

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
TOWN OF SOUTHERN PINES,
NORTH CAROLINA
FOR THE
Fiscal Year Ended June 30, 2014

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, 2014**

Sheet #1

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Director of Finances' Letter of Transmittal	i - iv
Certificate of Achievement	v
Organizational Chart	vi
List of Principal Officials	vii
FINANCIAL SECTION	
Independent Auditors' Report.....	1-3
Management's Discussion and Analysis	4-16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	20-21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	22
Statement of Fund Net Position - Proprietary Fund	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	24
Statement of Cash Flows - Proprietary Fund	25-26
Statement of Fiduciary Net Position - Fiduciary Fund	27
Statement of Changes in Fiduciary Net Position - Fiduciary Fund.....	28
Notes to Financial Statements.....	29-51
Required Supplemental Financial Data:	
Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Funding Progress.....	52
Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Employer Contributions	53
Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Notes to the Required Schedules.....	54

TABLE OF CONTENTS
(Continued)

FINANCIAL SECTION (Continued)

Combining, Individual Fund, and Account Groups/Financial Statements and Schedules:	
The General Fund:	
Comparative Balance Sheets.....	55
Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual.....	56-60
Non Major Governmental Funds:	
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	62
Non Major Capital Project Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Nicks Creek Parkway)	63
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Open Space and Greenways)	64
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Sidewalk Construction).....	65
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Fiber Optics).....	66
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Storm Water Improvements).....	67
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Road Construction)	68
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Enterprise Information and Document Management System)	69
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Patrick Road).....	70

TABLE OF CONTENTS
(Continued)

FINANCIAL SECTION (Continued)

Non Major Capital Project Funds: (Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Bike Transport).....	71
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Fire Department Substation)	72
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Public Safety)	73
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Pool Park).....	74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Downtown Park)	75
Permanent Fund: Schedule of Revenues, Expenses and Changes in Fund Balance (Cemetery Perpetual Care Fund).....	76
Enterprise Fund: Water and Sewer Fund: Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	77-79
Water and Sewer Capital Projects Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	80
Agency Fund: Statement of Changes in Assets and Liabilities	81
Capital Assets used in the Operation of Governmental Funds: Schedule by Function and Activity.....	82
Schedule of Changes by Function and Activity	83
Supplemental Financial Data: Schedule of Ad Valorem Taxes Receivable.....	84
Analysis of Current Tax Levy	85
Schedule of Interfund Transfers.....	86

TABLE OF CONTENTS
(Continued)

Sheet #4

	<u>Page No</u>
STATISTICAL SECTION	
Financial Trends Information	
Net Position by Component	87-88
Changes in Net Position	89-90
Fund Balances, Governmental Funds	91-92
Changes in Fund Balances, Governmental Funds	93-94
Revenue Capacity Information	
Assessed Value of Taxable Property.....	95
Property Tax Rates – Direct and Overlapping Government	96
Principal Property Taxpayers.....	97
Property Tax Levies and Collections	98
Debt Capacity Information	
Ratios of Outstanding Debt by Type	99
Computation of Legal Debt Margin	100
Direct and Overlapping Governmental Activities Debt.....	101
Demographic and Economic Information	
Demographic Statistics	102
Principal Employers	103
Commercial Activity	104
Operating Information	
Employee Position Authorization by Function.....	105
Operating Indicators by Function/Program	106-107
Capital Assets by Function/Program	108-109
Insurance in Force	110-111
Utility Rate Information	112

TABLE OF CONTENTS
(Continued)

Sheet #5

Page No

COMPLIANCE SECTION

Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	113-114
Schedule of Expenditures of Federal and State Awards.....	115

***INTRODUCTORY SECTION
DIVIDER***



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

October 27, 2014

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, 2014 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, 2014, 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 unmodified opinion that the Town's financial statements for the fiscal year ended June 30, 2014, 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 2014 population of approximately 13,089 and encompasses 16.68 square miles. The Town provides a full range of services including police and fire protection, streets, planning and zoning, parks and recreation, library, fleet maintenance, and general administrative services. The Town also operates water and sewer utility services.

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

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

LOCAL ECONOMY

The economic profile of the Town is a mixture of tourism, retirement, professional services and retail. Direct spending by visitors continues to be high, placing Moore County eleventh in the one hundred counties in North Carolina, while its population places it thirty first. Tourism represented a tax savings to each County resident in excess of \$345 annually.

Like the national and state economy, the local economy continued to improve in 2014. The value of total building permits increased 69.74% over the prior year, with a total value of \$53,736,139. The overall property tax value for 2014 reflected a growth rate of 2.5% over the 2013 fiscal year.

Phase I of construction of the Tyler's Ridge planned development has been completed and phase II construction began in 2014. Tyler's Ridge is to contain over 260 apartments as well as commercial establishments. The projection date of completion of the project is 2015.

Construction has begun on the Morganton Crossing Development which will contain in excess of 250 apartment units. Completion of the project is anticipated to occur in 2015.

Development approval has been given for the Morganton Road Development area for large retail and office establishments. In addition, there are several re-development projects occurring in the Town during 2014 and 2015. These projects include both retail and restaurant uses.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

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

The Town has several ongoing capital projects to meet the needs of the citizens. During fiscal year 2014 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 was completed and the capital project was closed during 2014 for the raw water storage reservoir project. The project consisted of 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 was 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 2014 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.

A capital project fund was established in 2013 for the automatic meter reading project. The project includes mobile reading devices, water meters and registers and installation and training of the system. Once installed, the system will improve the speed of meter reading and increase billing efficiency and customer service. Timely information provided by the system will allow the Town to better manage and identify water usage. The project is anticipated to be completed during mid fiscal year 2015 and the revenue source of the project was a \$1,600,000 installment financing that was incurred in 2013.

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, 2013. This was the twenty third consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Reagan D. Parsons
Town Manager

Crystal J. Gabric
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Southern Pines
North Carolina**

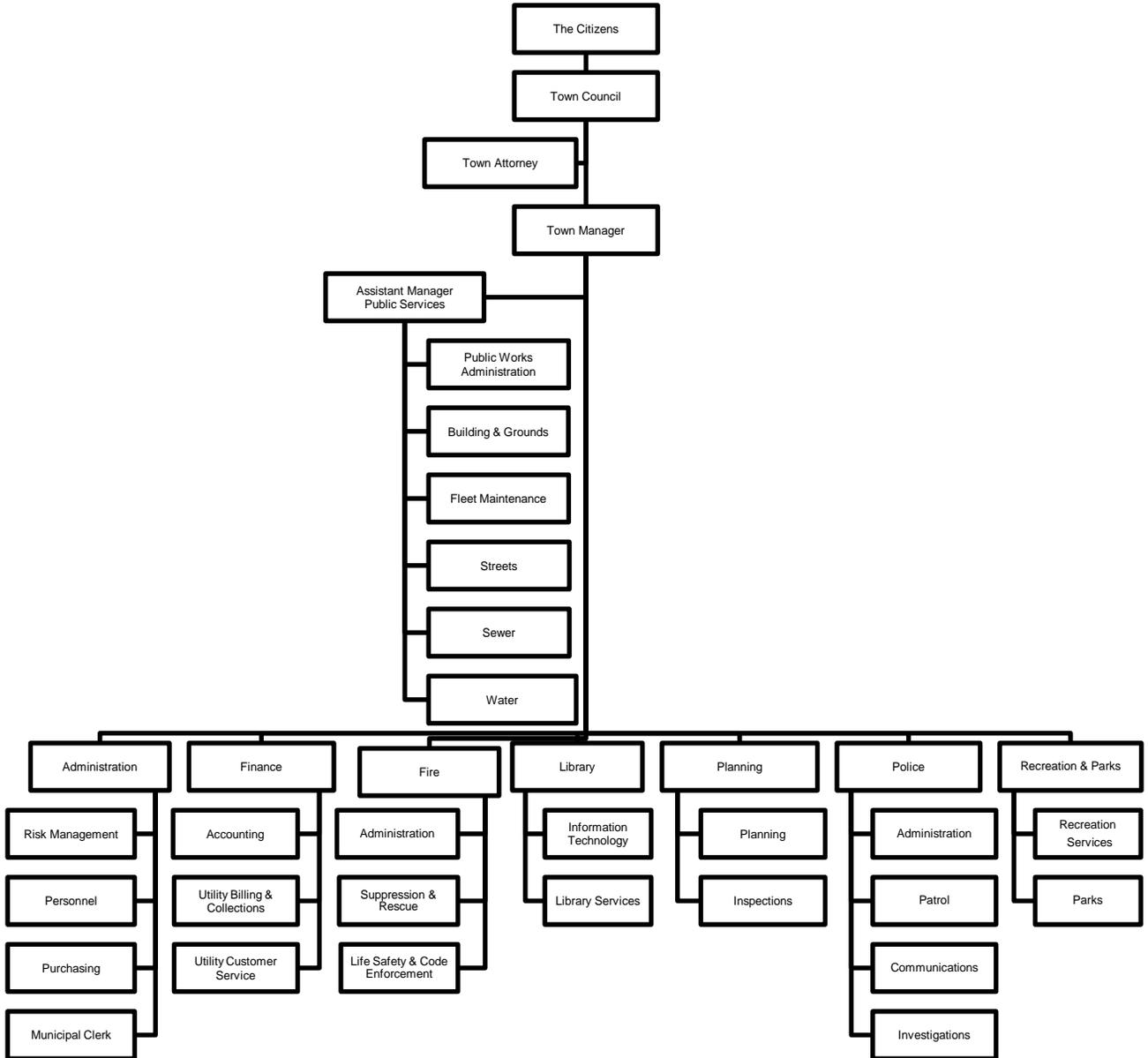
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

