

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
TOWN OF SOUTHERN PINES,
NORTH CAROLINA
FOR THE
Fiscal Year Ended June 30, 2011

Prepared by the Department of Finance

Crystal J. Gabric,
Director of Finance

**THE TOWN OF SOUTHERN PINES, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
Year ended June 30, 2011**

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October 28, 2011

To the Honorable Mayor, Members of the Town Council, and the Citizens of the Town of Southern Pines:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, the Comprehensive Annual Financial Report (CAFR) of the Town of Southern Pines, North Carolina (Town) for the fiscal year ended June 30, 2011 is hereby submitted.

This report was prepared by the Town's Finance Department and consists of management's representations concerning the finances of the Town of Southern Pines. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Dixon Hughes Goodman LLP, a firm of licensed certified public accountants, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Town of Southern Pines is required by State law to have an annual independent financial audit. A compliance audit in accordance with Government Auditing Standards is

also required. The auditor's report required by Government Auditing Standards is found in the Compliance Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE TOWN

The Town of Southern Pines, North Carolina, was incorporated in 1887, and is located on the fringe of the Piedmont section of the State in an area known as the Sandhills. The Town, which is located in Moore County (County), has a 2011 population of approximately 12,384 and encompasses 16.58 square miles. The Town provides a full range of services including police and fire protection, streets, planning and zoning, parks and recreation, library, fleet maintenance, and general administrative services. The Town also operates water and sewer utility services.

The Town operates under the Council-Manager form of government. The legislative body of the government of the Town is comprised of a Mayor and a four-member Town Council. The Town Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the Town Manager. The Mayor and Council are elected at-large by the Citizens, with the Mayor being elected separately. The Mayor serves a four-year term, and is the presiding officer of the Council. Members of the Town Council serve four-year terms as well. Town Council elections are held every two years in order that the terms of office are staggered. The Town Manager is responsible for the administration of the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing the heads of the various departments.

The annual budget serves as the foundation for the Town's financial planning and control. The Town has a formal operating budget process, which begins in January of each year. The Town Council receives the recommended budget in April. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the Town's fiscal year. Legal budgetary control for operating budgets is exercised at the fund and department level. Transfers of appropriations between departments and funds require the approval of the Town Council. Formal budgetary integration and encumbrance accounting are employed as management control devices during the year. Budget to actual comparisons are provided in this report for each individual governmental fund and the proprietary fund for which an appropriated annual budget has been adopted.

LOCAL ECONOMY

The economic profile of the Town is a mixture of tourism, retirement, professional services and retail. Direct spending by visitors continues to be high, placing Moore County eleventh in the one hundred counties in North Carolina, while its population places it thirty first. Tourism represented a tax savings to each County resident in excess of \$341 annually.

Like the national and state economy, the local economy continued to struggle in 2011. While the number of total building permits remained consistent with prior years, the value

of the development decreased in comparison with the previous year. The overall property tax value for upcoming fiscal year reflects a modest growth rate of .65% over the 2011 fiscal year.

Construction has begun on phase one of the Southern Pines Village retail area. Phase one includes an anchor store in addition to other retail and restaurant establishments. In addition, a conditional use permit has been issued for the construction of the Tyler's Ridge planned development. Tyler's Ridge is to contain over 200 apartments as well as commercial establishments.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The Town of Southern Pines maintains unassigned fund balance sufficient to maintain consistent cash flow, generate interest income, eliminate the need for short term borrowings, and provide flexibility for unanticipated opportunities and needs during emergencies or disasters. In addition, fiscally responsible budgeting has contributed to the Town's ability to maintain and improve the Town's bond rating from two agencies.

The Town has several ongoing capital projects to meet the needs of the citizens. During fiscal year 2011 the Town achieved a number of improvements in municipal operations and services provided to the citizens of the Town. Some of the more significant accomplishments for the year and major program initiatives for the future are discussed below.

Construction has been completed on the installation of water and sanitary sewer improvements to serve the Waynor Road Community. The area which contains 30+ lots, was annexed by the Town in December 2009. Partial funding for the project was a Community Development Block Grant that was awarded during 2009.

During 2011, the construction of the police facility was completed and the capital project fund was closed. The site, which is adjacent to the existing fire station, enables the Town's public safety facilities to be located in the same central location. In addition to police services, the police facility also hosts a communications center and centralized server room for the entire Town's Information Technology equipment as well as an emergency operations center.

Construction began during 2011 on a raw water storage reservoir project. The reservoir will have a 140 million gallon capacity to include, fill piping from the existing Southern Pines Water Treatment Plant's raw water pump station on Drowning Creek and a reservoir pump station and piping which then would transport the stored water to the Water Treatment Plant. The revenue source for the project is a \$3,500,00 installment financing as well as impact fees and enterprise fund retained earnings.

Implementation and conversion began on the Enterprise Information and Document Management System project. Once completed, the project will allow the Town to have an integrated electronic solution for all departments and systems to include accounting and customer service.

Street resurfacing also continued to keep our streets among the best maintained in the State. Sewer and water line replacements and improvements also continued during 2011 as well as continued construction and improvements of various sidewalks in the Town.

A capital project fund was established in 2011 for the planning process of the construction of a fire sub-station. The station will be built in the northern portion of the Town and will allow the same level of service in response time to all Town citizens to include areas in the fire district.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Southern Pines, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the twentieth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

The preparation of this report would not have been possible without the dedicated efforts of the entire staff of the Finance Department, as well as the cooperation of the other departments of the Town of Southern Pines. We would like to thank Dixon Hughes Goodman LLP the Town's independent auditors, for their assistance and dedication in preparing this report. In addition, we wish to express our appreciation to the Mayor, and the Town Council for their continued support, leadership, and professionalism in conducting the financial affairs of the Town.

Respectfully submitted,

Reagan D. Parsons
Town Manager

Crystal J. Gabric
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Southern Pines
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

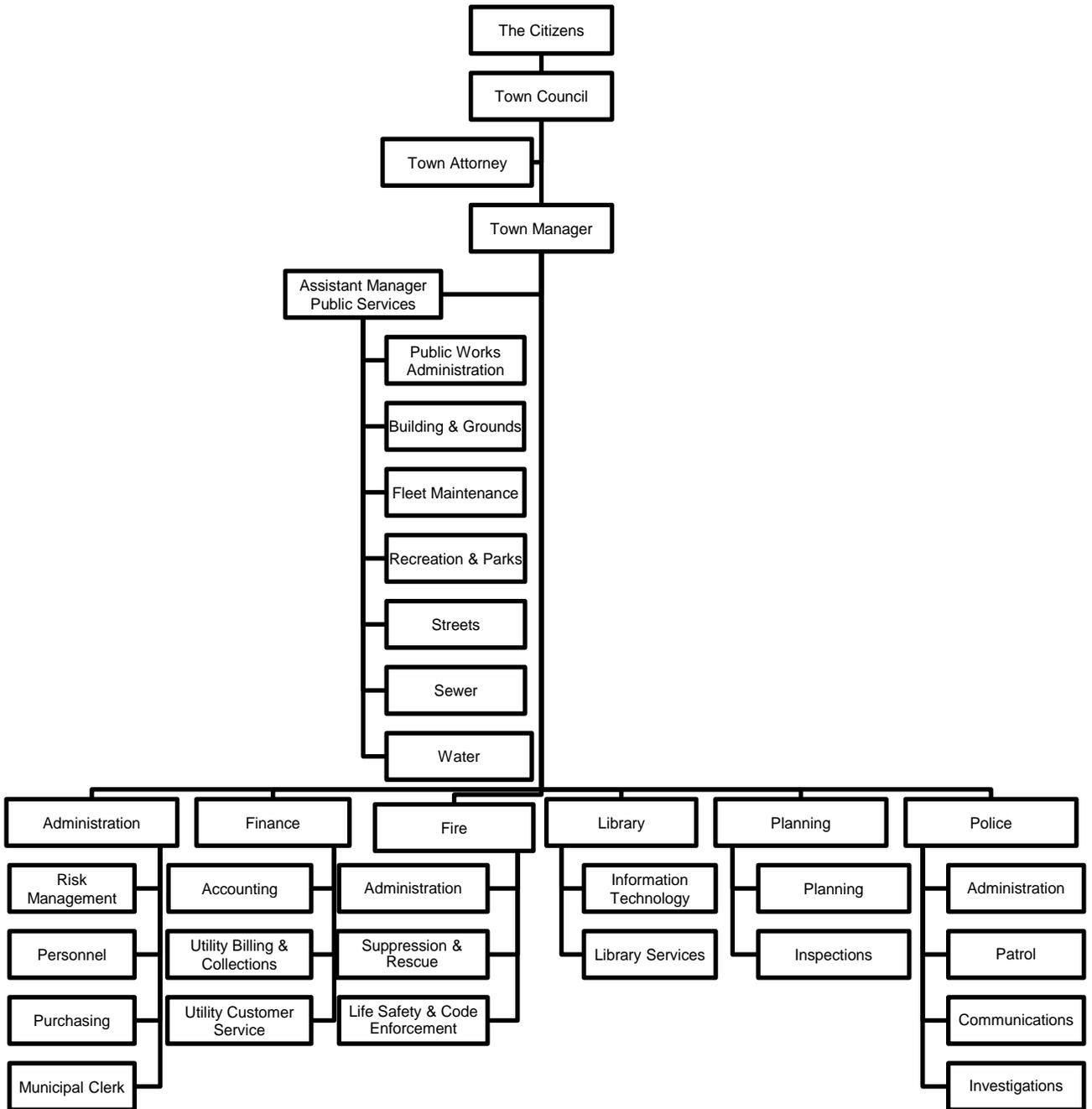


President

Executive Director

TOWN OF SOUTHERN PINES

Organizational Chart



TOWN OF SOUTHERN PINES
LIST OF PRINCIPAL OFFICIALS
June 30, 2011

TOWN COUNCIL

Michael Haney	Mayor
Michael Fields	Mayor Pro-tem
Fred Walden	Treasurer
Christopher Smithson	Council Member
David McNeill	Council Member

TOWN OFFICIALS

Reagan D. Parsons	Town Manager
Douglas R. Gill	Town Attorney
David White	Assistant Town Manager – Director of Public Services
Eleanore M. Dreher	Director of Administrative Services
Crystal J. Gabric	Director of Finance
John Letteney	Chief of Police
Bart Nuckols	Director of Planning
Robert Reeve	Director of Recreation & Parks
Lynn Thompson	Director of Library Services & Information Technology
Hampton Williams	Fire Chief

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of
the Town Council
Town of Southern Pines
Southern Pines, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southern Pines, North Carolina as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Southern Pines' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southern Pines, North Carolina as of June 30, 2011 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2011 on our consideration of Town of Southern Pines' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officer's Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Town of Southern Pines, North Carolina, taken as a whole. The individual fund statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections of the Comprehensive Annual Financial Report (CAFR) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on their contents.

Dixon Hughes Goodman LLP

October 27, 2011



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Management's Discussion and Analysis

As management of the Town of Southern Pines, we offer readers of the Town of Southern Pines' financial statements this narrative overview and analysis of the financial activities of the Town of Southern Pines (Town) for the fiscal year ended June 30, 2011. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative and the transmittal letter found in the Introductory Section.

Financial Highlights

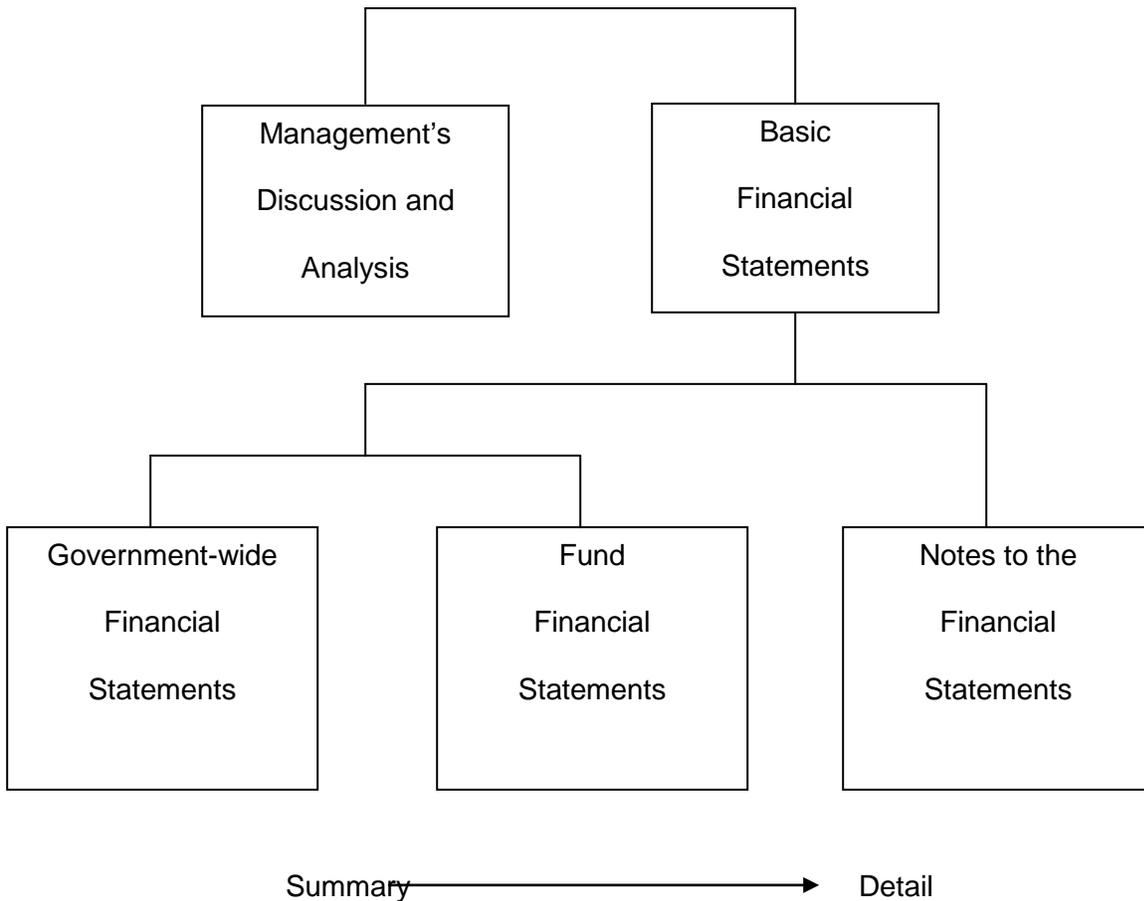
- The assets of the Town of Southern Pines exceeded its liabilities at the close of the fiscal year by \$79,551,163 (net assets).
- The government's total net assets increased by \$1,310,465, due to an increase in both the governmental activities and the business type net assets.
- As of the close of the current fiscal year, the Town of Southern Pines governmental funds reported combined ending fund balances of \$10,139,388, an increase of \$150,166 in comparison with the prior year. Approximately 13.06 percent of this total amount, or \$1,324,271, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,192,710 or 39.91 percent of total General Fund expenditures for the fiscal year.
- The Town of Southern Pines' total debt increased by \$2,841,814 or 47.95 percent during the current fiscal year. The key factor in this increase was the issuance of installment financing of \$3,500,000 in the business-type activities for the construction of a Raw Water Reservoir.
- The Town maintained its A2 bond rating from Moody's Investors Services for the 13th consecutive year as well as its AA- from Standard and Poor's for the 3rd consecutive year. For the 5th consecutive year, the Town maintained its North Carolina Municipal Council rating of 85, which is comparable to a rating of A1/A+ by the national rating agencies.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. These 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 Town 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 Town of Southern Pines.

Figure 1:

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town'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 therein. After the notes, **supplemental information** is provided to show details about the Town'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 Town'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 Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gage the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, public works, parks and recreation, library, planning and inspections, transportation, and general administration. Property taxes and intergovernmental revenues finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town.

The government-wide financial statements are contained in Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town'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 Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes and the Town's budget ordinance. All of the funds of the Town 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 Town'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 Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town 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 Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 Council; 2) the final budget as amended by the Council; 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 Town 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 Town uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Trust and Agency Funds – Trust and agency funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for agency 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. The notes to the financial statements begin on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

Government-Wide Financial Analysis of the Town of Southern Pines

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$79,551,163 as of June 30, 2011. The Town's net assets increased by \$1,310,465 for the fiscal year ended June 30, 2011. However, 75.85% reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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. An additional portion of the Town's net assets, \$3,473,801, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,735,319 is unrestricted.

The following (Figure 2) reflects condensed information on the Town's net assets.

Figure 2:

**The Town of Southern Pines
Statement of Net Assets**

	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2011	2010
	2011	2010	2011	2010		
Current and other assets	\$ 10,907,689	\$ 11,027,341	\$ 10,545,300	\$ 7,778,892	\$ 21,452,989	\$ 18,806,233
Capital assets	34,828,178	35,335,831	34,282,130	32,039,888	69,110,308	67,375,719
Total assets	<u>45,735,867</u>	<u>46,363,172</u>	<u>44,827,430</u>	<u>39,818,780</u>	<u>90,563,297</u>	<u>86,181,952</u>
Long-term liabilities	5,261,319	5,795,915	3,050,025	24,485	8,311,344	5,820,400
Other liabilities	1,380,822	1,700,171	1,319,968	420,683	2,700,790	2,120,854
Total liabilities	<u>6,642,141</u>	<u>7,496,086</u>	<u>4,369,993</u>	<u>445,168</u>	<u>11,012,134</u>	<u>7,941,254</u>
Net assets:						
Invested in capital assets, net of related debt	29,411,511	29,678,651	30,930,532	32,039,888	60,342,043	61,718,539
Restricted	3,473,801	316,270	-	-	3,473,801	316,270
Unrestricted	6,208,414	8,872,165	9,526,905	7,333,724	15,735,319	16,205,889
Total net assets	<u>\$ 39,093,726</u>	<u>\$ 38,867,086</u>	<u>\$ 40,457,437</u>	<u>\$ 39,373,612</u>	<u>\$ 79,551,163</u>	<u>\$ 78,240,698</u>

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.26%, which is greater than the last reported statewide average of 97.17%.
- Increased sales tax revenues of approximately \$67,000 due to economic growth in the Town.
- Increased restricted intergovernmental revenues of approximately \$146,000 due to additional grant funding.
- Continued low cost of debt due to the Town's good bond ratings.

Changes in Net Assets

The Town's total revenues and expenses for governmental and business-type activities are reflected in Figure 3.

Figure 3:

**Town of Southern Pines
Changes in Net Assets**

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,868,779	\$ 1,824,181	\$ 6,468,773	\$ 6,093,301	\$ 8,337,552	\$ 7,917,482
Operating grants and contributions	672,009	548,929	-	-	672,009	548,929
Capital grants and contributions	422,756	58,660	605,535	1,114,990	1,028,291	1,173,650
General revenues:						
Property taxes	7,334,480	7,236,466	-	-	7,334,480	7,236,466
Other taxes	3,281,980	3,220,321	-	-	3,281,980	3,220,321
Other	550,592	543,446	21,656	97,530	572,248	640,976
Total revenues	14,130,596	13,432,003	7,095,964	7,305,821	21,226,560	20,737,824
Expenses:						
General government	4,630,400	4,539,958	-	-	4,630,400	4,539,958
Public safety	5,118,600	4,751,887	-	-	5,118,600	4,751,887
Culture and recreation	1,549,640	1,587,332	-	-	1,549,640	1,587,332
Transportation	1,436,648	1,593,589	-	-	1,436,648	1,593,589
Economic & physical development	956,340	667,356	-	-	956,340	667,356
Interest on long-term debt	212,328	225,648	-	-	212,328	225,648
Water and sewer	-	-	6,012,139	5,783,760	6,012,139	5,783,760
Total expenses	13,903,956	13,365,770	6,012,139	5,783,760	19,916,095	19,149,530
Increase in net assets before transfers	226,640	66,233	1,083,825	1,522,061	1,310,465	1,588,294
Transfers	-	256,500	-	(256,500)	-	-
Increase in net assets	226,640	322,733	1,083,825	1,265,561	1,310,465	1,588,294
Net assets, July 1	38,867,086	38,544,353	39,373,612	38,108,051	78,240,698	76,652,404
Net assets, June 30	\$ 39,093,726	\$ 38,867,086	\$ 40,457,437	\$ 39,373,612	\$ 79,551,163	\$ 78,240,698

Governmental activities – Governmental activities increased the Town’s net assets by \$226,640, thereby accounting for 17.29% of the total growth in the net assets of the Town. Key elements of this increase are as follows:

- Current tax collections increased over the prior year due to growth.
- Operating grants and contributions increased due to additional grant funding in the Public Safety area for personnel cost.

