay their water and sewer bills.



Through June 30, 2018, the program collected approximately \$3,500 in customer contributions and paid out nearly \$2,100 to Johnston-Lee-Harnett Community Action, the private, non-profit agency that administers the assistance program.

Many of these contributions came from responses to a community survey educating customers about the program. Of 4,703 survey responses, 1,046 customers opted to round up their monthly bill to help with emergency needs and 45 respondents asked to donate a fixed amount to the program each month.



At an Opioid Community Forum, Mayor Chet Mann listens to the story of a family that lost a loved one to opioid overdose.

Despite its relatively small size, Sanford/Lee County has experienced the opioid crisis affecting cities across the nation.

To combat this epidemic, Sanford City Council worked with Lee County Government to put together a series of community forums focused on finding solutions and curbing the crisis.

An Opioid Task Force developed from the forums. Council will continue to work with the group to develop actionable, effective strategies to help public agencies respond to the crisis while also supporting hurting families.

For the ninth consecutive year, the City of Sanford’s Community Development department coordinated the Sanford Block Party, a day of community service and fellowship in a blighted Sanford neighborhood.



This year’s block party focused on the area that will house the revitalized W.B. Wicker Elementary School. Nearly 100 volunteers spent the day performing light landscaping, carpentry, and painting as well as meeting with neighbors to learn more about the ongoing needs of the community.



COMMUNITY SUPPORT



The City of Sanford was proud to support local singer Britton Buchanan as a contestant on season 14 of The Voice on NBC.

Britton is well known and beloved in the Sanford community as residents have watched him grow from a tween performing for local fundraisers into a young man with an amazing musical talent.

Sanford City Council held a watch party for Britton to celebrate his success and encourage our residents to vote for him as the top winner. In addition to bringing out a full band to perform, Council members also demonstrated how to download the app needed to vote.

Britton finished the season as the Runner Up and is now moving to Los Angeles to pursue a music career with the backing of artist Alicia Keys.

PUBLIC ART

Sanford has a vibrant and thriving Public Art Program that showcases our city's history while also engaging newcomers and youth.

One new feature for Fiscal Year 2017-18 was adding the first three dimensional mural in the state of North Carolina. The mural honors the Fairview Dairy, which was founded in 1927 by the Yarborough family. The mural depicts a dairy scene and the cow heads are 3D.



City staff pose with muralist Chris Dalton, who painted the 3D Fairview Dairy mural.



Student artists painted fire hydrants located throughout downtown Sanford.

The Appearance Commission also chartered a new arts initiative with the local high schools to enable art students to spruce up fire hydrants in the downtown Sanford business district.

The student artists submitted their designs to a panel of judges comprised of Appearance Commission members. The Commission selected five designs to start the program and paid for all supplies.



WAYFINDING SIGNS

On the heels of its \$13.4 million streetscape investment in its downtowns, the City of Sanford embarked on a wayfinding campaign to identify points of interest.

The City hired a third-party vendor and included municipal staff and local hospitality service groups to develop a Wayfinding Plan that incorporates Sanford’s history while also showcasing its revitalization.

A City in Transit: Past, Present, and Future

The City of Sanford sprang up in the early 1800s around the crossing of two major railroads. To honor our founding, the wayfinding signs feature a railroad motif, complete with train “cowcatchers” at the bottom and a top bar that mimics an Edwards Rail Car, a stand-alone self-propelled rail car that was built in Sanford from the 1920s to the early 1940s.

