

# Comprehensive Annual Financial Report



Southern Pines



2012

Town of Southern Pines, NC  
Fiscal Year Ended June 30, 2012

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
OF THE  
TOWN OF SOUTHERN PINES,  
NORTH CAROLINA  
FOR THE  
Fiscal Year Ended June 30, 2012

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, 2012**

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Post Office Box 870, Southern Pines, NC 28388  
Phone: (910) 692-2971 Fax: (910) 692-1649

October 29, 2012

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, 2012 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, 2012, 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, 2012, 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, which has been recognized as an "All-American City" by the National Civic League, 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 2012 population of approximately 12,502 and encompasses 16.65 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 second. Tourism represented a tax savings to each County resident in excess of \$353 annually.

Like the national and state economy, the local economy continued to struggle in 2012. While the number of total building permits remained consistent with prior years, the value of the development increased slightly in comparison with the previous year. The overall property tax value for the upcoming fiscal year reflects a modest growth rate of 1.1% over the 2012 fiscal year.

Construction was completed on phase one of the Southern Pines Village retail area. Phase one included an anchor store in addition to other retail and restaurant establishments. Site plans have been approved and the remaining retail area is currently under construction.

Site plans have been approved 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.

In June 2012, as one of only fourteen awardees, the Town was selected as an All-American City Award winner by the National Civic League. The Town was recognized with the prestigious award as a result of the community-based partnership to improve reading proficiency among young students.

The Town has several ongoing capital projects to meet the needs of the citizens. During fiscal year 2012 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 continued during 2012 on a raw water storage reservoir project. The project, which is scheduled to be completed in early fiscal year 2013, 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 \$3,500,000 installment financing that was incurred in 2010 as well as impact fees and enterprise fund retained earnings.

Implementation and conversion continued 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 2012 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, 2011. This was the twenty first 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,

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Reagan D. Parsons  
Town Manager

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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, 2011

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.



*Linda C. Davison*

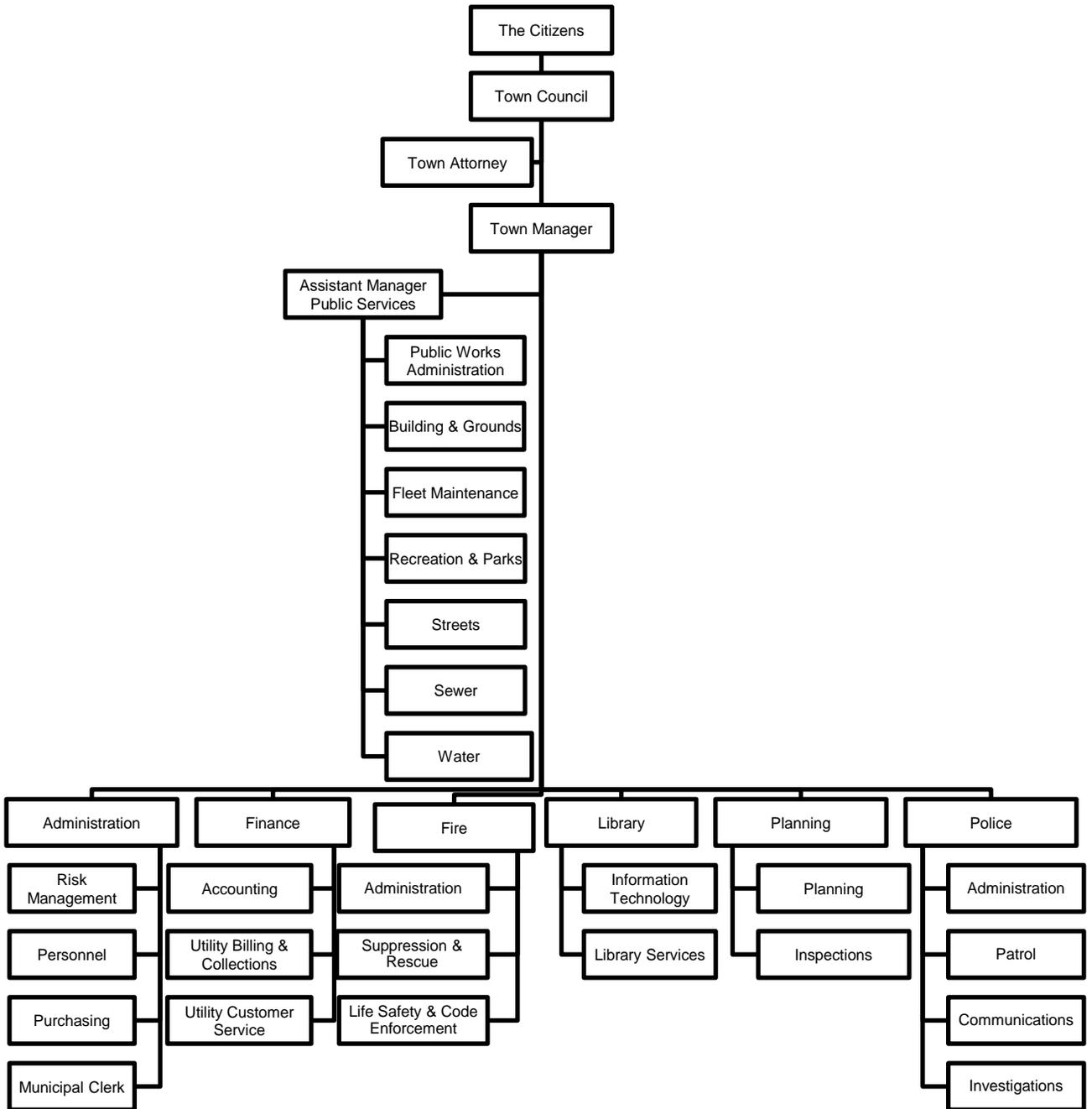
President

*Jeffrey R. Enow*

Executive Director

# TOWN OF SOUTHERN PINES

## Organizational Chart



**TOWN OF SOUTHERN PINES**  
**LIST OF PRINCIPAL OFFICIALS**  
**June 30, 2012**

**TOWN COUNCIL**

W. David McNeill	Mayor
Michael D. Fields	Mayor Pro-tem
Fred C. Walden	Treasurer
James R. Simeon	Council Member
Christopher A. Smithson	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, 2012, 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 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 opinions.

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, 2012 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 26, 2012 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Allowance's Schedule of Funding Progress and Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required to be by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Southern Pines' basic financial statements. The combining and individual fund statements, budgetary schedule, other schedules, and additional financing data are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and additional financing data have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules and additional financing data are 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 26, 2012



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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, 2012. 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

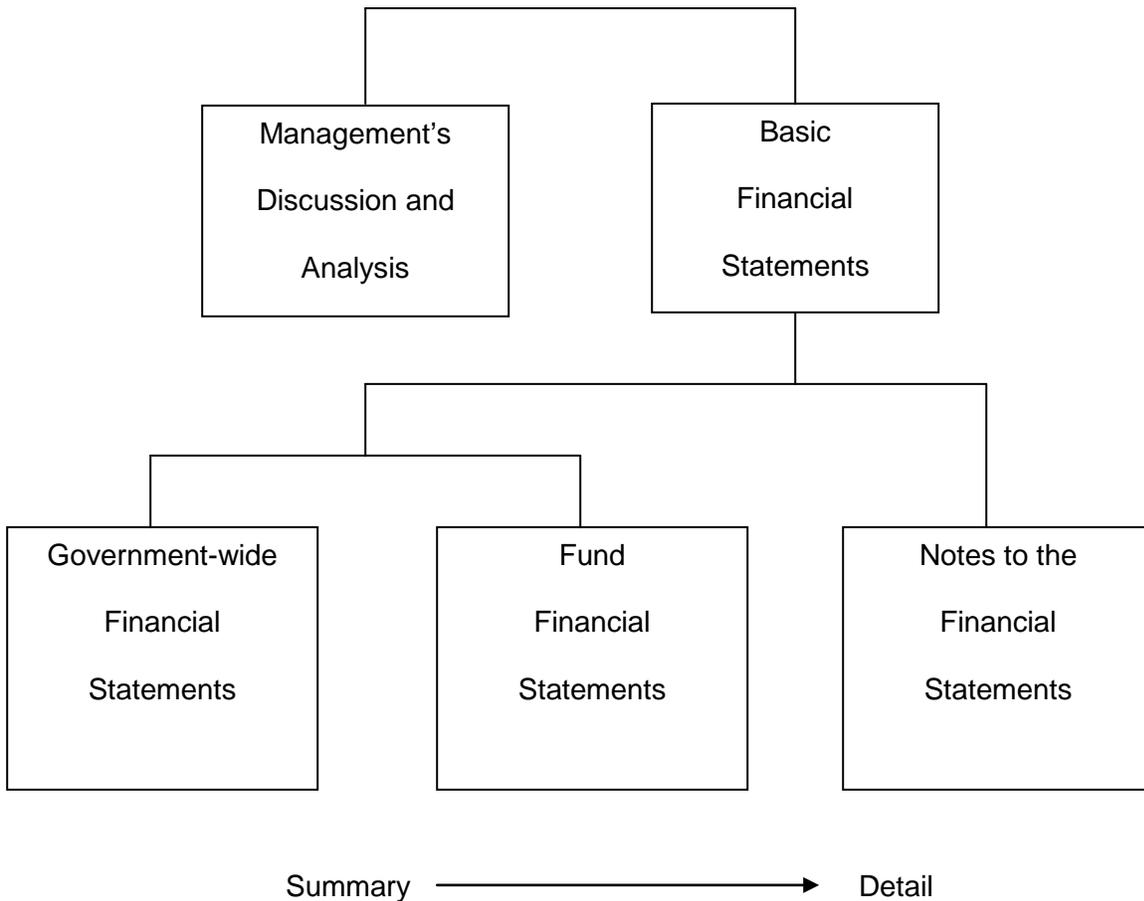
- The assets of the Town of Southern Pines exceeded its liabilities at the close of the fiscal year by \$80,429,344 (net assets).
- The government's total net assets increased by \$878,181, due to an increase in both the governmental activities and the business type net assets.
- As of the close of the current fiscal year, the Town of Southern Pines governmental funds reported combined ending fund balances of \$10,427,237, an increase of \$287,849 in comparison with the prior year. Approximately 11.26 percent of this total amount, or \$1,174,511, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,361,325 or 38.55 percent of total General Fund expenditures for the fiscal year.
- The Town of Southern Pines' total debt decreased by \$361,382 or 4.12 percent during the current fiscal year. The net decrease was the reduction of long term debt in addition to an issuance of installment financing for a fire pumper in the amount of \$450,000.
- The Town maintained its A2 bond rating from Moody's Investors Services for the 14<sup>th</sup> consecutive year as well as its AA- from Standard and Poor's for the 4<sup>th</sup> consecutive year. For the 6<sup>th</sup> 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.

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

## **Government-Wide Financial Analysis 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 \$80,429,344 as of June 30, 2012. The Town's net assets increased by \$878,181 for the fiscal year ended June 30, 2012. However, 79.22% 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, \$3,267,412, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,445,909 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	2012	2011
	2012	2011	2012	2011		
Current and other assets	\$ 11,171,377	\$ 10,907,689	\$ 7,636,495	\$ 10,545,300	\$ 18,807,872	\$ 21,452,989
Capital assets	34,982,808	34,828,178	37,140,098	34,282,130	72,122,906	69,110,308
Total assets	<u>46,154,185</u>	<u>45,735,867</u>	<u>44,776,593</u>	<u>44,827,430</u>	<u>90,930,778</u>	<u>90,563,297</u>
Long-term liabilities	5,184,346	5,261,319	2,754,037	3,050,025	7,938,383	8,311,344
Other liabilities	1,357,546	1,380,822	1,205,505	1,319,968	2,563,051	2,700,790
Total liabilities	<u>6,541,892</u>	<u>6,642,141</u>	<u>3,959,542</u>	<u>4,369,993</u>	<u>10,501,434</u>	<u>11,012,134</u>
Net assets:						
Invested in capital assets, net of related debt	29,623,108	29,411,511	34,092,915	30,930,532	63,716,023	60,342,043
Restricted	3,267,412	3,473,801	-	-	3,267,412	3,473,801
Unrestricted	6,721,773	6,208,414	6,724,136	9,526,905	13,445,909	15,735,319
Total net assets	<u>\$ 39,612,293</u>	<u>\$ 39,093,726</u>	<u>\$ 40,817,051</u>	<u>\$ 40,457,437</u>	<u>\$ 80,429,344</u>	<u>\$ 79,551,163</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 99.33%, which is greater than the last reported statewide average of 97.63%.
- Increased other taxes and licenses of approximately \$46,000 due to economic growth in the Town.
- Increased restricted intergovernmental revenues of approximately \$39,900 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**

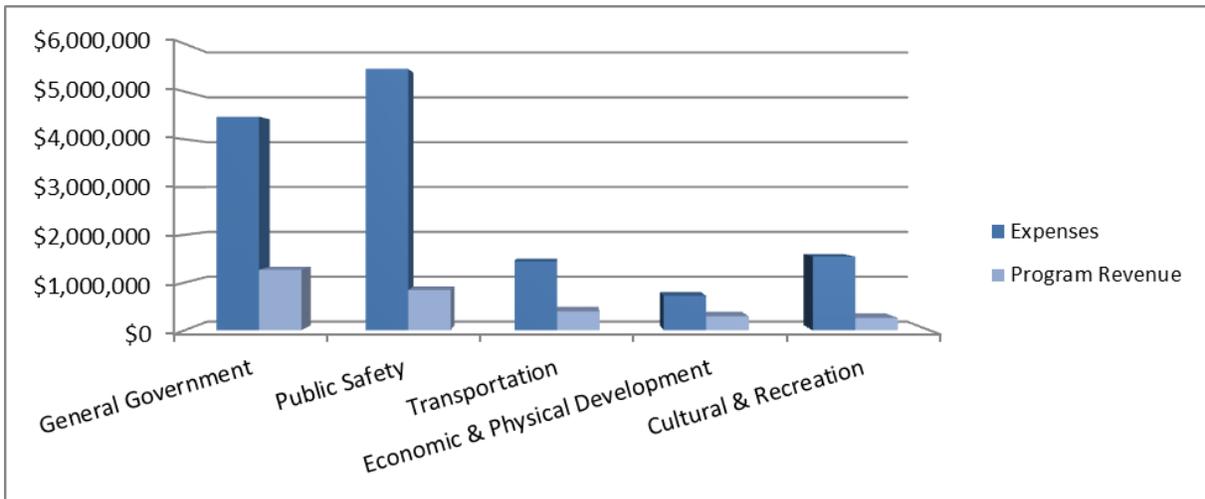
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,928,071	\$ 1,868,779	\$ 6,132,490	\$ 6,468,773	\$ 8,060,561	\$ 8,337,552
Operating grants and contributions	769,233	672,009	-	-	769,233	672,009
Capital grants and contributions	367,474	422,756	524,399	605,535	891,873	1,028,291
General revenues:						
Property taxes	7,492,189	7,334,480	-	-	7,492,189	7,334,480
Other taxes	3,325,622	3,281,980	-	-	3,325,622	3,281,980
Other	494,309	550,592	93,264	21,656	587,573	572,248
<b>Total revenues</b>	<b>14,376,898</b>	<b>14,130,596</b>	<b>6,750,153</b>	<b>7,095,964</b>	<b>21,127,051</b>	<b>21,226,560</b>
<b>Expenses:</b>						
General government	4,473,362	4,630,400	-	-	4,473,362	4,630,400
Public safety	5,478,090	5,118,600	-	-	5,478,090	5,118,600
Cultural and recreation	1,542,961	1,549,640	-	-	1,542,961	1,549,640
Transportation	1,441,791	1,436,648	-	-	1,441,791	1,436,648
Economic & physical development	722,591	956,340	-	-	722,591	956,340
Interest on long-term debt	199,536	212,328	-	-	199,536	212,328
Water and sewer	-	-	6,390,539	6,012,139	6,390,539	6,012,139
<b>Total expenses</b>	<b>13,858,331</b>	<b>13,903,956</b>	<b>6,390,539</b>	<b>6,012,139</b>	<b>20,248,870</b>	<b>19,916,095</b>
Increase in net assets before transfers	518,567	226,640	359,614	1,083,825	878,181	1,310,465
Transfers	-	-	-	-	-	-
Increase in net assets	518,567	226,640	359,614	1,083,825	878,181	1,310,465
Net assets, July 1	39,093,726	38,867,086	40,457,437	39,373,612	79,551,163	78,240,698
Net assets, June 30	<b>\$ 39,612,293</b>	<b>\$ 39,093,726</b>	<b>\$ 40,817,051</b>	<b>\$ 40,457,437</b>	<b>\$ 80,429,344</b>	<b>\$ 79,551,163</b>

**Governmental activities** – Governmental activities increased the Town’s net assets by \$518,567, thereby accounting for 59.05% 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.