Figure 4:

**Town of Southern Pines
Expenses and Program Revenues-Governmental Activities**

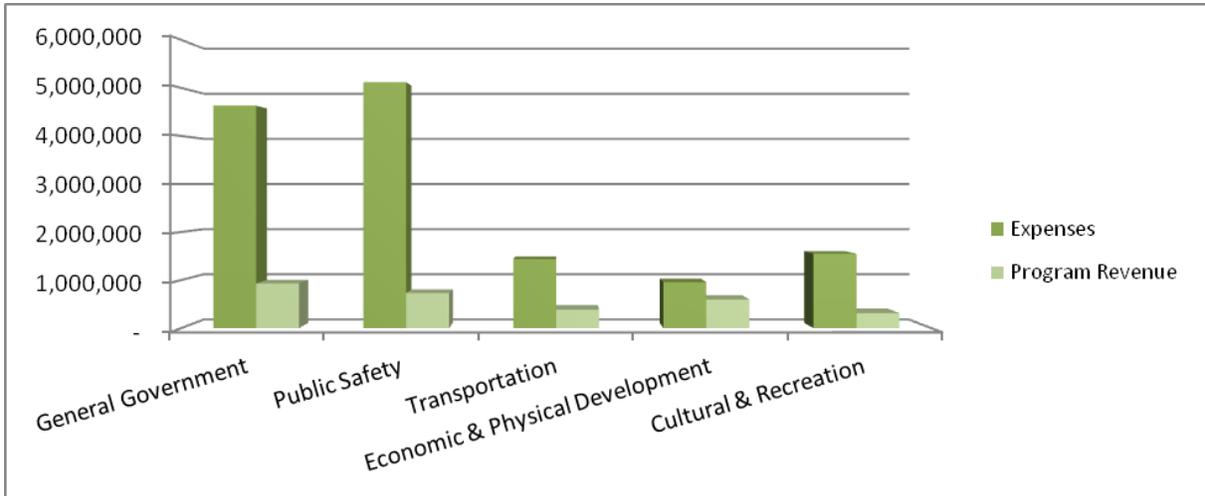
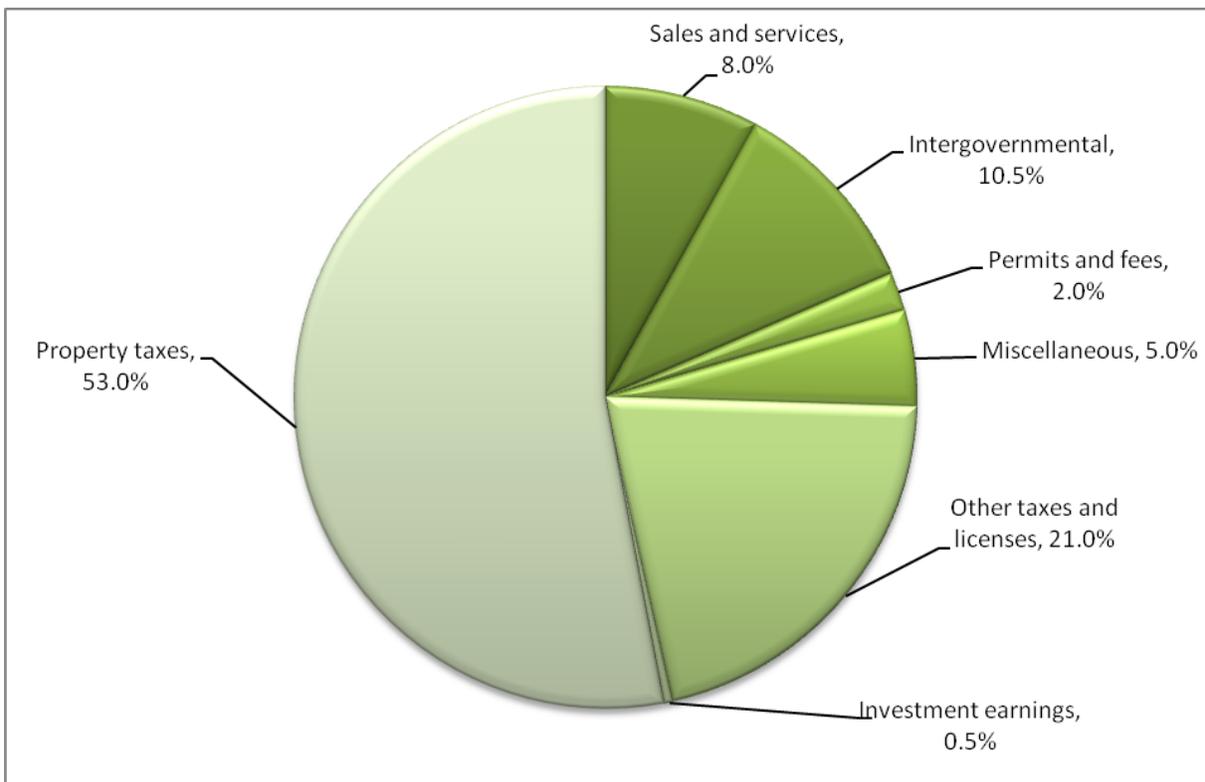


Figure 5:

**Town of Southern Pines
Revenues by Source – Governmental Activities**

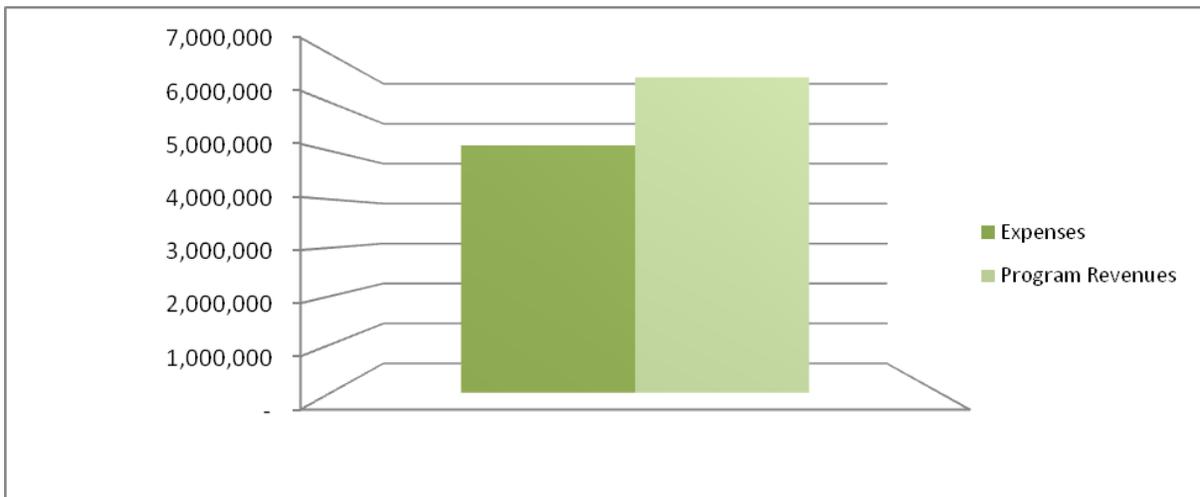


Business-type activities – Business type activities increased the Town’s net assets by \$1,083,825, accounting for 82.71% of the total growth in the net assets of the Town. Key elements of this increase are as follows:

- Charges for services increased primarily due to increased consumption.
- Impact fees increased primarily due to increased residential building activity.
- Capital grants and contributions in the amount of \$605,535 due in part to a Community Development Block Grant for water and sewer construction in the Waynor Road area.

Figure 6:

**Town of Southern Pines
Expenses and Program Revenues-Business-Type Activities**



Financial Analysis of the Town’s Funds

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

Governmental Funds. The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town’s financing requirements. Specifically, unreserved fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Southern Pines’ unassigned fund balance in the General Fund was \$5,192,710, while total fund balance reached \$7,879,312. The Town currently has unassigned fund balance of 39.91 percent of General Fund expenditures, while total fund balance represents 60.56 percent of that same amount.

At June 30, 2011, the governmental funds of the Town reported a combined fund balance of \$10,139,388 with a net increase in fund balance of \$150,166. Included in this change in fund balance are increases in fund balance in both the General and Capital Project Funds.

General Fund Budgetary Highlights: During the fiscal year, the Town 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 \$113,545 net increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$98,948 appropriation for the recognition of grants in the areas of Public Safety, Economic and Physical Development and Cultural and Recreation.
- \$18,600 appropriation for recognition of donations in various departments.

The actual operating revenues for the General Fund were greater than the final budgeted amount by \$885,735. Ad valorem taxes were \$117,490 greater than the budgeted amount due to an actual higher than budgeted tax collection rate. Other taxes and licenses were \$491,834 greater than the conservative amount budgeted for local option sales tax. Unrestricted intergovernmental revenues were \$81,218 greater than budgeted due to the increased amount of utility franchise tax. The permits and fees revenue category was \$89,138 greater than budgeted due to conservative budgeting in the building inspections area. The sales and services category was \$74,216 greater than budgeted due primarily to increased recreational department revenue.

The actual operating expenses for the General Fund were less than the final budgeted amount by \$1,091,199. General government, public safety, transportation, economic and physical development and cultural and recreational realized a savings of \$461,120, \$154,006, \$191,858, \$138,175 and \$146,038 respectively due primarily to personnel vacancies and the actual cost of capital equipment was less than the amount budgeted.

Proprietary Funds. The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the end of the fiscal year amounted to \$9,526,905. The total change in net assets was \$1,083,825. The change in net assets is primarily due to the continued construction of the raw water reservoir.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$69,110,308 (net of accumulated depreciation). These assets include buildings, streets, storm drainage, sidewalks, land, machinery and equipment, park facilities, and vehicles.

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

Governmental Funds:

Additions

- Infrastructure additions of \$39,980.
- Various purchases of vehicles and motorized equipment totaling \$73,260.
- Various purchases of furniture, fixtures and other equipment equaling \$407,268.
- Various purchases of machinery and equipment of \$124,369.
- Construction in progress of \$422,558 in governmental-type activities for the construction of a road, the construction of a fire sub-station, the design and installation of storm water infrastructure, the construction of a parkway and the construction of fiber connections between Town buildings.
- Intangible assets in progress in the amount of \$125,563 for the Enterprise Information and Document Management System.

Retirements

- Disposals and surplused assets in the amount of \$485,018.
- The transfer of construction in progress to the various asset categories in the amount of \$8,969,719 for the completion of the police facility.

Proprietary Funds:

Additions

- Construction in progress of \$2,873,104 for water and sewer improvements, a raw water reservoir and the commercial park project.
- Capital contributions of water and sewer lines in the amount of \$422,384.
- The addition of water and sewer lines in the amount of \$828,908.
- The addition of intangible assets consisting of water and sewer easements in the amount of \$42,720.
- Various equipment purchases of \$39,313.

Retirements

- Disposals and surplused assets in the amount of \$90,098.
- The transfer of construction in progress to the plant and distribution system asset category in the amount of \$885,110 for the completion of the Waynor Road Project.

Figure 7:

**Town of Southern Pines
Capital Assets**

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2011	2010	2011	2010	2011	2010
Land	\$ 11,850,841	\$ 10,771,658	\$ 351,446	\$ 351,446	\$ 12,202,287	\$ 11,123,104
Buildings and improvements	12,108,764	5,856,446	1,251,282	1,279,774	13,360,046	7,136,220
Other improvements	3,446,469	2,598,922	-	-	3,446,469	2,598,922
Machinery and equipment	275,497	235,041	608,670	672,320	884,167	907,361
Infrastructure	3,788,269	4,173,131	-	-	3,788,269	4,173,131
Plant and distribution systems	-	-	26,277,437	25,973,767	26,277,437	25,973,767
Vehicles and motorized equipment	1,424,485	1,612,569	-	-	1,424,485	1,612,569
Furniture, Fixtures, and other equipment	813,424	546,037	-	-	813,424	546,037
Intangibles-easements	-	-	244,784	202,064	244,784	202,064
Intangibles in progress	234,575	109,012	-	-	234,575	109,012
Construction in progress	885,854	9,433,015	5,548,511	3,560,517	6,434,365	12,993,532
Total Capital Assets (net of accumulated depreciation)	\$ 34,828,178	\$ 35,335,831	\$ 34,282,130	\$ 32,039,888	\$ 69,110,308	\$ 67,375,719

Additional information on the Town's capital assets can be found in note 6 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2011, the Town did not have any outstanding bonded debt. Previous bonded debt was related to the Proprietary Fund operations and was retired in fiscal year 2010.

During the current fiscal year, the Town of Southern Pines' total debt increased by \$2,841,814 or 47.95%. The increase is due to the issuance of installment financing for the construction of a raw water reservoir in the Proprietary Fund in the amount of \$3,500,000.

Included in the long-term debt category is the installment financing of the Police Facility that was obtained during fiscal year 2009 and the previously mentioned Raw Water Reservoir installment financing. The total outstanding balance of debt as of June 30, 2011 is \$8,768,265.

Figure 8:

**Town of Southern Pines
Outstanding Debt
General Obligation Bonds and Other Debt**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt	5,416,667	5,926,451	3,351,598	-	8,768,265	5,926,451
Total	\$ 5,416,667	\$ 5,926,451	\$ 3,351,598	\$ -	\$ 8,768,265	\$ 5,926,451

As mentioned in the financial highlights section of this document, the Town maintained its A2 bond rating from Moody's Investors Services for the 13th consecutive year, as well as its AA- from Standard and Poor's for the 3rd consecutive year. For the 5th consecutive year, the Town maintained its North Carolina Municipal Council rating of 85, which is comparable to a rating of A1/A+ by the national rating agencies. These bond ratings are clear indications of the sound financial condition and management of the Town. These achievements are primary factors in keeping interest costs low on the Town's outstanding debt.

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 current legal debt margin for the Town is \$158,180,178, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information regarding the Town's long-term debt can be found in note 13 of this report.

Economic Factors and Next Year's Budget and Rates

The Town, like all municipalities both local and national, continues to face the challenges of the economy. The fiscal year ending June 30, 2011 budget is balanced and represents an overall increase of 4.1% and 1.9% in the governmental and business type activities operational budget's respectively.

The unemployment rate for the county in which the Town is located was 9.1% as of June 30, 2011. The unemployment rate, which is a decrease of .5% from a year ago, is below the State average of 9.92%.

The Town continues to see some business growth despite the economy. Trident Marketing is in the process of relocating to Southern Pines and renovating an existing building. They are an employer of almost 400 employees.

Governmental Activities: Governmental revenues will continue to be subjected to additional strain this year as a result of the local and national economy. The tax base for the Town reflects a modest increase, however, the Town has not budgeted to increase taxes or fees in the 2011-2012 fiscal year. Additionally, the Town will continue to offer its citizens a high level of service and will not reduce services in the upcoming year.

Business – type Activities: Business type revenues represent a conservative fiscal approach in the 2011-2012 fiscal year. After several years of increases, the Town has not budgeted to increase water and sewer rates in fiscal year 2012.

Construction is scheduled to be completed on the 140 million gallon capacity raw water reservoir in fiscal year 2012.

Requests for Information

This report is designed to provide an overview of the Town'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 Director of Finance, Town of Southern Pines, PO Box 870, Southern Pines, NC 28388.

**TOWN OF SOUTHERN PINES
STATEMENT OF NET ASSETS
June 30, 2011**

Exhibit 1

	2011		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,451,602	\$ 7,043,472	\$ 16,495,074
Receivables - net:			
Property taxes	99,909	-	99,909
Due from other governments	812,097	-	812,097
Accounts receivable	368,659	-	368,659
Accrued interest	21,157	20,778	41,935
Sales tax	95,131	62,969	158,100
Assessments	2,305	49,983	52,288
Customers	-	1,144,665	1,144,665
Other	-	11,675	11,675
Inventories	51,277	-	51,277
Prepays	5,552	-	5,552
Restricted cash and investments	-	2,211,758	2,211,758
Total current assets	<u>10,907,689</u>	<u>10,545,300</u>	<u>21,452,989</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements, and construction in progress	12,971,270	5,899,957	18,871,227
Intangibles - easements	-	244,784	244,784
Other capital assets, net of depreciation	21,856,908	28,137,389	49,994,297
Total capital assets	<u>34,828,178</u>	<u>34,282,130</u>	<u>69,110,308</u>
Total noncurrent assets	<u>34,828,178</u>	<u>34,282,130</u>	<u>69,110,308</u>
Total assets	<u>\$ 45,735,867</u>	<u>\$ 44,827,430</u>	<u>\$ 90,563,297</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 608,016	\$ 909,680	\$ 1,517,696
Deposits	13,539	68,677	82,216
Current maturities of long-term debt	759,267	341,611	1,100,878
Total current liabilities	1,380,822	1,319,968	2,700,790
Noncurrent liabilities:			
Noncurrent portion of long-term debt	5,261,319	3,050,025	8,311,344
Total liabilities	<u>6,642,141</u>	<u>4,369,993</u>	<u>11,012,134</u>
NET ASSETS			
Invested in capital assets, net of related debt	29,411,511	30,930,532	60,342,043
Restricted for:			
Stabilization by State Statute	1,218,837	-	1,218,837
Capital Projects	2,206,359	-	2,206,359
Cemetery Perpetual Care	48,605	-	48,605
Unrestricted	6,208,414	9,526,905	15,735,319
Total net assets	<u>\$ 39,093,726</u>	<u>\$ 40,457,437</u>	<u>\$ 79,551,163</u>

**TOWN OF SOUTHERN PINES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Exhibit 2

Function/Programs	2011						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Government activities:							
General government	\$ 4,630,400	\$ 840,476	\$ 55,392	\$ 36,130	\$ (3,698,402)	\$ -	\$ (3,698,402)
Public safety	5,118,600	501,715	180,566	46,626	(4,389,693)	-	(4,389,693)
Transportation	1,436,648	14,138	372,100	-	(1,050,410)	-	(1,050,410)
Economic and physical development	956,340	258,908	-	340,000	(357,432)	-	(357,432)
Cultural and recreation	1,549,640	252,066	63,951	-	(1,233,623)	-	(1,233,623)
Cemetery	-	1,476	-	-	1,476	-	1,476
Interest on long-term debt	212,328	-	-	-	(212,328)	-	(212,328)
Total governmental activities	<u>13,903,956</u>	<u>1,868,779</u>	<u>672,009</u>	<u>422,756</u>	<u>(10,940,412)</u>	<u>-</u>	<u>(10,940,412)</u>
Business-type activities:							
Water and sewer	<u>6,012,139</u>	<u>6,468,773</u>	<u>-</u>	<u>605,535</u>	<u>-</u>	<u>1,062,169</u>	<u>1,062,169</u>
Total business-type activities	<u>6,012,139</u>	<u>6,468,773</u>	<u>-</u>	<u>605,535</u>	<u>-</u>	<u>1,062,169</u>	<u>1,062,169</u>
Total primary government	<u>\$ 19,916,095</u>	<u>\$ 8,337,552</u>	<u>\$ 672,009</u>	<u>\$ 1,028,291</u>	<u>(10,940,412)</u>	<u>1,062,169</u>	<u>(9,878,243)</u>
General revenues:							
Ad valorem taxes					7,334,480	-	7,334,480
Local option taxes					2,440,388	-	2,440,388
Alcoholic Beverage Tax					100,423	-	100,423
Franchise taxes					741,169	-	741,169
Unrestricted intergovernmental					377,506	-	377,506
Investment earnings					51,884	43,368	95,252
Miscellaneous					91,648	22,581	114,229
Gain (loss) on disposal					29,554	(44,293)	(14,739)
Total general revenues					<u>11,167,052</u>	<u>21,656</u>	<u>11,188,708</u>
Change in net assets					226,640	1,083,825	1,310,465
Net assets, beginning of year					<u>38,867,086</u>	<u>39,373,612</u>	<u>78,240,698</u>
Net assets, end of year					<u>\$ 39,093,726</u>	<u>\$ 40,457,437</u>	<u>\$ 79,551,163</u>

TOWN OF SOUTHERN PINES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

Exhibit 3

	2011		
	Major Funds	Non Major Governmental Funds	Total Governmental Funds
	General		
ASSETS AND OTHER DEBITS			
ASSETS			
Cash and investments	\$ 7,170,581	\$ 2,281,021	\$ 9,451,602
Receivables - net:			
Property taxes	99,909	-	99,909
Due from other government .	812,097	-	812,097
Accounts receivable	368,659	-	368,659
Accrued interest receivable	16,045	5,112	21,157
Sales tax receivable	95,131	-	95,131
Parking lot assessments	2,305	-	2,305
Inventory	51,277	-	51,277
Prepays	5,552	-	5,552
	<u>\$ 8,621,556</u>	<u>\$ 2,286,133</u>	<u>\$ 10,907,689</u>
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 367,602	\$ 26,057	\$ 393,659
Accrued liabilities			
Other	180,682	-	180,682
Security deposits	13,539	-	13,539
Deferred revenues			
Taxes receivable	99,909	-	99,909
Parking lot assessments	2,305	-	2,305
Other	78,207	-	78,207
	<u>742,244</u>	<u>26,057</u>	<u>768,301</u>
Total liabilities			
	<u>742,244</u>	<u>26,057</u>	<u>768,301</u>
FUND BALANCES			
Nonspendable:			
Inventory	51,277	-	51,277
Prepays	5,552	-	5,552
Perpetual maintenance	-	48,605	48,605
Restricted:			
Stabilization by State Statute	1,213,725	5,112	1,218,837
Committed:			
Capital Projects	-	2,206,359	2,206,359
Assigned:			
Subsequent year's expenditures	1,416,048	-	1,416,048
Unassigned	5,192,710	-	5,192,710
	<u>7,879,312</u>	<u>2,260,076</u>	<u>10,139,388</u>
Total fund balances			
	<u>7,879,312</u>	<u>2,260,076</u>	<u>10,139,388</u>
Total liabilities and fund balances	<u>\$ 8,621,556</u>	<u>\$ 2,286,133</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,828,178
Liabilities for earned but deferred revenues in fund statements, net	180,421
Some liabilities are not due and payable in the current period and are therefore not reported in the funds.	<u>(6,054,261)</u>
Net assets of governmental activities	<u>\$ 39,093,726</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