TOWN OF SOUTHERN PINES

Organizational Chart



TOWN OF SOUTHERN PINES
LIST OF PRINCIPAL OFFICIALS
June 30, 2014

TOWN COUNCIL

W. David McNeill	Mayor
Michael D. Fields	Mayor Pro-tem
Fred C. Walden	Treasurer
James R. Simeon	Council Member
Teresa M. VanCamp	Council Member

TOWN OFFICIALS

Reagan D. Parsons	Town Manager
Douglas R. Gill	Town Attorney
Adam J. Lindsay	Assistant Town Manager – Director of Public Services
Crystal J. Gabric	Director of Finance
Bart Nuckols	Director of Planning
Robert Reeve	Director of Recreation & Parks
Bruce Rosenberger	Director of Administrative Services
Robert Temme	Chief of Police
Lynn Thompson	Director of Library Services & Information Technology
Hampton Williams	Fire Chief



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, 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, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Schedules of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic finical statements in an appropriate operational, economic, or historical context. We have 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 inquires 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Southern Pines, North Carolina. The combining and individual fund statements, budgetary schedules, and Schedule of Expenditures of Federal and State Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combing and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014 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, and grant agreements, and other matters. The purpose of the 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* in considering Town of Southern Pines' internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

October 27, 2014

**Town of Southern Pines
Management's Discussion and Analysis
June 30, 2014**

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, 2014. 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

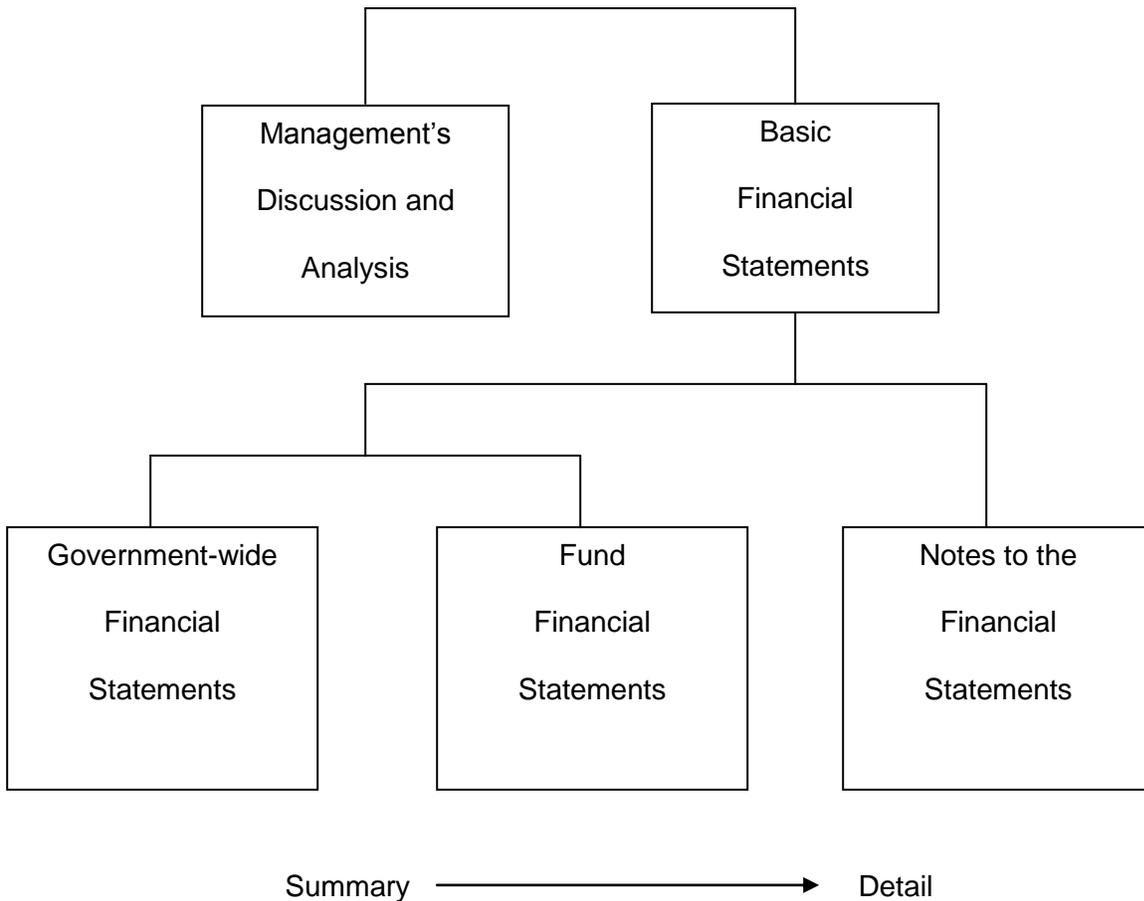
- The assets and deferred outflows of resources of the Town of Southern Pines exceeded its liabilities at the close of the fiscal year by \$81,503,387 (net position).
- The government's total net position increased by \$1,170,946, due to an increase in both the governmental activities and the business type activities net position.
- As of the close of the current fiscal year, the Town of Southern Pines governmental funds reported combined ending fund balances of \$10,661,071, an increase of \$318,947 in comparison with the prior year. Approximately 11.97 percent of this total amount, or \$1,276,244, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,168,432 or 37.9 percent of total General Fund expenditures for the fiscal year.
- The Town of Southern Pines' total debt decreased by \$1,057,144 or 11.60 percent during the current fiscal year. The net decrease was the reduction of long term debt in both the governmental and business type activities.
- The Town maintained its A2 bond rating from Moody's Investors Services for the 16th consecutive year as well as its AA- from Standard and Poor's for the 6th consecutive year. During fiscal year 2013, the Town received an increase in its North Carolina Municipal Council rating from 85 to 86, 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 position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge 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 Position 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 Position 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 29 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 52 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 position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities by \$81,503,387 as of June 30, 2014. The Town's net position increased by \$1,170,946 for the fiscal year ended June 30, 2014. However, 76.99% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net 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 position, \$3,907,594, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,843,417 is unrestricted.

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

Figure 2:

The Town of Southern Pines Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 11,854,904	\$ 11,142,865	\$ 9,143,643	\$ 9,736,212	\$ 20,998,547	\$ 20,879,077
Capital assets	33,975,082	34,410,956	36,829,952	36,631,891	70,805,034	71,042,847
Deferred outflows of resources	-	-	-	-	-	-
Total assets	45,829,986	45,553,821	45,973,595	46,368,103	91,803,581	91,921,924
Long-term liabilities	4,021,696	4,523,965	3,396,141	3,869,464	7,417,837	8,393,429
Other liabilities	1,764,379	1,474,736	1,117,978	1,721,318	2,882,357	3,196,054
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities	5,786,075	5,998,701	4,514,119	5,590,782	10,300,194	11,589,483
Net position:						
Net investment in capital assets	29,782,035	29,633,485	32,970,341	32,299,561	62,752,376	61,933,046
Restricted	3,907,594	3,404,237	-	-	3,907,594	3,404,237
Unrestricted	6,354,282	6,517,398	8,489,135	8,477,760	14,843,417	14,995,158
Total net position	\$ 40,043,911	\$ 39,555,120	\$ 41,459,476	\$ 40,777,321	\$ 81,503,387	\$ 80,332,441

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.66%, which is greater than the last reported statewide average of 97.52%.
- Increased ad valorem taxes of approximately \$195,480 due to increased construction in the Town.
- Continued low cost of debt due to the Town's good bond ratings.