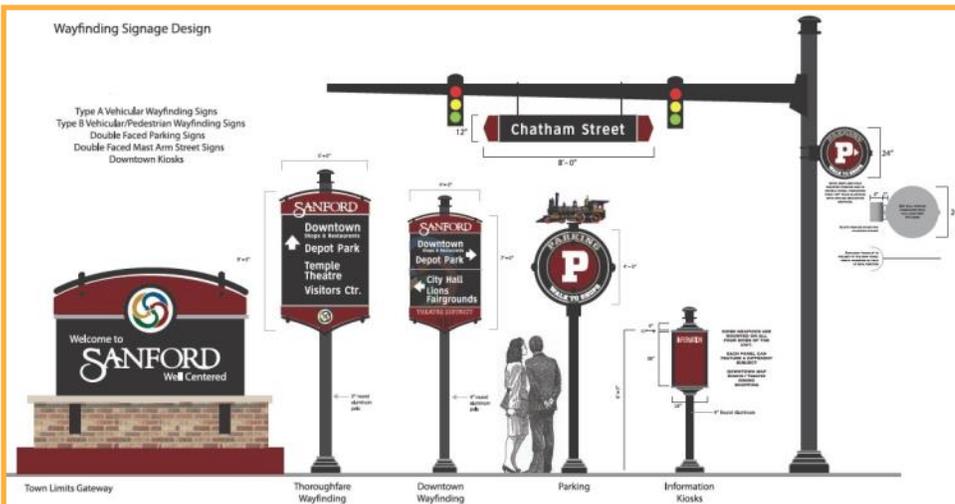
The signs all feature the brick red color as a tie to Sanford’s other claim to fame: its clay. The city was known as the “brick capital” of the United States for years and operated several brick yards.



Looking to the Future

The City began installing the signs in fiscal year 2017-18 by focusing on the entrances to our downtown areas. In addition, several off-premise parking signs were mounted directing visitors to free, public parking. Street signs were also affixed to master arm traffic signal poles, installed during the streetscape project.

Due to the overwhelming success of the wayfinding program, Sanford City Council has agreed to fund additional signage annually for the next five years. The next installation will focus on pedestrian signage and public information kiosks.





way·find·ing

/wā/'fīndiNG/

noun

A system of information that combines signs, maps, symbols, and colors to guide people through a physical environment and enhance how they understand and experience the space.

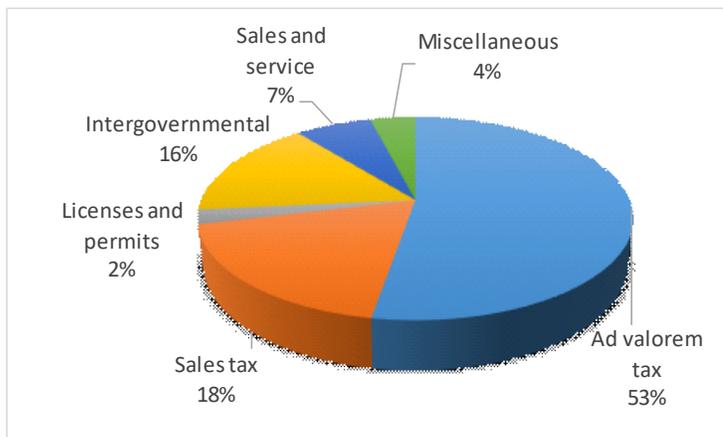


GENERAL FUND

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	2018	2017	2016	2015
Ad valorem tax	\$15,485,911	\$15,216,230	\$14,959,396	\$14,555,304
Sales Tax	5,431,167	5,211,914	5,126,460	4,561,945
Licenses and Permits	682,409	737,715	671,132	400,860
Intergovernmental	4,616,542	4,688,737	4,111,194	3,948,316
Sales and Service	1,986,415	1,852,633	2,188,242	1,802,784
Miscellaneous	1,177,452	1,110,443	1,022,811	882,489
Total Revenues	\$29,379,896	\$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.

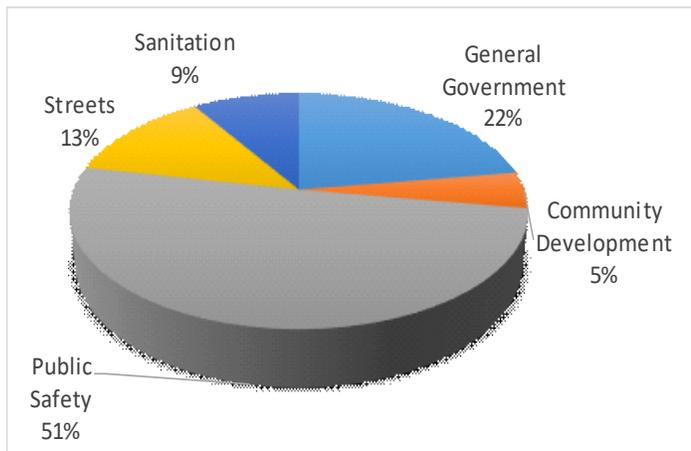
Intergovernmental funding source consists of items such as utility franchise tax, Powell Bill, 911 surcharge reimbursement, and revenue received from other local governments and reflects 16% of total City revenues.