Exhibit 4

	2011		
	Major Funds		Totals
	General	Non Major Governmental Funds	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 7,313,650	\$ -	\$ 7,313,650
Other taxes and licenses	2,901,434	-	2,901,434
Unrestricted intergovernmental	797,218	-	797,218
Restricted intergovernmental	646,318	-	646,318
Permits and fees	297,073	-	297,073
Sales and services	1,082,816	1,476	1,084,292
Investment earnings	40,331	11,553	51,884
Grant proceeds	-	340,000	340,000
Other	616,458	-	616,458
	<u>13,695,298</u>	<u>353,029</u>	<u>14,048,327</u>
EXPENDITURES			
Current:			
General government	4,198,866	125,563	4,324,429
Public safety	4,947,451	397,853	5,345,304
Transportation	1,004,522	24,707	1,029,229
Economic and physical development	619,010	340,000	959,010
Cultural and recreational	1,514,954	-	1,514,954
Debt service:			
Principal	509,784	-	509,784
Interest	215,451	-	215,451
	<u>13,010,038</u>	<u>888,123</u>	<u>13,898,161</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>685,260</u>	<u>(535,094)</u>	<u>150,166</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(235,220)	-	(235,220)
Transfers from other funds	-	235,220	235,220
Total other financing sources (uses)	<u>(235,220)</u>	<u>235,220</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	450,040	(299,874)	150,166
FUND BALANCE, BEGINNING OF YEAR, JULY 1	<u>7,429,272</u>	<u>2,559,950</u>	<u>9,989,222</u>
FUND BALANCE, END OF YEAR, JUNE 30	<u>\$ 7,879,312</u>	<u>\$ 2,260,076</u>	<u>\$ 10,139,388</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2011

Exhibit 4
(con't)

	<u>2011</u>
Reconciliation of net change in fund balance in the statement of revenues, expenditures, and changes in fund balances - governmental funds to change in net assets - governmental activities	
Net changes in fund balances - total governmental funds	\$ 150,166
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. This is the amount by which capital outlays were exceeded by depreciation expense in the current period	(538,003)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Other	31,089
Taxes including interest and penalties	20,830
Amount of donated assets	36,130
Proceeds received from disposal/transfer of capital assets	(35,334)
Gain on disposal/transfer of capital assets	29,554
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.	
Principal payments	509,784
Compensated absences	1,227
Net pension obligation	18,074
Interest Expense	<u>3,123</u>
Total change in net assets of governmental activities	<u>\$ 226,640</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2011

Exhibit 5

	Budget		Actual	Variance with final budget favorable (unfavorable)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 7,196,160	\$ 7,196,160	\$ 7,313,650	\$ 117,490
Other taxes and licenses	2,409,600	2,409,600	2,901,434	491,834
Unrestricted intergovernmental revenues	716,000	716,000	797,218	81,218
Restricted intergovernmental revenues	539,254	635,702	646,318	10,616
Permits and fees	202,750	207,935	297,073	89,138
Sales and services	1,008,600	1,008,600	1,082,816	74,216
Investment earnings	60,000	60,000	40,331	(19,669)
Other	548,716	575,566	616,458	40,892
	<u>12,681,080</u>	<u>12,809,563</u>	<u>13,695,298</u>	<u>885,735</u>
EXPENDITURES				
Current				
General government	4,738,899	4,659,986	4,198,866	461,120
Public safety	4,983,880	5,101,457	4,947,451	154,006
Transportation	1,146,089	1,196,380	1,004,522	191,858
Economic and physical development	744,685	757,185	619,010	138,175
Cultural and recreational	1,623,242	1,660,992	1,514,954	146,038
Debt service	725,237	725,237	725,235	2
	<u>13,962,032</u>	<u>14,101,237</u>	<u>13,010,038</u>	<u>1,091,199</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,280,952)	(1,291,674)	685,260	1,976,934
OTHER FINANCING USES				
Transfer out to Capital Project Funds	<u>(132,397)</u>	<u>(235,220)</u>	<u>(235,220)</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,413,349)	(1,526,894)	450,040	1,976,934
APPROPRIATED FUND BALANCE	<u>1,413,349</u>	<u>1,526,894</u>	<u>-</u>	<u>(1,526,894)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	450,040	<u>\$ 450,040</u>
FUND BALANCES, BEGINNING OF YEAR, JULY 1			<u>7,429,272</u>	
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 7,879,312</u>	

TOWN OF SOUTHERN PINES
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2011

Exhibit 6

	2011
	Business-type Activities - Enterprise Major Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents/investments	\$ 7,043,472
Receivables - net:	
Sewer assessments	49,983
Customers	1,144,665
Accrued interest	20,778
Sales taxes	62,969
Other	11,675
Total receivables	<u>1,290,070</u>
Total current assets	<u>8,333,542</u>
Noncurrent assets:	
Temporarily restricted assets:	
Cash and investments	<u>2,211,758</u>
Capital assets	
Land, improvements, and construction in progress	5,899,957
Intangibles - easements	244,784
Other capital assets, net of depreciation	<u>28,137,389</u>
Total capital assets, net	<u>34,282,130</u>
Total unrestricted noncurrent assets	<u>34,282,130</u>
Total noncurrent assets	<u>36,493,888</u>
Total assets	<u>\$ 44,827,430</u>
LIABILITIES	
Current liabilities:	
Accounts payable	885,236
Compensated absences - current	37,196
Installment purchases - current	304,415
Accrued liabilities	
Other	24,444
Security deposits	<u>68,677</u>
Total current liabilities	<u>1,319,968</u>
Noncurrent liabilities	
Compensated absences	2,842
Installment purchases	<u>3,047,183</u>
Total liabilities	<u>3,050,025</u>
Total liabilities	<u>4,369,993</u>
NET ASSETS	
Invested in capital assets, net of related debt	30,930,532
Unrestricted	<u>9,526,905</u>
Total net assets	<u>\$ 40,457,437</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Year Ended June 30, 2011

Exhibit 7

	<u>2011</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
OPERATING REVENUES	
Charges for sales and services	\$ 6,272,488
OPERATING EXPENSES	
Billings and collection	394,900
Water treatment	958,269
Sewage treatment	1,303,633
Water extensions and maintenance	680,952
Sewer extensions and maintenance	704,063
Chargeout for administrative expenses	826,632
Depreciation and amortization	<u>1,084,190</u>
Total operating expenses	<u>5,952,639</u>
INCOME FROM OPERATIONS	<u>319,849</u>
NONOPERATING REVENUES (EXPENSES)	
Impact fees	218,866
Interest on investments	43,368
Interest expense	(59,500)
Loss on disposal of capital assets	<u>(44,293)</u>
Total nonoperating revenues (expenses)	<u>158,441</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	478,290
CAPITAL CONTRIBUTIONS	<u>605,535</u>
CHANGE IN NET ASSETS	1,083,825
NET ASSETS, BEGINNING OF YEAR	<u>39,373,612</u>
NET ASSETS, END OF YEAR	<u>\$ 40,457,437</u>

TOWN OF SOUTHERN PINES
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2011

Exhibit 8

	<u>2011</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 6,196,260
Cash paid for goods and services	(3,305,037)
Cash paid to employees	(997,819)
Customer deposit refunded	(24,063)
Customer deposits received	<u>32,693</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,902,034</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,912,416)
Impact fees	218,866
Proceeds from installment purchase obligation	3,500,000
Principal paid on installment purchase obligation	(148,402)
Interest paid on installment purchase obligation	(59,500)
Capital contributions	140,431
Proceeds from sale of capital assets	<u>11,909</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>750,888</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>37,837</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>37,837</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 2,690,759
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>6,564,471</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 9,255,230</u>

Continued on next page

TOWN OF SOUTHERN PINES
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2011

Exhibit 8
(con't)

	<u>2011</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
**Cash and Investments per Exhibit 6	
Unrestricted	\$ 7,043,472
Restricted	<u>2,211,758</u>
 TOTAL	 <u>\$ 9,255,230</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 319,849
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	1,084,190
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(76,227)
Prepays	995
Increase (decrease) in	
Accounts payable and accrued liabilities	564,598
Customer deposits	<u>8,629</u>
Total adjustments	<u>1,582,185</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 1,902,034</u>

Noncash investing, capital, and financing activities:

During fiscal year ended June 30, 2011, the Town received \$422,384 in water and sewer line improvements and \$42,720 of easements from various land developers and individuals. These improvements are recorded as capital contributions.

**TOWN OF SOUTHERN PINES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2011**

Exhibit 9

	Private-Purpose Trust Fund <u>Virginia Kelly Trust</u>	<u>Agency Funds Cafeteria Plan</u>
ASSETS		
Cash and investments	\$ 34,780	\$ 27,701
Accrued interest	<u>78</u>	<u>62</u>
	<u>\$ 34,858</u>	<u>\$ 27,763</u>
LIABILITIES		
Miscellaneous liabilities	<u>\$ -</u>	<u>\$ 27,763</u>
NET ASSETS		
Reserved for payment of death benefits - police	<u>\$ 34,858</u>	<u>\$ -</u>

TOWN OF SOUTHERN PINES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2011

Exhibit 10

	<u>Private-Purpose Trust Fund Virginia Kelly Trust</u>
Additions:	
Investment earnings	\$ <u>175</u>
Net Increase	175
Net assets, beginning of year, July 1	<u>34,683</u>
Net assets, end of year, June 30	<u>\$ 34,858</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Southern Pines 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 Town of Southern Pines is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town as well as any separate entity for which the Town is financially accountable. For the year ended June 30, 2011, no other entity is included in the Town's financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information on all of the nonfiduciary activities of the Town. These statements include the financial activities of the overall government and distinguish between the governmental and business-type activities of the Town. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town'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. 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 revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented even though the fiduciary fund is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor 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. Nonoperating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, libraries and general government services.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Town reports the following non-major governmental funds:

Police Station Expansion Capital Projects Fund - This fund is used to account for the construction and renovation of the Town's police building.

Nicks Creek Parkway - This fund is used to account for the future construction of a road extending along Nicks Creek from NC 22 to US 15-501.

Open Space and Greenways - This fund is used to account for the purchase of open space and greenways.

Sidewalk Construction - This fund is used to account for the construction and improvement of various sidewalks in the Town.

Fiber Optics - This fund is used to account for the building of fiber connections between Town buildings.

Storm Water Improvements - This fund is used to account for the design and installation of storm water infrastructure.

Road Construction - This fund is used to account for the construction and improvement of various roads in the Town.

Enterprise Information and Document Management (EIDMS) - This fund is used to account for the purchase and implementation of Enterprise Resource Planning software, an integrated information system that will serve all departments within the Town.

Patrick Road - This fund is used to account for the construction and improvements of Patrick Road.

Fire Department Substation - This fund is used to account for the construction of a fire department substation.

Cemetery Perpetual Care Permanent Fund - This fund is used to account for the perpetual care of the municipal cemetery.

Rural Center Grant - Moldstoppers - This fund is used to account for grant funding obtained for the economic development of Moldstoppers, Inc.

Rural Center Grant - Trident Marketing - This fund is used to account grant funding obtained for the economic development of Trident Marketing, Inc.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

Additionally, the Town reports the following fund types:

Virginia Kelly Trust Private-Purpose Trust Fund - This fund is used to account for proceeds available as death benefits for police officers killed in the line of duty. The Trust Fund was established during the year ended June 30, 1987, through the contribution of \$15,000 by a Southern Pines citizen. The trust principle is restricted for the purpose stated above.

Cafeteria Plan Agency Fund - This fund is used to account for the Town's Code Section 125 Cafeteria Plan.

C. Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency fund financial statements have no measurement focus. 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 Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, property tax revenue is recognized in the fiscal year for which the taxes are levied. Revenue from grants, donations and similar items 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 nonoperating 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 Town enterprise funds are charges to customers for sales and services. 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.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (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 generally 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 Town 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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 the law, Moore County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Southern Pines. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Moore County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 Town are recognized as revenue. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenue.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

Budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General, Special Revenue, and Enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for Governmental Capital Project Funds and the Enterprise Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. 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. During the year, several amendments to the original budget became necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 Town 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

In accordance with State law, the Town 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.

2. Cash and Cash Equivalents

The Town pools money from several 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

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Impact fees are held by the Town for the purpose of expanding water and sewer infrastructure. The amount held in escrow for the financing of the raw water reservoir construction is restricted to the acquisition of assets for the construction of the project.

4. Ad Valorem Taxes Receivable and Deferred Revenues

In accordance with state law (G.S. 105-347 and 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, no interest or penalties are assessed until the following January 6. The taxes are based on the assessed values as of January 1, 2010.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (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.

6. Inventory and Prepaid Items

Inventory is valued at cost which approximates market, using the first in, first out method. The inventory of the General Fund consists of expendable supplies and is recorded as an expenditure as it is consumed rather than when purchased.

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 expensed as the items are used.

7. Capital Assets

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Other improvements	10-50 years
Infrastructure	15-30 years
Machinery and equipment	5-15 years
Vehicles	3-25 years
Furniture and office equipment	5 years
Computer software	5 years
Plant and distribution systems	10-40 years

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

8. 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 assets. Bond premiums and bond issuance costs 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 premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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.

9. Compensated Absences

Vacation leave may accumulate to a maximum of 30 working days. Each December 31st, accumulated vacation leave in excess of 30 working days will be rolled into sick leave. For the Town'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 Town 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 Town'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 Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or 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.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

10. Net Assets/Fund Balances (Continued)

The governmental fund types classify fund balances as follows:

Nonspendable 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.

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

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Southern Pines Cemetery.

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 – portion of fund balance that is restricted by State Statute (G.S. 159-8(a)).

Committed Fund Balance – This classification includes the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Southern Pines' governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for General Government – portion of fund balance assigned by the Board for general government.

Committed for Transportation – portion of fund balance assigned by the Board for transportation.

Committed for Cultural and Recreation – portion of fund balance assigned by the Board for cultural and recreation.

Committed for Public Safety – portion of fund balance assigned by the Board for public safety.

Assigned fund balance – This classification includes the portion of fund balance that Town of Southern Pines intends to use for specific purposes.

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 and all amendments made to the original ordinance.

Unassigned fund balance – This classification includes the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

11. Reconciliation of Government-wide and Fund Financial Statements

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The net adjustment consists of several elements as follows:

Description

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 49,666,948
Less accumulated depreciation	<u>(14,838,770)</u>
Net capital assets	<u>34,828,178</u>
Liabilities for earned but deferred revenues in the fund financial statements:	
Deferred revenues	202,763
Less allowance for doubtful accounts receivables	<u>(22,342)</u>
Net deferred revenues	<u>180,421</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund financial statements:	
Note payable	(5,416,667)
Compensated absences	(483,998)
Net pension obligation	(119,921)
Accrued interest	<u>(33,675)</u>
Liabilities	<u>(6,054,261)</u>
Total adjustment	<u>\$ 28,954,338</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

11. Reconciliation of Government-wide and Fund Financial Statements (Continued)

b. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balance and the government-wide financial statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment consists of several elements as follows:

Description

Capital outlay expenditures recorded in the fund financial statements but capitalized as assets in the statement of activities	\$ 607,826
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,145,829)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Other	31,089
Taxes including interest and penalties	20,830
Amount of donated assets	36,130
Proceeds received from disposal/transfer of capital assets	(35,334)
Gain on disposal/transfer of capital assets	29,554
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Principal payments	509,784
Compensated absences	1,227
Net pension obligation	18,074
Interest expense	<u>3,123</u>
Total adjustment	<u>\$ 76,474</u>

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures of on-behalf of payments are not considered to be violations of State statute budget requirements. (See Note 15).

NOTE 3 - DEPOSITS

All of the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit'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 Town, these deposits are considered to be held by the Town's agents in their names. 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 Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and 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 Town has no policy regarding custodial credit risk for deposits.

At June 30, 2011, the Town's deposits had a carrying amount of \$12,384,962 and a bank balance of \$13,077,447. Of the bank balance \$750,000 was covered by federal depository insurance and \$12,327,447 was covered by collateral held under the Pooling Method. At June 30, 2011, the Town's petty cash fund totaled \$973.

NOTE 4 - INVESTMENTS

At June 30, 2011, the Town had \$6,383,378 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

NOTE 5 - RECEIVABLES - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2011</u>
General Fund:	
Taxes receivable	\$ 22,342
Accounts receivable	<u>587</u>
Total general fund	22,929
Enterprise Fund	<u>9,400</u>
	<u>\$ 32,329</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

Governmental Activities by Type:

	<u>June 30, 2010</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2011</u>
Nondepreciable assets:				
Land	\$ 10,771,658	\$ 1,079,183	\$ -	\$ 11,850,841
Intangible assets in progress	109,012	125,563	-	234,575
Construction in progress	<u>9,433,015</u>	<u>422,558</u>	<u>(8,969,719)</u>	<u>885,854</u>
	<u>20,313,685</u>	<u>1,627,304</u>	<u>(8,969,719)</u>	<u>12,971,270</u>
Depreciable assets:				
Buildings and improvements	8,653,649	6,410,133	-	15,063,782
Other improvements	3,418,569	931,362	-	4,349,931
Infrastructure	11,042,729	39,980	-	11,082,709
Machinery and equipment	647,378	124,369	(140,567)	631,180
Vehicles and motorized equipment	4,114,211	73,260	(288,908)	3,898,563
Furniture, fixtures and other equipment	<u>1,317,788</u>	<u>407,268</u>	<u>(55,543)</u>	<u>1,669,513</u>
	<u>29,194,324</u>	<u>7,986,372</u>	<u>(485,018)</u>	<u>36,695,678</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	2,797,203	157,815	-	2,955,018
Other improvements	819,647	83,815	-	903,462
Infrastructure	6,869,598	424,842	-	7,294,440
Machinery and equipment	412,337	81,574	(138,228)	355,683
Vehicles and motorized equipment	2,501,642	261,344	(288,908)	2,474,078
Furniture, fixtures and other equipment	<u>771,751</u>	<u>136,439</u>	<u>(52,101)</u>	<u>856,089</u>
	<u>14,172,178</u>	<u>1,145,829</u>	<u>(479,237)</u>	<u>14,838,770</u>
Depreciable assets - net	<u>15,022,146</u>	<u>6,840,543</u>	<u>(5,781)</u>	<u>21,856,908</u>
Total Governmental Activities Capital Assets - net	<u>\$ 35,335,831</u>	<u>\$ 8,467,847</u>	<u>\$ (8,975,500)</u>	<u>\$ 34,828,178</u>
Governmental Activities by Function:				
General government	\$ 16,889,153	\$ 218,147	\$ (230,484)	\$ 16,876,816
Public safety	13,782,095	9,233,359	(9,247,977)	13,767,477
Transportation	12,334,067	96,894	-	12,430,961
Economic and physical development	194,802	-	-	194,802
Cultural and recreational	<u>6,307,892</u>	<u>89,000</u>	<u>-</u>	<u>6,396,892</u>
	<u>49,508,009</u>	<u>9,637,400</u>	<u>(9,478,461)</u>	<u>49,666,948</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 6 - CAPITAL ASSETS (Continued)

Governmental Activities by Function: (Continued)

	June 30, 2010	Transfers in/ Additions	Transfers out/ Disposals	June 30, 2011
Less accumulated depreciation and amortization for:				
General government	\$ 2,288,820	\$ 235,213	\$ (224,704)	\$ 2,299,329
Public safety	2,434,810	312,713	(278,257)	2,469,266
Transportation	7,327,304	489,112	-	7,816,416
Economic and physical development	147,422	105	-	147,527
Cultural and recreational	<u>1,973,822</u>	<u>132,410</u>	<u>-</u>	<u>2,106,232</u>
	<u>14,172,178</u>	<u>1,169,553</u>	<u>(502,961)</u>	<u>14,838,770</u>
 Total Governmental Activities Capital Assets - net	 <u>\$ 35,335,831</u>	 <u>\$ 8,467,847</u>	 <u>\$ (8,975,500)</u>	 <u>\$ 34,828,178</u>
 Business Activities:				
Nondepreciable assets:				
Land	\$ 351,446	\$ -	\$ -	\$ 351,446
Intangibles – easements	202,064	42,720	-	244,784
Construction in progress	<u>3,560,517</u>	<u>2,873,104</u>	<u>(885,110)</u>	<u>5,548,511</u>
	<u>4,114,027</u>	<u>2,915,824</u>	<u>(885,110)</u>	<u>6,144,741</u>
 Depreciable assets:				
Plant and distribution system	43,114,545	1,251,292	-	44,365,837
Buildings	1,424,609	-	-	1,424,609
Equipment	<u>1,856,759</u>	<u>39,313</u>	<u>(90,098)</u>	<u>1,805,974</u>
	<u>46,395,913</u>	<u>1,290,605</u>	<u>(90,098)</u>	<u>47,596,420</u>
 Less accumulated depreciation and amortization for:				
Plant and distribution system	17,140,778	947,622	-	18,088,400
Building	144,835	28,492	-	173,327
Equipment	<u>1,184,439</u>	<u>102,963</u>	<u>(90,098)</u>	<u>1,197,304</u>
	<u>18,470,052</u>	<u>1,079,077</u>	<u>(90,098)</u>	<u>19,459,031</u>
 Depreciable assets - net	 <u>27,925,861</u>	 <u>211,528</u>	 <u>-</u>	 <u>28,137,389</u>
 Total Business Activities Capital Assets - net	 <u>\$ 32,039,888</u>	 <u>\$ 3,127,352</u>	 <u>\$ (885,110)</u>	 <u>\$ 34,282,130</u>

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 6 - CAPITAL ASSETS (Continued)

Construction Commitments

The government has active construction projects as of June 30, 2011. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Sidewalk Improvements	\$ 24,707	\$ 96,691
Water and sewer lines and treatment facilities	<u>2,628,695</u>	<u>2,690,906</u>
	<u>\$ 2,653,402</u>	<u>\$ 2,787,597</u>

NOTE 7 - PAYABLES

Payables at the government-wide level at June 30, 2011, were as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Accrued interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$ 393,659	\$ 180,186	\$ 33,675	\$ 496	\$ 608,016
Total governmental activities	<u>\$ 393,659</u>	<u>\$ 180,186</u>	<u>\$ 33,675</u>	<u>\$ 496</u>	<u>\$ 608,016</u>
Business-type activities:					
Water and Sewer	\$ 885,236	\$ 24,444	\$ -	\$ -	\$ 909,680
Total business-type activities	<u>\$ 885,236</u>	<u>\$ 24,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 909,680</u>

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

A. Local Governmental Employees' Retirement System

Plan Description - The Town of Southern Pines contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

A. Local Governmental Employees' Retirement System (Continued)

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.45% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and the Town of Southern Pines is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for years ended June 30, 2011, 2010, and 2009 were \$413,650, \$308,451, and \$299,665, respectively. The contributions made by the Town equaled the required contributions for each year.