Changes in Net Position

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 Position**

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,904,521	\$ 1,999,284	\$ 7,032,234	\$ 6,325,867	\$ 8,936,755	\$ 8,325,151
Operating grants and contributions	463,950	458,876	-	-	463,950	458,876
Capital grants and contributions	82,049	-	325,909	114,981	407,958	114,981
General revenues:						
Property taxes	7,867,525	7,686,625	-	-	7,867,525	7,686,625
Other taxes	878,763	831,692	-	-	878,763	831,692
Other	3,095,883	3,027,456	71,879	(19,289)	3,167,762	3,008,167
Total revenues	<u>14,292,691</u>	<u>14,003,933</u>	<u>7,430,022</u>	<u>6,421,559</u>	<u>21,722,713</u>	<u>20,425,492</u>
Expenses:						
General government	4,436,854	4,561,092	-	-	4,436,854	4,561,092
Public safety	5,670,709	5,468,061	-	-	5,670,709	5,468,061
Cultural and recreation	1,543,440	1,583,940	-	-	1,543,440	1,583,940
Transportation	1,338,289	1,574,115	-	-	1,338,289	1,574,115
Economic & physical development	649,207	690,132	-	-	649,207	690,132
Interest on long-term debt	165,401	183,766	-	-	165,401	183,766
Water and sewer	-	-	6,747,867	6,461,289	6,747,867	6,461,289
Total expenses	<u>13,803,900</u>	<u>14,061,106</u>	<u>6,747,867</u>	<u>6,461,289</u>	<u>20,551,767</u>	<u>20,522,395</u>
Increase in net position before transfers	488,791	(57,173)	682,155	(39,730)	1,170,946	(96,903)
Transfers	-	-	-	-	-	-
Increase in net position	488,791	(57,173)	682,155	(39,730)	1,170,946	(96,903)
Net position, July 1	<u>39,555,120</u>	<u>39,612,293</u>	<u>40,777,321</u>	<u>40,817,051</u>	<u>80,332,441</u>	<u>80,429,344</u>
Net position, June 30	<u>\$ 40,043,911</u>	<u>\$ 39,555,120</u>	<u>\$ 41,459,476</u>	<u>\$ 40,777,321</u>	<u>\$ 81,503,387</u>	<u>\$ 80,332,441</u>

Governmental activities – Governmental activities increased the Town’s net position by \$488,791, thereby accounting for 42% of the total increase in the net position of the Town. Key elements of this increase are as follows:

- Current tax collections increased over the prior year due to growth.
- Reduction in the cost of solid waste removal due to the initiation of a new contract.

Figure 4:

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

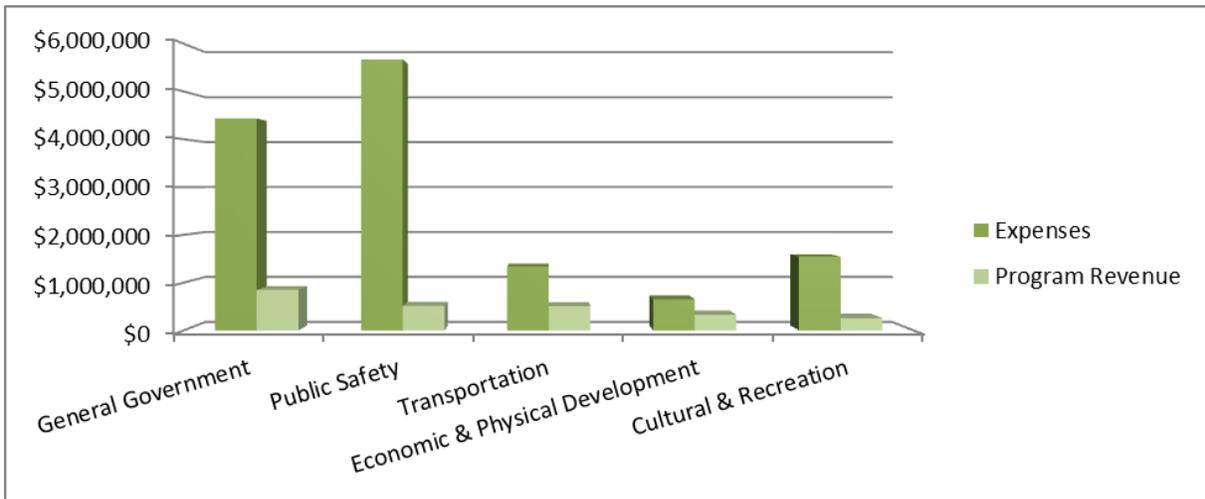
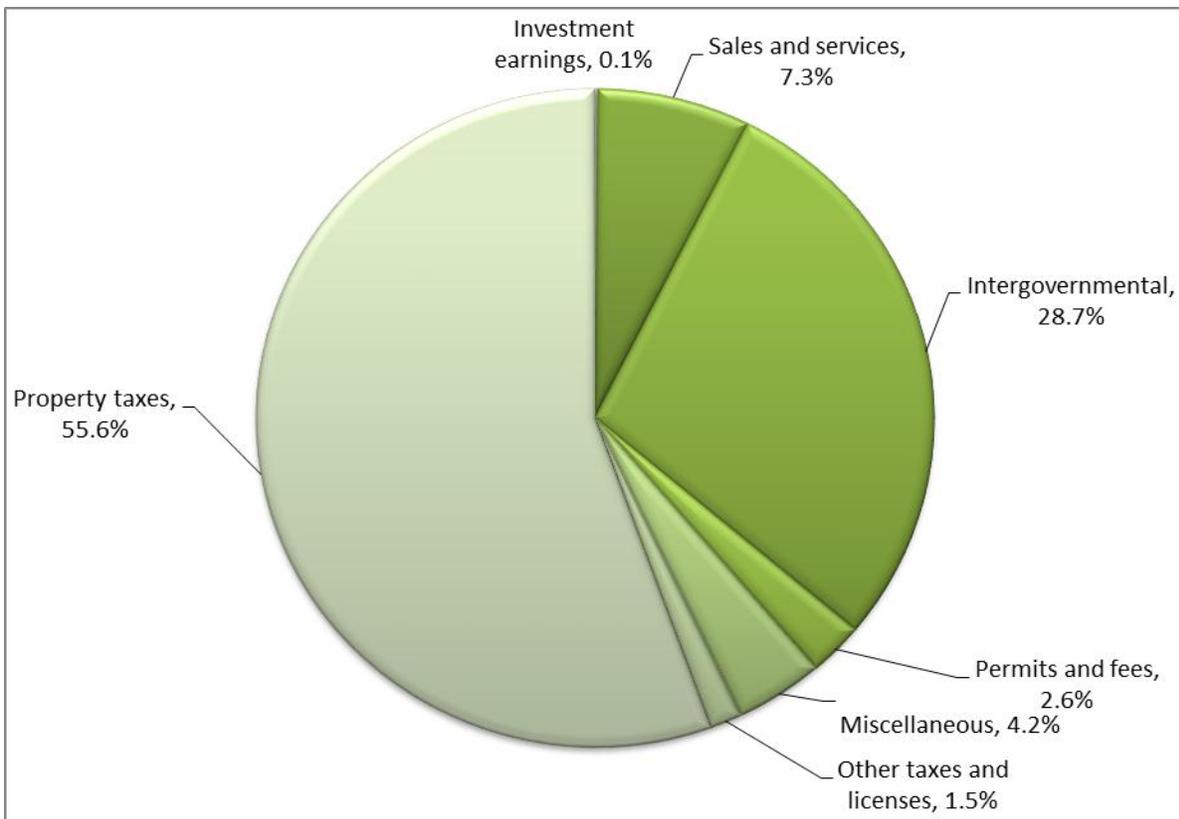


Figure 5:

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

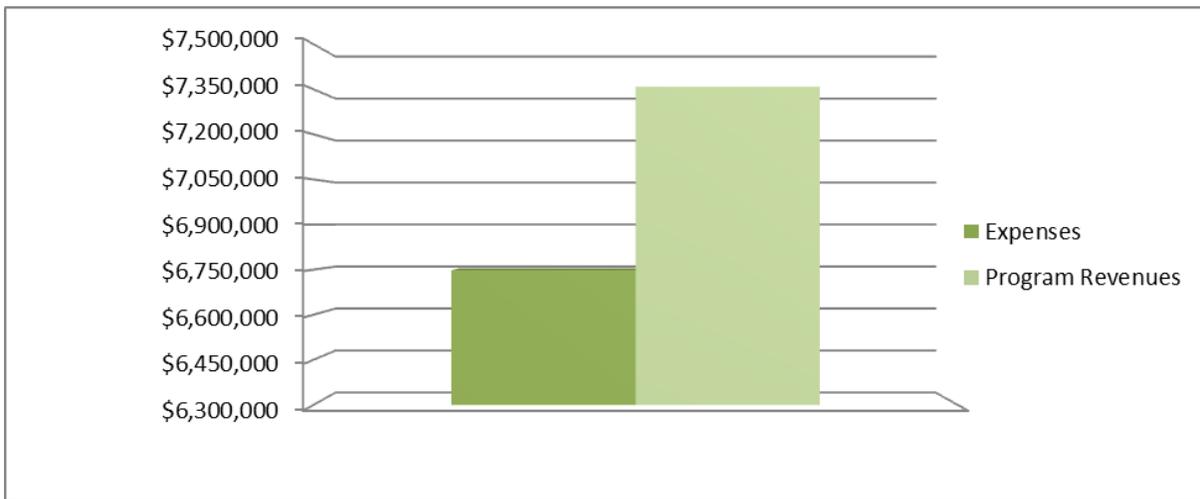


Business-type activities – Business type activities increased the Town’s net position by \$682,155, accounting for 58% of the total increase in the net position of the Town. Key elements of the increase are as follows:

- Capital grants and contributions in the amount of \$325,909.
- Charges for services increased approximately \$698,150 due to an increase in water and sewer rates in the amount of 6%.

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, unassigned 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, which is available for spending at the government’s discretion, was \$5,168,432, while total fund balance reached \$7,878,546. The Governing Body of the Town of Southern Pines has determined that the Town should maintain an unassigned fund balance of 25 percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has unassigned fund balance of 37.90 percent of General Fund expenditures, while total fund balance represents 57.77 percent of that same amount.

At June 30, 2014, the governmental funds of the Town reported a combined fund balance of \$10,661,071 with a net increase in fund balance of \$318,947. Included in this change in fund balance is a decrease in fund balance in the General Fund and an increase 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 \$78,360 net increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$25,000 appropriation for the transfer to the Downtown Park Capital Project Fund for the construction of a picnic shelter.
- \$19,000 appropriation in the area of General Government for the Town Council's sponsorship of area events and the repair of a Town owned building.
- \$34,360 appropriation in the area of Economic and Physical Development for a demolition of a structure that was in violation of the minimum housing code as well as an amendment for a historic preservation pass-through grant.

The actual operating revenues for the General Fund were greater than the final budgeted amount by \$781,986. Ad valorem taxes were \$268,622 greater than the budgeted amount due to an actual higher than budgeted tax collection rate. Unrestricted intergovernmental revenues were \$339,511 greater than budgeted due primarily to the conservative amount budgeted for local option sales tax. The permits and fees revenue category was \$76,559 greater than budgeted due to conservative budgeting in the building inspections area. The sales and services category was \$51,396 greater than budgeted due primarily to conservative budgeting in the county disposal fee revenue.

The actual operating expenses for the General Fund were less than the final budgeted amount by \$963,987. General government, public safety, transportation, economic and physical development and cultural and recreational realized a savings of \$367,233, \$285,861, \$105,124, \$34,853 and \$170,915 respectively due primarily to personnel vacancies and the actual cost of capital items were less than the amount budgeted. Also contributing to the savings were capital items and equipment ordered, but not received by the end of the fiscal year.

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 position at the end of the fiscal year amounted to \$8,489,135. The total change in net position was an increase of \$682,155. The change in net position is primarily due to the increase of 6% in both water and sewer rates.

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, 2014, totals \$70,805,034 (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

- Various purchases of vehicles and motorized equipment totaling \$310,911.
- Various purchases of furniture, fixtures and other equipment equaling \$47,632.
- Construction in progress of \$230,394 in governmental-type activities for the construction of sidewalks, 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, the renovation of the pool park and the construction of fiber connections between Town buildings.
- Intangible assets in progress in the amount of \$17,413 for the Enterprise Information and Document Management System.
- Donated infrastructure in the amount of \$82,049 consisting of sidewalks, storm drainage and streets.

Retirements

- Disposals and surplused assets in the amount of \$257,938.

Proprietary Funds:

Additions

- Construction in progress of \$1,173,220 for water and sewer improvements and the automatic meter reading project.
- The addition of intangible assets consisting of water and sewer easements in the amount of \$128,242.
- Various equipment purchases of \$239,527.
- Plant and distribution system increase in the amount of \$5,612,161 for the transfer of the closed raw water reservoir capital project fund.
- Land increase in the amount of \$189,087 for the transfer of the closed raw water reservoir capital project fund.

Retirements

- Disposals and surplused assets in the amount of \$78,131.
- Construction in progress reduction in the amount of \$5,864,747 for the closing of the raw water reservoir capital project fund.

Figure 7:

**Town of Southern Pines
Capital Assets**

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2014	2013	2014	2013	2014	2013
Land	\$ 11,846,651	\$ 11,846,651	\$ 540,533	\$ 351,446	\$ 12,387,184	\$ 12,198,097
Buildings and improvements	11,282,761	11,558,095	1,165,806	1,194,298	12,448,567	12,752,393
Other improvements	3,233,660	3,352,707	-	-	3,233,660	3,352,707
Machinery and equipment	133,830	197,486	770,941	728,498	904,771	925,984
Infrastructure	3,184,193	3,398,096	-	-	3,184,193	3,398,096
Plant and distribution systems	-	-	30,910,582	26,352,274	30,910,582	26,352,274
Vehicles and motorized equipment	1,779,170	1,691,253	-	-	1,779,170	1,691,253
Furniture, Fixtures, and other equipment	535,742	635,400	-	-	535,742	635,400
Intangibles-easements	-	-	761,144	632,902	761,144	632,902
Intangibles in progress	294,612	277,199	-	-	294,612	277,199
Construction in progress	1,684,463	1,454,069	2,680,946	7,372,473	4,365,409	8,826,542
Total Capital Assets (net of accumulated depreciation)	<u>\$ 33,975,082</u>	<u>\$ 34,410,956</u>	<u>\$ 36,829,952</u>	<u>\$ 36,631,891</u>	<u>\$ 70,805,034</u>	<u>\$ 71,042,847</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, 2014, 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 \$1,057,144 or 11.6%.

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, the Fire Pumper in 2012, and the Meter Reading Project in 2013. The total outstanding balance of debt as of June 30, 2014 is \$8,052,658.

Figure 8:

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt	4,193,047	4,777,471	3,859,611	4,332,330	8,052,658	9,109,801
Total	\$ 4,193,047	\$ 4,777,471	\$ 3,859,611	\$ 4,332,330	\$ 8,052,658	\$ 9,109,801

As mentioned in the financial highlights section of this document, the Town maintained its A2 bond rating from Moody's Investors Services for the 16th consecutive year, as well as its AA- from Standard and Poor's for the 6th consecutive year. During fiscal year 2013, the Town received an increase in its North Carolina Municipal Council rating from 85 to 86, 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 \$171,548,113, 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, although management has seen some improvement in areas that were affected by the recession. The fiscal year ending June 30, 2015 budget is balanced and represents an overall increase of 9.3% in the governmental activities operational budget and an increase of 1.08% in the business type activities operational budget.

The increase in governmental activities can be attributed to additional staffing in the Public Safety area of four police officers and an additional maintenance position in General Government. Also included in the governmental activities budget is the replacement of a heavy duty fire rescue truck and a street sweeper.

The unemployment rate for the county in which the Town is located was 6.0% as of June 30, 2014. The unemployment rate, which is a decrease of 2.8% from a year ago, is below the State average of 6.5%.

The Town continues to see some business growth despite the economy. Phase I of a planned development has been completed and Phase II is scheduled to begin in 2015. The planned development will contain in excess of 200 apartment units.

Land clearing has been completed and construction has begun on another development which will contain in excess of 250 apartment units. In addition, several re-development projects are occurring for retail and restaurant uses.

Governmental Activities: Governmental revenues will continue to be subjected to strain this year as the local and national economy recovers. The tax base for the Town reflects a modest increase, however, the Town determined that a \$.02 increase in the property tax rate was necessary to fund the additional personnel discussed earlier. The tax rate will result in additional revenues of approximately \$440,160 at current values and the budgeted tax rate. 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 2014-2015 fiscal year. The Town has not budgeted an increase in either water or sewer rates in the upcoming fiscal year.

Installation began in late fiscal year 2013 and is targeted for completion mid fiscal year 2015 for the automatic meter reading project. Once completed, the system will improve the speed of meter reading and increase billing efficiency and customer service. Timely information provided by the system will allow the Town to better manage and identify water usage.