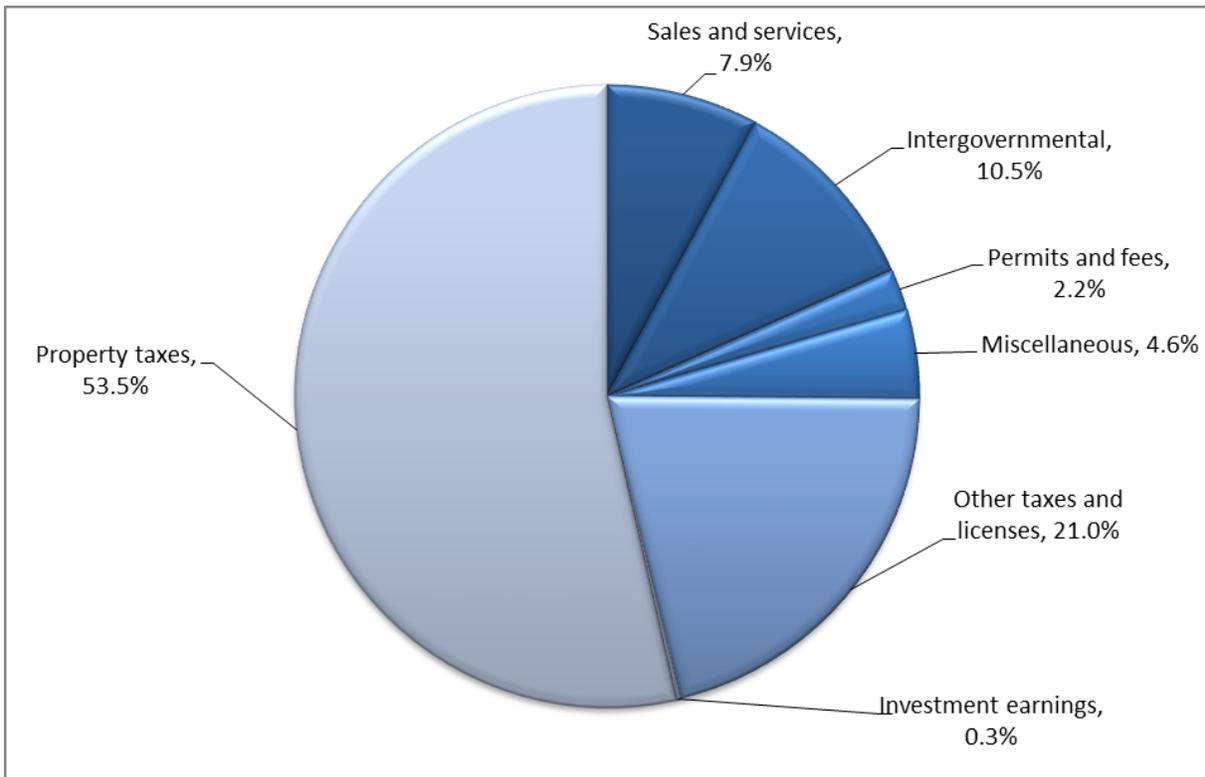
**Figure 4:**

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



**Figure 5:**

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

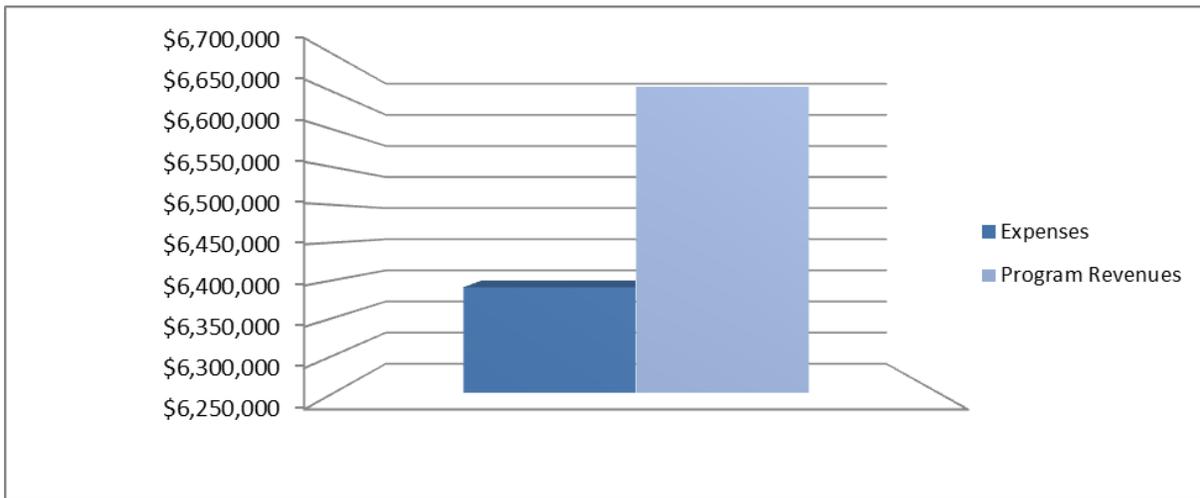


**Business-type activities** – Business type activities increased the Town’s net assets by \$359,614, accounting for 40.95% of the total growth in the net assets of the Town. Key elements of this increase are as follows:

- Interest rebate from Build America Bonds installment financing in the amount of \$59,811.
- Capital grants and contributions in the amount of \$524,399.

**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 \$5,361,325, while total fund balance reached \$8,212,757. The Town currently has unassigned fund balance of 38.55 percent of General Fund expenditures, while total fund balance represents 59.05 percent of that same amount.

At June 30, 2012, the governmental funds of the Town reported a combined fund balance of \$10,427,237 with a net increase in fund balance of \$287,849. Included in this change in fund balance is an increase in fund balance in the General Fund and a slight decrease in the 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 \$199,486 net increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$144,300 appropriation for the recognition of grants in the area of Public Safety, Economic and Physical Development and Cultural and Recreation.
- \$51,000 appropriation in the area of General Government for legal fees.

The actual operating revenues for the General Fund were greater than the final budgeted amount by \$776,339. Ad valorem taxes were \$222,540 greater than the budgeted amount due to an actual higher than budgeted tax collection rate. Other taxes and licenses were \$211,794 greater than the conservative amount budgeted for local option sales tax. Unrestricted intergovernmental revenues were \$48,673 greater than budgeted due to the increased amount of utility franchise tax. The permits and fees revenue category was \$114,241 greater than budgeted due to conservative budgeting in the building inspections area. The sales and services category was \$75,034 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 \$1,172,640. General government, public safety, transportation, economic and physical development and cultural and recreational realized a savings of \$496,946, \$225,605, \$198,800, \$64,293 and \$183,596 respectively due primarily to personnel vacancies and the actual cost of capital items were less than the amount budgeted. Also included in the savings are instances of projects that were not completed in fiscal year 2011-2012 that will be carried forward to fiscal year 2012-2013.

**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 \$6,724,136. The total change in net assets was \$359,614. 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, 2012, totals \$72,122,906 (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 \$367,473.
- Various purchases of vehicles and motorized equipment totaling \$627,098.
- Various purchases of furniture, fixtures and other equipment equaling \$159,331.
- Various purchases of machinery and equipment of \$35,671.
- Construction in progress of \$249,804 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, the construction of bike lanes, and the construction of fiber connections between Town buildings.
- Intangible assets in progress in the amount of \$7,914 for the Enterprise Information and Document Management System.

**Retirements**

- Disposals and surplused assets in the amount of \$485,511.

**Proprietary Funds:**

**Additions**

- Construction in progress of \$3,323,065 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 \$92,689.
- The addition of intangible assets consisting of water and sewer easements in the amount of \$279,757.
- Various equipment purchases of \$292,286.

**Retirements**

- Disposals and surplused assets in the amount of \$54,409.

**Figure 7:**

**Town of Southern Pines  
Capital Assets**

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2012	2011	2012	2011	2012	2011
Land	\$ 11,850,841	\$ 11,850,841	\$ 351,446	\$ 351,446	\$ 12,202,287	\$ 12,202,287
Buildings and improvements	11,833,430	12,108,764	1,222,790	1,251,282	13,056,220	13,360,046
Other improvements	3,339,793	3,446,469	-	-	3,339,793	3,446,469
Machinery and equipment	230,416	275,497	786,883	608,670	1,017,299	884,167
Infrastructure	3,742,187	3,788,269	-	-	3,742,187	3,788,269
Plant and distribution systems	-	-	25,382,862	26,277,437	25,382,862	26,277,437
Vehicles and motorized equipment	1,832,892	1,424,485	-	-	1,832,892	1,424,485
Furniture, Fixtures, and other equipment	775,102	813,424	-	-	775,102	813,424
Intangibles-easements	-	-	524,541	244,784	524,541	244,784
Intangibles in progress	242,489	234,575	-	-	242,489	234,575
Construction in progress	1,135,658	885,854	8,871,576	5,548,511	10,007,234	6,434,365
Total Capital Assets (net of accumulated depreciation)	<u>\$ 34,982,808</u>	<u>\$ 34,828,178</u>	<u>\$ 37,140,098</u>	<u>\$ 34,282,130</u>	<u>\$ 72,122,906</u>	<u>\$ 69,110,308</u>

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, 2012, 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 decreased by a net amount of \$361,382 or 4.12%. The decrease is due to the reduction of debt as well as the issuance of installment financing for purchase of a fire vehicle in the General Fund in the amount of \$450,000.

Included in the long-term debt category is the installment financing of the Police Facility that was obtained during fiscal year 2009, the Raw Water Reservoir installment financing issued in fiscal year 2011 and the previously mentioned fire vehicle. The total outstanding balance of debt as of June 30, 2012 is \$8,406,883.

**Figure 8:**

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt	5,359,700	5,416,667	3,047,183	3,351,598	8,406,883	8,768,265
Total	<u>\$ 5,359,700</u>	<u>\$ 5,416,667</u>	<u>\$ 3,047,183</u>	<u>\$ 3,351,598</u>	<u>\$ 8,406,883</u>	<u>\$ 8,768,265</u>

As mentioned in the financial highlights section of this document, the Town maintained its A2 bond rating from Moody's Investors Services for the 14<sup>th</sup> consecutive year, as well as its AA- from Standard and Poor's for the 4<sup>th</sup> consecutive year. For the 6<sup>th</sup> 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 \$162,245,761, 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, 2013 budget is balanced and represents an overall decrease of 3.3% in the governmental activities operational budget and a decrease of 3.0% in the business type activities operational budget. Both decreases can be attributed to capital equipment replacement purchases in fiscal year 2012.

The unemployment rate for the county in which the Town is located was 8.9% as of June 30, 2012. The unemployment rate, which is a decrease of .6% from a year ago, is below the State average of 9.9%.

The Town continues to see some business growth despite the economy. Trident Marketing relocated to Southern Pines and renovated an existing building. They are an employer of approximately 500 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 2012-2013 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 2012-2013 fiscal year and the Town has not budgeted to increase water and sewer rates in fiscal year 2013.

Permitting was obtained on the 140 million gallon capacity raw water reservoir and it was in the process of being filled in June, 2012. Final completion of the project will occur in fiscal year 2013.

### **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. You may also call (910)-692-2971 or visit our website [www.southernpines.net](http://www.southernpines.net) for more information.

**TOWN OF SOUTHERN PINES  
STATEMENT OF NET ASSETS  
June 30, 2012**

**Exhibit 1**

	2012		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 9,835,037	\$ 5,495,788	\$ 15,330,825
Receivables - net:			
Property taxes	99,464	-	99,464
Due from other governments	770,470	-	770,470
Accounts receivable	293,929	-	293,929
Accrued interest	15,703	10,203	25,906
Sales tax	92,450	91,402	183,852
Assessments	2,305	49,983	52,288
Customers	-	1,039,439	1,039,439
Other	-	76,378	76,378
Inventories	45,130	-	45,130
Prepays	16,889	-	16,889
Restricted cash and investments	-	873,302	873,302
Total current assets	<u>11,171,377</u>	<u>7,636,495</u>	<u>18,807,872</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements, and construction in progress	13,228,988	9,223,022	22,452,010
Intangibles - easements	-	524,541	524,541
Other capital assets, net of depreciation	21,753,820	27,392,535	49,146,355
Total capital assets	<u>34,982,808</u>	<u>37,140,098</u>	<u>72,122,906</u>
Total noncurrent assets	<u>34,982,808</u>	<u>37,140,098</u>	<u>72,122,906</u>
Total assets	<u>\$ 46,154,185</u>	<u>\$ 44,776,593</u>	<u>\$ 90,930,778</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 548,380	\$ 798,339	\$ 1,346,719
Deposits	13,539	67,935	81,474
Current maturities of long-term debt	795,627	339,231	1,134,858
Total current liabilities	1,357,546	1,205,505	2,563,051
Noncurrent liabilities:			
Noncurrent portion of long-term debt	5,184,346	2,754,037	7,938,383
Total liabilities	<u>6,541,892</u>	<u>3,959,542</u>	<u>10,501,434</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	29,623,108	34,092,915	63,716,023
Restricted for:			
Stabilization by State Statute	1,060,206	-	1,060,206
General Governments	829,935	-	829,935
Public Safety	360,913	-	360,913
Transportation	782,254	-	782,254
Cultural and Recreational	181,818	-	181,818
Cemetery Perpetual Care	52,286	-	52,286
Unrestricted	6,721,773	6,724,136	13,445,909
Total net assets	<u>\$ 39,612,293</u>	<u>\$ 40,817,051</u>	<u>\$ 80,429,344</u>

**TOWN OF SOUTHERN PINES  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012**

**Exhibit 2**

Function/Programs	2012						
	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	\$ 4,473,362	\$ 853,392	\$ 49,114	\$ 367,474	\$ (3,203,382)	\$ -	\$ (3,203,382)
Public safety	5,478,090	507,750	335,492	-	(4,634,848)	-	(4,634,848)
Transportation	1,441,791	24,493	373,770	-	(1,043,528)	-	(1,043,528)
Economic and physical development	722,591	292,230	-	-	(430,361)	-	(430,361)
Cultural and recreation	1,542,961	246,731	10,857	-	(1,285,373)	-	(1,285,373)
Cemetery		3,475	-	-	3,475	-	3,475
Interest on long-term debt	199,536	-	-	-	(199,536)	-	(199,536)
Total governmental activities	<u>13,858,331</u>	<u>1,928,071</u>	<u>769,233</u>	<u>367,474</u>	<u>(10,793,553)</u>	<u>-</u>	<u>(10,793,553)</u>
Business-type activities:							
Water and sewer	<u>6,390,539</u>	<u>6,132,490</u>	<u>-</u>	<u>524,399</u>	<u>-</u>	<u>266,350</u>	<u>266,350</u>
Total business-type activities	<u>6,390,539</u>	<u>6,132,490</u>	<u>-</u>	<u>524,399</u>	<u>-</u>	<u>266,350</u>	<u>266,350</u>
Total primary government	<u>\$ 20,248,870</u>	<u>\$ 8,060,561</u>	<u>\$ 769,233</u>	<u>\$ 891,873</u>	<u>(10,793,553)</u>	<u>266,350</u>	<u>(10,527,203)</u>
General revenues:							
Ad valorem taxes					7,492,189	-	7,492,189
Local option taxes					2,498,838	-	2,498,838
Alcoholic Beverage Tax					102,767	-	102,767
Franchise taxes					724,017	-	724,017
Unrestricted intergovernmental					339,415	-	339,415
Investment earnings					40,750	87,363	128,113
Miscellaneous					102,699	5,901	108,600
Gain (loss) on disposal					11,445	-	11,445
Total general revenues					<u>11,312,120</u>	<u>93,264</u>	<u>11,405,384</u>
Change in net assets					518,567	359,614	878,181
Net assets, beginning of year					<u>39,093,726</u>	<u>40,457,437</u>	<u>79,551,163</u>
Net assets, end of year					<u>\$ 39,612,293</u>	<u>\$ 40,817,051</u>	<u>\$ 80,429,344</u>

**TOWN OF SOUTHERN PINES**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2012**

**Exhibit 3**

	2012		
	Major Funds	Non Major Governmental Funds	Total Governmental Funds
	General		
<b>ASSETS AND OTHER DEBITS</b>			
<b>ASSETS</b>			
Cash and investments	\$ 7,627,831	\$ 2,207,206	\$ 9,835,037
Receivables - net:			
Property taxes	99,464	-	99,464
Due from other government .	770,470	-	770,470
Accounts receivable	293,929	-	293,929
Accrued interest receivable	12,168	3,535	15,703
Sales tax receivable	88,711	3,739	92,450
Parking lot assessments	2,305	-	2,305
Inventory	45,130	-	45,130
Prepays	16,889	-	16,889
	<u>\$ 8,956,897</u>	<u>\$ 2,214,480</u>	<u>\$ 11,171,377</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 309,371	\$ -	\$ 309,371
Accrued liabilities			
Other	207,115	-	207,115
Security deposits	13,539	-	13,539
Deferred revenues			
Taxes receivable	99,464	-	99,464
Parking lot assessments	2,305	-	2,305
Other	112,346	-	112,346
	<u>744,140</u>	<u>-</u>	<u>744,140</u>
Total liabilities	<u>744,140</u>	<u>-</u>	<u>744,140</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventory	45,130	-	45,130
Prepays	16,889	-	16,889
Perpetual maintenance	-	52,286	52,286
Restricted:			
Stabilization by State Statute	1,052,932	7,274	1,060,206
Committed:			
General Government	-	829,935	829,935
Public Safety	-	360,913	360,913
Transportation	-	782,254	782,254
Cultural and Recreational	-	181,818	181,818
Assigned:			
Subsequent year's expenditures	1,736,481	-	1,736,481
Unassigned	5,361,325	-	5,361,325
	<u>8,212,757</u>	<u>2,214,480</u>	<u>10,427,237</u>
Total fund balances	<u>8,212,757</u>	<u>2,214,480</u>	<u>10,427,237</u>
Total liabilities and fund balances	<u>\$ 8,956,897</u>	<u>\$ 2,214,480</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.	34,982,808
Liabilities for earned but deferred revenues in fund statements, net	214,115
Some liabilities are not due and payable in the current period and are therefore not reported in the funds.	<u>(6,011,867)</u>
Net assets of governmental activities	<u>\$ 39,612,293</u>