B. Law Enforcement Officers Special Separation Allowance

Plan Description - The Town of Southern Pines administers a public employee retirement system (the "Separation Allowance"), a single-employer retirement defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .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 law enforcement officers of the Town are covered by the Separation allowance. At December 31, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to but no yet receiving benefits	-
Active plan members	<u>25</u>
Total	<u>32</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

Basis of Accounting - The Town 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. Benefit payments of \$88,986 were made during the year ended June 30, 2011.

Method Used to Value Investments - No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Contributions (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2010, actuarial valuation using the projected unit credit actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 7.85% per year. Both (a) and (b) included an inflation component of 3%. The amortization method is level percent of pay closed with a remaining amortization period of 21 years. The assumptions did not include post-employment benefit increases.

Annual Pension Cost and Net Pension Obligation - The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 71,400
Interest on net pension obligation	6,900
Adjustment to annual required contribution	<u>(7,388)</u>
Annual pension cost	70,912
Contributions made	<u>88,986</u>
Increase (decrease) in net pension obligation	(18,074)
Net pension obligation beginning of fiscal year	<u>137,995</u>
Net pension obligation end of fiscal year	<u>\$119,921</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-09	61,337	114.96%	163,124
6-30-10	62,712	140.07%	137,995
6-30-11	70,912	125.49%	119,921

Funded Status and Funding Progress - As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$745,366. The covered payroll (annual payroll of active employees covered by the plan) was \$1,443,453, and the ratio of the UAAL to the covered payroll was 51.64 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town 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 Town. Article 5 of 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

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

C. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

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 Town to contribute each month an amount equal to five 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, 2011, were \$124,467, which consisted of \$74,954 from the Town and \$49,513 from the law enforcement officers.

D. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the Town of Southern Pines, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund 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 the Fund. 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 - Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by North Carolina General Assembly. The Town has recognized as a revenue and an expenditure \$5,684 in payments made to the Fund by the State on-behalf of the Town for the year ended June 30, 2011.

E. Other Employment Benefits

The Town has elected to provide death benefits to 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. The beneficiaries of those 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 the employee's death, minimum of \$25,000 and not to exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the Town made

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

E. Other Employment Benefits (Continued)

contributions to the state for death benefits of \$7,002. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10 percent and .14 percent of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

NOTE 9 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 401K. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Town contributes 5% of eligible compensation to the Plan. For the year ended June 30, 2011, the Town contributed \$249,783 to the Plan.

NOTE 10 - DEFERRED REVENUES

The balance in deferred revenues at year-end is composed of the following elements:

	<u>General Fund</u>
Taxes receivable, less penalties	\$ 99,909
Parking lot assessments receivable, net	2,305
Other assessments receivable, net	<u>78,207</u>
	<u>\$ 180,421</u>

NOTE 11 - RISK MANAGEMENT

The Town 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 Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance value of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Due to a study by the Town of Southern Pines' management, flood insurance was obtained on appropriate property as so designated in those areas by our insurance carrier.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 11 - RISK MANAGEMENT (Continued)

The Town carries commercial coverage for all other risks of loss as well as employee health coverage. 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.

NOTE 12 - CLAIMS AND JUDGMENTS

At June 30, 2011, the Town was a defendant to several lawsuits; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of management and the Town attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the Town's financial position.

NOTE 13 - LONG-TERM DEBT

The Town entered into installment purchase agreements October 2008 and December 2010 for the construction of a police station and a raw water reservoir. Liquidations of compensated absences and net pension obligation for governmental activities occur within the General Fund.

Long-term debt obligations of the Town at June 30, 2011, consisted of the following:

	<u>Serviced by</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Police Station; \$6,500,000; issued 2008; due Semiannually to 2024; interest at 3.73%; Collateralized by police station	\$ 5,416,667	\$ -
Raw Water Reservoir; \$3,500,000; issued 2010; due Semiannually to 2021; interest at 3.40%; Collateralized by real estate	-	3,351,598
Net Pension Obligation	119,921	-
Compensated absences	<u>483,998</u>	<u>40,038</u>
Total other long-term debt	<u>6,020,586</u>	<u>3,391,636</u>
Total outstanding	6,020,586	3,391,636
Less current portion	<u>(759,267)</u>	<u>(341,611)</u>
	<u>\$ 5,261,319</u>	<u>\$ 3,050,025</u>

At June 30, 2011, the Town of Southern Pines had a legal debt margin of \$158,180,178.

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 13 - LONG-TERM DEBT (Continued)

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Current</u> <u>portion</u> <u>of balance</u>
Governmental activities:					
Aerial ladder truck	\$ 76,451	\$ -	\$ 76,451	\$ -	\$ -
Police station	5,850,000	-	433,333	5,416,667	433,333
Compensated absences	485,225	325,533	326,760	483,998	325,934
Net pension obligation	<u>137,995</u>	<u>-</u>	<u>18,074</u>	<u>119,921</u>	<u>-</u>
	<u>\$ 6,594,671</u>	<u>\$ 325,533</u>	<u>\$ 854,618</u>	<u>\$ 6,020,586</u>	<u>\$ 759,267</u>
Business-type activities:					
Raw Water Reservoir	\$ -	\$ 3,500,000	\$ 148,402	\$ 3,351,598	\$ 304,415
Compensated absences	<u>45,795</u>	<u>36,787</u>	<u>42,544</u>	<u>40,038</u>	<u>37,196</u>
	<u>\$ 45,795</u>	<u>\$ 3,536,787</u>	<u>\$ 190,946</u>	<u>\$ 3,391,636</u>	<u>\$ 341,611</u>

The following table summarizes the annual requirements to amortize all long-term debt outstanding excluding vacation pay and the net pension benefit obligation.

	<u>Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental Activities		
2012	\$ 433,333	\$ 198,000
2013	433,333	181,838
2014	433,333	165,674
2015	433,333	149,511
2016	433,333	133,348
2017-2021	2,166,667	424,288
2022-2024	<u>1,083,335</u>	<u>60,613</u>
	<u>\$5,416,667</u>	<u>\$1,313,272</u>
Business Type Activities		
2012	\$ 304,415	\$ 111,389
2013	314,853	100,951
2014	325,649	90,155
2015	336,815	78,988
2016	348,365	67,439
2017-2021	<u>1,721,501</u>	<u>149,614</u>
	<u>\$3,351,598</u>	<u>\$ 598,536</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 14 - INTERFUND BALANCES AND ACTIVITY

Transfers to/from other funds at June 30, 2011, consist of the following:

Governmental:

From the General Fund to the Sidewalk Construction Capital Project Fund for capital project expenditures	\$ 132,397
From the General Fund to Fiber Optics Fund for capital project expenditures	102,823
From the Police Station Fund to Fire Department Sub Station Fund for capital project expenditures	<u>360,113</u>

Total Governmental 595,333

Business-Type

From the Water and Sewer Fund to Raw Water Reservoir Fund for capital project expenditures	1,269,854
From the Water Impact Fees Fund to Raw Water Reservoir Fund for capital project expenditures	<u>841,146</u>

Total Business-Type 2,111,000

Total Transfers \$ 2,706,333

NOTE 15 - REVENUES, EXPENDITURES AND EXPENSES

On-behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2011, the Town of Southern Pines has recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$5,684 for the 10 volunteer firemen and 7 employed firemen (17 total in 2011) who perform firefighting duties for the town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 16 - FUND BALANCE

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

<i>Total fund balance-General Fund</i>	\$ 7,879,312
Less:	
Inventories	51,277
Prepaid Items	5,552
Stabilization by State Statute	1,213,725
Appropriated Fund Balance in 2012 budget	1,416,048
Remaining Fund Balance	5,192,710

NOTE 17 - RELATED ORGANIZATION

The five-member board of the Town of Southern Pines Housing Authority is appointed by the mayor of the Town of Southern Pines. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Southern Pines is also disclosed as a related organization in the notes to the financial statements for the Town of Southern Pines Housing Authority.

NOTE 18 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 19 – SUBSEQUENT EVENTS

The Town entered into an installment financing agreement October 21, 2011 in the amount of \$450,000 for the purchase of a fire department pumper truck.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

**TOWN OF SOUTHERN PINES
 LAW ENFORCEMENT OFFICERS' SPECIAL
 SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS**

Schedule 1

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)- Proj Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll for Year Ending on Val Date (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12-31-01*	-	\$ 311,092	311,092	0.00%	\$ 876,867	35.48%
12-31-02	-	334,162	334,162	0.00%	964,259	34.65%
12-31-03	-	474,192	474,192	0.00%	1,002,688	47.29%
12-31-04	-	523,014	523,014	0.00%	1,176,866	44.44%
12-31-05	-	534,827	534,827	0.00%	1,134,118	47.16%
12-31-06	-	553,846	553,846	0.00%	1,227,927	45.10%
12-31-07	-	656,739	656,739	0.00%	1,270,758	51.68%
12-31-08	-	648,104	648,104	0.00%	1,308,188	49.54%
12-31-09	-	768,278	768,278	0.00%	1,223,890	62.77%
12-31-10	-	745,366	745,366	0.00%	1,443,453	51.64%

*Reflects changes in actuarial assumptions

**TOWN OF SOUTHERN PINES
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Schedule 2

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
2002	\$29,786	67.7%
2003	33,499	60.2%
2004	37,328	77.0%
2005	48,622	65.0%
2006	56,110	90.3%
2007	52,911	71.8%
2008	55,862	104.8%
2009	59,379	118.8%
2010	61,162	143.6%
2011	71,400	124.6%

**TOWN OF SOUTHERN PINES
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SCHEDULES**

Schedule 3

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12-31-10
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 – 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

THE GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

**TOWN OF SOUTHERN PINES
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2011 and June 30, 2010**

ASSETS	<u>2011</u>	<u>2010</u>
Cash and investments	\$ 7,170,581	\$ 6,756,699
Receivables, net		
Property taxes	99,909	79,088
Due from other governments	812,097	759,672
Accounts receivable	368,659	264,352
Accrued interest receivable	16,045	15,610
Sales tax receivable	95,131	172,818
Parking lot assessments receivable	2,305	2,305
Inventory	51,277	45,005
Prepays	5,552	4,660
	<u>\$ 8,621,556</u>	<u>\$ 8,100,209</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 367,602	\$ 357,797
Accrued liabilities		
Other	180,682	171,100
Security deposits	13,539	13,539
Deferred revenues		
Taxes receivable	99,909	79,088
Parking lot assessments	2,305	2,305
Other	78,207	47,108
Total liabilities	<u>742,244</u>	<u>670,937</u>
 FUND BALANCE		
Nonspendable:		
Inventory	51,277	45,005
Prepays	5,552	4,660
Restricted:		
Stabilization by State Statute	1,213,725	1,165,344
Assigned:		
Subsequent year's expenditures	1,416,048	1,413,349
Unassigned	5,192,710	4,800,914
Total fund balances	<u>7,879,312</u>	<u>7,429,272</u>
	<u>\$ 8,621,556</u>	<u>\$ 8,100,209</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

Page 1 of 5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance favorable (unfavorable)	2010
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year		\$ 7,257,129		\$ 7,170,862
Prior years		29,905		36,748
Penalties and interest		26,616		27,905
	<u>\$ 7,196,160</u>	<u>7,313,650</u>	<u>\$ 117,490</u>	<u>7,235,515</u>
Other taxes and licenses				
ABC mixed beverage		100,423		94,236
Local option sales tax		2,547,607		2,480,400
Solid waste disposal tax		8,493		8,601
Video programming tax		173,748		183,955
Privilege licenses		18,211		37,373
Cablevision franchise fee		32,756		28,305
Lease vehicles		20,196		17,462
	<u>2,409,600</u>	<u>2,901,434</u>	<u>491,834</u>	<u>2,850,332</u>
Unrestricted intergovernmental revenues				
Franchise tax		741,169		737,932
Beer and wine		56,049		17,757
	<u>716,000</u>	<u>797,218</u>	<u>81,218</u>	<u>755,689</u>
Restricted intergovernmental revenues				
State Aid - Library Grant		28,419		7,863
Powell Bill allocation		372,100		365,427
Fire grant		114,841		-
American Recovery and Reinvestment Act Grant		46,626		35,700
B&G Grants		-		4,227
Recreation Grants		19,782		38,168
On-behalf of payments - Fire		5,684		4,840
Police grants		58,866		44,063
	<u>635,702</u>	<u>646,318</u>	<u>10,616</u>	<u>500,288</u>
Permits and fees				
Building permits and inspection fees		249,729		262,619
Fire and Police Dept. fees		24,094		17,143
Public works fees		9,112		15,385
Street department fees		14,138		14,531
	<u>207,935</u>	<u>297,073</u>	<u>89,138</u>	<u>309,678</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

Page 2 of 5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance favorable (unfavorable)	2010
	Budget	Actual		Actual
REVENUES (Continued)				
Sales and services				
Rents		\$ 287,839		\$ 297,339
Court facilities fees		11		254
County disposal fee		542,900		516,715
Recreation department fees		208,262		169,432
Library fees		39,404		46,124
Reservoir park usage fees		4,400		4,300
	<u>\$ 1,008,600</u>	<u>1,082,816</u>	<u>\$ 74,216</u>	<u>1,034,164</u>
Investment earnings	<u>60,000</u>	<u>40,331</u>	<u>(19,669)</u>	<u>84,214</u>
Other				
Cemetery		625		925
Fire department donations		950		13,310
Fire district revenue		465,501		471,290
Court costs		5,852		4,798
Demolition liens		-		3,900
County contribution - fire		38,000		52,426
Miscellaneous		105,530		76,165
	<u>575,566</u>	<u>616,458</u>	<u>40,892</u>	<u>622,814</u>
TOTAL REVENUES	<u>12,809,563</u>	<u>13,695,298</u>	<u>885,735</u>	<u>13,392,694</u>
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits		28,269		28,268
Operating expenditures		75,364		75,114
Professional services		66,454		66,437
Membership dues		13,006		12,679
	<u>220,033</u>	<u>183,093</u>	<u>36,940</u>	<u>182,498</u>
Administration				
Salaries and employee benefits		704,536		726,348
Operating expenditures		318,440		318,151
	<u>1,096,023</u>	<u>1,022,976</u>	<u>73,047</u>	<u>1,044,499</u>
Information Technology				
Salaries and employee benefits		80,284		79,089
Contract Services		245,498		279,961
Operating expenditures		129,225		125,082
Capital outlay		34,006		100,704
	<u>738,606</u>	<u>489,013</u>	<u>249,593</u>	<u>584,836</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance favorable (unfavorable)	2010
	Budget	Actual		Actual
EXPENDITURES (Continued)				
General government (Continued)				
Water and Sewer Fund				
Administrative chargeback	<u>\$ (826,632)</u>	<u>\$ (826,632)</u>	<u>\$ -</u>	<u>\$ (679,127)</u>
Public works				
Salaries and employee benefits		287,412		279,255
Operating expenditures		28,063		32,143
Contract services		1,561,051		1,491,077
	<u>1,891,465</u>	<u>1,876,526</u>	<u>14,939</u>	<u>1,802,475</u>
Building and grounds				
Salaries and employee benefits		830,935		838,040
Vehicle maintenance		6,400		3,006
Contract Services		92,761		119,884
Operating expenditures		267,805		254,865
Capital outlay		17,670		22,092
	<u>1,265,144</u>	<u>1,215,571</u>	<u>49,573</u>	<u>1,237,887</u>
Garage				
Salaries and employee benefits		178,585		200,801
Operating expenditures		59,734		53,456
	<u>275,347</u>	<u>238,319</u>	<u>37,028</u>	<u>254,257</u>
Total general government	<u>4,659,986</u>	<u>4,198,866</u>	<u>461,120</u>	<u>4,427,325</u>
Public safety				
Police				
Salaries and employee benefits		2,506,093		2,380,380
Operating expenditures		544,645		546,120
Capital outlay		142,423		130,728
	<u>3,305,345</u>	<u>3,193,161</u>	<u>112,184</u>	<u>3,057,228</u>
Fire				
Salaries and employee benefits		1,468,678		1,299,214
Operating expenditures		279,928		255,300
Capital outlay		-		183,760
	<u>1,796,112</u>	<u>1,748,606</u>	<u>47,506</u>	<u>1,738,274</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance favorable (unfavorable)	2010
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Public safety (Continued)				
Fire and rescue workers pension fund	\$ -	\$ 5,684	\$ (5,684)	\$ 4,840
Total public safety	5,101,457	4,947,451	154,006	4,800,342
Transportation				
Street maintenance				
Salaries and employee benefits		431,616		465,929
Operating expenditures		327,273		311,529
Construction		31,959		58,809
Capital Outlay		-		30,214
Paving		197,035		292,626
Contract services		16,639		16,621
	1,196,380	1,004,522	191,858	1,175,728
Total transportation	1,196,380	1,004,522	191,858	1,175,728
Economic and physical development				
Planning and development				
Salaries and employee benefits		547,603		562,064
Contract services		9,922		7,483
Operating expenditures		61,485		95,618
	757,185	619,010	138,175	665,165
Total economic and physical development	757,185	619,010	138,175	665,165
Cultural and recreational				
Recreation				
Salaries and employee benefits		447,713		427,709
Contract services		30,401		32,630
Operating expenditures		193,282		223,410
Capital Outlay		89,000		-
	808,613	760,396	48,217	683,749

TOWN OF SOUTHERN PINES

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2010

	2011		Variance favorable (unfavorable)	2010
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Cultural and recreational (Continued)				
Libraries				
Salaries and employee benefits		\$ 528,043		\$ 556,315
Contract services		41,940		24,112
Operating expenditures		79,821		86,754
Books and periodicals		104,754		103,727
	<u>\$ 852,379</u>	<u>754,558</u>	<u>\$ 97,821</u>	<u>770,908</u>
Total cultural and recreational	<u>1,660,992</u>	<u>1,514,954</u>	<u>146,038</u>	<u>1,454,657</u>
Debt Service				
Principal retirement		509,784		582,459
Interest		215,451		236,677
	<u>725,237</u>	<u>725,235</u>	<u>2</u>	<u>819,136</u>
Total debt service	<u>725,237</u>	<u>725,235</u>	<u>2</u>	<u>819,136</u>
TOTAL EXPENDITURES	<u>14,101,237</u>	<u>13,010,038</u>	<u>1,091,199</u>	<u>13,342,353</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,291,674)</u>	<u>685,260</u>	<u>1,976,934</u>	<u>50,341</u>
OTHER FINANCING USES:				
Transfers to other funds:				
Capital Projects Funds	<u>(235,220)</u>	<u>(235,220)</u>	<u>-</u>	<u>(600,070)</u>
Total other financing uses	<u>(235,220)</u>	<u>(235,220)</u>	<u>-</u>	<u>(600,070)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,526,894)</u>	<u>450,040</u>	<u>1,976,934</u>	<u>(549,729)</u>
FUND BALANCE APPROPRIATED	<u>1,526,894</u>	<u>-</u>	<u>(1,526,894)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>450,040</u>	<u>\$ 450,040</u>	<u>(549,729)</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>7,429,272</u>		<u>7,979,001</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ 7,879,312</u>		<u>\$ 7,429,272</u>

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by Enterprise Funds and Fiduciary Funds.

Individual Fund Descriptions:

Police Station Expansion Fund – accounts for funds used in the construction and renovation of the Town's police facility.

Nicks Creek Parkway -- accounts for funds restricted for the future construction of a road extending along Nicks Creek from NC 22 to US 15-501

Open Space and Greenways – accounts for funds used for the purchase of open space and greenways.

Sidewalk Construction – accounts for funds used for the construction and improvement of various sidewalks in the Town.

Fiber Optics – accounts for funds to be used in building fiber connections between Town buildings.

Storm Water Improvements – accounts for funds used for the design and installation of storm water infrastructure.

Road Construction – accounts for funds used for construction and improvements of roads

Enterprise Information and Document Management System (EIDMS) – accounts for funds used for the purchase and implementation of Enterprise Resource Planning software

Patrick Road – accounts for funds used for construction and improvements of Patrick Road

Fire Department Substation – accounts for funds used for the construction of a fire substation.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes.

Rural Center Grant - Moldstoppers – accounts for funds used for the economic development of Moldstoppers, Inc.

Rural Center Grant – Trident Marketing – accounts for funds used for the economic development of Trident Marketing, Inc.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care Fund – accounts for the perpetual care of the municipal cemetery. The income from the fund is restricted for the purpose of beautifying and maintaining the cemetery.