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 for more information.

**TOWN OF SOUTHERN PINES
STATEMENT OF NET POSITION
June 30, 2014**

Exhibit 1

	2014		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,435,668	\$ 6,365,144	\$ 16,800,812
Receivables - net:			
Property taxes	75,030	-	75,030
Due from other governments	858,465	-	858,465
Accounts receivable	303,727	-	303,727
Accrued interest	11,935	8,754	20,689
Sales tax	79,578	98,776	178,354
Assessments	2,305	49,983	52,288
Customers	-	1,353,413	1,353,413
Other	-	191	191
Inventories	36,676	-	36,676
Prepays	51,520	800	52,320
Restricted cash and investments	-	1,266,582	1,266,582
Total current assets	<u>11,854,904</u>	<u>9,143,643</u>	<u>20,998,547</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements, and construction in progress	13,825,726	3,221,479	17,047,205
Intangibles - easements	-	761,144	761,144
Other capital assets, net of depreciation	20,149,356	32,847,329	52,996,685
Total capital assets	<u>33,975,082</u>	<u>36,829,952</u>	<u>70,805,034</u>
Total noncurrent assets	<u>33,975,082</u>	<u>36,829,952</u>	<u>70,805,034</u>
Total assets	<u>45,829,986</u>	<u>45,973,595</u>	<u>91,803,581</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	936,282	532,681	1,468,963
Deposits	83,364	76,235	159,599
Current maturities of long-term debt	744,733	509,062	1,253,795
Total current liabilities	1,764,379	1,117,978	2,882,357
Noncurrent liabilities:			
Noncurrent portion of long-term debt	4,021,696	3,396,141	7,417,837
Total liabilities	<u>5,786,075</u>	<u>4,514,119</u>	<u>10,300,194</u>
NET POSITION			
Net investment in capital assets	29,782,035	32,970,341	62,752,376
Restricted for:			
Stabilization by State Statute	1,131,077	-	1,131,077
General Governments	729,209	-	729,209
Public Safety	441,823	-	441,823
Transportation	878,633	-	878,633
Cultural and Recreational	669,881	-	669,881
Cemetery Perpetual Care			
Expendable	13,031	-	13,031
Nonexpendable	43,940	-	43,940
Unrestricted	6,354,282	8,489,135	14,843,417
Total net position	<u>\$ 40,043,911</u>	<u>\$ 41,459,476</u>	<u>\$ 81,503,387</u>

**TOWN OF SOUTHERN PINES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Exhibit 2

Function/Programs	2014						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total	
Primary government:							
Government activities:							
General government	\$ 4,436,854	\$ 797,893	\$ 50,933	\$ -	\$ (3,588,028)	\$ -	\$ (3,588,028)
Public safety	5,670,709	502,252	10,759	-	(5,157,698)	-	(5,157,698)
Transportation	1,338,289	31,815	390,633	82,049	(833,792)	-	(833,792)
Economic and physical development	649,207	324,378	-	-	(324,829)	-	(324,829)
Cultural and recreation	1,543,440	245,508	11,625	-	(1,286,307)	-	(1,286,307)
Cemetery	-	2,675	-	-	2,675	-	2,675
Interest on long-term debt	165,401	-	-	-	(165,401)	-	(165,401)
Total governmental activities	<u>13,803,900</u>	<u>1,904,521</u>	<u>463,950</u>	<u>82,049</u>	<u>(11,353,380)</u>	<u>-</u>	<u>(11,353,380)</u>
Business-type activities:							
Water and sewer	<u>6,747,867</u>	<u>7,032,234</u>	<u>-</u>	<u>325,909</u>	<u>-</u>	<u>610,276</u>	<u>610,276</u>
Total business-type activities	<u>6,747,867</u>	<u>7,032,234</u>	<u>-</u>	<u>325,909</u>	<u>-</u>	<u>610,276</u>	<u>610,276</u>
Total primary government	<u>\$ 20,551,767</u>	<u>\$ 8,936,755</u>	<u>\$ 463,950</u>	<u>\$ 407,958</u>	<u>(11,353,380)</u>	<u>610,276</u>	<u>(10,743,104)</u>
General revenues:							
Ad valorem taxes					7,867,525	-	7,867,525
Unrestricted intergovernmental					2,956,816	-	2,956,816
Alcoholic Beverage Tax					130,144	-	130,144
Franchise taxes					748,619	-	748,619
Investment earnings					22,239	43,666	65,905
Miscellaneous					99,493	-	99,493
Gain on disposal					17,335	28,213	45,548
Total general revenues					<u>11,842,171</u>	<u>71,879</u>	<u>11,914,050</u>
Change in net position					488,791	682,155	1,170,946
Net position, beginning of year					<u>39,555,120</u>	<u>40,777,321</u>	<u>80,332,441</u>
Net position, end of year					<u>\$ 40,043,911</u>	<u>\$ 41,459,476</u>	<u>\$ 81,503,387</u>

TOWN OF SOUTHERN PINES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

Exhibit 3

	2014		
	Major Fund		Total
	General	Non Major Governmental Funds	Governmental Funds
ASSETS			
Cash and investments	\$ 7,540,704	\$ 2,894,965	\$ 10,435,669
Receivables - net:			
Property taxes	75,030	-	75,030
Due from other governments	858,465	-	858,465
Accounts receivable	303,727	-	303,727
Accrued interest receivable	8,613	3,322	11,935
Sales tax receivable	76,892	2,686	79,578
Parking lot assessments	2,305	-	2,305
Inventories	36,676	-	36,676
Prepays	51,520	-	51,520
	<u>\$ 8,953,932</u>	<u>\$ 2,900,973</u>	<u>\$ 11,854,905</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 467,501	\$ 118,448	\$ 585,949
Accrued liabilities			
Other	324,558	-	324,558
Security deposits	83,364	-	83,364
	<u>875,423</u>	<u>118,448</u>	<u>993,871</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	75,030	-	75,030
Parking lot assessments	2,305	-	2,305
Other	122,628	-	122,628
	<u>199,963</u>	<u>-</u>	<u>199,963</u>
Total deferred inflows of resources			
FUND BALANCES			
Nonspendable:			
Inventories	36,676	-	36,676
Prepays	51,520	-	51,520
Perpetual maintenance	-	56,971	56,971
Restricted:			
Stabilization by State Statute	1,125,069	6,008	1,131,077
Committed:			
General Government	-	729,209	729,209
Public Safety	-	441,823	441,823
Transportation	-	878,633	878,633
Cultural and Recreational	-	669,881	669,881
Assigned:			
Subsequent year's expenditures	1,496,849	-	1,496,849
Unassigned	5,168,432	-	5,168,432
	<u>7,878,546</u>	<u>2,782,525</u>	<u>10,661,071</u>
Total fund balances			
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,953,932</u>	<u>\$ 2,900,973</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,975,082
Liabilities for earned revenues considered deferred inflows of resources in fund statements	199,963
Some liabilities are not due and payable in the current period and are therefore not reported in the funds.	<u>(4,792,205)</u>
Net position of governmental activities	<u>\$ 40,043,911</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Exhibit 4

	2014		
	Major Fund		Totals
	General	Non Major Governmental Funds	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 7,887,032	\$ -	\$ 7,887,032
Other taxes and licenses	218,351	-	218,351
Unrestricted intergovernmental	3,654,511	-	3,654,511
Restricted intergovernmental	412,577	-	412,577
Permits and fees	371,559	-	371,559
Sales and services	1,039,736	2,675	1,042,411
Investment earnings	16,445	5,794	22,239
Other	595,846	-	595,846
	<u>14,196,057</u>	<u>8,469</u>	<u>14,204,526</u>
EXPENDITURES			
Current:			
General government	4,383,494	22,267	4,405,761
Public safety	5,413,138	18,464	5,431,602
Transportation	979,092	115,590	1,094,682
Economic and physical development	695,612	-	695,612
Cultural and recreational	1,413,546	91,486	1,505,032
Debt service:			
Principal	584,425	-	584,425
Interest	168,465	-	168,465
	<u>13,637,772</u>	<u>247,807</u>	<u>13,885,579</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>558,285</u>	<u>(239,338)</u>	<u>318,947</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(770,000)	-	(770,000)
Transfers from other funds	-	770,000	770,000
Total other financing sources (uses)	<u>(770,000)</u>	<u>770,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(211,715)	530,662	318,947
FUND BALANCE, BEGINNING OF YEAR, JULY 1	<u>8,090,261</u>	<u>2,251,863</u>	<u>10,342,124</u>
FUND BALANCE, END OF YEAR, JUNE 30	<u>\$ 7,878,546</u>	<u>\$ 2,782,525</u>	<u>\$ 10,661,071</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2014