**TOWN OF SOUTHERN PINES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2012**

**Exhibit 4**

	2012		
	<u>Major Funds</u>		<u>Totals</u>
	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 7,492,635	\$ -	\$ 7,492,635
Other taxes and licenses	2,947,424	-	2,947,424
Unrestricted intergovernmental	777,673	-	777,673
Restricted intergovernmental	686,179	-	686,179
Permits and fees	303,210	-	303,210
Sales and services	1,099,164	3,475	1,102,639
Investment earnings	32,104	8,646	40,750
Other	652,850	-	652,850
	<u>13,991,239</u>	<u>12,121</u>	<u>14,003,360</u>
<b>EXPENDITURES</b>			
Current:			
General government	4,308,217	10,547	4,318,764
Public safety	5,797,096	-	5,797,096
Transportation	968,744	247,170	1,215,914
Economic and physical development	718,211	-	718,211
Cultural and recreational	1,407,251	-	1,407,251
Debt service:			
Principal	506,967	-	506,967
Interest	201,308	-	201,308
	<u>13,907,794</u>	<u>257,717</u>	<u>14,165,511</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>83,445</u>	<u>(245,596)</u>	<u>(162,151)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(200,000)	-	(200,000)
Transfers from other funds	-	200,000	200,000
Loan proceeds	450,000	-	450,000
Total other financing sources (uses)	<u>250,000</u>	<u>200,000</u>	<u>450,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	333,445	(45,596)	287,849
<b>FUND BALANCE, BEGINNING OF YEAR, JULY 1</b>	<u>7,879,312</u>	<u>2,260,076</u>	<u>10,139,388</u>
<b>FUND BALANCE, END OF YEAR, JUNE 30</b>	<u>\$ 8,212,757</u>	<u>\$ 2,214,480</u>	<u>\$ 10,427,237</u>

**TOWN OF SOUTHERN PINES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)**  
**For the Year Ended June 30, 2012**

**Exhibit 4**  
**(con't)**

	<u>2012</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	\$ 287,849
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	(185,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Other	33,703
Amount of donated assets	367,474
Proceeds received from disposal/transfer of capital assets	(39,091)
Gain on disposal/transfer of capital assets	11,445
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Issuance of debt	(450,000)
Principal payments	506,967
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(33,206)
Net pension obligation	16,852
Interest Expense	<u>1,772</u>
Total change in net assets of governmental activities	<u>\$ 518,567</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, 2012**

**Exhibit 5**

	Budget		Actual	Variance with final budget favorable (unfavorable)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 7,270,095	\$ 7,270,095	\$ 7,492,635	\$ 222,540
Other taxes and licenses	2,735,630	2,735,630	2,947,424	211,794
Unrestricted intergovernmental revenues	729,000	729,000	777,673	48,673
Restricted intergovernmental revenues	486,642	630,940	686,179	55,239
Permits and fees	172,750	188,969	303,210	114,241
Sales and services	1,018,630	1,024,130	1,099,164	75,034
Investment earnings	50,000	50,000	32,104	(17,896)
Other	546,600	586,136	652,850	66,714
	<u>13,009,347</u>	<u>13,214,900</u>	<u>13,991,239</u>	<u>776,339</u>
<b>EXPENDITURES</b>				
Current				
General government	4,694,336	4,805,163	4,308,217	496,946
Public safety	5,788,761	6,022,701	5,797,096	225,605
Transportation	1,140,972	1,167,544	968,744	198,800
Economic and physical development	754,304	782,504	718,211	64,293
Cultural and recreational	1,585,347	1,590,847	1,407,251	183,596
Debt service	711,675	711,675	708,275	3,400
	<u>14,675,395</u>	<u>15,080,434</u>	<u>13,907,794</u>	<u>1,172,640</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,666,048)	(1,865,534)	83,445	1,948,979
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out to Capital Project Funds	(200,000)	(200,000)	(200,000)	-
Loan Proceeds	450,000	450,000	450,000	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(1,416,048)	(1,615,534)	333,445	1,948,979
APPROPRIATED FUND BALANCE	<u>1,416,048</u>	<u>1,615,534</u>	<u>-</u>	<u>(1,615,534)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>333,445</u>	<u>\$ 333,445</u>
FUND BALANCES, BEGINNING OF YEAR, JULY 1			<u>7,879,312</u>	
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 8,212,757</u>	

**TOWN OF SOUTHERN PINES**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
**June 30, 2012**

**Exhibit 6**

	2012
	Business-type Activities - Enterprise Major Fund Water and Sewer
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents/investments	\$ 5,495,788
Receivables - net:	
Sewer assessments	49,983
Customers	1,039,439
Accrued interest	10,203
Sales taxes	91,402
Other	76,378
Total receivables	<u>1,267,405</u>
Total current assets	<u>6,763,193</u>
Noncurrent assets:	
Temporarily restricted assets:	
Cash and investments	<u>873,302</u>
Capital assets	
Land, improvements, and construction in progress	9,223,022
Intangibles - easements	524,541
Other capital assets, net of depreciation	<u>27,392,535</u>
Total capital assets, net	<u>37,140,098</u>
Total unrestricted noncurrent assets	<u>37,140,098</u>
Total noncurrent assets	<u>38,013,400</u>
Total assets	<u>\$ 44,776,593</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 771,734
Compensated absences - current	24,378
Installment purchases - current	314,853
Accrued liabilities	
Other	26,605
Security deposits	67,935
Total current liabilities	<u>1,205,505</u>
Noncurrent liabilities	
Compensated absences	21,707
Installment purchases	<u>2,732,330</u>
Total liabilities	<u>2,754,037</u>
Total liabilities	<u>3,959,542</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	34,092,915
Unrestricted	<u>6,724,136</u>
Total net assets	<u>\$ 40,817,051</u>

**TOWN OF SOUTHERN PINES**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2012**

Exhibit 7

	<u>2012</u>
	<u>Major Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for sales and services	\$ 5,997,058
OPERATING EXPENSES	
Billings and collection	389,029
Water treatment	1,243,762
Sewage treatment	1,181,654
Water extensions and maintenance	698,786
Sewer extensions and maintenance	744,454
Chargeout for administrative expenses	895,197
Depreciation and amortization	<u>1,118,139</u>
Total operating expenses	<u>6,271,021</u>
	LOSS FROM OPERATIONS <u>(273,963)</u>
NONOPERATING REVENUES (EXPENSES)	
Impact fees	141,333
Interest on investments	27,552
BAB interest rebate	59,811
Interest expense	(111,389)
Loss on disposal of capital assets	<u>(8,129)</u>
Total nonoperating revenues (expenses)	<u>109,178</u>
	LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS <u>(164,785)</u>
CAPITAL CONTRIBUTIONS	<u>524,399</u>
	CHANGE IN NET ASSETS 359,614
NET ASSETS, BEGINNING OF YEAR	<u>40,457,437</u>
	NET ASSETS, END OF YEAR <u>\$ 40,817,051</u>

**TOWN OF SOUTHERN PINES**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For the Year Ended June 30, 2012**

**Exhibit 8**

	<u>2012</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 6,009,148
Cash paid for goods and services	(4,273,479)
Cash paid to employees	(984,697)
Customer deposit refunded	(28,472)
Customer deposits received	<u>27,733</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>750,233</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(3,615,351)
Impact fees	141,333
Principal paid on installment purchase obligation	(304,415)
Interest paid on installment purchase obligation	(111,389)
Grant proceeds	75,975
Capital contributions	75,975
Proceeds from sale of capital assets	<u>3,561</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,734,311)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>97,938</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>97,938</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,886,140)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>9,255,230</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,369,090</u>

Continued on next page

**TOWN OF SOUTHERN PINES**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For the Year Ended June 30, 2012**

**Exhibit 8**  
**(con't)**

	<u>2012</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
**Cash and Investments per Exhibit 6	
Unrestricted	\$ 5,495,788
Restricted	<u>873,302</u>
 TOTAL	 <u>\$ 6,369,090</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Loss from operations	\$ (273,963)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	1,118,139
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	12,090
Increase (decrease) in	
Accounts payable and accrued liabilities	(105,294)
Customer deposits	<u>(739)</u>
Total adjustments	<u>1,024,196</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 750,233</u>

Noncash investing, capital, and financing activities:

During fiscal year ended June 30, 2012, the Town received \$92,689 in water and sewer line improvements and \$279,757 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, 2012**

**Exhibit 9**

	Private-Purpose Trust Fund <u>Virginia Kelly Trust</u>	<u>Agency Funds Cafeteria Plan</u>
<b>ASSETS</b>		
Cash and investments	\$ 34,929	\$ 20,255
Accrued interest	<u>56</u>	<u>34</u>
	<u>\$ 34,985</u>	<u>\$ 20,289</u>
<b>LIABILITIES</b>		
Miscellaneous liabilities	<u>\$ -</u>	<u>\$ 20,289</u>
<b>NET ASSETS</b>		
Reserved for payment of death benefits - police	<u>\$ 34,985</u>	<u>\$ -</u>

**TOWN OF SOUTHERN PINES**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**For the Year Ended June 30, 2012**

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**Exhibit 10**

	<u>Private-Purpose Trust Fund Virginia Kelly Trust</u>
Additions:	
Investment earnings	\$ <u>127</u>
Net Increase	127
Net assets, beginning of year, July 1	<u>34,858</u>
Net assets, end of year, June 30	<u>\$ 34,985</u>

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**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, 2012, 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, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Basis of Presentation (Continued)

The Town reports the following non-major governmental funds:

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.

Bike Transportation – This fund is used to account for the construction and improvements of bike lanes throughout town.

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.

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**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, 2012**

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**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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General, Permanent, 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, 2012**

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**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.

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, 2011.

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**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, 2012**

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**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 31<sup>st</sup>, 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, 2012**

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**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)). This statute restricts appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year. This restriction is only applied to annually budgeted governmental funds.

**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 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.

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

10. Net Assets/Fund Balances (Continued)

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.

For projects that include multiple revenue sources, the Town's standard practice is that resources will be used in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and lastly unassigned fund balance. The Finance Director has the authority to deviate from this practice in order to comply with grant agreements, bond orders or if it is in the best interest of the Town.

The Town of Southern Pines has an informal fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. Any portion of the general fund balance in excess of 25% of budgeted expenditures may be appropriated.

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)	\$ 50,628,728
Less accumulated depreciation	<u>(15,645,920)</u>
Net capital assets	<u>34,982,808</u>
Liabilities for earned but deferred revenues in the fund financial statements:	
Deferred revenues	232,774
Less allowance for doubtful accounts receivables	<u>(18,659)</u>
Net deferred revenues	<u>214,115</u>

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**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)

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	\$ (5,359,700)
Compensated absences	(517,204)
Net pension obligation	(103,069)
Accrued interest	<u>(31,894)</u>
Liabilities	<u>(6,011,867)</u>

Total adjustment	<u>\$ 29,185,056</u>
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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	\$ 1,079,817
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	(1,265,015)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Other	33,703
Amount of donated assets	367,474
Proceeds received from disposal/transfer of capital assets	(39,091)
Gain on disposal/transfer of capital assets	11,445
Loan proceeds	(450,000)
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	506,967
Compensated absences	(33,206)
Net pension obligation	16,852
Interest expense	<u>1,772</u>
Total adjustment	<u>\$ 230,718</u>

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**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, 2012, the Town's deposits had a carrying amount of \$10,597,476 and a bank balance of \$11,083,949. Of the bank balance \$1,000,000 was covered by federal depository insurance and \$10,083,949 was covered by collateral held under the Pooling Method. At June 30, 2012, the Town's petty cash fund totaled \$975.

**NOTE 4 - INVESTMENTS**

At June 30, 2012, the Town had \$5,660,860 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, 2012</u>
General Fund:	
Taxes receivable	\$18,659
Accounts receivable	<u>472</u>
Total general fund	19,131
Enterprise Fund	<u>9,400</u>
	<u>\$28,531</u>

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012, was as follows:

Governmental Activities by Type:

	<u>June 30, 2011</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2012</u>
<b>Nondepreciable assets:</b>				
Land	\$ 11,850,841	\$ -	\$ -	\$ 11,850,841
Intangible assets in progress	234,575	7,914	-	242,489
Construction in progress	885,854	249,804	-	1,135,658
	<u>12,971,270</u>	<u>257,718</u>	<u>-</u>	<u>13,228,988</u>
<b>Depreciable assets:</b>				
Buildings and improvements	15,063,782	-	-	15,063,782
Other improvements	4,349,931	-	-	4,349,931
Infrastructure	11,082,709	367,473	-	11,450,182
Machinery and equipment	631,180	35,671	(79,853)	586,998
Vehicles and motorized equipment	3,898,563	627,098	(373,449)	4,152,212
Furniture, fixtures and other equipment	1,669,513	159,331	(32,209)	1,796,635
	<u>36,695,678</u>	<u>1,189,573</u>	<u>(485,511)</u>	<u>37,399,740</u>
<b>Less accumulated depreciation and amortization for:</b>				
Buildings and improvements	2,955,018	275,334	-	3,230,352
Other improvements	903,462	106,676	-	1,010,138
Infrastructure	7,294,440	413,555	-	7,707,995
Machinery and equipment	355,683	80,752	(79,853)	356,582
Vehicles and motorized equipment	2,474,078	218,691	(373,449)	2,319,320
Furniture, fixtures and other equipment	856,089	170,007	(4,563)	1,021,533
	<u>14,838,770</u>	<u>1,265,015</u>	<u>(457,865)</u>	<u>15,645,920</u>
Depreciable assets - net	<u>21,856,908</u>	<u>(75,442)</u>	<u>(27,646)</u>	<u>21,753,820</u>
<b>Total Governmental Activities</b>				
Capital Assets - net	<u>\$ 34,828,178</u>	<u>\$ 182,276</u>	<u>\$ (27,646)</u>	<u>\$ 34,982,808</u>
<b>Governmental Activities by Function:</b>				
General government	\$ 16,876,816	\$ 76,510	\$ (79,853)	\$ 16,873,473
Public safety	13,767,477	750,593	(373,449)	14,144,621
Transportation	12,430,961	614,644	(32,209)	13,013,396
Economic and physical development	194,802	-	-	194,802
Cultural and recreational	6,396,892	5,544	-	6,402,436
	<u>49,666,948</u>	<u>1,447,291</u>	<u>(485,511)</u>	<u>50,628,728</u>

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**NOTE 6 - CAPITAL ASSETS (Continued)**

Governmental Activities by Function: (Continued)

	<u>June 30,</u> <u>2011</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30,</u> <u>2012</u>
Less accumulated depreciation and amortization for:				
General government	\$ 2,299,329	\$ 191,690	\$ (79,853)	\$ 2,411,166
Public safety	2,469,266	456,298	(373,449)	2,552,115
Transportation	7,816,416	479,166	(4,563)	8,291,019
Economic and physical development	147,527	105	-	147,632
Cultural and recreational	<u>2,106,232</u>	<u>137,756</u>	<u>-</u>	<u>2,243,988</u>
	<u>14,838,770</u>	<u>1,265,015</u>	<u>(457,865)</u>	<u>15,645,920</u>
 Total Governmental Activities Capital Assets - net	 <u>\$ 34,828,178</u>	 <u>\$ 182,276</u>	 <u>\$ (27,646)</u>	 <u>\$ 34,982,808</u>
 Business Activities:				
Nondepreciable assets:				
Land	\$ 351,446	\$ -	\$ -	\$ 351,446
Intangibles – easements	244,784	279,757	-	524,541
Construction in progress	<u>5,548,511</u>	<u>3,323,065</u>	<u>-</u>	<u>8,871,576</u>
	<u>6,144,741</u>	<u>3,602,822</u>	<u>-</u>	<u>9,747,563</u>
 Depreciable assets:				
Plant and distribution system	44,365,837	92,689	(15,704)	44,442,822
Buildings	1,424,609	-	-	1,424,609
Equipment	<u>1,805,974</u>	<u>292,286</u>	<u>(38,705)</u>	<u>2,059,555</u>
	<u>47,596,420</u>	<u>384,975</u>	<u>(54,409)</u>	<u>47,926,986</u>
 Less accumulated depreciation and amortization for:				
Plant and distribution system	18,088,400	975,574	(4,014)	19,059,960
Building	173,327	28,492	-	201,819
Equipment	<u>1,197,304</u>	<u>114,073</u>	<u>(38,705)</u>	<u>1,272,672</u>
	<u>19,459,031</u>	<u>1,118,139</u>	<u>(42,719)</u>	<u>20,534,451</u>
 Depreciable assets - net	 <u>28,137,389</u>	 <u>(733,164)</u>	 <u>(11,690)</u>	 <u>27,392,535</u>
 Total Business Activities Capital Assets - net	 <u>\$ 34,282,130</u>	 <u>\$ 2,869,658</u>	 <u>\$ (11,690)</u>	 <u>\$ 37,140,098</u>

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**NOTE 7 - PAYABLES**

Payables at the government-wide level at June 30, 2012, were as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Accrued interest</u>	<u>Total</u>
Governmental activities:				
General	\$ 309,371	\$ 207,115	\$ 31,894	\$ 548,380
Total governmental activities	<u>\$ 309,371</u>	<u>\$ 207,115</u>	<u>\$ 31,894</u>	<u>\$ 548,380</u>
Business-type activities:				
Water and Sewer	\$ 771,734	\$ 26,605	\$ -	\$ 798,339
Total business-type activities	<u>\$ 771,734</u>	<u>\$ 26,605</u>	<u>\$ -</u>	<u>\$ 798,339</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.