TOWN OF SOUTHERN PINES
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue Funds		Capital Project Funds										Permanent Fund	Total Non-Major Governmental Funds
	Rural Center Grant- Moldstoppers	Rural Center Grant - Trident Marketing	Police Station Expansion	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics	Storm Water Improvements	Road Construction	EIDMS	Patrick Road	Fire Department Substation	Cemetery Perpetual Care	
ASSETS														
Cash and investments	\$ -	\$ -	\$ -	\$ 70,696	\$ 50,494	\$ 164,425	\$ 167,915	\$ 268,563	\$ 25,955	\$ 670,507	\$ 454,484	\$ 359,377	\$ 48,605	\$ 2,281,021
Accrued Interest	-	-	-	158	113	369	376	602	58	1,503	1,019	806	108	5,112
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,854</u>	<u>\$ 50,607</u>	<u>\$ 164,794</u>	<u>\$ 168,291</u>	<u>\$ 269,165</u>	<u>\$ 26,013</u>	<u>\$ 672,010</u>	<u>\$ 455,503</u>	<u>\$ 360,183</u>	<u>\$ 48,713</u>	<u>\$ 2,286,133</u>
LIABILITIES AND FUND BALANCE														
LIABILITIES														
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,707	\$ -	\$ -	\$ -	\$ 1,350	\$ -	\$ -	\$ -	\$ 26,057
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,057</u>
FUND BALANCE														
Nonspendable:														
Perpetual maintenance	-	-	-	-	-	-	-	-	-	-	-	-	48,605	48,605
Restricted:														
Stabilization by State Statute	-	-	-	158	113	369	376	602	58	1,503	1,019	806	108	5,112
Committed:														
Capital Projects	-	-	-	70,696	50,494	139,718	167,915	268,563	25,955	669,157	454,484	359,377	-	2,206,359
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,854</u>	<u>50,607</u>	<u>140,087</u>	<u>168,291</u>	<u>269,165</u>	<u>26,013</u>	<u>670,660</u>	<u>455,503</u>	<u>360,183</u>	<u>48,713</u>	<u>2,260,076</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,854</u>	<u>\$ 50,607</u>	<u>\$ 164,794</u>	<u>\$ 168,291</u>	<u>\$ 269,165</u>	<u>\$ 26,013</u>	<u>\$ 672,010</u>	<u>\$ 455,503</u>	<u>\$ 360,183</u>	<u>\$ 48,713</u>	<u>\$ 2,286,133</u>

TOWN OF SOUTHERN PINES
NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	Special Revenue Funds		Capital Project Funds										Permanent Fund	Total Non-Major Governmental Funds
	Rural Center Grant- Moldstoppers	Rural Center Grant- Trident Marketing	Police Station Expansion	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics	Storm Water Improvements	Road Construction	EIDMS	Patrick Road	Fire Department Substation	Cemetery Perpetual Care	
REVENUES														
Investment Earnings	\$ -	\$ -	\$ 1,956	\$ 354	\$ 253	\$ 766	\$ 422	\$ 1,345	\$ 131	\$ 3,741	\$ 2,277	\$ 70	\$ 238	\$ 11,553
Sale of Plots	-	-	-	-	-	-	-	-	-	-	-	-	1,476	1,476
Grant Proceeds	100,000	240,000	-	-	-	-	-	-	-	-	-	-	-	340,000
	100,000	240,000	1,956	354	253	766	422	1,345	131	3,741	2,277	70	1,714	353,029
EXPENDITURES														
General Government	-	-	-	-	-	-	-	-	-	125,563	-	-	-	125,563
Economic and Physical Development	100,000	240,000	-	-	-	-	-	-	-	-	-	-	-	340,000
Public Safety	-	-	397,853	-	-	-	-	-	-	-	-	-	-	397,853
Transportation	-	-	-	-	-	24,707	-	-	-	-	-	-	-	24,707
	100,000	240,000	397,853	-	-	24,707	-	-	-	125,563	-	-	-	888,123
REVENUES OVER (UNDER) EXPENDITURES	-	-	(395,897)	354	253	(23,941)	422	1,345	131	(121,822)	2,277	70	1,714	(535,094)
OTHER FINANCING SOURCES (USES)														
Transfers (to)/from:														
General Fund	-	-	-	-	-	132,397	102,823	-	-	-	-	-	-	235,220
Capital Project Funds	-	-	(360,113)	-	-	-	-	-	-	-	-	360,113	-	-
	-	-	(360,113)	-	-	132,397	102,823	-	-	-	-	360,113	-	235,220
NET CHANGE IN FUND BALANCE	-	-	(756,010)	354	253	108,456	103,245	1,345	131	(121,822)	2,277	360,183	1,714	(299,874)
FUND BALANCE, BEGINNING OF YEAR, JULY 1	-	-	756,010	70,500	50,354	31,631	65,046	267,820	25,882	792,482	453,226	-	46,999	2,559,950
FUND BALANCE, END OF YEAR, JUNE 30	\$ -	\$ -	\$ -	\$ 70,854	\$ 50,607	\$ 140,087	\$ 168,291	\$ 269,165	\$ 26,013	\$ 670,660	\$ 455,503	\$ 360,183	\$ 48,713	\$ 2,260,076

**TOWN OF SOUTHERN PINES
SPECIAL REVENUE FUND (RURAL CENTER GRANT -MOLDSTOPPERS)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2011

With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

	2011		Variance with Final Budget- Positive (Negative)	2010
	Budget	Actual Amounts		
REVENUES				
Grant Proceeds	\$ 100,000	\$ 100,000	\$ -	\$ -
EXPENDITURES				
Economic and Physical Development Contractual Services	100,000	100,000	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ -</u>		<u>\$ -</u>

TOWN OF SOUTHERN PINES
SPECIAL REVENUE FUND (RURAL CENTER GRANT -TRIDENT MARKETING)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2010

	2011		Variance with Final Budget- Positive (Negative)	2010
	Budget	Actual Amounts		
REVENUES				
Grant Proceeds	\$ 240,000	\$ 240,000	\$ -	\$ -
EXPENDITURES				
Economic and Physical Development Contractual Services	240,000	240,000	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ -</u>		<u>\$ -</u>

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (POLICE STATION EXPANSION)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 476,834	\$ 474,879	\$ 1,956	\$ 476,835	\$ 1
EXPENDITURES					
Public safety Construction	8,969,720	8,571,869	397,853	8,969,722	(2)
REVENUES OVER (UNDER) EXPENDITURES	<u>(8,492,886)</u>	<u>(8,096,990)</u>	<u>(395,897)</u>	<u>(8,492,887)</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	6,500,000	6,500,000	-	6,500,000	-
Transfers from: General Fund	2,966,500	2,966,500	-	2,966,500	-
Transfers to:					
Capital Projects Fund- Fire Department Substation	(360,114)	-	(360,113)	(360,113)	1
Capital Projects Fund- Fiber Optics	(373,000)	(373,000)	-	(373,000)	-
Capital Projects Fund- EIDMS	(240,500)	(240,500)	-	(240,500)	-
	<u>8,492,886</u>	<u>8,853,000</u>	<u>(360,113)</u>	<u>8,492,887</u>	<u>1</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 756,010</u>	<u>(756,010)</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>756,010</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ -</u>		

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (NICKS CREEK PARKWAY)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 13,500	\$ 13,500	\$ 354	\$ 13,854	\$ 354
	<u>13,500</u>	<u>13,500</u>	<u>354</u>	<u>13,854</u>	<u>354</u>
EXPENDITURES					
Transportation Construction	70,500	-	-	-	70,500
	<u>70,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,500</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(57,000)</u>	<u>13,500</u>	<u>354</u>	<u>13,854</u>	<u>70,854</u>
OTHER FINANCING SOURCES					
Land exchange proceeds	57,000	57,000	-	57,000	-
	<u>57,000</u>	<u>57,000</u>	<u>-</u>	<u>57,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 70,500</u>	<u>354</u>	<u>\$ 70,854</u>	<u>\$ 70,854</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>70,500</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 70,854</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (OPEN SPACE AND GREENWAYS)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 9,700	\$ 8,609	\$ 253	\$ 8,862	\$ (838)
	<u>9,700</u>	<u>8,609</u>	<u>253</u>	<u>8,862</u>	<u>(838)</u>
EXPENDITURES					
Cultural and Recreational Construction	135,700	84,255	-	84,255	51,445
	<u>135,700</u>	<u>84,255</u>	<u>-</u>	<u>84,255</u>	<u>51,445</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(126,000)</u>	<u>(75,646)</u>	<u>253</u>	<u>(75,393)</u>	<u>50,607</u>
OTHER FINANCING SOURCES					
Transfers from:					
Capital Projects Fund - Road Construction	126,000	126,000	-	126,000	-
	<u>126,000</u>	<u>126,000</u>	<u>-</u>	<u>126,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 50,354</u>	<u>253</u>	<u>\$ 50,607</u>	<u>\$ 50,607</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>50,354</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 50,607</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (SIDEWALK CONSTRUCTION)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 5,300	\$ 5,177	\$ 766	\$ 5,943	\$ 643
	<u>5,300</u>	<u>5,177</u>	<u>766</u>	<u>5,943</u>	<u>643</u>
EXPENDITURES					
Transportation Construction	531,812	367,661	24,707	392,368	139,444
	<u>531,812</u>	<u>367,661</u>	<u>24,707</u>	<u>392,368</u>	<u>139,444</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(526,512)</u>	<u>(362,484)</u>	<u>(23,941)</u>	<u>(386,425)</u>	<u>140,087</u>
OTHER FINANCING SOURCES					
Transfers from: General Fund	526,512	394,115	132,397	526,512	-
	<u>526,512</u>	<u>394,115</u>	<u>132,397</u>	<u>526,512</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 31,631</u>	108,456	<u>\$ 140,087</u>	<u>\$ 140,087</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>31,631</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 140,087</u>		

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (FIBER OPTICS)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 16,200	\$ 16,276	\$ 422	\$ 16,698	\$ 498
	<u>16,200</u>	<u>16,276</u>	<u>422</u>	<u>16,698</u>	<u>498</u>
EXPENDITURES					
General Government Construction	542,023	374,230	-	374,230	167,793
	<u>542,023</u>	<u>374,230</u>	<u>-</u>	<u>374,230</u>	<u>167,793</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(525,823)</u>	<u>(357,954)</u>	<u>422</u>	<u>(357,532)</u>	<u>168,291</u>
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	152,823	50,000	102,823	152,823	-
Capital Projects Fund - Police Station	373,000	373,000	-	373,000	-
	<u>525,823</u>	<u>423,000</u>	<u>102,823</u>	<u>525,823</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 65,046</u>	<u>103,245</u>	<u>\$ 168,291</u>	<u>\$ 168,291</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>65,046</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 168,291</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (STORM WATER IMPROVEMENTS)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 18,500	\$ 18,820	\$ 1,345	\$ 20,165	\$ 1,665
	<u>18,500</u>	<u>18,820</u>	<u>1,345</u>	<u>20,165</u>	<u>1,665</u>
EXPENDITURES					
Cultural and Recreational Construction	<u>267,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,500</u>
	<u>267,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,500</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(249,000)</u>	<u>18,820</u>	<u>1,345</u>	<u>20,165</u>	<u>269,165</u>
OTHER FINANCING SOURCES					
Transfers from: General Fund	<u>249,000</u>	<u>249,000</u>	<u>-</u>	<u>249,000</u>	<u>-</u>
	<u>249,000</u>	<u>249,000</u>	<u>-</u>	<u>249,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 267,820</u>	<u>1,345</u>	<u>\$ 269,165</u>	<u>\$ 269,165</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>267,820</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 269,165</u>		

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (ROAD CONSTRUCTION)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ 8	\$ 131	\$ 139	\$ 139
	<u>-</u>	<u>8</u>	<u>131</u>	<u>139</u>	<u>139</u>
EXPENDITURES					
Transportation Construction	25,874	-	-	-	25,874
	<u>25,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,874</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(25,874)</u>	<u>8</u>	<u>131</u>	<u>139</u>	<u>26,013</u>
OTHER FINANCING SOURCES					
Transfers from:					
Special Revenue Fund - Community Development Block Grant	25,874	25,874	-	25,874	-
	<u>25,874</u>	<u>25,874</u>	<u>-</u>	<u>25,874</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 25,882</u>	131	<u>\$ 26,013</u>	<u>\$ 26,013</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>25,882</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 26,013</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (ENTERPRISE INFORMATION AND DOCUMENT MANAGEMENT SYSTEM)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 3,000	\$ 4,494	\$ 3,741	\$ 8,235	\$ 5,235
	<u>3,000</u>	<u>4,494</u>	<u>3,741</u>	<u>8,235</u>	<u>5,235</u>
EXPENDITURES					
General government					
Enterprise Resource Planning	900,000	109,012	125,563	234,575	665,425
	<u>900,000</u>	<u>109,012</u>	<u>125,563</u>	<u>234,575</u>	<u>665,425</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(897,000)</u>	<u>(104,518)</u>	<u>(121,822)</u>	<u>(226,340)</u>	<u>670,660</u>
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	400,000	400,000	-	400,000	-
Capital Projects Fund- Police Station	240,500	240,500	-	240,500	-
Capital Projects Fund- Utility Fund	256,500	256,500	-	256,500	-
	<u>897,000</u>	<u>897,000</u>	<u>-</u>	<u>897,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 792,482</u>	<u>(121,822)</u>	<u>\$ 670,660</u>	<u>\$ 670,660</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>792,482</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 670,660</u>		

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (PATRICK ROAD)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 31,500	\$ 32,235	\$ 2,277	\$ 34,512	\$ 3,012
	<u>31,500</u>	<u>32,235</u>	<u>2,277</u>	<u>34,512</u>	<u>3,012</u>
EXPENDITURES					
Transportation Construction	487,491	35,000	-	35,000	452,491
	<u>487,491</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>452,491</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(455,991)</u>	<u>(2,765)</u>	<u>2,277</u>	<u>(488)</u>	<u>455,503</u>
OTHER FINANCING SOURCES					
Transfers from:					
Capital Projects Fund- Road Construction	455,991	455,991	-	455,991	-
	<u>455,991</u>	<u>455,991</u>	<u>-</u>	<u>455,991</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 453,226</u>	2,277	<u>\$ 455,503</u>	<u>\$ 455,503</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>453,226</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 455,503</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (FIRE DEPARTMENT SUBSTATION)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2011

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 586	\$ -	70	\$ 70	\$ (516)
	<u>586</u>	<u>-</u>	<u>70</u>	<u>70</u>	<u>(516)</u>
EXPENDITURES					
Public Safety Construction	360,700	-	-	-	360,700
	<u>360,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,700</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(360,114)</u>	<u>-</u>	<u>70</u>	<u>70</u>	<u>360,184</u>
OTHER FINANCING SOURCES					
Transfers from: Capital Projects Fund- Police Expansion Fund	360,114	-	360,113	360,113	(1)
	<u>360,114</u>	<u>-</u>	<u>360,113</u>	<u>360,113</u>	<u>(1)</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	360,183	<u>\$ 360,183</u>	<u>\$ 360,183</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>-</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 360,183</u>		

**TOWN OF SOUTHERN PINES
PERMANENT FUND (CEMETERY PERPETUAL CARE FUND)
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2011
With Comparative Actual Amounts for Year Ended June 30, 2010**

	2011		Variance favorable (unfavorable)	2010
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 10,000	\$ 238	\$ (9,762)	\$ 465
Sale of plots	37,500	1,476	(36,024)	2,525
Total revenues	47,500	1,714	(45,786)	2,990
EXPENDITURES				
Reserved for future expense	47,500	-	47,500	-
REVENUES OVER EXPENDITURES	<u>\$ -</u>	1,714	<u>\$ 1,714</u>	2,990
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>46,999</u>		<u>44,009</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ 48,713</u>		<u>\$ 46,999</u>

ENTERPRISE FUND

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Individual Fund Descriptions:

Water and Sewer Fund -- accounts for the Town's water and sewer operations.

**TOWN OF SOUTHERN PINES
WATER AND SEWER FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2011
With Comparative Actual Amounts for Year Ended June 30, 2010**

	2011		Variance favorable (unfavorable)	2010
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Charges for services				
Water sales		\$ 3,973,830		\$ 3,741,490
Sewer sales		2,069,993		2,011,507
Service charges		88,306		119,213
Miscellaneous operating revenue		140,359		114,077
Total operating revenues	\$ 5,575,300	6,272,488	\$ 697,188	5,986,287
Nonoperating revenues				
Impact fees		218,866		125,595
Investment earnings		21,678		45,054
Gain on disposal of capital assets		11,909		13,829
	868,146	252,453	(615,693)	184,478
Total revenues	6,443,446	6,524,941	81,495	6,170,765
EXPENDITURES				
Billings and collections				
Salaries and employee benefits		245,434		246,642
Contracted services		26,695		24,475
Other departmental expenditures		122,771		100,264
	400,034	394,900	5,134	371,381
Water treatment				
Contractual services		655,530		632,397
Utilities		258,745		277,954
Other departmental expenditures		43,994		75,837
	1,076,700	958,269	118,431	986,188
Sewage treatment				
Contractual services	1,485,000	1,303,633	181,367	1,437,550
Water extensions and maintenance				
Salaries and employee benefits		364,219		328,877
Contractual services		24,643		20,489
Supplies		167,452		145,118
Other departmental expenditures		124,638		87,592
	731,047	680,952	50,095	582,076

**TOWN OF SOUTHERN PINES
WATER AND SEWER FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2011
With Comparative Actual Amounts for Year Ended June 30, 2010**

	2011		Variance favorable (unfavorable)	2010
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Sewer extensions and maintenance				
Salaries and employee benefits		\$ 388,166		\$ 362,786
Contractual services		102,369		79,690
Supplies		53,370		77,764
Other departmental expenditures		160,158		136,617
	<u>\$ 792,364</u>	<u>704,063</u>	<u>\$ 88,301</u>	<u>656,857</u>
Chargeout for administrative expenses	<u>826,632</u>	<u>826,632</u>	<u>-</u>	<u>679,127</u>
Total	<u>5,311,777</u>	<u>4,868,449</u>	<u>443,328</u>	<u>4,713,179</u>
Budgetary appropriations				
Interest	59,500	59,500	-	4,025
Debt principal	148,402	148,402	-	210,000
Capital outlay	336,595	39,313	297,282	132,950
	<u>544,497</u>	<u>247,215</u>	<u>297,282</u>	<u>346,975</u>
Total expenditures	<u>5,856,274</u>	<u>5,115,664</u>	<u>740,610</u>	<u>5,060,154</u>
REVENUES OVER EXPENDITURES	587,172	1,409,277	822,105	1,110,611
OTHER FINANCING USES				
Transfers to:				
Raw Water Reservoir	(2,111,000)	(2,111,000)	-	-
EIDMS Fund	-	-	-	(256,500)
Water and Sewer Capital Projects Fund	-	-	-	(350,000)
	<u>(2,111,000)</u>	<u>(2,111,000)</u>	<u>-</u>	<u>(606,500)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,523,828)	(701,723)	822,105	504,111
APPROPRIATED RETAINED EARNINGS	<u>1,523,828</u>	<u>-</u>	<u>(1,523,828)</u>	<u>-</u>
REVENUES AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ (701,723)</u>	<u>\$ (701,723)</u>	<u>\$ 504,111</u>

**TOWN OF SOUTHERN PINES
WATER AND SEWER FUND**

Page 3 of 3

SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2011

With Comparative Actual Amounts for Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>
REVENUES OVER EXPENDITURES	\$ (701,723)	\$ 504,111
RECONCILING ITEMS:		
Principal retirement	148,402	210,000
Capital outlay	39,313	132,950
Loss on disposal of construction in process	(56,202)	-
Depreciation and amortization	(1,084,190)	(1,066,556)
Interest earnings on Water and Sewer		
Capital Projects Fund	21,690	20,066
Developer's contributions	422,384	409,382
Intangible contributions	42,720	202,064
Capital contributions	140,431	503,544
Transfers to Water and Sewer		
Capital Projects Fund	2,111,000	350,000
	<u>1,785,548</u>	<u>761,450</u>
CHANGE IN NET ASSETS	<u>\$ 1,083,825</u>	<u>\$ 1,265,561</u>

**TOWN OF SOUTHERN PINES
WATER AND SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2011**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance favorable (unfavorable)
REVENUES					
Grant Proceeds	\$ 1,138,619	\$ 983,544	\$ 140,431	\$ 1,123,975	\$ (14,644)
Investment earnings	270,744	270,318	21,690	292,008	21,264
Developers contributions	311,666	322,057	-	322,057	10,391
TOTAL REVENUES	1,721,029	1,575,919	162,121	1,738,040	17,011
EXPENDITURES					
Water/sewer improvements II	2,893,982	1,365,526	203,882	1,569,408	1,324,574
Waynor road project	885,111	765,880	119,230	885,110	1
Commercial park project	811,666	791,960	-	791,960	19,706
Raw water reservoir	6,367,270	637,152	2,549,992	3,187,144	3,180,126
TOTAL EXPENDITURES	10,958,029	3,560,518	2,873,104	6,433,622	4,524,407
REVENUES OVER (UNDER) EXPENDITURES	(9,237,000)	(1,984,599)	(2,710,983)	(4,695,582)	4,541,418
OTHER FINANCING SOURCES					
Issuance of debt	3,500,000	-	3,500,000	3,500,000	-
Transfers from:					
Impact fees	841,146	-	841,146	841,146	-
Water & Sewer Fund	4,895,854	3,626,000	1,269,854	4,895,854	-
Total other financing sources	9,237,000	3,626,000	5,611,000	9,237,000	-
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ -	\$ 1,641,401	\$ 2,900,017	\$ 4,541,418	\$ 4,541,418

AGENCY FUND

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

Individual Fund Descriptions:

Agency Fund:

Cafeteria Plan Fund -- an Agency Fund used to account for the Town's IRC Section 125 plan for various employee benefits.

TOWN OF SOUTHERN PINES
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Cafeteria Plan				
ASSETS				
Cash and investments	\$ 27,597	\$ 274,718	\$ 274,614	\$ 27,701
Accrued interest	64	62	64	62
	<u>\$ 27,661</u>	<u>\$ 274,780</u>	<u>\$ 274,678</u>	<u>\$ 27,763</u>
LIABILITIES				
Miscellaneous liabilities	<u>\$ 27,661</u>	<u>\$ 274,780</u>	<u>\$ 274,678</u>	<u>\$ 27,763</u>

CAPITAL ASSETS OF GOVERNMENTAL FUNDS

Capital assets of governmental funds are all properties of the Town, which are not accounted for in the Enterprise Fund.