Exhibit 4
(con't)

2014

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 318,947
---	------------

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	(517,925)
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Other	6,116
Proceeds received from disposal/transfer of capital assets	(17,335)
Gain on disposal/transfer of capital assets	17,335
Donated capital assets	82,049

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	584,425
--------------------	---------

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	14,165
Net pension obligation	(2,050)
Interest expense	<u>3,064</u>

Total changes in net position of governmental activities	<u>\$ 488,791</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, 2014

Exhibit 5

	Budget		Actual	Variance with final budget favorable (unfavorable)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 7,618,410	\$ 7,618,410	\$ 7,887,032	\$ 268,622
Other taxes and licenses	202,600	202,600	218,351	15,751
Unrestricted intergovernmental revenues	3,315,000	3,315,000	3,654,511	339,511
Restricted intergovernmental revenues	377,000	402,896	412,577	9,681
Permits and fees	295,750	295,000	371,559	76,559
Sales and services	988,340	988,340	1,039,736	51,396
Investment earnings	18,500	18,500	16,445	(2,055)
Other	570,000	573,325	595,846	22,521
	<u>13,385,600</u>	<u>13,414,071</u>	<u>14,196,057</u>	<u>781,986</u>
EXPENDITURES				
Current				
General government	4,731,727	4,750,727	4,383,494	367,233
Public safety	5,671,424	5,698,999	5,413,138	285,861
Transportation	1,084,216	1,084,216	979,092	105,124
Economic and physical development	696,105	730,465	695,612	34,853
Cultural and recreational	1,583,565	1,584,461	1,413,546	170,915
Debt service	752,891	752,891	752,890	1
	<u>14,519,928</u>	<u>14,601,759</u>	<u>13,637,772</u>	<u>963,987</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,134,328)	(1,187,688)	558,285	1,745,973
OTHER FINANCING USES				
Transfer out to Capital Project Funds	<u>(745,000)</u>	<u>(770,000)</u>	<u>(770,000)</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(1,879,328)	(1,957,688)	(211,715)	1,745,973
APPROPRIATED FUND BALANCE	<u>1,879,328</u>	<u>1,957,688</u>	<u>-</u>	<u>(1,957,688)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(211,715)</u>	<u>\$ (211,715)</u>
FUND BALANCES, BEGINNING OF YEAR, JULY 1			<u>8,090,261</u>	
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 7,878,546</u>	

TOWN OF SOUTHERN PINES
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
June 30, 2014

Exhibit 6

	2014
	Business-type
	Activities - Enterprise
	Major Fund
	Water and
	Sewer
ASSETS	
Current assets:	
Cash and cash equivalents/investments	\$ 6,365,144
Receivables - net:	
Sewer assessments	49,983
Customers	1,353,413
Accrued interest	8,754
Sales taxes	98,776
Other	191
Total receivables	<u>1,511,117</u>
Prepaid expense	<u>800</u>
Total current assets	<u>7,877,061</u>
Noncurrent assets:	
Temporarily restricted assets:	
Cash and investments	<u>1,266,582</u>
Capital assets	
Land, improvements, and construction in progress	3,221,479
Intangibles - easements	761,144
Other capital assets, net of depreciation	<u>32,847,329</u>
Total capital assets, net	<u>36,829,952</u>
Total unrestricted noncurrent assets	<u>36,829,952</u>
Total noncurrent assets	<u>38,096,534</u>
Total assets	<u>45,973,595</u>
LIABILITIES	
Current liabilities:	
Accounts payable	496,823
Compensated absences - current	22,444
Installment purchases - current	486,618
Accrued liabilities	35,858
Security deposits	<u>76,235</u>
Total current liabilities	<u>1,117,978</u>
Noncurrent liabilities	
Compensated absences	23,148
Installment purchases	<u>3,372,993</u>
Total liabilities	<u>3,396,141</u>
Total liabilities	<u>4,514,119</u>
NET POSITION	
Net investment in capital assets	32,970,341
Unrestricted	<u>8,489,135</u>
Total net position	<u>\$ 41,459,476</u>

TOWN OF SOUTHERN PINES

Exhibit 7

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND

For the Year Ended June 30, 2014

	2014
	<u>Major Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for sales and services	\$ 6,853,172
OPERATING EXPENSES	
Billings and collection	413,270
Water treatment	1,334,469
Sewage treatment	1,452,231
Water extensions and maintenance	544,668
Sewer extensions and maintenance	699,816
Chargeout for administrative expenses	974,858
Depreciation and amortization	<u>1,209,477</u>
Total operating expenses	<u>6,628,789</u>
OPERATING INCOME	<u>224,383</u>
NONOPERATING REVENUES (EXPENSES)	
Impact fees	179,062
Interest on investments	14,384
BAB interest rebate	29,282
Gain on disposal of capital assets	28,213
Interest expense	<u>(119,078)</u>
Total nonoperating revenues (expenses)	<u>131,863</u>
GAIN BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	356,246
CAPITAL CONTRIBUTIONS	<u>325,909</u>
CHANGE IN NET POSITION	682,155
NET POSITION, BEGINNING OF YEAR	<u>40,777,321</u>
NET POSITION, END OF YEAR	<u>\$ 41,459,476</u>

TOWN OF SOUTHERN PINES
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2014

Exhibit 8

	<u>2014</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 6,475,361
Cash paid for goods and services	(5,052,129)
Cash paid to employees	(971,742)
Customer deposit refunded	(33,385)
Customer deposits received	<u>34,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>452,105</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,081,629)
Impact fees	179,062
Principal paid on installment purchase obligation	(472,719)
Interest paid on installment purchase obligation	(119,078)
Proceeds from sale of capital assets	<u>28,213</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,466,151)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	43,666
Decrease in accrued interest on investments	<u>1,347</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>45,013</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(969,033)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,600,759</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,631,726</u>

Continued on next page

TOWN OF SOUTHERN PINES
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2014

Exhibit 8
(con't)

	<u>2014</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
**Cash and Investments per Exhibit 6	
Unrestricted	\$ 6,365,144
Restricted	<u>1,266,582</u>
 TOTAL	 <u>\$ 7,631,726</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 224,383
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	1,209,477
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(377,811)
Increase (decrease) in	
Accounts payable and accrued liabilities	(604,559)
Customer deposits	<u>615</u>
Total adjustments	<u>227,722</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 452,105</u>

Noncash investing, capital, and financing activities:

During fiscal year ended June 30, 2014, the Town received \$207,567 in water and sewer line improvements and \$118,342 of easements from various land developers and individuals. These improvements are recorded as capital contributions.

During the fiscal year ended June 30, 2014, assets of \$69,952 were transferred to the water and sewer fund from the general fund.

**TOWN OF SOUTHERN PINES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2014**

Exhibit 9

	Private-Purpose Trust Fund <u>Virginia Kelly Trust</u>	<u>Agency Funds</u> <u>Cafeteria Plan</u>
ASSETS		
Cash and investments	\$ 35,101	\$ 22,319
Accrued interest	<u>40</u>	<u>40</u>
	<u>\$ 35,141</u>	<u>\$ 22,359</u>
LIABILITIES		
Miscellaneous liabilities	<u>\$ -</u>	<u>\$ 22,359</u>
NET POSITION		
Reserved for payment of death benefits - police	<u>\$ 35,141</u>	

TOWN OF SOUTHERN PINES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2014

Exhibit 10

	<u>Private-Purpose Trust Fund</u> <u>Virginia Kelly Trust</u>
Additions:	
Investment earnings	\$ <u>69</u>
Net Increase	69
Net position, beginning of year, July 1	<u>35,072</u>
Net position, end of year, June 30	<u>\$ 35,141</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 2014, no other entity is included in the Town's financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net position 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. These statements distinguish between the *governmental* and *business-type activities* of the Town. 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds 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, 2014

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 the town.

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

Public Safety Fund – This fund is used to account for the implementation of communication equipment and infrastructure for the police and fire departments.

Pool Park Fund - This fund is used to account for the renovation of the existing pool park.

Downtown Park - This fund is used to account for the renovation of the existing downtown park.

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, 2014

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, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using 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, 2014

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 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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 law, the State of North Carolina is responsible for billing and collecting the property taxes on registered vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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.

Town of Southern Pines Restricted Cash:

Water and Sewer Fund	
Customer Deposits	\$ 76,235
Water Impact Fees	731,423
Sewer Impact Fees	<u>458,924</u>
 Total Business-type Activities	 \$ <u>1,266,582</u>
 Total Restricted Cash	 \$ <u>1,266,582</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

4. Ad Valorem Taxes Receivable

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, 2013.