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 6.88% and 7.36%, 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, 2012, 2011, and 2010 were \$459,501, \$413,650, and \$308,451, respectively. The contributions made by the Town equaled the required contributions for each year.

**TOWN OF SOUTHERN PINES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

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**NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)**

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, 2011, 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, 2012.

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.

The annual required contribution for the current year was determined as part of the December 31, 2011, 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 4.25% 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 19 years. The assumptions did not include post-employment benefit increases.

**TOWN OF SOUTHERN PINES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

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**NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)**

B. Law Enforcement Officers Special Separation Allowance (Continued)

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	\$ 73,292
Interest on net pension obligation	5,996
Adjustment to annual required contribution	<u>(7,154)</u>
Annual pension cost	72,134
Contributions made	<u>88,986</u>
Increase (decrease) in net pension obligation	(16,852)
Net pension obligation beginning of fiscal year	<u>119,921</u>
 Net pension obligation end of fiscal year	 <u>\$103,069</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-10	\$62,712	140.07%	\$137,995
6-30-11	70,912	125.49%	119,921
6-30-12	72,134	123.36%	103,069

Funded Status and Funding Progress - As of December 31, 2011, 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 \$731,883. The covered payroll (annual payroll of active employees covered by the plan) was \$1,546,111, and the ratio of the UAAL to the covered payroll was 47.34 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 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.

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)**

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

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, 2012, were \$131,700, which consisted of \$77,359 from the Town and \$54,341 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 \$6,497 in payments made to the Fund by the State on-behalf of the Town for the year ended June 30, 2012.

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, 2012, the Town made contributions to the state for death benefits of \$6,679. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09 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.

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**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, 2012, the Town contributed \$245,419 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	\$ 99,464
Parking lot assessments receivable, net	2,305
Other assessments receivable, net	<u>112,346</u>
	<u>\$ 214,115</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 \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

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.

**TOWN OF SOUTHERN PINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

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**NOTE 12 - CLAIMS AND JUDGMENTS**

At June 30, 2012, 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, December 2010, and October 2011 for the construction of a police station, a raw water reservoir, and purchase of a fire pumper. 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, 2012, 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	\$ 4,983,334	\$ -
Fire Pumper; \$450,000; issued 2012; due Semiannually to 2014; interest at 1.47%; Collateralized by fire pumper	376,366	-
Raw Water Reservoir; \$3,500,000; issued 2010; due Semiannually to 2021; interest at 3.40%; Collateralized by real estate	-	3,047,183
Net Pension Obligation	103,069	-
Compensated absences	<u>517,204</u>	<u>46,085</u>
Total other long-term debt	<u>5,979,973</u>	<u>3,093,268</u>
Total outstanding	5,979,973	3,093,268
Less current portion	<u>(795,627)</u>	<u>(339,231)</u>
	<u>\$ 5,184,346</u>	<u>\$ 2,754,037</u>

At June 30, 2012, the Town of Southern Pines had a legal debt margin of \$162,245,761.

**TOWN OF SOUTHERN PINES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

**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, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>	<u>Current portion of balance</u>
Governmental activities:					
Police station	\$ 5,416,667	\$ -	\$ 433,333	\$ 4,983,334	\$ 433,333
Fire Pumper	-	450,000	73,634	376,366	148,895
Compensated absences	483,998	232,904	199,698	517,204	213,399
Net pension obligation	<u>119,921</u>	<u>-</u>	<u>16,852</u>	<u>103,069</u>	<u>-</u>
	<u>\$ 6,020,586</u>	<u>\$ 682,904</u>	<u>\$ 723,517</u>	<u>\$ 5,979,973</u>	<u>\$ 795,627</u>
Business-type activities:					
Raw Water Reservoir	\$ 3,351,598	\$ -	\$ 304,415	\$ 3,047,183	\$ 314,853
Compensated absences	<u>40,039</u>	<u>27,226</u>	<u>21,180</u>	<u>46,085</u>	<u>24,378</u>
	<u>\$ 3,391,637</u>	<u>\$ 27,226</u>	<u>\$ 325,595</u>	<u>\$ 3,093,268</u>	<u>\$ 339,231</u>

Compensated absences typically have been liquidated in the general fund.

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		
2013	\$ 582,228	\$ 170,662
2014	584,425	168,465
2015	509,713	150,072
2016	433,333	133,348
2017	433,333	117,184
2018-2022	2,166,666	311,144
2023-2024	<u>650,002</u>	<u>24,245</u>
	<u>\$ 5,359,700</u>	<u>\$1,075,120</u>
Business Type Activities		
2013	\$ 314,853	\$ 100,951
2014	325,649	90,155
2015	336,815	78,988
2016	348,365	67,439
2017	360,309	55,494
2018-2021	<u>1,361,192</u>	<u>94,121</u>
	<u>\$ 3,047,183</u>	<u>\$ 487,148</u>

**TOWN OF SOUTHERN PINES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

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**NOTE 14 - INTERFUND BALANCES AND ACTIVITY**

Transfers to/from other funds at June 30, 2012, consist of the following:

Governmental:

From the General Fund to the Sidewalk Construction Capital  
Project Fund for capital project expenditures \$ 140,000

From the General Fund to Bike Transportation  
Capital Project Fund for capital project expenditures 60,000

Total Governmental 200,000

Business-Type

From the Water & Sewer Fund to Water & Sewer Improvements  
Fund for capital project expenditures 300,000

Total Business-Type 300,000

Total Transfers \$ 500,000

**NOTE 15 - REVENUES, EXPENDITURES AND EXPENSES**

On-behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2012, 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 \$6,497 for the 10 volunteer firemen and 7 employed firemen (17 total in 2012) 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.

**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>	<i>\$ 8,212,757</i>
Less:	
Inventories	<b>45,130</b>
Prepaid Items	<b>16,889</b>
Stabilization by State Statute	<b>1,052,932</b>
Appropriated Fund Balance in 2012 budget	<b>1,736,481</b>
Remaining Fund Balance	<b>5,361,325</b>

**TOWN OF SOUTHERN PINES  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012**

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**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.

**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>
12-31-02*	-	\$ 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%
12-31-11	-	731,883	731,883	0.00%	1,546,111	47.34%

\*Reflects changes in actuarial assumptions

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

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**Schedule 2**

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
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%
2012	73,292	121.4%

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

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**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	12-31-11
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 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**

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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, 2012 and June 30, 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
Cash and investments	\$ 7,627,831	\$ 7,170,581
Receivables, net		
Property taxes	99,464	99,909
Due from other governments	770,470	812,097
Accounts receivable	293,929	368,659
Accrued interest receivable	12,168	16,045
Sales tax receivable	88,711	95,131
Parking lot assessments receivable	2,305	2,305
Inventory	45,130	51,277
Prepays	16,889	5,552
	<u>\$ 8,956,897</u>	<u>\$ 8,621,556</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 309,371	\$ 367,602
Accrued liabilities		
Other	207,115	180,682
Security deposits	13,539	13,539
Deferred revenues		
Taxes receivable	99,464	99,909
Parking lot assessments	2,305	2,305
Other	112,346	78,207
Total liabilities	<u>744,140</u>	<u>742,244</u>
 <b>FUND BALANCE</b>		
Nonspendable:		
Inventory	45,130	51,277
Prepays	16,889	5,552
Restricted:		
Stabilization by State Statute	1,052,932	1,213,725
Assigned:		
Subsequent year's expenditures	1,736,481	1,416,048
Unassigned	5,361,325	5,192,710
Total fund balances	<u>8,212,757</u>	<u>7,879,312</u>
	<u>\$ 8,956,897</u>	<u>\$ 8,621,556</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, 2012  
With Comparative Actual Amounts for Year Ended June 30, 2011**

	2012		Variance favorable (unfavorable)	2011
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year		\$ 7,416,156		\$ 7,257,129
Prior years		43,971		29,905
Penalties and interest		32,508		26,616
	<u>\$ 7,270,095</u>	<u>7,492,635</u>	<u>\$ 222,540</u>	<u>7,313,650</u>
Other taxes and licenses				
ABC mixed beverage		102,767		100,423
Local option sales tax		2,565,268		2,547,607
Solid waste disposal tax		8,529		8,493
Video programming tax		161,777		173,748
Privilege licenses		46,869		18,211
Cablevision franchise fee		35,702		32,756
Lease vehicles		26,512		20,196
	<u>2,735,630</u>	<u>2,947,424</u>	<u>211,794</u>	<u>2,901,434</u>
Unrestricted intergovernmental revenues				
Franchise tax		724,017		741,169
Beer and wine		53,656		56,049
	<u>729,000</u>	<u>777,673</u>	<u>48,673</u>	<u>797,218</u>
Restricted intergovernmental revenues				
State Aid - Library Grant		7,362		28,419
Powell Bill allocation		373,770		372,100
Fire grant		264,758		114,841
American Recovery and Reinvestment Act Grant		-		46,626
Recreation Grants		962		19,782
On-behalf of payments - Fire		6,497		5,684
Police grants		32,830		58,866
	<u>630,940</u>	<u>686,179</u>	<u>55,239</u>	<u>646,318</u>
Permits and fees				
Building permits and inspection fees		244,221		249,729
Fire and Police Dept. fees		28,688		24,094
Public works fees		5,808		9,112
Street department fees		24,493		14,138
	<u>188,969</u>	<u>303,210</u>	<u>114,241</u>	<u>297,073</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, 2012**

**With Comparative Actual Amounts for Year Ended June 30, 2011**

	2012		Variance	2011
	Budget	Actual	favorable (unfavorable)	Actual
<b>REVENUES (Continued)</b>				
Sales and services				
Rents		\$ 286,571		\$ 287,839
Court facilities fees		6,274		11
County disposal fee		559,588		542,900
Recreation department fees		201,906		208,262
Library fees		39,325		39,404
Reservoir park usage fees		5,500		4,400
	<u>\$ 1,024,130</u>	<u>1,099,164</u>	<u>\$ 75,034</u>	<u>1,082,816</u>
Investment earnings	<u>50,000</u>	<u>32,104</u>	<u>(17,896)</u>	<u>40,331</u>
Other				
Cemetery		1,425		625
Fire department donations		27,106		950
Fire district revenue		472,669		465,501
Court costs		5,486		5,852
Demolition liens		929		-
County contribution - fire		42,000		38,000
Miscellaneous		103,235		105,530
	<u>586,136</u>	<u>652,850</u>	<u>66,714</u>	<u>616,458</u>
<b>TOTAL REVENUES</b>	<u>13,214,900</u>	<u>13,991,239</u>	<u>776,339</u>	<u>13,695,298</u>
<b>EXPENDITURES</b>				
General government				
Governing body				
Salaries and employee benefits		28,271		28,269
Operating expenditures		86,873		75,364
Professional services		109,143		66,454
Membership dues		13,458		13,006
	<u>302,986</u>	<u>237,745</u>	<u>65,241</u>	<u>183,093</u>
Administration				
Salaries and employee benefits		748,989		704,536
Operating expenditures		301,058		318,440
	<u>1,104,965</u>	<u>1,050,047</u>	<u>54,918</u>	<u>1,022,976</u>
Information Technology				
Salaries and employee benefits		134,998		80,284
Contract Services		210,435		245,498
Operating expenditures		125,738		129,225
Capital outlay		35,671		34,006
	<u>736,754</u>	<u>506,842</u>	<u>229,912</u>	<u>489,013</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, 2012**

**With Comparative Actual Amounts for Year Ended June 30, 2011**

	2012		Variance favorable (unfavorable)	2011
	Budget	Actual		Actual
EXPENDITURES (Continued)				
General government (Continued)				
Water and Sewer Fund				
Administrative chargeback	<u>\$ (895,197)</u>	<u>\$ (895,197)</u>	<u>\$ -</u>	<u>\$ (826,632)</u>
Public works				
Salaries and employee benefits		294,504		287,412
Operating expenditures		28,318		28,063
Contract services		1,642,004		1,561,051
	<u>1,977,073</u>	<u>1,964,826</u>	<u>12,247</u>	<u>1,876,526</u>
Building and grounds				
Salaries and employee benefits		840,029		830,935
Vehicle maintenance		4,163		6,400
Contract Services		111,569		92,761
Operating expenditures		247,377		267,805
Capital outlay		-		17,670
	<u>1,302,778</u>	<u>1,203,138</u>	<u>99,640</u>	<u>1,215,571</u>
Garage				
Salaries and employee benefits		192,431		178,585
Operating expenditures		48,385		59,734
	<u>275,804</u>	<u>240,816</u>	<u>34,988</u>	<u>238,319</u>
Total general government	<u>4,805,163</u>	<u>4,308,217</u>	<u>496,946</u>	<u>4,198,866</u>
Public safety				
Police				
Salaries and employee benefits		2,562,658		2,506,093
Operating expenditures		662,138		544,645
Capital outlay		108,545		142,423
	<u>3,501,684</u>	<u>3,333,341</u>	<u>168,343</u>	<u>3,193,161</u>
Fire				
Salaries and employee benefits		1,522,200		1,468,678
Operating expenditures		272,119		279,928
Capital outlay		662,939		-
	<u>2,521,017</u>	<u>2,457,258</u>	<u>63,759</u>	<u>1,748,606</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, 2012**

**With Comparative Actual Amounts for Year Ended June 30, 2011**

	2012		Variance favorable (unfavorable)	2011
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Public safety (Continued)				
Fire and rescue workers pension fund	\$ -	\$ 6,497	\$ (6,497)	\$ 5,684
Total public safety	<u>6,022,701</u>	<u>5,797,096</u>	<u>225,605</u>	<u>4,947,451</u>
Transportation				
Street maintenance				
Salaries and employee benefits		395,323		431,616
Operating expenditures		348,904		327,273
Construction		243		31,959
Paving		179,551		197,035
Contract services		44,723		16,639
	<u>1,167,544</u>	<u>968,744</u>	<u>198,800</u>	<u>1,004,522</u>
Total transportation	<u>1,167,544</u>	<u>968,744</u>	<u>198,800</u>	<u>1,004,522</u>
Economic and physical development				
Planning and development				
Salaries and employee benefits		543,414		547,603
Contract services		49,131		9,922
Operating expenditures		125,666		61,485
	<u>782,504</u>	<u>718,211</u>	<u>64,293</u>	<u>619,010</u>
Total economic and physical development	<u>782,504</u>	<u>718,211</u>	<u>64,293</u>	<u>619,010</u>
Cultural and recreational				
Recreation				
Salaries and employee benefits		459,232		447,713
Contract services		51,922		30,401
Operating expenditures		150,774		193,282
Capital Outlay		5,544		89,000
	<u>748,708</u>	<u>667,472</u>	<u>81,236</u>	<u>760,396</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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance favorable (unfavorable)	2011
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Cultural and recreational (Continued)				
Libraries				
Salaries and employee benefits		\$ 533,512		\$ 528,043
Contract services		31,342		41,940
Operating expenditures		69,304		79,821
Books and periodicals		105,621		104,754
	<u>\$ 842,139</u>	<u>739,779</u>	<u>\$ 102,360</u>	<u>754,558</u>
Total cultural and recreational	<u>1,590,847</u>	<u>1,407,251</u>	<u>183,596</u>	<u>1,514,954</u>
Debt Service				
Principal retirement		506,967		509,784
Interest		201,308		215,451
	<u>711,675</u>	<u>708,275</u>	<u>3,400</u>	<u>725,235</u>
Total debt service	<u>711,675</u>	<u>708,275</u>	<u>3,400</u>	<u>725,235</u>
TOTAL EXPENDITURES	<u>15,080,434</u>	<u>13,907,794</u>	<u>1,172,640</u>	<u>13,010,038</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,865,534)</u>	<u>83,445</u>	<u>1,948,979</u>	<u>685,260</u>
OTHER FINANCING SOURCES (USES):				
Transfers to other funds:				
Capital Projects Funds	(200,000)	(200,000)	-	(235,220)
Loan proceeds	450,000	450,000	-	-
Total other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(235,220)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,615,534)</u>	<u>333,445</u>	<u>1,948,979</u>	<u>450,040</u>
FUND BALANCE APPROPRIATED	<u>1,615,534</u>	<u>-</u>	<u>(1,615,534)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>333,445</u>	<u>\$ 333,445</u>	<u>450,040</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>7,879,312</u>		<u>7,429,272</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ 8,212,757</u>		<u>\$ 7,879,312</u>

## NON-MAJOR GOVERNMENTAL FUNDS

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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, 2012