TOWN OF SOUTHERN PINES
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2011

	Land	Buildings and Improvements	Other Improvements	Machinery and equipment	Vehicles and motorized equipment	Furniture, fixtures, and other equipment	Infrastructure	Construction In Progress	Total
General government	\$ 10,700,336	\$ 2,330,498	\$ 2,052,723	\$ 396,669	\$ 357,398	\$ 430,386	\$ -	\$ 608,806	\$ 16,876,816
Public safety	1,070,553	8,015,770	842,362	211,511	2,822,816	804,465	-	-	13,767,477
Transportation	-	32,384	8,265	-	551,583	328,655	11,082,709	427,365	12,430,961
Economic and physical development	43,850	71,896	-	-	79,056	-	-	-	194,802
Cultural and recreational	36,102	4,613,234	1,446,581	23,000	87,710	106,007	-	84,258	6,396,892
Total governmental funds capital assets	<u>\$ 11,850,841</u>	<u>\$ 15,063,782</u>	<u>\$ 4,349,931</u>	<u>\$ 631,180</u>	<u>\$ 3,898,563</u>	<u>\$ 1,669,513</u>	<u>\$ 11,082,709</u>	<u>\$ 1,120,429</u>	<u>\$ 49,666,948</u>

Note: Amounts presented above exclude accumulated depreciation.

**TOWN OF SOUTHERN PINES
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended June 30, 2011**

	Balance June 30, 2010	Additions and Transfers in	Disposals and Transfers out	Balance June 30, 2011
General government	\$ 16,889,153	\$ 218,147	\$ (230,484)	\$ 16,876,816
Public safety	13,782,095	9,233,359	(9,247,977)	13,767,477
Transportation	12,334,067	96,894	-	12,430,961
Economic and physical development	194,802	-	-	194,802
Cultural and recreational	6,307,892	89,000	-	6,396,892
Total governmental funds capital assets	<u>\$ 49,508,009</u>	<u>\$ 9,637,400</u>	<u>\$ (9,478,461)</u>	<u>\$ 49,666,948</u>

Note: Amounts presented above exclude accumulated depreciation.

TOWN OF SOUTHERN PINES
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
For the Year Ended June 30, 2011

	Uncollected Balance June 30, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 7,311,009	\$ 7,257,129	\$ 53,880
2009-2010	40,725	-	25,542	15,183
2008-2009	10,158	-	3,392	6,766
2007-2008	6,922	-	774	6,148
2006-2007	15,516	-	480	15,036
2005-2006	9,062	-	516	8,546
2004-2005	5,129	-	331	4,798
2003-2004	7,535	-	218	7,317
2002-2003	8,226	-	5,382	2,844
2001-2002	2,100	-	367	1,733
2000-2001	1,260	-	1,260	-
	<u>\$ 106,633</u>	<u>\$ 7,311,009</u>	<u>\$ 7,295,391</u>	122,251
Less allowance for uncollected taxes receivable General fund				<u>(22,342)</u>
Ad valorem taxes receivable, net				<u>\$ 99,909</u>
Reconcilement with revenue:				
Taxes				\$ 7,313,650
Penalties and interest				(26,616)
Refunds				5,693
Taxes written off				1,251
Other adjustments				<u>1,413</u>
Total collections and credits				<u>\$ 7,295,391</u>

**TOWN OF SOUTHERN PINES
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2011**

	Town-wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate:	\$ 1,962,349,833	\$ 0.35	\$ 6,868,240	\$ 6,868,240	\$ -
Penalties	-		3,006	3,006	-
	<u>1,962,349,833</u>		<u>6,871,246</u>	<u>6,871,246</u>	<u>-</u>
Discoveries:					
Adjustments at current year's rate	118,919,716	0.35	428,152	92,914	335,238
Adjustments at prior year's rate	<u>11,043,710</u>	<u>0.35</u>	<u>36,405</u>	<u>-</u>	<u>36,405</u>
Total	2,092,313,259		7,335,803	6,964,160	371,643
Abatements:					
Current year's rate	<u>(5,457,716)</u>	0.35	<u>(24,794)</u>	<u>(887)</u>	<u>(23,907)</u>
TOTAL PROPERTY VALUATION	<u><u>\$ 2,086,855,543</u></u>				
Net levy			7,311,009	6,963,273	347,736
Uncollected taxes at June 30, 2011			<u>53,880</u>	<u>34,064</u>	<u>19,816</u>
Current year's taxes collected			<u><u>\$ 7,257,129</u></u>	<u><u>\$ 6,929,209</u></u>	<u><u>\$ 327,920</u></u>
Percent of current year taxes collected			<u>99.26%</u>	<u>99.51%</u>	<u>94.30%</u>

**TOWN OF SOUTHERN PINES
 SCHEDULE OF INTERFUND TRANSFERS
 Year Ended June 30, 2011**

Transfers to Fund	Transfer from Fund			Total
	Major Governmental	Non-major Governmental	Major Business-Type	
	General Fund		Water and Sewer	
Governmental: Non-Major Funds	\$ 235,220	\$ 360,113	\$ -	\$ 595,333
Business-Type: Major Funds	-	-	2,111,000	2,111,000
Total	<u>\$ 235,220</u>	<u>\$ 360,113</u>	<u>\$ 2,111,000</u>	<u>\$2,706,333</u>

STATISTICAL SECTION

This part of the Town of Southern Pines' 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.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

FINANCIAL TRENDS INFORMATION

**TOWN OF SOUTHERN PINES
NET ASSETS BY COMPONENT
Last Nine Fiscal Years**

Table 1

	2003	2004	2005	2006
Governmental Activities				
Invested in Capital Assets, net of related debt	\$ 23,664,093	\$ 23,784,086	\$ 24,767,860	\$ 24,905,903
Restricted	5,949,808	5,584,120	4,816,663	5,742,934
Unrestricted	1,843,139	2,609,329	4,254,350	4,187,841
Total Governmental Activities Net Assets	31,457,040	31,977,535	33,838,873	34,836,678
Business-type Activities				
Invested in Capital Assets, net of related debt	23,546,754	25,675,118	26,899,892	27,293,907
Restricted	-	-	-	-
Unrestricted	5,186,541	4,789,928	4,538,012	5,082,649
Total Business-type Activities Net Assets	28,733,295	30,465,046	31,437,904	32,376,556
Primary Government				
Invested in Capital Assets, net of related debt	47,210,847	49,459,204	51,667,752	52,199,810
Restricted	5,949,808	5,584,120	4,816,663	5,742,934
Unrestricted	7,029,680	7,399,257	8,792,362	9,270,490
Total primary Government Net Assets	\$ 60,190,335	\$ 62,442,581	\$ 65,276,777	\$ 67,213,234

Notes:

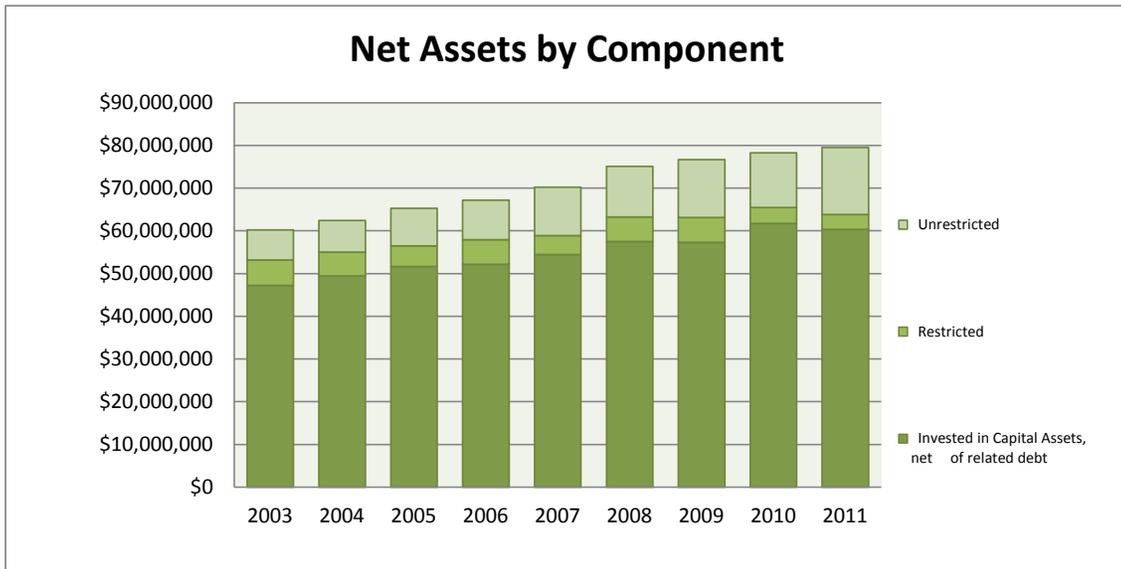
This table was prepared using the accrual basis of accounting. Collection of this information began in FY 2003 with the implementation of GASB 34. Information will continue to be collected until there are ten years of history.

Restricted and unrestricted categories have been restated to retroactively implement GASB 54.

**TOWN OF SOUTHERN PINES
NET ASSETS BY COMPONENT
Last Nine Fiscal Years**

**Table 1
(con't)**

	2007	2008	2009	2010	2011
Governmental Activities					
Invested in Capital Assets, net of related debt	\$ 26,203,921	\$ 27,637,028	\$ 26,349,353	\$ 29,678,651	\$ 29,411,511
Restricted	4,480,356	5,800,666	5,844,156	3,723,300	3,473,801
Unrestricted	5,556,822	4,839,735	6,350,644	5,465,135	6,208,414
Total Governmental Activities Net Assets	36,241,099	38,277,429	38,544,153	38,867,086	39,093,726
Business-type Activities					
Invested in Capital Assets, net of related debt	28,224,160	29,842,062	30,955,704	32,039,888	30,930,532
Restricted	-	-	-	-	-
Unrestricted	5,758,921	6,975,786	7,152,347	7,333,724	9,526,905
Total Business-type Activities Net Assets	33,983,081	36,817,848	38,108,051	39,373,612	40,457,437
Primary Government					
Invested in Capital Assets, net of related debt	54,428,081	57,479,090	57,305,057	61,718,539	60,342,043
Restricted	4,480,356	5,800,666	5,844,156	3,723,300	3,473,801
Unrestricted	11,315,743	11,815,521	13,502,991	12,798,859	15,735,319
Total primary Government Net Assets	\$ 70,224,180	\$ 75,095,277	\$ 76,652,204	\$ 78,240,698	\$ 79,551,163



**TOWN OF SOUTHERN PINES
CHANGES IN NET ASSETS
Last Nine Fiscal Years**

Table 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General Government	\$ 2,759,276	\$ 2,814,897	\$ 2,907,623	\$ 3,234,465	\$ 3,409,836	\$ 3,616,005	\$ 4,023,204	\$ 4,539,958	\$ 4,630,400
Public Safety	3,298,106	3,453,172	3,517,083	3,872,906	4,190,726	4,451,595	4,676,145	4,751,887	5,118,600
Transportation	1,485,085	1,100,969	1,136,916	1,301,081	1,305,999	1,365,948	1,821,185	1,593,589	1,436,648
Economic and Physical Development	344,816	343,350	362,863	409,535	521,189	616,011	791,424	667,356	956,340
Cultural and Recreation	1,270,210	1,344,829	1,390,433	1,555,104	1,586,789	1,733,563	1,820,968	1,587,332	1,549,640
Interest on Long Term Debt	4,126	698	-	11,952	24,183	14,989	177,670	225,648	212,328
Total Governmental Activities Expense	9,161,619	9,057,915	9,314,918	10,385,043	11,038,722	11,798,111	13,310,596	13,365,770	13,903,956
Total Business-Type Activity - Water and Sewer	3,878,004	3,897,969	3,949,406	4,089,521	4,435,308	4,613,910	5,214,994	5,783,760	6,012,139
TOTAL PRIMARY GOVERNMENT EXPENSES	\$13,039,623	\$12,955,884	\$13,264,324	\$14,474,564	\$15,474,030	\$16,412,021	\$18,525,590	\$19,149,530	\$19,916,095
Program revenues									
Governmental activities:									
Charges for Services									
General Governmental	\$ 268,073	\$ 308,830	\$ 369,577	\$ 354,292	\$ 396,096	\$ 452,649	\$ 673,830	\$ 830,364	\$ 840,476
Public Safety	309,959	338,923	345,798	390,331	390,343	500,431	509,706	493,485	501,715
Transportation	39,379	23,193	21,478	9,779	7,948	7,261	8,775	14,531	14,138
Economic and Physical Development	155,515	217,677	282,048	342,140	315,976	302,147	221,168	263,420	258,908
Cultural and Recreation	123,141	154,032	181,982	195,230	203,448	205,893	204,524	219,856	252,066
Cemetery	1,525	4,150	4,750	2,500	3,775	2,700	3,425	2,525	1,476
Operating Grants and Contributions									
General Governmental	368,889	21,398	161,498	17,142	159,492	42,514	90,726	67,145	55,392
Public Safety	31,548	31,038	40,027	72,249	42,826	29,578	9,611	65,701	180,566
Transportation	527,741	402,203	401,565	416,972	400,518	452,161	408,346	365,427	372,100
Cultural and Recreation	13,596	26,717	19,587	19,310	12,298	11,801	12,954	50,656	63,951
Capital Grants and Contributions									
General Governmental	-	368,500	519,220	239,701	564,979	799,568	385,574	22,960	36,130
Public Safety	-	-	-	-	-	-	-	35,700	46,626
Economic and Physical Development	-	-	-	-	-	-	-	-	340,000
Cultural and Recreation	63,059	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	1,902,425	1,896,661	2,347,530	2,059,646	2,497,699	2,806,703	2,528,639	2,431,770	2,963,544
Business-type Activity - Water and Sewer									
Charges for Services	4,126,134	4,310,009	4,416,409	4,481,797	4,880,712	5,481,535	5,440,474	6,093,301	6,468,773
Capital Grants and Contributions	330,054	520,938	549,868	379,848	899,119	1,727,424	878,600	1,114,990	605,535
Total Business Activity Program Revenues	4,456,188	4,830,947	4,966,277	4,861,645	5,779,831	7,208,959	6,319,074	7,208,291	7,074,308
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 6,358,613	\$ 6,727,608	\$ 7,313,807	\$ 6,921,291	\$ 8,277,530	\$10,015,662	\$ 8,847,713	\$ 9,640,061	\$ 10,037,852
Net Revenue (Expense)									
Governmental activities	\$ (7,259,194)	\$ (7,161,254)	\$ (6,967,388)	\$ (8,325,397)	\$ (8,541,023)	\$ (8,991,408)	\$ (10,781,957)	\$ (10,934,000)	\$ (10,940,412)
Business-type activity	578,184	932,978	1,016,871	772,124	1,344,523	2,595,049	1,104,080	1,424,531	1,062,169
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ (6,681,010)	\$ (6,228,276)	\$ (5,950,517)	\$ (7,553,273)	\$ (7,196,500)	\$ (6,396,359)	\$ (9,677,877)	\$ (9,509,469)	\$ (9,878,243)

TOWN OF SOUTHERN PINES
CHANGES IN NET ASSETS
Last Nine Fiscal Years

Table 2
(con't)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General revenues and Other Changes in Net Assets									
Governmental activities:									
Ad Valorem Taxes	\$ 4,890,763	\$ 5,008,621	\$ 5,115,657	\$ 5,357,867	\$ 5,739,695	\$ 6,640,605	\$ 7,065,786	\$ 7,236,466	\$ 7,334,480
Local Option Taxes	1,646,729	1,680,738	1,896,008	2,058,488	2,203,070	2,736,344	2,470,727	2,388,153	2,440,388
Alcoholic Beverage Tax	95,520	100,267	106,703	108,525	107,746	102,028	103,214	94,236	100,423
Franchise Taxes	-	-	-	-	-	652,800	739,237	737,932	741,169
Unrestricted Intergovernmental	781,626	1,219,022	1,289,866	1,318,816	1,310,450	281,559	287,413	361,794	377,506
Investment Earnings	140,947	88,086	185,066	411,382	555,046	495,007	249,154	109,546	51,884
Miscellaneous Revenue	109,872	86,144	109,746	68,124	28,187	119,395	133,350	47,231	91,648
Gain on Disposal/Transfer of Capital Assets	-	-	-	-	-	-	-	24,875	29,554
Transfers	12,000	(740,400)	125,680	-	1,250	-	-	256,500	-
Total Governmental Activities	7,677,457	7,442,478	8,828,726	9,323,202	9,945,444	11,027,738	11,048,881	11,256,733	11,167,052
Business Type Activity									
Investment Earnings	100,153	45,530	82,998	174,593	245,894	250,211	139,023	65,120	43,368
Gain (loss) on Disposal/Transfer of Capital Assets	-	-	-	-	13,274	(35,226)	5,205	13,829	(44,293)
Miscellaneous Revenue	2,017	12,843	(1,331)	(8,065)	4,084	24,733	41,895	18,581	22,581
Transfers	(12,000)	740,400	(125,680)	-	(1,250)	-	-	(256,500)	-
Total Business Type Activity	90,170	798,773	(44,013)	166,528	262,002	239,718	186,123	(158,970)	21,656
TOTAL PRIMARY GOVERNMENT GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS	\$ 7,767,627	\$ 8,241,251	\$ 8,784,713	\$ 9,489,730	\$ 10,207,446	\$ 11,267,456	\$ 11,235,004	\$ 11,097,763	\$ 11,188,708
Change in Net Assets									
Governmental Activities	\$ 418,263	\$ 281,224	\$ 1,861,338	\$ 997,805	\$ 1,404,421	\$ 2,036,330	\$ 266,924	\$ 322,733	\$ 226,640
Business-type Activity	668,354	1,731,751	972,858	938,652	1,606,525	2,834,767	1,290,203	1,265,561	1,083,825
TOTAL PRIMARY GOVERNMENT CHANGE IN NET ASSETS	\$ 1,086,617	\$ 2,012,975	\$ 2,834,196	\$ 1,936,457	\$ 3,010,946	\$ 4,871,097	\$ 1,557,127	\$ 1,588,294	\$ 1,310,465

Note: This table was prepared using the accrual basis of accounting. Collection of this information began in FY 2003 with the implementation of GASB 34. Information will continue to be collected until there are ten years of history.

TOWN OF SOUTHERN PINES
FUND BALANCES, GOVERNMENTAL FUNDS ^{(1), (2)}
Last Ten Fiscal Years

Table 3

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Non spendable	\$ 66,963	\$ 64,185	\$ 69,459	\$ 86,689	\$ 51,371
Restricted	1,035,907	1,320,970	950,927	922,713	1,061,610
Assigned	91,160	369,573	3,427,140	722,806	999,466
Unassigned	<u>5,324,255</u>	<u>5,623,220</u>	<u>3,297,963</u>	<u>3,851,812</u>	<u>4,322,040</u>
Total General Fund	<u>\$ 6,518,285</u>	<u>\$ 7,377,948</u>	<u>\$ 7,745,489</u>	<u>\$ 5,584,020</u>	<u>\$ 6,434,487</u>
All Other Governmental Funds					
Non spendable	\$ 14,914	\$ 16,705	\$ 21,060	\$ 26,322	\$ 29,916
Restricted	-	-	-	23,150	39,275
Committed	<u>1,938,538</u>	<u>652,545</u>	<u>769,698</u>	<u>3,844,478</u>	<u>3,871,723</u>
Total All Other Governmental Funds	<u>\$ 1,953,452</u>	<u>\$ 669,250</u>	<u>\$ 790,758</u>	<u>\$ 3,893,950</u>	<u>\$ 3,940,914</u>

⁽¹⁾ This table was prepared using the modified accrual basis of accounting.

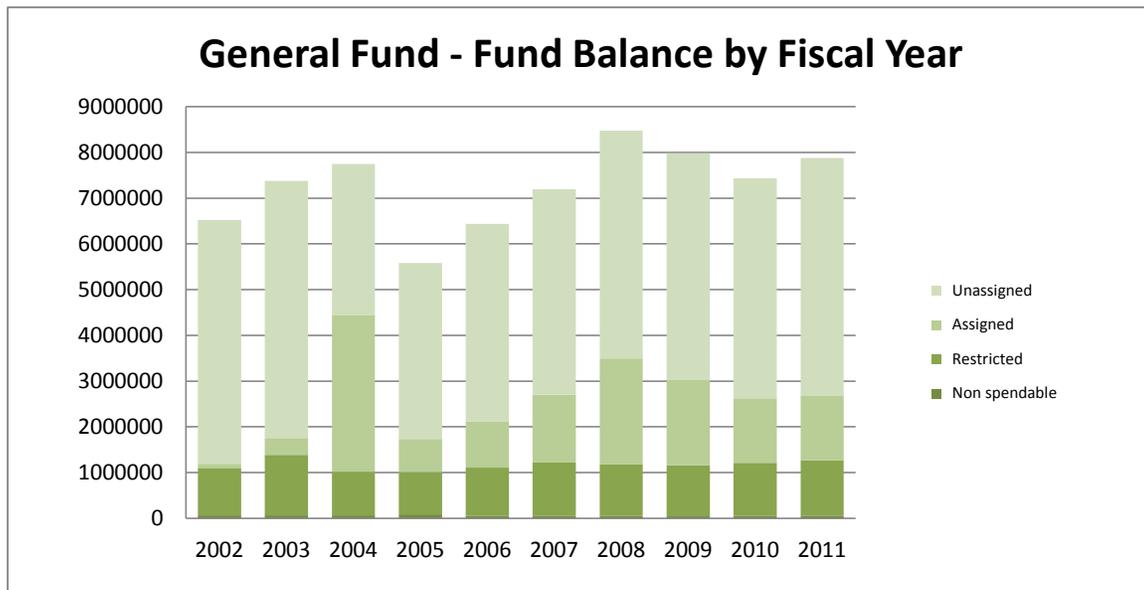
⁽²⁾ Fund balance categories have been restated to retroactively implement GASB 54.