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 \$10,000 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

8. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no deferred outflows of resources at June 30, 2014. In addition to liabilities, the Statement of Net Position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – property taxes receivable, parking lot assessments, and other receivables.

9. 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 position. Bond premiums and discounts 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 premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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.

10. Compensated Absences

Vacation leave may accumulate to a maximum of 30 working days. Each December 31st, accumulated vacation leave in excess of 30 working days will be rolled into sick leave. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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.

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) by ordinance. Any changes or removal of specific purpose requires majority action by the governing body.

Committed for General Government – portion of fund balance that can only be used for fiber connections between Town buildings and the purchase and implementation of Enterprise Resource Planning software.

Committed for Transportation – portion of fund balance that can only be used for construction and improvement of Town roads, sidewalks, and the design and installation of storm water infrastructure.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

11. Net Position/Fund Balances (Continued)

Committed for Cultural and Recreation – portion of fund balance that can only be used for the renovations of existing parks, construction of bike lanes and the purchase of open space and greenways.

Committed for Public Safety – portion of fund balance that can only be used for the construction of a fire substation and for communication equipment and infrastructure for the police and fire departments.

Assigned fund balance – This classification includes the portion of fund balance that Town of Southern Pines' governing body has budgeted and intends to use for specific purposes. Any changes or removal of specific purpose requires majority action by the governing body.

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.

12. 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 position.

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. 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)	\$ 51,143,089
Less accumulated depreciation	<u>(17,168,007)</u>
Net capital assets	<u>33,975,082</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Liabilities for earned revenues considered deferred inflows of resources in fund statements:

Taxes receivable	\$ 75,030
Parking lot assessments	2,305
Other receivables	<u>122,628</u>
Net deferred revenues	<u>199,963</u>

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund financial statements:

Notes payable	(4,193,047)
Compensated absences	(485,267)
Net pension obligation	(88,115)
Accrued interest	<u>(25,776)</u>
Liabilities	<u>(4,792,205)</u>

Total adjustment \$ 29,382,840

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 position - governmental activities as reported in the government-wide statement of net position. 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	\$ 590,425
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	(1,108,350)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Other	6,116
Proceeds received from disposal/transfer of capital assets	(17,335)
Gain on disposal/transfer of capital assets	17,335
Donated capital assets	82,049

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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	\$ 584,425
Compensated absences	14,165
Net pension obligation	(2,050)
Interest expense	<u>3,064</u>

Total adjustment	<u>\$ 169,844</u>
------------------	-------------------

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, 2014, the Town's deposits had a carrying amount of \$10,667,403 and a bank balance of \$10,970,735. Of the bank balance \$750,000 was covered by federal depository insurance and \$10,220,735 was covered by collateral held under the Pooling Method. At June 30, 2014, the Town's petty cash fund totaled \$1,050.

NOTE 4 - INVESTMENTS

At June 30, 2014, the Town had \$7,456,361 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.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 5 - RECEIVABLES - ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

<u>Fund</u>	<u>June 30, 2014</u>
General Fund:	
Taxes receivable	\$28,220
Accounts receivable	<u>602</u>
Total general fund	28,822
Enterprise Fund	<u>9,400</u>
	<u>\$38,222</u>

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014, was as follows:

Governmental Activities by Type:

	<u>July 1, 2013</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2014</u>
Nondepreciable assets:				
Land	\$ 11,846,651	\$ -	\$ -	\$ 11,846,651
Intangible assets in progress	277,199	17,413	-	294,612
Construction in progress	<u>1,454,069</u>	<u>230,394</u>	-	<u>1,684,463</u>
	<u>13,577,919</u>	<u>247,807</u>	-	<u>13,825,726</u>
Depreciable assets:				
Buildings and improvements	15,063,782	-	-	15,063,782
Other improvements	4,466,775	-	(14,285)	4,452,490
Infrastructure	11,450,182	82,049	-	11,532,231
Machinery and equipment	452,569	-	-	452,569
Vehicles and motorized equipment	4,207,057	310,911	(227,587)	4,290,381
Furniture, fixtures and other equipment	<u>1,494,344</u>	<u>47,632</u>	<u>(16,066)</u>	<u>1,525,910</u>
	<u>37,134,709</u>	<u>440,592</u>	<u>(257,938)</u>	<u>37,317,363</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	3,505,687	275,334	-	3,781,021
Other improvements	1,114,068	119,047	(14,285)	1,218,830
Infrastructure	8,052,086	295,952	-	8,348,038
Machinery and equipment	255,083	63,656	-	318,739
Vehicles and motorized equipment	2,515,804	222,994	(227,587)	2,511,211
Furniture, fixtures and other equipment	<u>858,944</u>	<u>147,290</u>	<u>(16,066)</u>	<u>990,168</u>
	<u>16,301,672</u>	<u>1,124,273</u>	<u>(257,938)</u>	<u>17,168,007</u>
Depreciable assets - net	<u>20,833,037</u>	<u>(683,681)</u>	-	<u>20,149,356</u>
Total Governmental Activities Capital Assets - net	<u>\$ 34,410,956</u>	<u>\$ (435,874)</u>	<u>\$ -</u>	<u>\$ 33,975,082</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 6 - CAPITAL ASSETS (Continued)

Governmental Activities by Function:

	<u>July 1, 2013</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2014</u>
Governmental Activities by Function:				
General government	\$ 16,755,202	\$ 236,195	\$ (92,153)	\$ 16,899,244
Public safety	14,024,742	185,691	(137,333)	14,073,100
Transportation	13,226,983	213,564	(69,952)	13,370,595
Economic and physical development	218,526	51,742	(34,493)	235,775
Cultural and recreational	<u>6,487,175</u>	<u>91,485</u>	<u>(14,285)</u>	<u>6,564,375</u>
	<u>50,712,628</u>	<u>778,677</u>	<u>(348,216)</u>	<u>51,143,089</u>
Less accumulated depreciation and amortization for:				
General government	2,366,102	280,403	(92,153)	2,554,352
Public safety	2,782,475	384,380	(137,332)	3,029,523
Transportation	8,673,195	378,385	(69,952)	8,981,628
Economic and physical development	147,737	25,123	(34,494)	138,366
Cultural and recreational	<u>2,332,163</u>	<u>146,260</u>	<u>(14,285)</u>	<u>2,464,138</u>
	<u>16,301,672</u>	<u>1,214,551</u>	<u>(348,216)</u>	<u>17,168,007</u>
Total Governmental Activities				
Capital Assets - net	<u>\$ 34,410,956</u>	<u>\$ (435,874)</u>	<u>\$ -</u>	<u>\$ 33,975,082</u>
Business Activities:				
Nondepreciable assets:				
Land	\$ 351,446	\$ 189,087	\$ -	\$ 540,533
Intangibles – easements	632,902	128,242	-	761,144
Construction in progress	<u>7,372,473</u>	<u>1,173,220</u>	<u>(5,864,747)</u>	<u>2,680,946</u>
	<u>8,356,821</u>	<u>1,490,549</u>	<u>(5,864,747)</u>	<u>3,982,623</u>
Depreciable assets:				
Plant and distribution system	46,395,051	5,612,161	-	52,007,212
Buildings	1,424,609	-	-	1,424,609
Equipment	<u>1,837,107</u>	<u>239,527</u>	<u>(78,131)</u>	<u>1,998,503</u>
	<u>49,656,767</u>	<u>5,851,688</u>	<u>(78,131)</u>	<u>55,430,324</u>

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 6 - CAPITAL ASSETS (Continued)

Business Activities: (Continued)

	<u>July 1, 2013</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2014</u>
Less accumulated depreciation and amortization for:				
Plant and distribution system	\$ 20,042,777	\$ 1,053,853	\$ -	\$ 21,096,630
Building	230,311	28,492	-	258,803
Equipment	<u>1,108,609</u>	<u>197,084</u>	<u>(78,131)</u>	<u>1,227,562</u>
	<u>21,381,697</u>	<u>1,279,429</u>	<u>(78,131)</u>	<u>22,582,995</u>
Depreciable assets - net	<u>28,275,070</u>	<u>4,572,259</u>	<u>-</u>	<u>32,847,329</u>
Total Business Activities Capital Assets - net	<u>\$ 36,631,891</u>	<u>\$ 6,062,808</u>	<u>\$ (5,864,747)</u>	<u>\$ 36,829,952</u>

Construction commitments

The government has active construction projects as of June 30, 2014. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Automatic Meter Readers	\$1,431,612	\$ 311,862
Sidewalks	116,634	7,181
Downtown Park	<u>37,245</u>	<u>237,383</u>
Total	<u>\$1,585,491</u>	<u>\$ 556,426</u>

NOTE 7 - PAYABLES

Payables at the government-wide level at June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Accrued interest</u>	<u>Total</u>
Governmental activities:				
General	<u>\$ 586,106</u>	<u>\$ 324,400</u>	<u>\$ 25,776</u>	<u>\$ 936,282</u>
Business-type activities:				
Water and Sewer	<u>\$ 496,869</u>	<u>\$ 35,812</u>	<u>\$ -</u>	<u>\$ 532,681</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and the Town of Southern Pines are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for years ended June 30, 2014, 2013, and 2012 were \$499,275, \$445,852, and \$459,501, respectively. The contributions made by the Town equaled the required contributions for each year.