	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics	Storm Water Improvements	Road Construction	EIDMS	Patrick Road	Bike Transport	Fire Department Substation	Permanent Fund Cemetery Perpetual Care	Total Non-Major Governmental Funds
<b>ASSETS</b>												
Cash and investments	\$ 70,998	\$ 50,710	\$ 30,051	\$ 165,829	\$ 269,711	\$ 26,065	\$ 664,106	\$ 456,427	\$ 60,110	\$ 360,913	\$ 52,286	\$ 2,207,206
Sales tax receivable	-	-	3,565	174	-	-	-	-	-	-	-	3,739
Accrued Interest	114	81	48	266	432	42	1,063	731	96	578	84	3,535
	<u>\$ 71,112</u>	<u>\$ 50,791</u>	<u>\$ 33,664</u>	<u>\$ 166,269</u>	<u>\$ 270,143</u>	<u>\$ 26,107</u>	<u>\$ 665,169</u>	<u>\$ 457,158</u>	<u>\$ 60,206</u>	<u>\$ 361,491</u>	<u>\$ 52,370</u>	<u>\$ 2,214,480</u>
<b>LIABILITIES AND FUND BALANCE</b>												
<b>FUND BALANCE</b>												
Nonspendable:												
Perpetual maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,286	\$ 52,286
Restricted:												
Stabilization by State Statute	114	81	3,613	440	432	42	1,063	731	96	578	84	7,274
Committed:												
Capital Projects	70,998	50,710	30,051	165,829	269,711	26,065	664,106	456,427	60,110	360,913	-	2,154,920
Total fund balance	<u>71,112</u>	<u>50,791</u>	<u>33,664</u>	<u>166,269</u>	<u>270,143</u>	<u>26,107</u>	<u>665,169</u>	<u>457,158</u>	<u>60,206</u>	<u>361,491</u>	<u>52,370</u>	<u>2,214,480</u>
	<u>\$ 71,112</u>	<u>\$ 50,791</u>	<u>\$ 33,664</u>	<u>\$ 166,269</u>	<u>\$ 270,143</u>	<u>\$ 26,107</u>	<u>\$ 665,169</u>	<u>\$ 457,158</u>	<u>\$ 60,206</u>	<u>\$ 361,491</u>	<u>\$ 52,370</u>	<u>\$ 2,214,480</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, 2012

	Permanent Fund											Total Non-Major Governmental Funds
	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics	Storm Water Improvements	Road Construction	EIDMS	Patrick Road	Bike Transport	Fire Department Substation	Cemetery Perpetual Care	
REVENUES												
Investment Earnings	\$ 258	\$ 184	\$ 747	\$ 611	\$ 978	\$ 94	\$ 2,423	\$ 1,655	\$ 206	\$ 1,308	\$ 182	\$ 8,646
Sale of Plots	-	-	-	-	-	-	-	-	-	-	3,475	3,475
	<u>258</u>	<u>184</u>	<u>747</u>	<u>611</u>	<u>978</u>	<u>94</u>	<u>2,423</u>	<u>1,655</u>	<u>206</u>	<u>1,308</u>	<u>3,657</u>	<u>12,121</u>
EXPENDITURES												
General Government	-	-	-	2,633	-	-	7,914	-	-	-	-	10,547
Transportation	-	-	247,170	-	-	-	-	-	-	-	-	247,170
	<u>-</u>	<u>-</u>	<u>247,170</u>	<u>2,633</u>	<u>-</u>	<u>-</u>	<u>7,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,717</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>258</u>	<u>184</u>	<u>(246,423)</u>	<u>(2,022)</u>	<u>978</u>	<u>94</u>	<u>(5,491)</u>	<u>1,655</u>	<u>206</u>	<u>1,308</u>	<u>3,657</u>	<u>(245,596)</u>
OTHER FINANCING SOURCES (USES)												
Transfers (to)/from: General Fund	-	-	140,000	-	-	-	-	-	60,000	-	-	200,000
	<u>-</u>	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
NET CHANGE IN FUND BALANCE	258	184	(106,423)	(2,022)	978	94	(5,491)	1,655	60,206	1,308	3,657	(45,596)
FUND BALANCE, BEGINNING OF YEAR, JULY 1	70,854	50,607	140,087	168,291	269,165	26,013	670,660	455,503	-	360,183	48,713	2,260,076
FUND BALANCE, END OF YEAR, JUNE 30	<u>\$ 71,112</u>	<u>\$ 50,791</u>	<u>\$ 33,664</u>	<u>\$ 166,269</u>	<u>\$ 270,143</u>	<u>\$ 26,107</u>	<u>\$ 665,169</u>	<u>\$ 457,158</u>	<u>\$ 60,206</u>	<u>\$ 361,491</u>	<u>\$ 52,370</u>	<u>\$ 2,214,480</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
Investment earnings	\$ 14,000	\$ 13,854	\$ 258	\$ 14,112	\$ 112
	<u>14,000</u>	<u>13,854</u>	<u>258</u>	<u>14,112</u>	<u>112</u>
<b>EXPENDITURES</b>					
Transportation Construction	71,000	-	-	-	71,000
	<u>71,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(57,000)</u>	<u>13,854</u>	<u>258</u>	<u>14,112</u>	<u>71,112</u>
<b>OTHER FINANCING SOURCES</b>					
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>\$ 70,854</u>	<u>258</u>	<u>\$ 71,112</u>	<u>\$ 71,112</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>70,854</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 71,112</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
Investment earnings	\$ 9,700	\$ 8,862	\$ 184	\$ 9,046	\$ (654)
	<u>9,700</u>	<u>8,862</u>	<u>184</u>	<u>9,046</u>	<u>(654)</u>
<b>EXPENDITURES</b>					
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>(75,393)</u>	<u>184</u>	<u>(75,209)</u>	<u>50,791</u>
<b>OTHER FINANCING SOURCES</b>					
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>\$ 50,607</u>	<u>184</u>	<u>\$ 50,791</u>	<u>\$ 50,791</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>50,607</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 50,791</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 5,800	\$ 5,943	\$ 747	\$ 6,690	\$ 890
	<u>5,800</u>	<u>5,943</u>	<u>747</u>	<u>6,690</u>	<u>890</u>
EXPENDITURES					
Transportation Construction	672,312	392,368	247,170	639,538	32,774
	<u>672,312</u>	<u>392,368</u>	<u>247,170</u>	<u>639,538</u>	<u>32,774</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(666,512)</u>	<u>(386,425)</u>	<u>(246,423)</u>	<u>(632,848)</u>	<u>33,664</u>
OTHER FINANCING SOURCES					
Transfers from: General Fund	666,512	526,512	140,000	666,512	-
	<u>666,512</u>	<u>526,512</u>	<u>140,000</u>	<u>666,512</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 140,087</u>	<u>(106,423)</u>	<u>\$ 33,664</u>	<u>\$ 33,664</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>140,087</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 33,664</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
Investment earnings	\$ 16,600	\$ 16,698	\$ 611	\$ 17,309	\$ 709
	<u>16,600</u>	<u>16,698</u>	<u>611</u>	<u>17,309</u>	<u>709</u>
<b>EXPENDITURES</b>					
General Government Construction	542,423	374,230	2,633	376,863	165,560
	<u>542,423</u>	<u>374,230</u>	<u>2,633</u>	<u>376,863</u>	<u>165,560</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(525,823)</u>	<u>(357,532)</u>	<u>(2,022)</u>	<u>(359,554)</u>	<u>166,269</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General Fund	152,823	152,823	-	152,823	-
Capital Projects Fund - Police Station	373,000	373,000	-	373,000	-
	<u>525,823</u>	<u>525,823</u>	<u>-</u>	<u>525,823</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 168,291</u>	<u>(2,022)</u>	<u>\$ 166,269</u>	<u>\$ 166,269</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>168,291</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 166,269</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 20,000	\$ 20,165	\$ 978	\$ 21,143	\$ 1,143
	<u>20,000</u>	<u>20,165</u>	<u>978</u>	<u>21,143</u>	<u>1,143</u>
EXPENDITURES					
Cultural and Recreational Construction	269,000	-	-	-	269,000
	<u>269,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(249,000)</u>	<u>20,165</u>	<u>978</u>	<u>21,143</u>	<u>270,143</u>
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	249,000	249,000	-	249,000	-
	<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>\$ 269,165</u>	<u>978</u>	<u>\$ 270,143</u>	<u>\$ 270,143</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>269,165</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 270,143</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ 139	\$ 94	\$ 233	\$ 233
	<u>-</u>	<u>139</u>	<u>94</u>	<u>233</u>	<u>233</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>139</u>	<u>94</u>	<u>233</u>	<u>26,107</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>\$ 26,013</u>	<u>94</u>	<u>\$ 26,107</u>	<u>\$ 26,107</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>26,013</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 26,107</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
Investment earnings	\$ 3,000	\$ 8,235	\$ 2,423	\$ 10,658	\$ 7,658
	<u>3,000</u>	<u>8,235</u>	<u>2,423</u>	<u>10,658</u>	<u>7,658</u>
<b>EXPENDITURES</b>					
General government					
Enterprise Resource Planning	900,000	234,575	7,914	242,489	657,511
	<u>900,000</u>	<u>234,575</u>	<u>7,914</u>	<u>242,489</u>	<u>657,511</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(897,000)</u>	<u>(226,340)</u>	<u>(5,491)</u>	<u>(231,831)</u>	<u>665,169</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
General Fund	400,000	400,000	-	400,000	-
Capital Projects Fund- Police Station	240,500	240,500	-	240,500	-
Capital Projects Fund- Water and Sewer 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>\$ 670,660</u>	<u>(5,491)</u>	<u>\$ 665,169</u>	<u>\$ 665,169</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>670,660</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 665,169</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 34,500	\$ 34,512	\$ 1,655	\$ 36,167	\$ 1,667
	<u>34,500</u>	<u>34,512</u>	<u>1,655</u>	<u>36,167</u>	<u>1,667</u>
EXPENDITURES					
Transportation Construction	490,491	35,000	-	35,000	455,491
	<u>490,491</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>455,491</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(455,991)</u>	<u>(488)</u>	<u>1,655</u>	<u>1,167</u>	<u>457,158</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>\$ 455,503</u>	<u>1,655</u>	<u>\$ 457,158</u>	<u>\$ 457,158</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>455,503</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 457,158</u>		

**TOWN OF SOUTHERN PINES  
CAPITAL PROJECTS FUND (BIKE TRANSPORT)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
From Inception and for the Year Ended June 30, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ -	\$ 206	\$ 206	\$ 206
	<u>-</u>	<u>-</u>	<u>206</u>	<u>206</u>	<u>206</u>
EXPENDITURES					
Cultural and recreational Construction	60,000	-	-	-	60,000
	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(60,000)</u>	<u>-</u>	<u>206</u>	<u>206</u>	<u>60,206</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	60,000	-	60,000	60,000	-
	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>60,206</u>	<u>\$ 60,206</u>	<u>\$ 60,206</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>-</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 60,206</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, 2012**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
<b>REVENUES</b>					
Investment earnings	\$ 586	\$ 70	1,308	\$ 1,378	\$ 792
	<u>586</u>	<u>70</u>	<u>1,308</u>	<u>1,378</u>	<u>792</u>
<b>EXPENDITURES</b>					
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>70</u>	<u>1,308</u>	<u>1,378</u>	<u>361,492</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers from:					
Capital Projects Fund-					
Police Expansion Fund	360,114	360,113	-	360,113	(1)
	<u>360,114</u>	<u>360,113</u>	<u>-</u>	<u>360,113</u>	<u>(1)</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 360,183</u>	1,308	<u>\$ 361,491</u>	<u>\$ 361,491</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>360,183</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 361,491</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, 2012  
With Comparative Actual Amounts for Year Ended June 30, 2011**

	2012		Variance favorable (unfavorable)	2011
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 10,200	\$ 182	\$ (10,018)	\$ 238
Sale of plots	39,000	3,475	(35,525)	1,476
Total revenues	49,200	3,657	(45,543)	1,714
EXPENDITURES				
Reserved for future expense	49,200	-	49,200	-
REVENUES OVER EXPENDITURES	<u>\$ -</u>	3,657	<u>\$ 3,657</u>	1,714
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>48,713</u>		<u>46,999</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ 52,370</u>		<u>\$ 48,713</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

Page 1 of 3

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

For the Year Ended June 30, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance favorable (unfavorable)	2011
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues				
Charges for services				
Water sales		\$ 3,789,527		\$ 3,973,830
Sewer sales		1,979,892		2,069,993
Service charges		109,364		88,306
Miscellaneous operating revenue		118,275		140,359
Total operating revenues	\$ 5,623,000	5,997,058	\$ 374,058	6,272,488
Nonoperating revenues (expenses)				
Impact fees		141,333		218,866
Investment earnings		13,715		21,678
BAB interest rebate		59,811		-
Loss on disposal of capital assets		(8,129)		11,909
	20,000	206,730	186,730	252,453
Total revenues	5,643,000	6,203,788	560,788	6,524,941
<b>EXPENDITURES</b>				
Billings and collections				
Salaries and employee benefits		249,753		245,434
Contracted services		19,210		26,695
Other departmental expenditures		120,066		122,771
	406,535	389,029	17,506	394,900
Water treatment				
Contractual services		878,157		655,530
Utilities		267,973		258,745
Other departmental expenditures		97,632		43,994
	1,340,102	1,243,762	96,340	958,269
Sewage treatment				
Contractual services	1,420,000	1,181,654	238,346	1,303,633
Water extensions and maintenance				
Salaries and employee benefits		360,162		364,219
Contractual services		21,071		24,643
Supplies		187,442		167,452
Other departmental expenditures		130,111		124,638
	746,108	698,786	47,322	680,952

**TOWN OF SOUTHERN PINES  
WATER AND SEWER FUND  
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
For the Year Ended June 30, 2012  
With Comparative Actual Amounts for Year Ended June 30, 2011**

	2012		Variance favorable (unfavorable)	2011
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Sewer extensions and maintenance				
Salaries and employee benefits		\$ 374,782		\$ 388,166
Contractual services		100,065		102,369
Supplies		92,270		53,370
Other departmental expenditures		177,337		160,158
	<u>\$ 789,455</u>	<u>744,454</u>	<u>\$ 45,001</u>	<u>704,063</u>
Chargeout for administrative expenses	<u>895,197</u>	<u>895,197</u>	<u>-</u>	<u>826,632</u>
Total	<u>5,597,397</u>	<u>5,152,882</u>	<u>444,515</u>	<u>4,868,449</u>
Budgetary appropriations				
Interest	111,389	111,389	-	59,500
Debt principal	304,415	304,415	-	148,402
Capital outlay	292,286	292,286	-	39,313
	<u>708,090</u>	<u>708,090</u>	<u>-</u>	<u>247,215</u>
Total expenditures	<u>6,305,487</u>	<u>5,860,972</u>	<u>444,515</u>	<u>5,115,664</u>
REVENUES OVER (UNDER) EXPENDITURES	(662,487)	342,816	1,005,303	1,409,277
OTHER FINANCING USES				
Transfers to:				
Raw Water Reservoir	-	-	-	(2,111,000)
Water and Sewer Improvements	(300,000)	(300,000)	-	-
	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>(2,111,000)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(962,487)	42,816	1,005,303	(701,723)
APPROPRIATED RETAINED EARNINGS	<u>962,487</u>	<u>-</u>	<u>(962,487)</u>	<u>-</u>
REVENUES AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ 42,816</u>	<u>\$ 42,816</u>	<u>\$ (701,723)</u>

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

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

**For the Year Ended June 30, 2012**

**With Comparative Actual Amounts for Year Ended June 30, 2011**

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	<u>2012</u>	<u>2011</u>
REVENUES OVER EXPENDITURES	\$ 42,816	\$ (701,723)
RECONCILING ITEMS:		
Principal retirement	304,415	148,402
Capital outlay	292,286	39,313
Loss on disposal of construction in process	-	(56,202)
Depreciation and amortization	(1,118,139)	(1,084,190)
Interest earnings on Water and Sewer		
Capital Projects Fund	13,837	21,690
Developer's contributions	168,665	422,384
Intangible contributions	279,759	42,720
Capital contributions	75,975	140,431
Transfers to Water and Sewer		
Water and sewer improvements	300,000	2,111,000
	<u>316,798</u>	<u>1,785,548</u>
CHANGE IN NET ASSETS	<u>\$ 359,614</u>	<u>\$ 1,083,825</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, 2012**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance favorable (unfavorable)
<b>REVENUES</b>					
Grant proceeds	582,950	\$ 485,357	75,975	\$ 561,332	\$ (21,618)
Investment earnings	266,270	287,535	13,837	301,372	35,102
Developers contributions	394,616	322,057	75,975	398,032	3,416
<b>TOTAL REVENUES</b>	<b>1,243,836</b>	<b>1,094,949</b>	<b>165,787</b>	<b>1,260,736</b>	<b>16,900</b>
<b>EXPENDITURES</b>					
Water/sewer improvements II	3,193,982	1,569,408	493,512	2,062,920	1,131,062
Commercial park project	811,666	791,960	-	791,960	19,706
Village project	165,900	-	151,950	151,950	13,950
Raw water reservoir	6,367,270	3,187,144	2,677,604	5,864,748	502,522
<b>TOTAL EXPENDITURES</b>	<b>10,538,818</b>	<b>5,548,512</b>	<b>3,323,066</b>	<b>8,871,578</b>	<b>1,667,240</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(9,294,982)</b>	<b>(4,453,563)</b>	<b>(3,157,279)</b>	<b>(7,610,842)</b>	<b>1,684,140</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	3,500,000	3,500,000	-	3,500,000	-
Transfer to:					
Waynor road project	(250,000)	(250,000)	-	(250,000)	-
Transfers from:					
Impact fees	841,146	841,146	-	841,146	-
Water treatment	460,500	460,500	-	460,500	-
Water & Sewer Fund	4,743,336	4,443,336	300,000	4,743,336	-
<b>Total other financing sources</b>	<b>9,294,982</b>	<b>8,994,982</b>	<b>300,000</b>	<b>9,294,982</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 4,541,419</b>	<b>\$ (2,857,279)</b>	<b>\$ 1,684,140</b>	<b>\$ 1,684,140</b>