⁽³⁾ \$3,272,250 of fund balance was appropriated for various capital project funds during FY 2004.

TOWN OF SOUTHERN PINES
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years

Table 3
(cont)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund					
Non spendable	\$ 55,840	\$ 50,916	\$ 48,431	\$ 49,665	\$ 56,829
Restricted	1,167,583	1,130,360	1,108,514	1,165,344	1,213,725
Assigned	1,477,239	2,312,493	1,880,398	1,413,349	1,416,048
Unassigned	4,492,831	4,978,986	4,941,658	4,800,914	5,192,710
Total General Fund	<u>\$ 7,193,493</u>	<u>\$ 8,472,755</u>	<u>\$ 7,979,001</u>	<u>\$ 7,429,272</u>	<u>\$ 7,879,312</u>
All Other Governmental Funds					
Non spendable	\$ 35,366	\$ 39,681	\$ 44,009	\$ 46,999	\$ 48,605
Restricted	146,406	18,492	79,500	135,679	5,112
Committed	3,131,001	2,603,637	4,612,133	2,377,272	2,206,359
Total All Other Governmental Funds	<u>\$ 3,312,773</u>	<u>\$ 2,661,810</u>	<u>\$ 4,735,642</u>	<u>\$ 2,559,950</u>	<u>\$ 2,260,076</u>



**TOWN OF SOUTHERN PINES
CHANGES IN FUND BALANCES,
GOVERNMENTAL FUNDS
Last Nine Fiscal Years**

Table 4

	2003	2004	2005	2006
REVENUES				
Ad Valorem Taxes	\$ 4,825,878	\$ 5,011,174	\$ 5,124,600	\$ 5,368,600
Other Taxes and Licenses	1,915,887	2,509,392	2,745,066	2,922,783
Unrestricted Intergovernmental	620,346	580,508	593,938	622,714
Restricted Intergovernmental	774,698	399,665	583,124	438,358
Permits and Fees	220,445	265,911	351,384	376,835
Sales and Services	378,900	448,339	516,880	531,997
Investment Earnings	140,742	88,048	185,065	411,384
Grant Proceeds	63,059	-	250,000	3,000
Developers Contributions	-	-	2,000	234,083
Other	528,041	457,646	438,185	502,579
TOTAL REVENUES	9,467,996	9,760,683	10,790,242	11,412,333
EXPENDITURES				
Current:				
General Government	2,671,204	2,745,513	2,816,484	3,130,199
Public Safety	3,037,809	3,204,184	3,294,457	3,658,260
Transportation	1,197,203	703,024	733,431	909,276
Economic and Physical Development	333,543	330,552	352,796	399,600
Cultural and Recreational	1,161,872	1,212,121	1,238,137	1,400,245
Debt Service:				
Principal	92,824	47,777	-	65,786
Interest	4,126	698	-	11,952
Capital Outlay	1,405,954	526,636	1,538,894	1,649,584
TOTAL EXPENDITURES	9,904,535	8,770,505	9,974,199	11,224,902
REVENUES OVER (UNDER) EXPENDITURES	(436,539)	990,178	816,043	187,431
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	710,000
Transfers From Other Funds	602,228	288,585	3,397,930	118,360
Transfers to Other funds	(590,228)	(1,028,985)	(3,272,250)	(118,360)
TOTAL OTHER FINANCING SOURCES (USES)	12,000	(740,400)	125,680	710,000
NET CHANGE IN FUND BALANCE	(424,539)	249,778	941,723	897,431
FUND BALANCE - Beginning of Year	8,471,737	8,047,198	8,536,247	9,477,970
Prior Period Adjustment	-	239,271	-	-
FUND BALANCE - End of Year	\$ 8,047,198	\$ 8,536,247	\$ 9,477,970	\$ 10,375,401
Debt Service as a percentage of non-capital expenditures	1.1%	0.6%	0.0%	0.7%

This schedule was prepared using the modified accrual basis of accounting.

Note: This table was prepared using the accrual basis of accounting. Collection of this information began in FY 2003 with the implementation of GASB 34. Information will continue to be collected until there are ten years of history.

**TOWN OF SOUTHERN PINES
CHANGES IN FUND BALANCES,
GOVERNMENTAL FUNDS
Last Nine Fiscal Years**

**Table 4
(cont)**

	2007	2008	2009	2010	2011
REVENUES					
Ad Valorem Taxes	\$ 5,723,821	\$ 6,647,580	\$ 7,061,426	\$ 7,235,515	\$ 7,313,650
Other Taxes and Licenses	3,017,398	3,116,597	2,856,053	2,850,332	2,901,434
Unrestricted Intergovernmental	653,109	708,031	794,103	755,689	797,218
Restricted Intergovernmental	432,483	474,260	457,268	500,288	646,318
Permits and Fees	360,075	353,271	241,842	309,678	297,073
Sales and Services	553,902	638,939	869,899	1,036,689	1,084,292
Investment Earnings	555,046	495,009	249,154	109,546	51,884
Grant Proceeds	117,000	-	-	-	340,000
Developers Contributions	381,620	783,034	377,699	(10,391)	-
Other	493,691	612,556	639,165	622,814	616,458
TOTAL REVENUES	12,288,145	13,829,277	13,546,609	13,410,160	14,048,327
EXPENDITURES					
Current:					
General Government	3,299,983	3,499,763	3,846,334	4,603,940	4,324,429
Public Safety	3,907,353	4,197,139	4,403,315	4,800,342	5,345,304
Transportation	920,422	977,346	1,398,167	1,351,346	1,029,229
Economic and Physical Development	511,156	609,260	785,403	665,165	959,010
Cultural and Recreational	1,437,678	1,566,740	1,659,736	1,456,068	1,514,954
Debt Service:					
Principal	134,913	139,494	360,897	582,459	509,784
Interest	20,562	15,983	132,472	236,677	215,451
Capital Outlay	1,926,463	2,195,253	5,880,207	2,696,084	-
TOTAL EXPENDITURES	12,158,530	13,200,978	18,466,531	16,392,081	13,898,161
REVENUES OVER (UNDER) EXPENDITURES	129,615	628,299	(4,919,922)	(2,981,921)	150,166
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	-	6,500,000	-	-
Transfers From Other Funds	1,250	1,356,066	194,045	1,122,944	235,220
Transfers to Other funds	-	(1,356,066)	(194,045)	(866,444)	(235,220)
TOTAL OTHER FINANCING SOURCES (USES)	1,250	-	6,500,000	256,500	-
NET CHANGE IN FUND BALANCE	130,865	628,299	1,580,078	(2,725,421)	150,166
FUND BALANCE - Beginning of Year	10,375,401	10,506,266	11,134,565	12,714,643	9,989,222
Prior Period Adjustment	-	-	-	-	-
FUND BALANCE - End of Year	\$ 10,506,266	\$ 11,134,565	\$ 12,714,643	\$ 9,989,222	\$ 10,139,388
Debt Service as a percentage of non-capital expenditures	1.4%	1.3%	3.6%	5.9%	5.0%

REVENUE CAPACITY INFORMATION

TOWN OF SOUTHERN PINES
ASSESSED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 5

Fiscal Year	Assessed Value ⁽¹⁾			Total	Property Tax Rate ⁽³⁾	Percent Increase in Value ⁽⁴⁾
	Real Property	Personal Property ⁽²⁾	Public Service Companies			
2002	\$ 773,570,726	\$ 131,508,237	\$ 17,675,225	\$ 922,754,188	0.50	4.0%
2003	814,041,961	139,690,294	16,950,309	970,682,564	0.50	5.2%
2004	1,111,870,026	138,302,578	20,709,556	1,270,882,160	0.39	30.9%
2005	1,151,563,256	134,752,668	21,451,089	1,307,767,013	0.39	2.9%
2006	1,207,031,563	145,100,747	21,080,938	1,373,213,248	0.39	5.0%
2007	1,258,181,148	153,950,160	22,449,260	1,434,580,568	0.40	4.5%
2008	1,761,987,966	154,483,911	23,390,717	1,939,862,594	0.34	35.2%
2009	1,831,337,986	159,269,793	24,169,961	2,014,777,740	0.35	3.9%
2010	1,883,982,630	147,983,302	24,036,664	2,056,002,596	0.35	2.0%
2011	1,909,804,272	153,239,430	23,811,841	2,086,855,543	0.35	1.5%

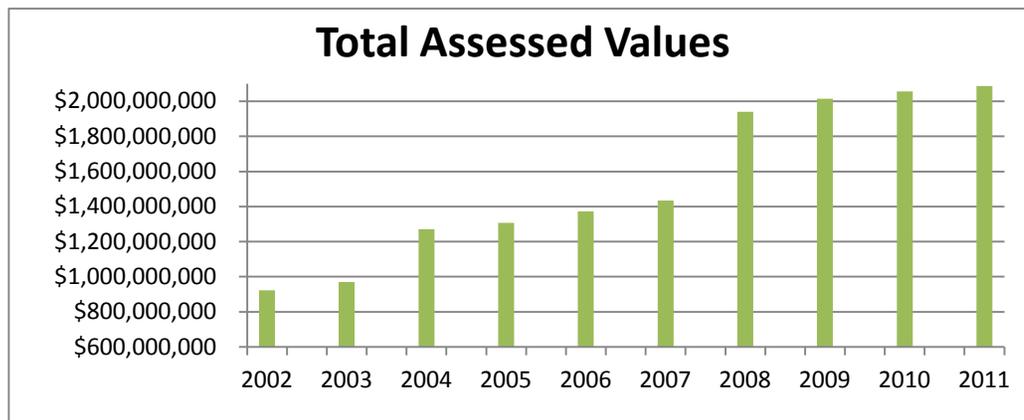
NOTES:

⁽¹⁾ Assessed Value is established by Moore County Assessor's office. Property is assessed at actual value.

⁽²⁾ Includes vehicles.

⁽³⁾ All tax rates are expressed in dollars of tax per \$100 of assessed valuation.

⁽⁴⁾ A revaluation of all property is required at least every eight years by North Carolina General Statutes. The tax rate was adjusted during the fiscal years ended June 30, 2004 and June 30, 2008 to reflect the revaluation of taxable property.



TOWN OF SOUTHERN PINES
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENT
Last Ten Fiscal Years

Table 6

Fiscal Year	Tax Year	Town of southern Pines			Overlapping Rate
		Operating Millage	Debt Service Millage	Total Town Millage	County of Moore ⁽¹⁾
2002	2001	0.50	-	0.50	0.595
2003	2002	0.50	-	0.50	0.595
2004	2003	0.39	-	0.39	0.515
2005	2004	0.39	-	0.39	0.515
2006	2005	0.39	-	0.39	0.495
2007	2006	0.40	-	0.40	0.495
2008	2007	0.34	-	0.34	0.475
2009	2008	0.35	-	0.35	0.504
2010	2009	0.35	-	0.35	0.485
2011	2010	0.35	-	0.35	0.485

NOTES:

All tax rates are expressed in dollars of tax per \$100 of assessed valuation.

A revaluation of all property is required every eight years by state statute. A revaluation occurred in tax year 2003 and 2007.

⁽¹⁾ Overlapping rates are those of local and county governments that apply to property owners within the Town of Southern Pines.

Source: Moore County Tax Office.

**TOWN OF SOUTHERN PINES
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Table 7

Taxpayer	Type of Enterprise	2010			2001		
		Total Assessed Value ⁽¹⁾	Rank	Percent of Town's Assessed Valuation	Total Assessed Value	Rank	Percent of Town's Assessed Valuation
Forest Creek	Golf Course	\$ 48,453,376	1	2.32%	\$ 17,817,719	1	1.93%
Mid Pines	Golf Course/Hotel	24,469,134	2	1.17%	11,092,296	4	1.20%
Pinecrest Plaza	Retail	24,344,970	3	1.17%	12,935,490	3	1.40%
National Golf Club, Inc.	Golf Course	18,974,121	4	0.91%	14,486,829	2	1.57%
Claude Smith Enterprises	Retail	18,298,650	5	0.88%	8,307,222	6	0.90%
Talamore Golf Partners	Golf Course	10,889,069	6	0.52%	⁽²⁾	-	-
Progress Energy	Utility	9,543,466	7	0.46%	7,147,832	8	0.77%
Ingersoll Rand	Manufacturing	8,587,327	8	0.41%	7,792,999	7	0.84%
Carolina Telephone & Telegraph	Utility	8,284,918	9	0.40%	6,540,552	9	0.71%
DDRTC Southern Pines Market Place	Retail	8,030,360	10	0.38%	⁽²⁾	-	-
IR First of North Carolina	Retail	⁽²⁾	-	0.00%	10,931,499	5	1.18%
Pinehurst Hospitality	Hotel	⁽²⁾	-	0.00%	6,267,337	10	0.68%
		<u>\$ 179,875,391</u>		<u>8.62%</u>	<u>\$ 103,319,775</u>		<u>11.18%</u>

SOURCE: Moore County Tax Department

NOTES:

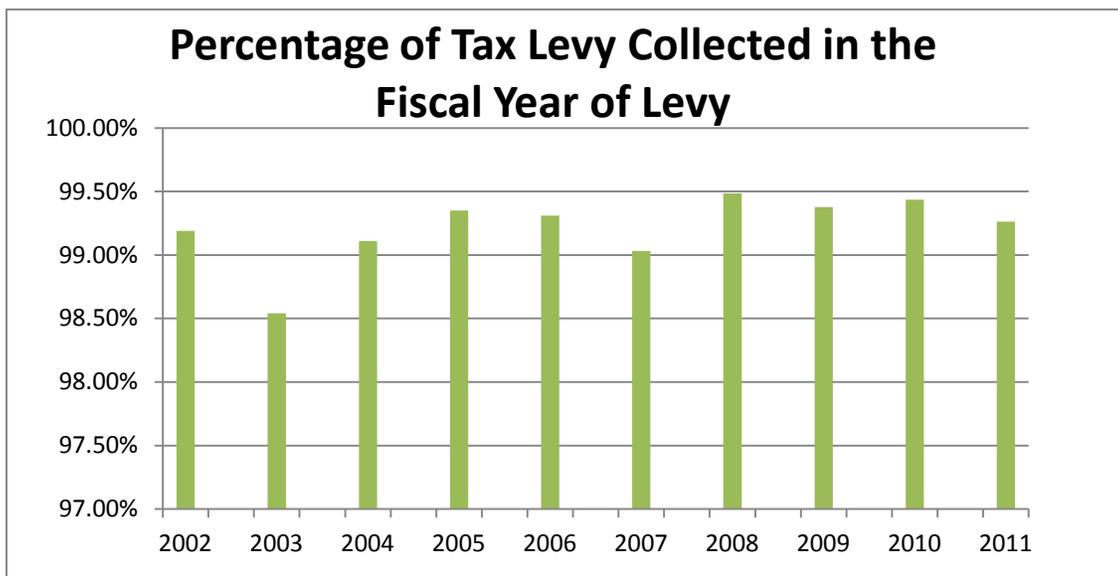
⁽¹⁾ 2010 Assessed value represents taxes assessed and due in the fiscal year ended June 30, 2011, and 2001 represents taxes assessed and due in the fiscal year ended June 30, 2002.

⁽²⁾ Not within top ten ranking.

**TOWN OF SOUTHERN PINES
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Table 8

Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date		
			Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2002	2001	\$ 4,616,887	\$ 4,579,555	99.19%	\$ 25,487	\$ 4,605,042	99.74%
2003	2002	4,870,556	4,799,480	98.54%	50,704	4,850,184	99.58%
2004	2003	4,997,778	4,953,545	99.11%	33,073	4,986,618	99.78%
2005	2004	5,103,210	5,070,274	99.35%	12,198	5,082,472	99.59%
2006	2005	5,356,356	5,319,159	99.31%	19,059	5,338,218	99.66%
2007	2006	5,745,118	5,689,467	99.03%	36,991	5,726,458	99.68%
2008	2007	6,624,019	6,589,903	99.48%	25,540	6,615,443	99.87%
2009	2008	7,050,041	7,006,217	99.38%	35,201	7,041,418	99.88%
2010	2009	7,211,587	7,170,862	99.44%	24,118	7,194,980	99.77%
2011	2010	7,311,009	7,257,129	99.26%	-	7,257,129	99.26%



DEBT CAPACITY INFORMATION

TOWN OF SOUTHERN PINES
RATIOS OF OUTSTANDING DEBT BY TYPE ⁽¹⁾
Last Ten Fiscal Years

Table 9

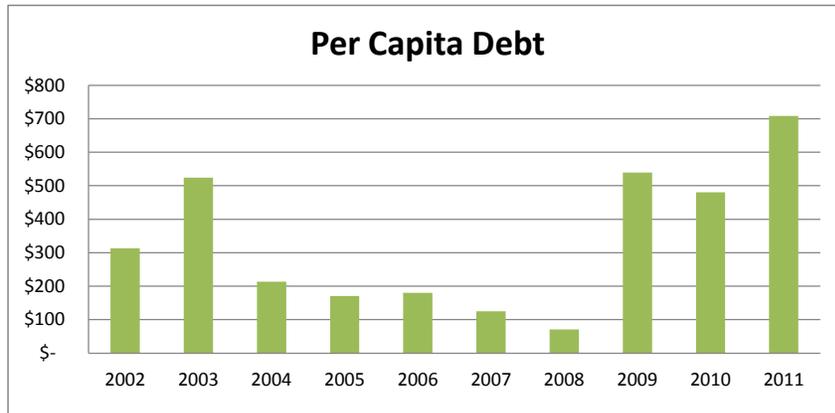
Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita ⁽²⁾
	General Obligation Bonds	Installment Financing	Capital Leases	General Obligation Bonds	Installment Financing	Capital Leases			
2002	-	\$ 140,600	-	\$ 3,405,000	-	-	\$ 3,545,600	0.97%	\$ 313
2003	-	47,777	-	5,935,000 ⁽³⁾	-	-	5,982,774	1.61%	524
2004	-	-	-	2,475,000	-	-	2,475,000	0.62%	214
2005	-	-	-	1,980,000	-	-	1,980,000	0.47%	171
2006	-	644,215	-	1,485,000	-	-	2,129,215	0.49%	181
2007	-	509,307	-	990,000	-	-	1,499,307	0.32%	125
2008	-	369,807	-	495,000	-	-	864,807	0.18%	71
2009	-	6,508,910	-	210,000	-	-	6,718,910	1.40%	540
2010	-	5,926,451	-	-	-	-	5,926,451	⁽⁴⁾	480
2011	-	5,416,667	-	-	3,351,598	-	8,768,265	⁽⁴⁾	708

⁽¹⁾ The Town does not have any long-term debt that is backed by pledged revenues.

⁽²⁾ See Table 12 for personal income and population data.

⁽³⁾ General Obligation Bonds in the amount of \$2,985,000 were refunded in 2003. Proceeds were escrowed and were used to pay off the bonds in July 2003. New General Obligation Debt of \$3,000,000 was issued.

⁽⁴⁾ Information not yet available.



TOWN OF SOUTHERN PINES
COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Fiscal Years

Table 10

Fiscal Year	Assessed Value	Debt Limit 8% of Total Assessed Value	Less: Amount of debt applicable to debt limit - net bonded debt ⁽¹⁾	Less: General Obligation Bonds authorized, not issued	Legal Debt Margin
2002	\$ 922,754,188	\$ 73,820,334	\$ 140,600	\$ -	\$ 73,679,734
2003	970,682,564	77,654,605	47,777	-	77,606,828
2004	1,270,882,160	101,670,573	-	-	101,670,573
2005	1,307,767,013	104,621,361	-	-	104,621,361
2006	1,373,213,248	109,857,060	644,214	-	109,212,846
2007	1,434,580,568	114,766,445	509,307	-	114,257,138
2008	1,939,862,594	155,189,008	369,807	-	154,819,201
2009	2,014,777,740	161,182,219	6,508,910	-	154,673,309
2010	2,056,002,596	164,480,208	5,926,451	-	158,553,757
2011	2,086,855,543	166,948,443	8,768,265	-	158,180,178

⁽¹⁾ Net Bonded Debt Calculation for FY 2011

Utility General Obligation Bonds	\$ -
Installment financing	8,768,265
	<u>8,768,265</u>
Statutory Deductions:	
Bonded debt included in gross debt incurred for water	-
	<u>\$ 8,768,265</u>

**TOWN OF SOUTHERN PINES
DIRECT AND OVERLAPPING DEBT
June 30, 2011**

Table 11

	<u>Net Bonded Debt</u>	<u>Percentage Applicable to Town of Southern Pines ⁽¹⁾</u>	<u>Amount Applicable to Town of Southern Pines</u>
Direct Debt:			
Town of Southern Pines	\$ 8,768,265 ⁽²⁾	100.00%	\$ 8,768,265
Overlapping Debt:			
County of Moore ⁽³⁾	<u>114,749,184</u>	17.75%	<u>20,367,980</u>
Total	<u>\$ 123,517,449</u>		<u>\$ 29,136,245</u>

⁽¹⁾ The percentage of overlapping debt applicable is calculated using taxable assessed property values. Applicable percentages were calculated by determining the portion of Moore County's taxable assessed value that is within the Town's boundaries and dividing it by the County's total taxable assessed value.