Revenue Trend Variances

- ◆ **Licenses and permits** revenue decreased by 7.5% compared to prior year. FY 2016-17 saw heavy commercial activity, which has slowed. Residential growth continues at its steady pace.
- ◆ **Sales tax** revenue reflects a 4.2% increase compared to prior year. The state collects and distributes proceeds from the locally levied tax on retail sales, which varies from year to year.
- ◆ **Sales and service** revenue is showing an increase of 7.2% compared to the prior year. This is the result of not having an auction in the prior year.
- ◆ **Miscellaneous** revenue increased by 6% compared to the prior year due to installment purchase proceeds received in the amount of \$1 million.

Expenditures	2018	2017	2016	2015
General Government	\$6,535,716	\$6,484,787	\$6,575,153	\$4,747,007
Community Development	1,445,911	1,395,507	1,362,229	1,126,641
Public Safety	14,696,295	14,502,979	14,259,330	13,158,819
Streets	3,709,949	3,335,117	2,309,972	3,115,985
Sanitation	2,605,076	2,631,291	2,611,212	2,665,014
Total Expenditures	\$28,992,947	\$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 22%, the General Government function includes Governing Body, Administration, Human Resources, Finance, Information Technology, Legal, Public Buildings, Fleet Maintenance, and Horticulture.

Street category includes street maintenance and street capital improvements. Community Development includes Code Enforcement and Downtown/Historic Preservation.



The City of Sanford's Public Safety personnel are the highlight of Sanford's award-winning National Night Out program each year. Pictured here is Capt. Tony Hancox at the inaugural Cone with a Cop day at Dairy Queen.

Expenditure Trend Variances

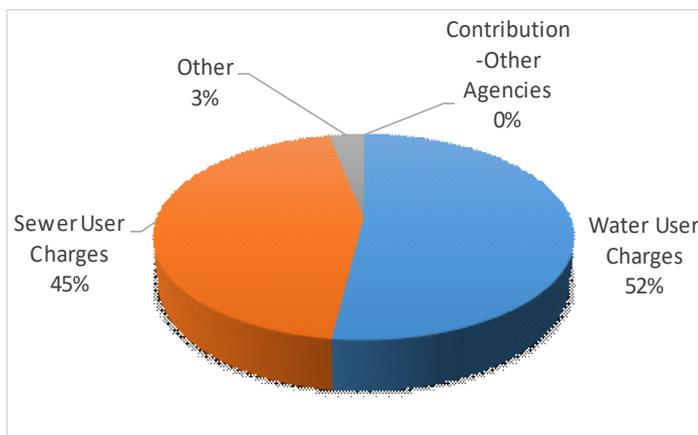
- ◆ **Street category** increased by 11.2% compared to prior year. This significant increase is due to timing of projects such as street resurfacing.
- ◆ **Community Development** category increased by 3.6% compared to prior year. The increase is mainly due to the installation of wayfinding signs.
- ◆ **Sanitation** category decreased by 1% compared to prior year due to contract negotiations with our sanitation services provider.

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	2018	2017	2016	2015
Water User Charges	\$11,187,764	\$10,590,494	\$10,275,173	\$10,342,799
Sewer User Charges	9,644,991	9,763,436	7,644,040	7,171,039
Other	667,840	622,932	603,141	588,172
Contribution from Other Agencies	6,888	442,230	0	0
Total Revenues	\$21,507,483	\$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 97%. 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