## AGENCY FUND

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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:**

**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, 2012**

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	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Cafeteria Plan				
<b>ASSETS</b>				
Cash and investments	\$ 27,701	\$ 280,284	\$ 287,730	\$ 20,255
Accrued interest	62	34	62	34
	<u>\$ 27,763</u>	<u>\$ 280,318</u>	<u>\$ 287,792</u>	<u>\$ 20,289</u>
<b>LIABILITIES</b>				
Miscellaneous liabilities	<u>\$ 27,763</u>	<u>\$ 280,318</u>	<u>\$ 287,792</u>	<u>\$ 20,289</u>

## **CAPITAL ASSETS OF GOVERNMENTAL FUNDS**

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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, 2012**

	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	\$ 352,487	\$ 387,688	\$ 430,386	\$ -	\$ 619,355	\$ 16,873,473
Public safety	1,070,553	8,015,770	842,362	211,511	3,046,176	958,249	-	-	14,144,621
Transportation	-	32,384	8,265	-	551,582	296,449	11,450,182	674,534	13,013,396
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	111,551	-	84,258	6,402,436
Total governmental funds capital assets	<u>\$ 11,850,841</u>	<u>\$ 15,063,782</u>	<u>\$ 4,349,931</u>	<u>\$ 586,998</u>	<u>\$ 4,152,212</u>	<u>\$ 1,796,635</u>	<u>\$ 11,450,182</u>	<u>\$ 1,378,147</u>	<u>\$ 50,628,728</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, 2012**

	Balance June 30, 2011	Additions and Transfers in	Disposals and Transfers out	Balance June 30, 2012
General government	\$ 16,876,816	\$ 76,510	\$ (79,853)	\$ 16,873,473
Public safety	13,767,477	750,593	(373,449)	14,144,621
Transportation	12,430,961	614,644	(32,209)	13,013,396
Economic and physical development	194,802	-	-	194,802
Cultural and recreational	6,396,892	5,544	-	6,402,436
Total governmental funds capital assets	<u>\$ 49,666,948</u>	<u>\$ 1,447,291</u>	<u>\$ (485,511)</u>	<u>\$ 50,628,728</u>

Note: Amounts presented above exclude accumulated depreciation.

**TOWN OF SOUTHERN PINES**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**For the Year Ended June 30, 2012**

	Uncollected Balance June 30, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 7,465,959	\$ 7,416,155	\$ 49,804
2010-2011	53,880	-	37,878	16,002
2009-2010	15,183	-	6,955	8,228
2008-2009	6,766	-	687	6,079
2007-2008	6,148	-	548	5,600
2006-2007	15,036	-	228	14,808
2005-2006	8,546	-	305	8,241
2004-2005	4,798	-	230	4,568
2003-2004	7,317	-	4,350	2,967
2002-2003	2,844	-	1,017	1,827
2001-2002	1,733	-	1,733	-
	<u>\$ 122,251</u>	<u>\$ 7,465,959</u>	<u>\$ 7,470,086</u>	118,124
Less allowance for uncollected taxes receivable General fund				<u>(18,659)</u>
Ad valorem taxes receivable, net				<u>\$ 99,464</u>
Reconcilement with revenue:				
Taxes				\$ 7,492,635
Penalties and interest				(32,508)
Refunds				1,479
Taxes written off				1,711
Other adjustments				<u>6,769</u>
Total collections and credits				<u>\$ 7,470,086</u>

**TOWN OF SOUTHERN PINES  
ANALYSIS OF CURRENT TAX LEVY  
For the Year Ended June 30, 2012**

	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:	\$ 2,002,697,011	\$ 0.35	\$ 7,009,455	\$ 7,009,455	\$ -
Penalties	-		2,650	2,650	-
	<u>2,002,697,011</u>		<u>7,012,105</u>	<u>7,012,105</u>	<u>-</u>
Discoveries:					
Adjustments at current year's rate	130,576,146	0.35	455,729	94,192	361,537
Adjustments at prior year's rate	<u>8,541,464</u>	0.35	<u>29,897</u>	<u>-</u>	<u>29,897</u>
Total	2,141,814,621		7,497,731	7,106,297	391,434
Abatements:					
Current year's rate	<u>(8,656,574)</u>	0.35	<u>(31,772)</u>	<u>(5,528)</u>	<u>(26,244)</u>
TOTAL PROPERTY VALUATION	<u>\$ 2,133,158,047</u>				
Net levy			7,465,959	7,100,769	365,190
Uncollected taxes at June 30, 2012			<u>49,804</u>	<u>24,342</u>	<u>25,462</u>
Current year's taxes collected			<u>\$ 7,416,155</u>	<u>\$ 7,076,427</u>	<u>\$ 339,728</u>
Percent of current year taxes collected			<u>99.33%</u>	<u>99.66%</u>	<u>93.03%</u>

**TOWN OF SOUTHERN PINES  
 SCHEDULE OF INTERFUND TRANSFERS  
 Year Ended June 30, 2012**

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	Transfer from Fund			Total
	Major Governmental	Non-major Governmental	Major Business-Type	
	General Fund		Water and Sewer	
<u>Transfers to Fund</u>				
Governmental: Non-Major Funds	\$ 200,000	\$ -	\$ -	\$ 200,000
Business-Type: Major Funds	-	-	300,000	300,000
Total	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 500,000</u>

## STATISTICAL SECTION

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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

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

**Table 1**

	2003	2004	2005	2006	2007
<b>Governmental Activities</b>					
Invested in Capital Assets, net of related debt	\$ 23,664,093	\$ 23,784,086	\$ 24,767,860	\$ 24,905,903	\$ 26,203,921
Restricted	5,949,808	5,584,120	4,816,663	5,742,934	4,480,356
Unrestricted	1,843,139	2,609,329	4,254,350	4,187,841	5,556,822
<b>Total Governmental Activities Net Assets</b>	<b>31,457,040</b>	<b>31,977,535</b>	<b>33,838,873</b>	<b>34,836,678</b>	<b>36,241,099</b>
<b>Business-type Activities</b>					
Invested in Capital Assets, net of related debt	23,546,754	25,675,118	26,899,892	27,293,907	28,224,160
Restricted	-	-	-	-	-
Unrestricted	5,186,541	4,789,928	4,538,012	5,082,649	5,758,921
<b>Total Business-type Activities Net Assets</b>	<b>28,733,295</b>	<b>30,465,046</b>	<b>31,437,904</b>	<b>32,376,556</b>	<b>33,983,081</b>
<b>Primary Government</b>					
Invested in Capital Assets, net of related debt	47,210,847	49,459,204	51,667,752	52,199,810	54,428,081
Restricted	5,949,808	5,584,120	4,816,663	5,742,934	4,480,356
Unrestricted	7,029,680	7,399,257	8,792,362	9,270,490	11,315,743
<b>Total primary Government Net Assets</b>	<b>\$ 60,190,335</b>	<b>\$ 62,442,581</b>	<b>\$ 65,276,777</b>	<b>\$ 67,213,234</b>	<b>\$ 70,224,180</b>

Notes:

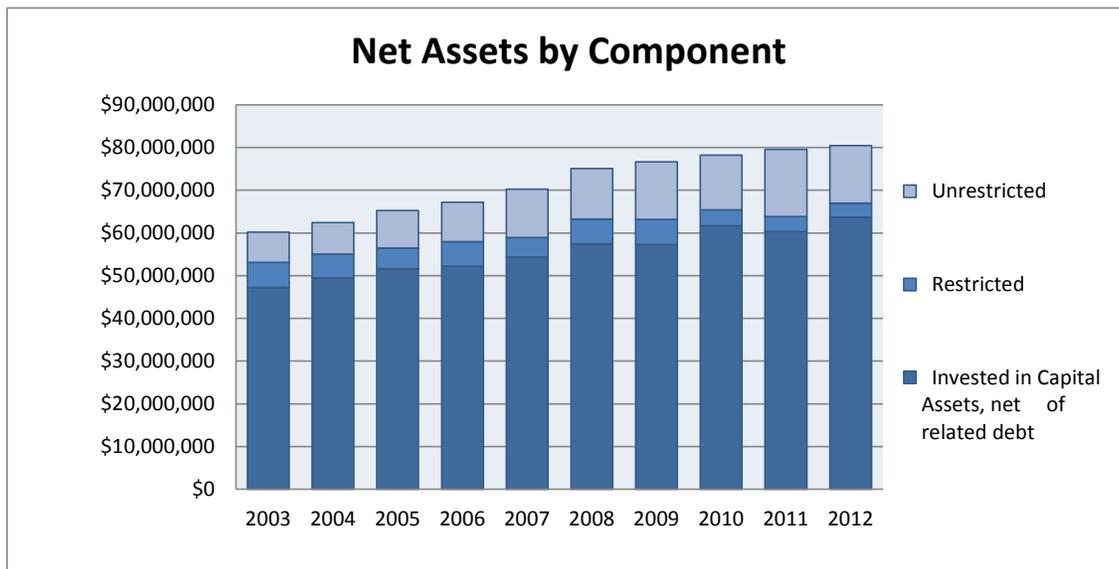
This table was prepared using the accrual basis of accounting.

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

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

**Table 1  
(con't)**

	2008	2009	2010	2011	2012
<b>Governmental Activities</b>					
Invested in Capital Assets, net of related debt	\$ 27,637,028	\$ 26,349,353	\$ 29,678,651	\$ 29,411,511	\$ 29,623,108
Restricted	5,800,666	5,844,156	3,723,300	3,473,801	3,267,412
Unrestricted	4,839,735	6,350,644	5,465,135	6,208,414	6,721,773
<b>Total Governmental Activities Net Assets</b>	<b>38,277,429</b>	<b>38,544,153</b>	<b>38,867,086</b>	<b>39,093,726</b>	<b>39,612,293</b>
<b>Business-type Activities</b>					
Invested in Capital Assets, net of related debt	29,842,062	30,955,704	32,039,888	30,930,532	34,092,915
Restricted	-	-	-	-	-
Unrestricted	6,975,786	7,152,347	7,333,724	9,526,905	6,724,136
<b>Total Business-type Activities Net Assets</b>	<b>36,817,848</b>	<b>38,108,051</b>	<b>39,373,612</b>	<b>40,457,437</b>	<b>40,817,051</b>
<b>Primary Government</b>					
Invested in Capital Assets, net of related debt	57,479,090	57,305,057	61,718,539	60,342,043	63,716,023
Restricted	5,800,666	5,844,156	3,723,300	3,473,801	3,267,412
Unrestricted	11,815,521	13,502,991	12,798,859	15,735,319	13,445,909
<b>Total primary Government Net Assets</b>	<b>\$ 75,095,277</b>	<b>\$ 76,652,204</b>	<b>\$ 78,240,698</b>	<b>\$ 79,551,163</b>	<b>\$ 80,429,344</b>



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

**Table 2**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
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	\$ 4,473,362
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	5,478,090
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	1,441,791
Economic and Physical Development	344,816	343,350	362,863	409,535	521,189	616,011	791,424	667,356	956,340	722,591
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	1,542,961
Interest on Long Term Debt	4,126	698	-	11,952	24,183	14,989	177,670	225,648	212,328	199,536
<b>Total Governmental Activities Expense</b>	<b>9,161,619</b>	<b>9,057,915</b>	<b>9,314,918</b>	<b>10,385,043</b>	<b>11,038,722</b>	<b>11,798,111</b>	<b>13,310,596</b>	<b>13,365,770</b>	<b>13,903,956</b>	<b>13,858,331</b>
<b>Total Business-Type Activity - Water and Sewer</b>	<b>3,878,004</b>	<b>3,897,969</b>	<b>3,949,406</b>	<b>4,089,521</b>	<b>4,435,308</b>	<b>4,649,136</b>	<b>5,214,994</b>	<b>5,783,760</b>	<b>6,056,432</b>	<b>6,390,539</b>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$13,039,623</b>	<b>\$12,955,884</b>	<b>\$13,264,324</b>	<b>\$14,474,564</b>	<b>\$15,474,030</b>	<b>\$16,447,247</b>	<b>\$ 18,525,590</b>	<b>\$ 19,149,530</b>	<b>\$ 19,960,388</b>	<b>\$ 20,248,870</b>
<b>Program revenues</b>										
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	\$ 853,392
Public Safety	309,959	338,923	345,798	390,331	390,343	500,431	509,706	493,485	501,715	507,750
Transportation	39,379	23,193	21,478	9,779	7,948	7,261	8,775	14,531	14,138	24,493
Economic and Physical Development	155,515	217,677	282,048	342,140	315,976	302,147	221,168	263,420	258,908	292,230
Cultural and Recreation	123,141	154,032	181,982	195,230	203,448	205,893	204,524	219,856	252,066	246,731
Cemetery	1,525	4,150	4,750	2,500	3,775	2,700	3,425	2,525	1,476	3,475
Operating Grants and Contributions										
General Governmental	368,889	21,398	161,498	17,142	159,492	42,514	90,726	67,145	55,392	49,114
Public Safety	31,548	31,038	40,027	72,249	42,826	29,578	9,611	65,701	180,566	335,492
Transportation	527,741	402,203	401,565	416,972	400,518	452,161	408,346	365,427	372,100	373,770
Cultural and Recreation	13,596	26,717	19,587	19,310	12,298	11,801	12,954	50,656	63,951	10,857
Capital Grants and Contributions										
General Governmental	-	368,500	519,220	239,701	564,979	799,568	385,574	22,960	36,130	367,474
Public Safety	-	-	-	-	-	-	-	35,700	46,626	-
Economic and Physical Development	-	-	-	-	-	-	-	-	340,000	-
Cultural and Recreation	63,059	-	-	-	-	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>1,902,425</b>	<b>1,896,661</b>	<b>2,347,530</b>	<b>2,059,646</b>	<b>2,497,699</b>	<b>2,806,703</b>	<b>2,528,639</b>	<b>2,431,770</b>	<b>2,963,544</b>	<b>3,064,778</b>
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	6,132,490
Capital Grants and Contributions	330,054	520,938	549,868	379,848	899,119	1,727,424	878,600	1,114,990	605,535	524,399
<b>Total Business Activity Program Revenues</b>	<b>4,456,188</b>	<b>4,830,947</b>	<b>4,966,277</b>	<b>4,861,645</b>	<b>5,779,831</b>	<b>7,208,959</b>	<b>6,319,074</b>	<b>7,208,291</b>	<b>7,074,308</b>	<b>6,656,889</b>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<b>\$ 6,358,613</b>	<b>\$ 6,727,608</b>	<b>\$ 7,313,807</b>	<b>\$ 6,921,291</b>	<b>\$ 8,277,530</b>	<b>\$10,015,662</b>	<b>\$ 8,847,713</b>	<b>\$ 9,640,061</b>	<b>\$ 10,037,852</b>	<b>\$ 9,721,667</b>
<b>Net Revenue (Expense)</b>										
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)	\$ (10,793,553)
Business-type activity	578,184	932,978	1,016,871	772,124	1,344,523	2,559,823	1,104,080	1,424,531	1,017,876	266,350
<b>TOTAL PRIMARY GOVERNMENT NET EXPENSE</b>	<b>\$ (6,681,010)</b>	<b>\$ (6,228,276)</b>	<b>\$ (5,950,517)</b>	<b>\$ (7,553,273)</b>	<b>\$ (7,196,500)</b>	<b>\$ (6,431,585)</b>	<b>\$ (9,677,877)</b>	<b>\$ (9,509,469)</b>	<b>\$ (9,922,536)</b>	<b>\$ (10,527,203)</b>

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

**Table 2  
(con't)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 7,492,189
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	2,498,838
Alcoholic Beverage Tax	95,520	100,267	106,703	108,525	107,746	102,028	103,214	94,236	100,423	102,767
Franchise Taxes	-	-	-	-	-	652,800	739,237	737,932	741,169	724,017
Unrestricted Intergovernmental	781,626	1,219,022	1,289,866	1,318,816	1,310,450	281,559	287,413	361,794	377,506	339,415
Investment Earnings	140,947	88,086	185,066	411,382	555,046	495,007	249,154	109,546	51,884	40,750
Miscellaneous Revenue	109,872	86,144	109,746	68,124	28,187	119,395	133,350	47,231	91,648	102,699
Gain on Disposal/Transfer of Capital Assets	-	-	-	-	-	-	-	24,875	29,554	11,445
Transfers	12,000	(740,400)	125,680	-	1,250	-	-	256,500	-	-
<b>Total Governmental Activities</b>	<b>7,677,457</b>	<b>7,442,478</b>	<b>8,828,726</b>	<b>9,323,202</b>	<b>9,945,444</b>	<b>11,027,738</b>	<b>11,048,881</b>	<b>11,256,733</b>	<b>11,167,052</b>	<b>11,312,120</b>
Business Type Activity										
Investment Earnings	100,153	45,530	82,998	174,593	245,894	250,211	139,023	65,120	43,368	87,363
Gain on Disposal/Transfer of Capital Assets	-	-	-	-	13,274	-	5,205	13,829	-	-
Miscellaneous Revenue	2,017	12,843	(1,331)	(8,065)	4,084	24,733	41,895	18,581	22,581	5,901
Transfers	(12,000)	740,400	(125,680)	-	(1,250)	-	-	(256,500)	-	-
<b>Total Business Type Activity</b>	<b>90,170</b>	<b>798,773</b>	<b>(44,013)</b>	<b>166,528</b>	<b>262,002</b>	<b>274,944</b>	<b>186,123</b>	<b>(158,970)</b>	<b>65,949</b>	<b>93,264</b>
<b>TOTAL PRIMARY GOVERNMENT GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>	<b>\$ 7,767,627</b>	<b>\$ 8,241,251</b>	<b>\$ 8,784,713</b>	<b>\$ 9,489,730</b>	<b>\$ 10,207,446</b>	<b>\$ 11,302,682</b>	<b>\$ 11,235,004</b>	<b>\$ 11,097,763</b>	<b>\$ 11,233,001</b>	<b>\$ 11,405,384</b>
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	\$ 518,567
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	359,614
<b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET ASSETS</b>	<b>\$ 1,086,617</b>	<b>\$ 2,012,975</b>	<b>\$ 2,834,196</b>	<b>\$ 1,936,457</b>	<b>\$ 3,010,946</b>	<b>\$ 4,871,097</b>	<b>\$ 1,557,127</b>	<b>\$ 1,588,294</b>	<b>\$ 1,310,465</b>	<b>\$ 878,181</b>

Note:

This table was prepared using the accrual basis of accounting.