⁽²⁾ Net bonded debt was calculated as general obligation bonds and installment purchases, less general obligation bonds incurred for water. See Table 10 for net bonded debt calculation.

⁽³⁾ Information provided by Moore County Finance Department.

DEMOGRAPHIC AND ECONOMIC INFORMATION

**TOWN OF SOUTHERN PINES
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years**

Table 12

Fiscal Year	Population ⁽¹⁾	Moore County Personal Income (in millions) ⁽²⁾	Moore County Per Capita Personal Income ⁽³⁾	Median Age ⁽⁴⁾	Moore County Unemployment Rate ⁽⁵⁾
2002	11,334	\$ 2,493	\$ 32,132	42.0	6.6%
2003	11,424	2,547	32,486	42.0	7.2%
2004	11,573	2,737	34,436	43.7	5.8%
2005	11,586	2,935	36,326	43.3	5.4%
2006	11,794	3,071	37,132	43.5	4.8%
2007	11,990	3,275	38,662	43.8	4.7%
2008	12,217	3,412	39,656	41.9	6.2%
2009	12,450	3,359	38,539	41.9	10.7%
2010	12,334	⁽⁶⁾	⁽⁶⁾	44.6	9.6%
2011	12,384	⁽⁶⁾	⁽⁶⁾	45.0	9.1%

⁽¹⁾ N.C. Office of State Budget and Management.

⁽²⁾ Information is not available for the Town of Southern Pines. County data is from the U.S. Department of Commerce, Bureau of Economic Analysis.

⁽³⁾ Information is not available for the Town of Southern Pines. County data is from the U.S. Department of Commerce, Bureau of Economic Analysis.

⁽⁴⁾ Information is not available for the Town of Southern Pines. County data is from the N.C. Office of State Budget and Management.

⁽⁵⁾ Information is not available for the Town of Southern Pines. County data is from the N.C. Employment Security Commission.

⁽⁶⁾ Information not yet available.

**TOWN OF SOUTHERN PINES
PRINCIPAL EMPLOYERS
Current Year**

Table 13

<u>Employer</u>	2011		Percentage of Total County Employment ⁽¹⁾
	<u>Employees</u>	<u>Rank</u>	
FirstHealth of the Carolinas, Inc.	3,100 ⁽²⁾	1	8.30%
Moore County Schools	1,536 ⁽²⁾	2	4.11%
Pinehurst Resorts	725 ⁽²⁾	3	1.94%
County of Moore	610 ⁽²⁾	4	1.63%
Sandhills Community College	575 ⁽²⁾	5	1.54%
Pinehurst Medicial Clinic, Inc.	392 ⁽²⁾	6	1.05%
Trident Management, Inc	370 ⁽²⁾	7	0.99%
St. Joseph of the Pines	287 ⁽²⁾	8	0.77%
Pinehurst Surgical, P.A.	266 ⁽²⁾	9	0.71%
Wal-Mart Associates, Inc.	<u>202</u> ⁽²⁾	10	<u>0.54%</u>
Total	<u>8,063</u>		<u>21.60%</u>
Total Employment	37,334 ⁽³⁾		

Note: Data is not available for nine years ago.

⁽¹⁾ Data can not be segregated for Southern Pines, data is for Moore County.

⁽²⁾ Data is from the various Human Resource Departments.

⁽³⁾ Data is from the N.C. Employment Security Commission.

**TOWN OF SOUTHERN PINES
COMMERCIAL ACTIVITY
Last Ten Fiscal Years**

Table 14

Fiscal Year	Residential		Building Permits ⁽¹⁾ Commercial		Total		Bank Deposits ⁽²⁾
	Number	Value	Number	Value	Number	Value	
2002	103	\$13,622,371	15	\$ 6,559,800	118	\$20,182,171	\$ 1,150,987,000
2003	66	23,076,215	8	3,367,500	74	26,443,715	1,200,624,000
2004	83	25,838,765	16	12,500,200	99	38,338,965	1,227,842,000
2005	113	34,334,349	14	11,512,000	127	45,846,349	1,300,391,000
2006	170	45,097,921	17	3,231,000	187	48,328,921	1,375,021,000
2007	217	45,944,857	14	3,151,000	231	49,095,857	1,472,821,000
2008	195	37,791,920	15	9,574,000	210	47,365,920	1,500,608,000
2009	148	21,165,964	22	16,737,937	170	37,903,901	1,700,781,000
2010	53	21,244,898	17	39,392,067	72	60,636,965	1,689,796,000
2011	85	16,452,298	17	6,094,153	102	22,546,451	⁽³⁾

⁽¹⁾ Compiled by Town of Southern Pines Planning and Inspections Department.

⁽²⁾ Federal Deposit Insurance Corporation Summary of Deposits data.

⁽³⁾ Information is unavailable.

OPERATING INFORMATION

**TOWN OF SOUTHERN PINES
EMPLOYEE POSITION AUTHORIZATION BY FUNCTION
Last Ten Fiscal Years**

Table 15

Function/Program	Full-time Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Administration	8.5	8.5	8.5	8.5	9.5	9.5	9.5	10.5	10.5	10.5
Information Technology ⁽¹⁾	-	-	-	-	-	-	-	-	2.0	2.0
Public works administration	2.0	2.0	2.0	2.0	2.5	2.5	3.5	3.5	3.5	3.5
Garage	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0
Building & Grounds	16.0	16.0	16.0	16.0	18.0	18.0	18.0	19.0	19.0	19.0
Public safety										
Police	38.0	38.0	38.0	38.0	38.5	39.5	39.5	39.5	40.5	40.5
Fire ⁽²⁾	19.0	19.0	19.0	19.0	22.5	22.5	24.5	24.5	24.5	27.5
Transportation	8.0	8.0	8.0	8.0	8.0	8.0	9.0	10.0	10.0	10.0
Economic and physical development	5.0	5.0	5.0	5.0	6.0	6.0	8.0	8.0	8.0	8.0
Cultural and recreation										
Recreation ⁽³⁾	5.0	5.0	5.0	5.0	5.5	5.5	5.5	5.5	5.5	5.5
Library ⁽³⁾	9.0	10.0	10.0	10.0	11.0	11.0	11.0	11.0	9.0	9.0
Water/Sewer (Business activity)	16.5	16.5	16.5	16.5	16.5	19.5	20.5	20.5	20.5	21.5
Total	130.0	131.0	131.0	131.0	141.0	145.0	153.0	156.0	157.0	161.0

Source: Town of Southern Pines Finance Department

⁽¹⁾ Department was created in FY 2010

⁽²⁾ Does not include volunteer personnel

⁽³⁾ Does not include seasonal temporary part-time employees

TOWN OF SOUTHERN PINES
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Table 16

	2002	2003	2004	2005	2006
Function/Program					
Public Safety					
Police					
Number of Part 1 Crimes	992	932	777	739	744
Number of Arrests	925	892	895	806	1,011
Number of Citations	2,017	2,650	3,129	2,901	2,901
Fire					
Number of Fire Calls Answered	832	904	992	998	1,211
Number of EMS Calls Answered	101	73	94	108	100
Number of Fire Inspections	1,029	1,027	718	1,009	1,132
Planning & Inspections					
Planning					
Conditional use Permits Issued	3	4	2	4	4
Final Plats	3	3	7	11	30
Rezoning Applications/Ordinance Amendments	9	10	8	9	9
Annexations	5	2	6	5	6
Inspections					
Building Permits Issued	81	92	160	184	234
Alteration or Addition Permits	139	140	185	175	407
Electrical Permits	74	91	87	106	96
Mechanical Permits	237	259	277	207	253
Plumbing Permits	88	94	91	73	69
Cultural and Recreational					
Recreation and Parks					
Number of Programs Offered ⁽¹⁾	485	495	495	495	495
Participant Totals ⁽¹⁾	225,000	230,000	230,000	230,000	230,000
Recreational Program Hours ⁽²⁾	(2)	(2)	(2)	5,890	5,840
Enrolled Participants ⁽²⁾	(2)	(2)	(2)	17,441	16,890
Reservoir Park Visitors ⁽¹⁾	(2)	(2)	(2)	157,457	171,243
Library					
Total Circulation	117,121	121,962	116,291	118,756	116,970
Library Attendance	95,246	102,924	99,594	96,916	92,261
Library Users Registered	7,853	6,234	6,368	6,287	6,370
Total Programs Held	392	344	382	414	384
Total Attendance at Programs	6,662	8,143	8,210	8,387	7,878
Water					
Water Plant Capacity (millions of gallons per day)	5	11	11	11	11
Number of Utility Customers	6,934	7,046	7,168	7,350	7,536

Source: Town of Southern Pines Department Heads

⁽¹⁾ Amounts are estimated.

⁽²⁾ Information is not available.

⁽³⁾ Information is no longer compiled.

TOWN OF SOUTHERN PINES
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Table 16
(cont.)

	2007	2008	2009	2010	2011
Function/Program					
Public Safety					
Police					
Number of Part 1 Crimes	857	935	805	747	856
Number of Arrests	960	871	833	651	943
Number of Citations	2,241	2,009	2,165	1,541	2,509
Fire					
Number of Fire Calls Answered	832	1,197	1,393	1,235	1,059
Number of EMS Calls Answered	101	235	183	211	615
Number of Fire Inspections	1,029	1,409	1,642	1,575	1,876
Planning & Inspections					
Planning					
Conditional use Permits Issued	2	-	1	2	3
Final Plats	40	20	34	28	15
Rezoning Applications/Ordinance Amendments	20	9	15	32	14
Annexations	6	4	-	2	-
Inspections					
Building Permits Issued	216	163	75	72	102
Alteration or Addition Permits	238	153	139	137	162
Electrical Permits	112	88	62	69	102
Mechanical Permits	348	301	323	315	323
Plumbing Permits	66	66	62	94	68
Cultural and Recreational					
Recreation and Parks					
Number of Programs Offered ⁽¹⁾	(3)	(3)	(3)	(3)	(3)
Participant Totals ⁽¹⁾	(3)	(3)	(3)	(3)	(3)
Recreational Program Hours	5,797	5,517	6,126	7,221	7,872
Enrolled Participants	18,087	21,300	18,230	19,840	23,469
Reservoir Park Visitors ⁽¹⁾	170,423	155,382	143,492	175,629	173,021
Library					
Total Circulation	123,813	134,119	122,510	122,033	117,667
Library Attendance	92,887	101,083	100,655	107,530	97,969
Library Users Registered	6,414	6,383	6,507	6,468	6,254
Total Programs Held	376	484	435	502	498
Total Attendance at Programs	8,350	9,529	8,016	9,739	8,737
Water					
Water Plant Capacity (millions of gallons per day)	11	11	11	11	11
Number of Utility Customers	7,760	7,942	8,042	8,192	8,139

TOWN OF SOUTHERN PINES
CAPITAL ASSETS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Table 17

	2002	2003	2004	2005	2006
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	19	19	19	20	21
Fire					
Stations	1	1	1	1	1
Fire Suppression Vehicles	6	6	6	6	6
Rescue Vehicles	2	2	2	2	2
Cultural and Recreational					
Recreation and Parks					
Number of Parks	13	13	13	13	13
Number of Tennis Courts	8	8	8	8	8
Number of Athletic Fields Maintained	10	10	10	10	10
Number of Swimming Pools	1	1	1	1	1
Number of Lakes	1	1	1	1	1
Number of Picnic Shelters	5	5	5	5	5
Public Works and Utilities					
Streets					
Miles of Paved Streets	75.80	75.80	76.30	77.69	77.73
Miles of Unpaved Streets	1.60	1.60	1.60	1.53	1.53
Water					
Number of Hydrants ⁽¹⁾	1,095	1,031	1,166	1,175	1,195
Water Mains (miles)	216	221	225	226	228
Number of Utility Customers (accounts)	6,934	7,046	7,168	7,350	7,536

Source: Town of Southern Pines Department Heads

⁽¹⁾ Amounts are estimated.

TOWN OF SOUTHERN PINES
CAPITAL ASSETS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Table 17
(cont.)

	2007	2008	2009	2010	2011
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	22	24	27	27	27
Fire					
Stations	1	1	1	1	1
Fire Suppression Vehicles	6	6	6	6	6
Rescue Vehicles	2	2	2	2	2
Cultural and Recreational					
Recreation and Parks					
Number of Parks	14	14	14	14	14
Number of Tennis Courts	8	8	8	8	8
Number of Athletic Fields Maintained	10	10	10	10	10
Number of Swimming Pools	1	1	1	1	1
Number of Lakes	1	1	1	1	1
Number of Picnic Shelters	6	7	7	7	7
Public Works and Utilities					
Streets					
Miles of Paved Streets	78.62	78.62	78.65	78.65	78.76
Miles of Unpaved Streets	1.41	1.41	1.41	1.41	1.34
Water					
Number of Hydrants ⁽¹⁾	1,233	1,285	1,290	1,302	1,345
Water Mains (miles)	235	239	241	245	248
Number of Utility Customers (accounts)	7,760	7,942	8,042	8,192	8,139

**TOWN OF SOUTHERN PINES
INSURANCE IN FORCE ⁽¹⁾
July 1, 2010- June 30, 2011**

Table 18

Type of Coverage	Details of Coverage	
Workman's Compensation	\$ 1,000,000 1,000,000 1,000,000	Bodily Injury by Accident-Each Accident Bodily Injury by Disease-Each Employee Bodily Injury by Disease-Coverage Limit
General Liability	1,000,000 2,500	Each Occurrence Deductible
Police Professional Liability	1,000,000 3,000,000 2,500	Each Occurrence and Annual Annual Aggregate Deductible
Public Officials Liability	1,000,000 3,000,000 5,000	Each Claim and Annual Annual Aggregate Deductible
Public Employee Blanket Bond	50,000 250	Indemnification Deductible
Public Officials Bond Finance Officer	500,000 0	Liability Deductible
Automobile Liability	1,000,000 2,500	Per Occurrence Deductible
Auto Comprehensive	5,187,337 500	Actual Cash Value Valuation or \$1,000 Deductible per Vehicle-Private Passenger, Light Trucks, and all Others
Auto Collision	5,187,337 500	Actual Cash Value Valuation or \$1,000 Deductible per Vehicle-Private Passenger, Light Trucks, and all Others
Real & Personal Property	53,943,326 2,500	Cause of Loss Deductible per Occurrence Includes Boiler & Machinery
Municipal Equipment	1,337,319 2,500	Limits of Coverage Deductible per Occurrence
Fine Arts	684,075 1,000	Limits of Coverage Deductible per Occurrence

Source: Town of Southern Pines Risk Management Department

**TOWN OF SOUTHERN PINES
INSURANCE IN FORCE ⁽¹⁾
July 1, 2010- June 30, 2011**

**Table 18
(cont.)**

Type of Coverage	Details of Coverage	
Computer Equipment/Media	\$ 1,841,438	Limits of Coverage
	500	Deductible
Impounded Auto/Comp	100,000	Limits of Coverage
	500/1,000	Deductible
Impounded Auto/Collision	100,000	Limits of Coverage
	500/1,000	Deductible

⁽¹⁾ Represents insurance in force on July 1, 2010. Insurance was renewed on July 1, 2011 for the fiscal year ended June 30, 2012.

**TOWN OF SOUTHERN PINES
UTILITY RATE INFORMATION
Fiscal Year 2011 Approved Operating Budget Ordinance**

Table 19

WATER RATES

Minimum Charge

<u>Meter Size</u>	<u>Inside Town</u>	<u>Outside Town</u>
3/4"	\$ 10.31	\$ 20.62
1"	16.92	33.84
1 1/2"	35.77	71.54
2"	62.18	124.36
3"	137.69	275.38
4"	243.32	486.64
6"	545.29	1,090.58
8"	968.02	1,936.04

Volume Charge per 1,000 Gallons

<u>Inside Town</u>	<u>Outside Town</u>
\$ 3.00	\$ 6.00

SEWER RATES

Minimum Charge

<u>Meter Size</u>	<u>Inside Town</u>	<u>Outside Town</u>
3/4"	\$ 4.06	\$ 8.12
1"	5.30	10.60
1 1/2"	8.74	17.48
2"	13.60	27.20
3"	27.44	54.88
4"	46.79	93.58
6"	102.17	204.34
8"	179.68	359.36

Volume Charge per 1,000 Gallons

<u>Inside Town</u>	<u>Outside Town</u>
\$ 4.75	\$ 9.50

**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**

To the Honorable Mayor and
Members of the Town Council
Town of Southern Pines
Southern Pines, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southern Pines, as of and for the year ended June 30, 2011, which collectively comprises the Town of Southern Pines basic financial statements, and have issued our report thereon dated October 27, 2011. 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.

Internal Control Over Financial Reporting

Management of the Town of Southern Pines is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Southern Pines' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Southern Pines' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Southern Pines' internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Southern Pines' 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.

This report is intended for the information of the Mayor, management, others within the organization, members of Town Council, and federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

October 27, 2011

**Report on Compliance with Requirements Applicable to Each
Major State Program and Internal Control Over Compliance in Accordance
with OMB Circular A-133 and the State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the Town Council
Town of Southern Pines
Southern Pines, North Carolina

Compliance

We have audited the Town of Southern Pines, North Carolina's 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 each of its major State programs for the year ended June 30, 2011. The Town of Southern Pines' major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Southern Pines' management. Our responsibility is to express an opinion on the Town of Southern Pines' compliance based on our audit.

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 section of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, 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 Town of Southern Pines' 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. Our audit does not provide a legal determination on the Town of Southern Pines' compliance with those requirements.

In our opinion, the Town of Southern Pines complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Town of Southern Pines is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Southern Pines' internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliances. Accordingly, we do not express an opinion on the effectiveness of the Town of Southern Pines' internal control over compliance.

A deficiency in internal control over compliance 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 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 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.

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

This report is intended for the information of the Mayor, management, others within the organization, members of Town Council, and federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

October 27, 2011

**TOWN OF SOUTHERN PINES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified	No
• Significant Deficiency(s) identified that are not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	No

State Awards

Internal control over major state programs:	
• Material weakness(es) identified	No
• Significant deficiency(s) identified that are not considered to be material weaknesses	None Reported
Noncompliance material to State awards	No
Type of auditor's report issued on compliance for major State programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	No

Identification of major State programs:

Program Name

N.C. Rural Economic Development Center –
Building Reuse & Restoration Fund – Trident Marketing
N.C. Rural Economic Development Center –
Building Reuse & Restoration Fund - Moldstoppers
Powell Bill

Section II - Financial Statements Findings

None reported

Section III - State Award Findings and Questioned Costs

None reported

**TOWN OF SOUTHERN PINES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2011**

<u>Grantor/pass through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>	<u>State expenditures</u>	<u>Local expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U.S. Department of Transportation</u> N.C. Department of Transportation Governor's Highway Safety Program PT-11-03-03-21	20.600-2CL	\$ 3,375	\$ -	\$ 1,125
<u>U.S. Department of Transportation</u> N.C. Department of Transportation Highway Planning, Research and Construction Cluster PE 37309.1.1	20.205-1CL	13,332	-	5,714
<u>U.S. Department of Housing and Urban Development</u> Community Development Block Grant, Small Cities Program N.C. Department of Commerce 05-D-1732	14.228	140,431	-	9,431
<u>Office of Library Services – Institute of Museum and Library Services</u> N.C. Department of Cultural Resources 2010-11 LSTA Planning Grant	45.310	20,000	-	-
<u>U.S. Department of Justice</u> Office of Justice Programs Edward Byrne Memorial Justice Assistance Grant N.C. Department of Crime Control and Public Safety 063-1-08-001-BH-561	16.738	43,135	-	14,379
Office of Justice Programs Edward Byrne Memorial Justice Assistance Grant N.C. Department of Crime Control and Public Safety 2009-DX-BX-0668	16.738	11,331	-	11,331
Bureau of Justice Assistance ARRA – Edward Byrne Memorial Justice Assistance Grant N.C. Department of Crime Control and Public Safety 2009-SB-B9-2214	16.804	46,626	-	-
Office of Justice Programs, BVP Partnership Grant 2009BUBX09047328	16.607	1,025	-	1,025

**TOWN OF SOUTHERN PINES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2011**

<u>Grantor/pass through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>	<u>State expenditures</u>	<u>Local expenditures</u>
<u>Federal Emergency Management Agency</u> U.S. Department of Homeland Security Staffing for Adequate Fire and Emergency Response (SAFER) EMW-2009-FH-00169	97.803	\$114,741	\$ -	\$ -
<u>U.S. Department of the Interior – National Park Service</u> N.C. Department of Cultural Resources Historic Preservation Fund Grants- In-Aid 37-11-31940	15.904	<u>6,000</u>	-	<u>13,480</u>
Total assistance - federal programs		<u>399,996</u>	-	<u>47,485</u>
State Grants:				
Cash Programs:				
<u>N.C. Rural Economic Development Center</u> Building Reuse & Restoration Fund – Trident Marketing		-	240,000	-
<u>N.C. Rural Economic Development Center</u> Building Reuse & Restoration Fund – Moldstoppers		-	100,000	-
<u>N. C. Department of Cultural Resources:</u> State Aid to Libraries		-	8,419	\$ -
Grassroots Arts Program		-	1,075	-
<u>N. C. Department of Transportation:</u> Powell Bill		-	373,064	-
Total assistance - state programs		-	<u>722,558</u>	-
TOTAL ASSISTANCE		<u>\$399,996</u>	<u>\$ 722,558</u>	<u>\$ 47,485</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Southern Pines and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the Town's general purpose financial statements. However, due to the Town's involvement in determining eligibility, they are considered federal awards to the Town and are included on this schedule.