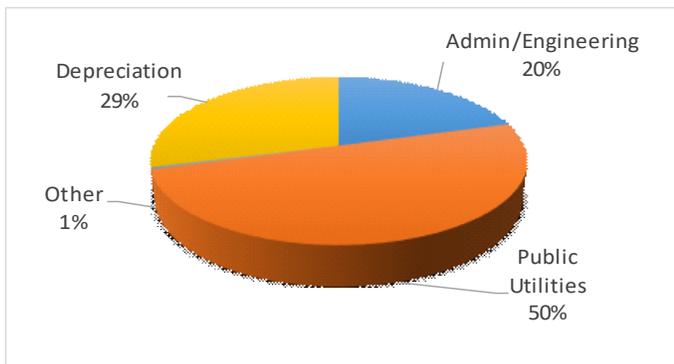
- ◆ **Water user charges** increased by 5.6% compared to prior year due to commercial consumption outside the City limits.
- ◆ **Contributions from other agencies** includes federal and state revenue received from FEMA due to damage caused by Hurricane Matthew in prior year, resulting in the decrease shown.
- ◆ **Other** revenue reflects a 7.2% increase compared to prior year and is the result of additional interest income received.



The City of Sanford paid \$250,000 to repaint the Tramway Water Tank as part of its 10-year maintenance program.

Expenses	2018	2017	2016	2015
Administration/Engineering	\$3,972,601	\$3,389,058	\$3,002,873	\$2,655,947
Public Utilities	9,662,569	9,172,099	8,377,312	7,788,469
Other	100,609	277,145	470,966	458,754
Depreciation	5,624,842	5,563,619	5,532,519	3,720,583
Total Expenses	\$19,360,621	\$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 29% of utility fund expenses.



Water and sewer infrastructure repairs accounted for some of the increase in Public Utility expenses.

Expense Trend Variances

- ◆ **Administration/Engineering** increased by 17.2% compared to prior year. This is mainly due to an increase in interfund reimbursement.
- ◆ **Public Utilities** reflect a 5.4% increase from prior year. This increase is mainly due to meter change out and major infrastructure repairs throughout our water and sewer system.
- ◆ **Other** expenses show a 63.7% decrease due to actuarial study of Other Post Employment Benefits (OPEB) in prior year.

Important Note

For the modified accrual basis (non-GAAP) reports on pages 89-91 of the 2018 Comprehensive Annual Financial Report (CAFR), \$5.9 million for debt service and \$1.2 million for capital outlay account for approximately 35% of the \$20.5 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 City of Sanford's chief operating fund. At the end of the current fiscal year, the fund balance available in the General Fund was \$10,056,421. Total fund balance reached \$14,406,606. The City currently has an available fund balance of 34.7% of General Fund expenditures, while total fund balance represents 49.7% of the same amount.

The City's current bond ratings are as follows: Moody's Investment Service Aa3 and Fitch AA.

General Fund	2018	2017	2016	2015
Beginning General Fund Balance	\$10,425,457	\$11,810,474	\$10,931,196	\$9,444,886
Adjustment to Beginning Fund Balance	0	147,764	474,451	405,021
Revenues	29,379,896	28,817,672	28,079,235	26,151,698
Expenditures	(28,992,947)	(28,349,681)	(27,117,896)	(24,813,466)
Issuance of Debt	1,000,000	0	0	1,058,506
Insurance Recovery	12,822	29,817	71,775	0
Sale of Property	361,833	0	0	0
Transfers In	2,581,236	54,809	0	1,410,700
Transfers out	(361,691)	(2,085,398)	(628,287)	(2,726,149)
Net Change in Fund Balance	3,981,149	(1,532,781)	404,827	1,081,289
Ending General Fund Balance	\$14,406,606	\$10,425,457	\$11,810,474	\$10,931,196

LONG TERM DEBT

As of June 30, 2018, the City of Sanford had total bonded debt outstanding of \$40,635,000. Of this amount, \$33,485,000 is backed by revenues from water and sewer user charges. The other portion of the bonded debt is \$7,150,000 in general obligation bonds that were approved through referendum. 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 \$180,036,071.

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.



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; Chas Post, Council Member; and Jimmy Haire, Council Member. Front row left to right: Rebecca Wyhof, Council Member and Mayor Pro Tem; 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.





PUBLIC ART | P. 7

The City of Sanford's Public Art Program has added several historic murals to Sanford's downtowns through private donations and municipal support.