**TOWN OF SOUTHERN PINES**  
**FUND BALANCES, GOVERNMENTAL FUNDS <sup>(1), (2)</sup>**  
**Last Ten Fiscal Years**

**Table 3**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Non spendable	\$ 64,185	\$ 69,459	\$ 86,689	\$ 51,371	\$ 55,840
Restricted	1,320,970	950,927	922,713	1,061,610	1,167,583
Assigned	369,573 <sup>(3)</sup>	3,427,140	722,806	999,466	1,477,239
Unassigned	<u>5,623,220</u>	<u>3,297,963</u>	<u>3,851,812</u>	<u>4,322,040</u>	<u>4,492,831</u>
Total General Fund	<u><u>\$ 7,377,948</u></u>	<u><u>\$ 7,745,489</u></u>	<u><u>\$ 5,584,020</u></u>	<u><u>\$ 6,434,487</u></u>	<u><u>\$ 7,193,493</u></u>
All Other Governmental Funds					
Non spendable	\$ 16,705	\$ 21,060	\$ 26,322	\$ 29,916	\$ 35,366
Restricted	-	-	23,150	39,275	146,406
Committed	<u>652,545</u>	<u>769,698</u>	<u>3,844,478</u>	<u>3,871,723</u>	<u>3,131,001</u>
Total All Other Governmental Funds	<u><u>\$ 669,250</u></u>	<u><u>\$ 790,758</u></u>	<u><u>\$ 3,893,950</u></u>	<u><u>\$ 3,940,914</u></u>	<u><u>\$ 3,312,773</u></u>

<sup>(1)</sup> This table was prepared using the modified accrual basis of accounting.

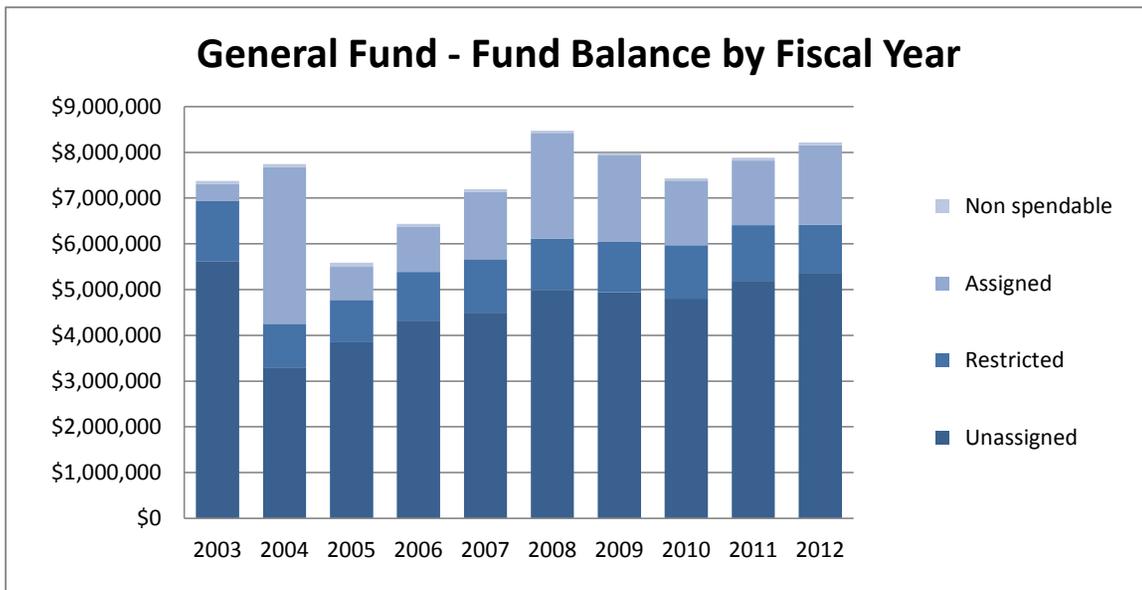
<sup>(2)</sup> Fund balance categories have been restated to retroactively implement GASB 54.

<sup>(3)</sup> \$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**  
**(con't)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund					
Non spendable	\$ 50,916	\$ 48,431	\$ 49,665	\$ 56,829	\$ 62,019
Restricted	1,130,360	1,108,514	1,165,344	1,213,725	1,052,932
Assigned	2,312,493	1,880,398	1,413,349	1,416,048	1,736,481
Unassigned	<u>4,978,986</u>	<u>4,941,658</u>	<u>4,800,914</u>	<u>5,192,710</u>	<u>5,361,325</u>
Total General Fund	<u><u>\$8,472,755</u></u>	<u><u>\$7,979,001</u></u>	<u><u>\$7,429,272</u></u>	<u><u>\$ 7,879,312</u></u>	<u><u>\$ 8,212,757</u></u>
All Other Governmental Funds					
Non spendable	\$ 39,681	\$ 44,009	\$ 46,999	\$ 48,605	\$ 52,286
Restricted	18,492	79,500	135,679	5,112	7,274
Committed	<u>2,603,637</u>	<u>4,612,133</u>	<u>2,377,272</u>	<u>2,206,359</u>	<u>2,154,920</u>
Total All Other Governmental Funds	<u><u>\$2,661,810</u></u>	<u><u>\$4,735,642</u></u>	<u><u>\$2,559,950</u></u>	<u><u>\$ 2,260,076</u></u>	<u><u>\$ 2,214,480</u></u>



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

**Table 4**

	2003	2004	2005	2006	2007
<b>REVENUES</b>					
Ad Valorem Taxes	\$ 4,825,878	\$ 5,011,174	\$ 5,124,600	\$ 5,368,600	\$ 5,723,821
Other Taxes and Licenses	1,915,887	2,509,392	2,745,066	2,922,783	3,017,398
Unrestricted Intergovernmental	620,346	580,508	593,938	622,714	653,109
Restricted Intergovernmental	774,698	399,665	583,124	438,358	432,483
Permits and Fees	220,445	265,911	351,384	376,835	360,075
Sales and Services	378,900	448,339	516,880	531,997	553,902
Investment Earnings	140,742	88,048	185,065	411,384	555,046
Grant Proceeds	63,059	-	250,000	3,000	117,000
Developers Contributions	-	-	2,000	234,083	381,620
Other	528,041	457,646	438,185	502,579	493,691
<b>TOTAL REVENUES</b>	<b>9,467,996</b>	<b>9,760,683</b>	<b>10,790,242</b>	<b>11,412,333</b>	<b>12,288,145</b>
<b>EXPENDITURES</b>					
Current:					
General Government	2,671,204	2,745,513	2,816,484	3,130,199	3,299,983
Public Safety	3,037,809	3,204,184	3,294,457	3,658,260	3,907,353
Transportation	1,197,203	703,024	733,431	909,276	920,422
Economic and Physical Development	333,543	330,552	352,796	399,600	511,156
Cultural and Recreational	1,161,872	1,212,121	1,238,137	1,400,245	1,437,678
Debt Service:					
Principal	92,824	47,777	-	65,786	134,913
Interest	4,126	698	-	11,952	20,562
Capital Outlay	1,405,954	526,636	1,538,894	1,649,584	1,926,463
<b>TOTAL EXPENDITURES</b>	<b>9,904,535</b>	<b>8,770,505</b>	<b>9,974,199</b>	<b>11,224,902</b>	<b>12,158,530</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(436,539)</b>	<b>990,178</b>	<b>816,043</b>	<b>187,431</b>	<b>129,615</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	-	-	710,000	-
Transfers From Other Funds	602,228	288,585	3,397,930	118,360	1,250
Transfers to Other funds	(590,228)	(1,028,985)	(3,272,250)	(118,360)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>12,000</b>	<b>(740,400)</b>	<b>125,680</b>	<b>710,000</b>	<b>1,250</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(424,539)</b>	<b>249,778</b>	<b>941,723</b>	<b>897,431</b>	<b>130,865</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>8,471,737</b>	<b>8,047,198</b>	<b>8,536,247</b>	<b>9,477,970</b>	<b>10,375,401</b>
Prior Period Adjustment	-	239,271	-	-	-
<b>FUND BALANCE - End of Year</b>	<b>\$ 8,047,198</b>	<b>\$ 8,536,247</b>	<b>\$ 9,477,970</b>	<b>\$ 10,375,401</b>	<b>\$ 10,506,266</b>
Debt Service as a percentage of non-capital expenditures	1.1%	0.6%	0.0%	0.8%	1.5%

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

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

**Table 4  
(con't)**

	2008	2009	2010	2011	2012
<b>REVENUES</b>					
Ad Valorem Taxes	\$ 6,647,580	\$ 7,061,426	\$ 7,235,515	\$ 7,313,650	\$ 7,492,635
Other Taxes and Licenses	3,116,597	2,856,053	2,850,332	2,901,434	2,947,424
Unrestricted Intergovernmental	708,031	794,103	755,689	797,218	777,673
Restricted Intergovernmental	474,260	457,268	500,288	646,318	686,179
Permits and Fees	353,271	241,842	309,678	297,073	303,210
Sales and Services	638,939	869,899	1,036,689	1,084,292	1,102,639
Investment Earnings	495,009	249,154	109,546	51,884	40,750
Grant Proceeds	-	-	-	340,000	-
Developers Contributions	783,034	377,699	(10,391)	-	-
Other	612,556	639,165	622,814	616,458	652,850
<b>TOTAL REVENUES</b>	<b>13,829,277</b>	<b>13,546,609</b>	<b>13,410,160</b>	<b>14,048,327</b>	<b>14,003,360</b>
<b>EXPENDITURES</b>					
Current:					
General Government	3,499,763	3,846,334	4,603,940	4,324,429	4,318,764
Public Safety	4,197,139	4,403,315	4,800,342	5,345,304	5,797,096
Transportation	977,346	1,398,167	1,351,346	1,029,229	1,215,914
Economic and Physical Development	609,260	785,403	665,165	959,010	718,211
Cultural and Recreational	1,566,740	1,659,736	1,456,068	1,514,954	1,407,251
Debt Service:					
Principal	139,494	360,897	582,459	509,784	506,967
Interest	15,983	132,472	236,677	215,451	201,308
Capital Outlay	2,195,253	5,880,207	2,696,084	-	-
<b>TOTAL EXPENDITURES</b>	<b>13,200,978</b>	<b>18,466,531</b>	<b>16,392,081</b>	<b>13,898,161</b>	<b>14,165,511</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>628,299</b>	<b>(4,919,922)</b>	<b>(2,981,921)</b>	<b>150,166</b>	<b>(162,151)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	6,500,000	-	-	450,000
Transfers From Other Funds	1,356,066	194,045	1,122,944	235,220	200,000
Transfers to Other funds	(1,356,066)	(194,045)	(866,444)	(235,220)	(200,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>6,500,000</b>	<b>256,500</b>	<b>-</b>	<b>450,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>628,299</b>	<b>1,580,078</b>	<b>(2,725,421)</b>	<b>150,166</b>	<b>287,849</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>10,506,266</b>	<b>11,134,565</b>	<b>12,714,643</b>	<b>9,989,222</b>	<b>10,139,388</b>
Prior Period Adjustment	-	-	-	-	-
<b>FUND BALANCE - End of Year</b>	<b>\$ 11,134,565</b>	<b>\$ 12,714,643</b>	<b>\$ 9,989,222</b>	<b>\$ 10,139,388</b>	<b>\$ 10,427,237</b>
Debt Service as a percentage of non-capital expenditures	1.4%	3.9%	6.4%	5.5%	5.4%

## REVENUE CAPACITY INFORMATION

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

**Table 5**

Fiscal Year	Assessed Value <sup>(1)</sup>			Total	Property Tax Rate <sup>(3)</sup>	Percent Increase in Value <sup>(4)</sup>
	Real Property	Personal Property <sup>(2)</sup>	Public Service Companies			
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%
2012	1,941,070,117	167,236,934	24,850,996	2,133,158,047	0.35	2.2%

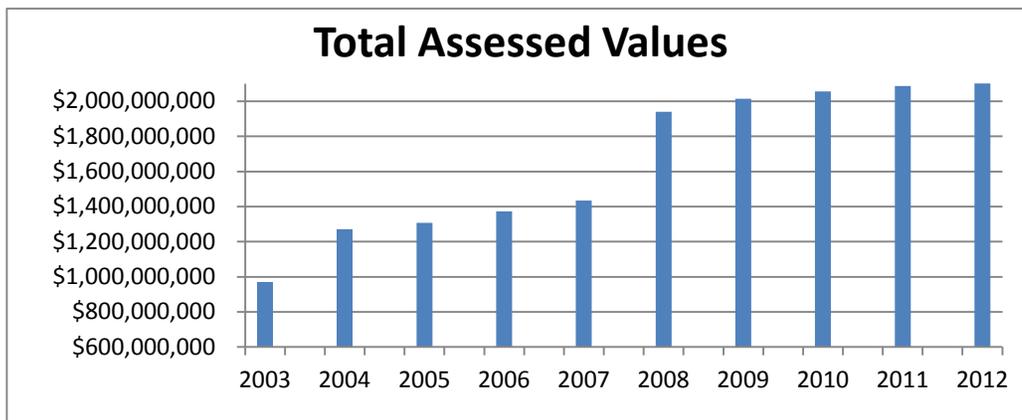
**NOTES:**

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

<sup>(2)</sup> Includes vehicles.

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

<sup>(4)</sup> 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 <sup>(1)</sup>
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
2012	2011	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.

<sup>(1)</sup> 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	2011			2002		
		Total Assessed Value <sup>(1)</sup>	Rank	Percent of Town's Assessed Valuation	Total Assessed Value	Rank	Percent of Town's Assessed Valuation
Forest Creek	Golf Course	\$ 49,921,420	1	2.34%	\$ 10,890,464	4	1.12%
Mid Pines	Golf Course/Hotel	24,462,216	2	1.15%	11,862,037	3	1.22%
Pinecrest Plaza	Retail	24,344,970	3	1.14%	13,870,160	2	1.43%
Claude Smith Enterprises	Retail	18,044,680	4	0.85%	8,126,716	6	0.84%
National Golf Club, Inc.	Golf Course	17,259,744	5	0.81%	14,645,452	1	1.51%
Ingersoll Rand	Manufacturing	13,376,846	6	0.63%	7,689,426	7	0.79%
Talamore Golf Partners	Golf Course	10,844,170	7	0.51%	<sup>(2)</sup>	-	-
Progress Energy	Utility	10,431,146	8	0.49%	7,419,936	8	0.76%
Southern Pines Retirement	Retirement Community	9,560,220	9	0.45%	<sup>(2)</sup>	-	-
SAM Southern Pines LLC	Retail	8,101,000	10	0.38%	<sup>(2)</sup>	-	-
IR First of North Carolina	Retail	<sup>(2)</sup>	-	-	9,399,610	5	0.97%
Carolina Telephone & Telegraph	Utility	<sup>(2)</sup>	-	-	6,128,418	9	0.63%
All Star Land & Development	Cinema Complex	<sup>(2)</sup>	-	-	5,998,604	10	0.62%
		<u>\$ 186,346,412</u>		<u>8.75%</u>	<u>\$ 96,030,823</u>		<u>9.89%</u>

SOURCE: Moore County Tax Department

NOTES:

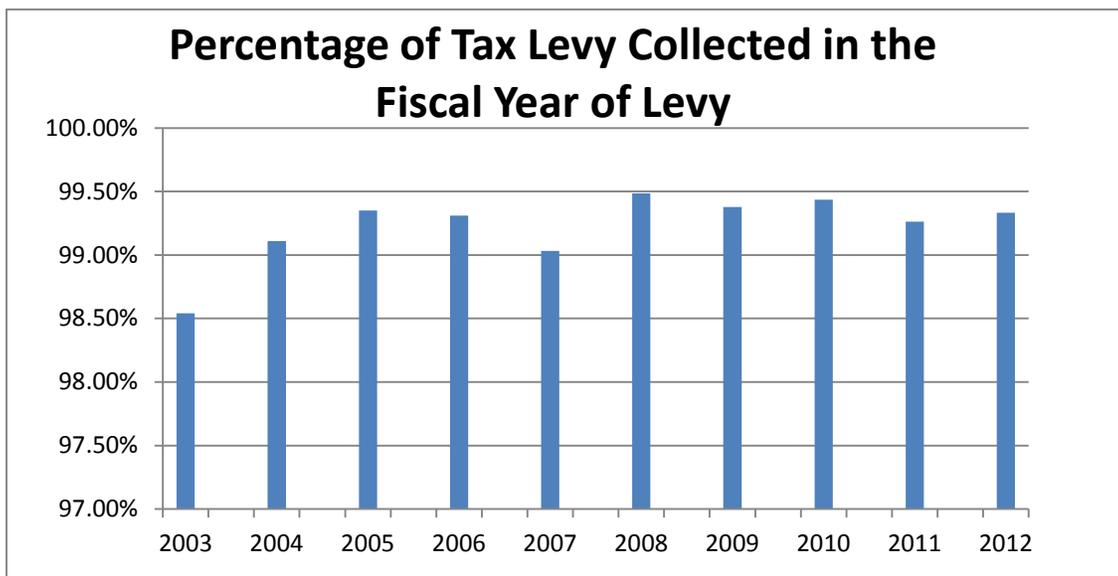
<sup>(1)</sup> 2011 Assessed value represents taxes assessed and due in the fiscal year ended June 30, 2012, and 2002 represents taxes assessed and due in the fiscal year ended June 30, 2003.

<sup>(2)</sup> 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
2003	2002	\$ 4,870,556	\$ 4,799,480	98.54%	\$ 50,758	\$ 4,850,238	99.58%
2004	2003	4,997,778	4,953,545	99.11%	33,149	4,986,694	99.78%
2005	2004	5,103,210	5,070,274	99.35%	12,428	5,082,702	99.60%
2006	2005	5,356,356	5,319,159	99.31%	19,347	5,338,506	99.67%
2007	2006	5,745,118	5,689,467	99.03%	37,106	5,726,573	99.68%
2008	2007	6,624,019	6,589,903	99.48%	25,998	6,615,901	99.88%
2009	2008	7,050,041	7,006,217	99.38%	35,886	7,042,103	99.89%
2010	2009	7,211,587	7,170,862	99.44%	30,858	7,201,720	99.86%
2011	2010	7,311,009	7,257,129	99.26%	35,301	7,292,430	99.75%
2012	2011	7,465,959	7,416,155	99.33%	-	7,416,155	99.33%



## DEBT CAPACITY INFORMATION

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**TOWN OF SOUTHERN PINES**  
**RATIOS OF OUTSTANDING DEBT BY TYPE <sup>(1)</sup>**  
**Last Ten Fiscal Years**

**Table 9**

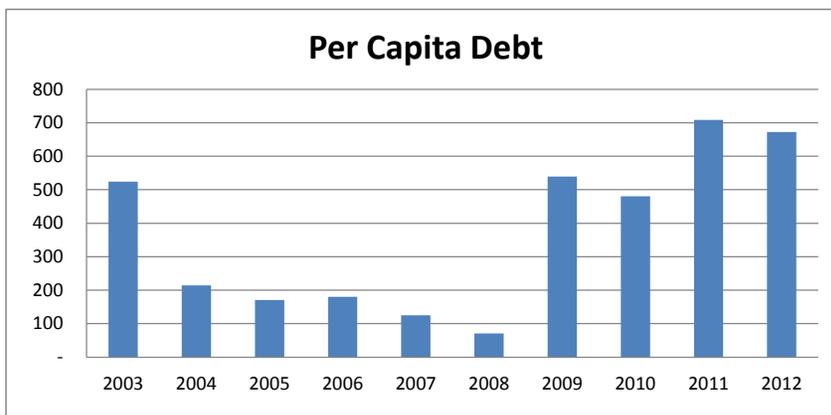
Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita <sup>(2)</sup>
	General Obligation Bonds	Installment Financing	Capital Leases	General Obligation Bonds	Installment Financing	Capital Leases			
2003	-	\$ 47,777	-	\$ 5,935,000 <sup>(3)</sup>	-	-	\$ 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	1.45%	540
2010	-	5,926,451	-	-	-	-	5,926,451	1.26%	480
2011	-	5,416,667	-	-	3,351,598	-	8,768,265	<sup>(4)</sup>	708
2012	-	5,359,700	-	-	3,047,183	-	8,406,883	<sup>(4)</sup>	672

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

<sup>(2)</sup> See Table 12 for personal income and population data.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 <sup>(1)</sup>	Less: General Obligation Bonds authorized, not issued	Legal Debt Margin
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
2012	2,133,158,047	170,652,644	8,406,883	-	162,245,761

<sup>(1)</sup> Net Bonded Debt Calculation for FY 2012

Utility General Obligation Bonds	\$ -
Installment financing	8,406,883
	<u>8,406,883</u>
Statutory Deductions:	
Bonded debt included in gross debt incurred for water	-
	<u>\$ 8,406,883</u>

**TOWN OF SOUTHERN PINES**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2012**

**Table 11**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit:			
Debt repaid with property taxes: Moore County <sup>(2)</sup>	\$ 108,122,596	17.92%	<u>\$ 19,375,569</u>
Subtotal, overlapping debt			19,375,569
Town of Southern Pines direct debt			<u>5,359,700</u>
Total direct and overlapping debt			<u><u>\$ 24,735,269</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Southern Pines. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

<sup>(1)</sup> 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.

<sup>(2)</sup> Information provided by Moore County Finance Department.

## DEMOGRAPHIC AND ECONOMIC INFORMATION

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

**Table 12**

Fiscal Year	Population <sup>(1)</sup>	Moore County Personal Income (in millions) <sup>(2)</sup>	Moore County Per Capita Personal Income <sup>(3)</sup>	Median Age <sup>(4)</sup>	Moore County Unemployment Rate <sup>(5)</sup>
2003	\$ 11,424	\$ 2,547	\$ 32,517	42.0	7.2%
2004	11,573	2,737	34,439	43.7	5.8%
2005	11,586	2,935	36,303	43.3	5.4%
2006	11,794	3,071	37,078	43.5	4.8%
2007	11,990	3,275	38,620	43.8	4.7%
2008	12,217	3,414	39,644	41.9	6.2%
2009	12,450	3,257	37,330	41.9	10.7%
2010	12,334	3,385	38,216	44.6	9.9%
2011	12,384	<sup>(6)</sup>	<sup>(6)</sup>	45.0	9.5%
2012	12,502	<sup>(6)</sup>	<sup>(6)</sup>	47.0	8.9%

<sup>(1)</sup> N.C. Office of State Budget and Management.

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

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

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

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

<sup>(6)</sup> Information not yet available.

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

**Table 13**

<u>Employer</u>	2012		Percentage of Total County Employment <sup>(1)</sup>
	<u>Employees</u>	<u>Rank</u>	
FirstHealth of the Carolinas, Inc.	2,400 <sup>(2)</sup>	1	6.23%
Moore County Schools	1,794 <sup>(2)</sup>	2	4.65%
Pinehurst Resorts	1,170 <sup>(2)</sup>	3	3.04%
County of Moore	627 <sup>(2)</sup>	4	1.63%
Sandhills Community College	575 <sup>(2)</sup>	5	1.49%
Trident Management, Inc	500 <sup>(2)</sup>	6	1.30%
Pinehurst Medicial Clinic, Inc.	392 <sup>(2)</sup>	7	1.02%
St. Joseph of the Pines	287 <sup>(2)</sup>	8	0.74%
Pinehurst Surgical, P.A.	275 <sup>(2)</sup>	9	0.71%
Wal-Mart Associates, Inc.	<u>202</u> <sup>(2)</sup>	10	<u>0.52%</u>
Total	<u>8,222</u>		<u>21.33%</u>
Total Employment	38,544 <sup>(3)</sup>		

Note: Data is not available for nine years ago.

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

<sup>(2)</sup> Data is from the various Human Resource Departments.

<sup>(3)</sup> 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 <sup>(1)</sup> Commercial		Total		Bank Deposits <sup>(2)</sup>
	Number	Value	Number	Value	Number	Value	
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	1,626,100,000
2012	75	18,861,231	9	7,249,000	84	24,110,213	<sup>(3)</sup>

<sup>(1)</sup> Compiled by Town of Southern Pines Planning and Inspections Department.

<sup>(2)</sup> Federal Deposit Insurance Corporation Summary of Deposits data.

<sup>(3)</sup> Information is unavailable.

## **OPERATING INFORMATION**

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**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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Administration	8.5	8.5	8.5	9.5	9.5	9.5	10.5	10.5	10.5	10.5
Information Technology <sup>(1)</sup>	-	-	-	-	-	-	-	2.0	2.0	2.0
Public works administration	2.0	2.0	2.0	2.5	2.5	3.5	3.5	3.5	3.5	3.5
Garage	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0
Building & Grounds	16.0	16.0	16.0	18.0	18.0	18.0	19.0	19.0	19.0	19.0
Public safety										
Police	38.0	38.0	38.0	38.5	39.5	39.5	39.5	40.5	40.5	41.5
Fire <sup>(2)</sup>	19.0	19.0	19.0	22.5	22.5	24.5	24.5	24.5	27.5	27.5
Transportation	8.0	8.0	8.0	8.0	8.0	9.0	10.0	10.0	10.0	10.0
Economic and physical development	5.0	5.0	5.0	6.0	6.0	8.0	8.0	8.0	8.0	8.0
Cultural and recreation										
Recreation <sup>(3)</sup>	5.0	5.0	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Library <sup>(3)</sup>	10.0	10.0	10.0	11.0	11.0	11.0	11.0	9.0	9.0	9.0
Water/Sewer (Business activity)	16.5	16.5	16.5	16.5	19.5	20.5	20.5	20.5	21.5	21.5
<b>Total</b>	<b>131.0</b>	<b>131.0</b>	<b>131.0</b>	<b>141.0</b>	<b>145.0</b>	<b>153.0</b>	<b>156.0</b>	<b>157.0</b>	<b>161.0</b>	<b>162.0</b>

Source: Town of Southern Pines Finance Department

<sup>(1)</sup> Department was created in FY 2010

<sup>(2)</sup> Does not include volunteer personnel

<sup>(3)</sup> Does not include seasonal temporary part-time employees

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

**Table 16**

	2003	2004	2005	2006	2007
Function/Program					
Public Safety					
Police					
Number of Part 1 Crimes	932	777	739	744	857
Number of Arrests	892	895	806	1,011	960
Number of Citations	2,650	3,129	2,901	2,901	2,241
Fire					
Number of Fire Calls Answered	904	992	998	1,211	832
Number of EMS Calls Answered	73	94	108	100	101
Number of Fire Inspections	1,027	718	1,009	1,132	1,029
Planning & Inspections					
Planning					
Conditional use Permits Issued	4	2	4	4	2
Final Plats	3	7	11	30	40
Rezoning Applications/Ordinance Amendments	10	8	9	9	20
Annexations	2	6	5	6	6
Inspections					
Building Permits Issued	92	160	184	234	216
Alteration or Addition Permits	140	185	175	407	238
Electrical Permits	91	87	106	96	112
Mechanical Permits	259	277	207	253	348
Plumbing Permits	94	91	73	69	66
Cultural and Recreational					
Recreation and Parks					
Number of Programs Offered <sup>(1)</sup>	495	495	495	495	<sup>(3)</sup>
Participant Totals <sup>(1)</sup>	230,000	230,000	230,000	230,000	<sup>(3)</sup>
Recreational Program Hours <sup>(2)</sup>	<sup>(2)</sup>	<sup>(2)</sup>	5,890	5,840	5,797
Enrolled Participants <sup>(2)</sup>	<sup>(2)</sup>	<sup>(2)</sup>	17,441	16,890	18,087
Reservoir Park Visitors <sup>(1)</sup>	<sup>(2)</sup>	<sup>(2)</sup>	157,457	171,243	170,423
Library					
Total Circulation	121,962	116,291	118,756	116,970	123,813
Library Attendance	102,924	99,594	96,916	92,261	92,887
Library Users Registered	6,234	6,368	6,287	6,370	6,414
Total Programs Held	344	382	414	384	376
Total Attendance at Programs	8,143	8,210	8,387	7,878	8,350
Water					
Water Plant Capacity (millions of gallons per day)	11	11	11	11	11
Number of Utility Customers	7,046	7,168	7,350	7,536	7,760

Source: Town of Southern Pines Department Heads

<sup>(1)</sup> Amounts are estimated.

<sup>(2)</sup> Information is not available.

<sup>(3)</sup> Information is no longer compiled.

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

**Table 16**  
**(cont.)**

	2008	2009	2010	2011	2012
Function/Program					
Public Safety					
Police					
Number of Part 1 Crimes	935	805	747	856	618
Number of Arrests	871	833	651	943	581
Number of Citations	2,009	2,165	1,541	2,509	1,792
Fire					
Number of Fire Calls Answered	1,197	1,393	1,235	1,059	942
Number of EMS Calls Answered	235	183	211	615	649
Number of Fire Inspections	1,409	1,642	1,575	1,876	1,811
Planning & Inspections					
Planning					
Conditional use Permits Issued	-	1	2	3	8
Final Plats	20	34	28	15	8
Rezoning Applications/Ordinance Amendments	9	15	32	14	5
Annexations	4	-	2	-	2
Inspections					
Building Permits Issued	163	75	72	102	85
Alteration or Addition Permits	153	139	137	162	180
Electrical Permits	88	62	69	102	88
Mechanical Permits	301	323	315	323	300
Plumbing Permits	66	62	94	68	73
Cultural and Recreational					
Recreation and Parks					
Number of Programs Offered <sup>(1)</sup>	(3)	(3)	(3)	(3)	(3)
Participant Totals <sup>(1)</sup>	(3)	(3)	(3)	(3)	(3)
Recreational Program Hours	5,517	6,126	7,221	7,872	8,630
Enrolled Participants	21,300	18,230	19,840	23,469	25,378
Reservoir Park Visitors <sup>(1)</sup>	155,382	143,492	175,629	173,021	200,143
Library					
Total Circulation	134,119	122,510	122,033	117,667	118,496
Library Attendance	101,083	100,655	107,530	97,969	93,863
Library Users Registered	6,383	6,507	6,468	6,254	6,212
Total Programs Held	484	435	502	498	462
Total Attendance at Programs	9,529	8,016	9,739	8,737	9,677
Water					
Water Plant Capacity (millions of gallons per day)	11	11	11	11	11
Number of Utility Customers	7,942	8,042	8,192	8,139	8,158

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

**Table 17**

	2003	2004	2005	2006	2007
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	19	19	20	21	22
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	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	5	5	5	5	6
Public Works and Utilities					
Streets					
Miles of Paved Streets	75.80	76.30	77.69	77.73	78.62
Miles of Unpaved Streets	1.60	1.60	1.53	1.53	1.41
Water					
Number of Hydrants <sup>(1)</sup>	1,031	1,166	1,175	1,195	1,233
Water Mains (miles)	221	225	226	228	235
Number of Utility Customers (accounts)	7,046	7,168	7,350	7,536	7,760

Source: Town of Southern Pines Department Heads

<sup>(1)</sup> Amounts are estimated.

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

**Table 17**  
**(cont.)**

	2008	2009	2010	2011	2012
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	24	27	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	7	7	7	7	7
Public Works and Utilities					
Streets					
Miles of Paved Streets	78.62	78.65	78.65	78.76	78.92
Miles of Unpaved Streets	1.41	1.41	1.41	1.34	1.34
Water					
Number of Hydrants <sup>(1)</sup>	1,285	1,290	1,302	1,345	1,352
Water Mains (miles)	239	241	245	248	249
Number of Utility Customers (accounts)	7,942	8,042	8,192	8,139	8,158

**TOWN OF SOUTHERN PINES  
INSURANCE IN FORCE <sup>(1)</sup>  
July 1, 2011- June 30, 2012**

**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
Government Crime Coverage	50,000 250	Indemnification Deductible
Public Officials Bond Finance Officer	250,000 0	Liability Deductible
Automobile Liability	1,000,000 2,500	Per Occurrence Deductible
Auto Comprehensive	5,976,011 500	Actual Cash Value Valuation or \$1,000 Deductible per Vehicle-Private Passenger, Light Trucks, and all Others
Auto Collision	5,976,011 500	Actual Cash Value Valuation or \$1,000 Deductible per Vehicle-Private Passenger, Light Trucks, and all Others
Real & Personal Property	55,242,400 2,500	Cause of Loss Deductible per Occurrence Includes Boiler & Machinery
Municipal Equipment	1,386,059 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 <sup>(1)</sup>  
July 1, 2011- June 30, 2012**

**Table 18  
(cont.)**

Type of Coverage	Details of Coverage	
Computer Equipment/Media	\$ 1,330,577	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

<sup>(1)</sup> Represents insurance in force on July 1, 2011. Insurance was renewed on July 1, 2012 for the fiscal year ended June 30, 2013.

**TOWN OF SOUTHERN PINES  
UTILITY RATE INFORMATION  
Fiscal Year 2012 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 basic 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, 2012, and have issued our report thereon dated October 26, 2012. 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 opinion 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 26, 2012