B. Law Enforcement Officers Special Separation Allowance

Plan Description - The Town of Southern Pines administers a public employee retirement system (the "Separation Allowance"), a single-employer retirement defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but no yet receiving benefits	-
Active plan members	<u>31</u>
Total	<u>35</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 and refunds are recognized when due and payable in accordance with the terms of the plan.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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, 2013, 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 dollar closed with a remaining amortization period of 17 years. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$ 72,440
Interest on net pension obligation	4,303
Adjustment to annual required contribution	<u>(7,012)</u>
Annual pension cost	69,731
Contributions made	<u>67,681</u>
Increase in net pension obligation	2,050
Net pension obligation beginning of fiscal year	<u>86,065</u>
 Net pension obligation end of fiscal year	 <u>\$ 88,115</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-12	\$72,134	123.36%	\$ 103,069
6-30-13	76,030	122.36%	86,065
6-30-14	69,731	97.06%	88,115

Funded Status and Funding Progress - As of December 31, 2013, 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 \$625,522. The covered payroll (annual payroll of active employees covered by the plan) was \$1,672,239, and the ratio of the UAAL to the covered payroll was 37.41 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.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

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.

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, 2014, were \$128,435, which consisted of \$46,025 from the Town and \$82,410 from the law enforcement officers.

D. Firefighter'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 Firefighter'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 Firefighter'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 Firefighter's and Rescue Squad Workers' Pension 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 \$6,797 in payments made to the Fund by the State on-behalf of the Town for the year ended June 30, 2014.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

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. 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.

For the fiscal year ended June 30, 2014, the Town made contributions to the State for death benefits of \$-0-. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>Number years contributing</u>	<u>Years relief</u>	<u>Fiscal year contributions resume</u>
Less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town of Southern Pines will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

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, 2014, the Town contributed \$249,017 to the Plan.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>
Taxes receivable, net	\$ 75,030
Parking lot assessments receivable, net	2,305
Other receivable, net	<u>122,628</u>
	<u>\$ 199,963</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.

NOTE 12 - CLAIMS AND JUDGMENTS

At June 30, 2014, 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, October 2011, and May 2013 for the construction of a police station, a raw water reservoir, purchase of a fire pumper, and implementation of an automatic meter reading system. Liquidations of compensated absences and net pension obligation for governmental activities occur within the General Fund.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 13 - LONG-TERM DEBT (Continued)

Long-term debt obligations of the Town at June 30, 2014, 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	\$ 4,116,667	\$ -
Fire Pumper; \$450,000; issued 2011; due Semiannually to 2014; interest at 1.47%; Collateralized by fire pumper	76,380	-
Raw Water Reservoir; \$3,500,000; issued 2010; due Semiannually to 2021; interest at 3.40%; Collateralized by real estate	-	2,406,681
Automatic Meter Readers; \$1,600,000; issued 2013; due Semiannually to 2023; interest at 1.85%; Collateralized by equipment	-	1,452,930
Net Pension Obligation	88,115	-
Compensated absences	<u>485,267</u>	<u>45,592</u>
Total long-term debt	<u>4,766,429</u>	<u>3,905,203</u>
Total outstanding	4,766,429	3,905,203
Less current portion	<u>(744,733)</u>	<u>(509,062)</u>
	<u>\$ 4,021,696</u>	<u>\$ 3,396,141</u>

At June 30, 2014, the Town of Southern Pines had a legal debt margin of \$171,548,113.

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Current portion of balance</u>
Governmental activities:					
Police station	\$ 4,550,001	\$ -	\$ 433,334	\$ 4,116,667	\$ 433,333
Fire Pumper	227,471	-	151,091	76,380	76,380
Compensated absences	499,432	227,714	241,879	485,267	235,020
Net pension obligation	<u>86,065</u>	<u>2,050</u>	<u>-</u>	<u>88,115</u>	<u>-</u>
	<u>\$ 5,362,969</u>	<u>\$ 229,764</u>	<u>\$ 826,304</u>	<u>\$ 4,766,429</u>	<u>\$ 744,733</u>

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 13 - LONG-TERM DEBT (Continued)

Business-type activities:

Raw Water Reservoir	\$ 2,732,330	\$ -	\$ 325,649	\$ 2,406,681	\$ 336,815
Automatic Meter Readers	1,600,000	-	147,070	1,452,930	149,803
Compensated absences	<u>36,089</u>	<u>27,269</u>	<u>17,766</u>	<u>45,592</u>	<u>22,444</u>
	<u>\$ 4,368,419</u>	<u>\$ 27,269</u>	<u>\$ 490,485</u>	<u>\$ 3,905,203</u>	<u>\$ 509,062</u>

Compensated absences typically have been liquidated in the general fund. The net pension obligation for governmental activities is expected to be 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		
2015	\$ 509,713	\$ 150,072
2016	433,333	133,348
2017	433,333	117,184
2018	433,333	101,021
2019	433,333	84,858
2020-2024	<u>1,950,002</u>	<u>181,838</u>
	<u>\$ 4,193,047</u>	<u>\$ 768,321</u>
Business Type Activities		
2015	\$ 486,619	\$ 105,178
2016	500,952	90,845
2017	515,733	76,064
2018	530,976	60,820
2019	546,697	45,100
2020-2023	<u>1,278,634</u>	<u>49,042</u>
	<u>\$ 3,859,611</u>	<u>\$ 427,049</u>

NOTE 14 - INTERFUND BALANCES AND ACTIVITY

Transfers to/from other funds at June 30, 2014, consist of the following:

Governmental:

From the General Fund to the Sidewalk Construction Capital Project Fund for capital project expenditures	\$ 150,000
From the General Fund to the Bike Transportation Project Fund for capital project expenditures	5,000

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 14 - INTERFUND BALANCES AND ACTIVITY (Continued)

From the General Fund to the Downtown Park Project Fund for capital project expenditures	\$ 315,000
From the General Fund to the Pool Park Capital Project Fund for capital project expenditures	<u>300,000</u>
Total Governmental	<u>770,000</u>
Business-Type	
From the Raw Water Reservoir capital project fund to the Water & Sewer Improvements II capital project fund for close out of the Raw Water Reservoir fund	<u>788,580</u>
Total Business-Type	<u>788,580</u>
Total Transfers	<u>\$ 1,558,580</u>

NOTE 15 - REVENUES, EXPENDITURES AND EXPENSES

On-behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, 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 \$6,797 for the 5 volunteer firemen and 14 employed firemen (19 total in 2014) 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>	\$ 7,878,546
Less:	
Inventories	36,676
Prepaid Items	51,520
Stabilization by State Statute	1,125,069
Appropriated Fund Balance in 2014 budget	1,496,849
Fund balance policy	4,090,902
Remaining Fund Balance	1,077,530

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.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 17 - RELATED ORGANIZATION

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

NOTE 18 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 19 - RECLASSIFICATION

The Town previously reported sales taxes as an own-source revenue when in fact these revenues should have been reported as shared revenues. These local option sales taxes are levied by the Moore County Board of Commissioners and a portion is allocated to the Town by state statute. These revenues have been reclassified as unrestricted intergovernmental revenues in the financial statements. This reclassification had no effect on net position or fund balance as previously reported.

NOTE 20 - SUBSEQUENT EVENT

The Town obtaining financing in September 2014 in the amount of \$703,500 for the purchase of a street sweeper and a heavy duty rescue fire truck.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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

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

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

Schedule 1

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)- Proj Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll for Year Ending on Val Date (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12-31-04	-	\$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%
12-31-12	-	663,284	663,284	0.00%	1,396,857	47.48%
12-31-13	-	625,522	625,522	0.00%	1,672,239	37.41%

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

Schedule 2

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
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%
2013	77,291	120.4%
2014	72,440	93.4%

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

Schedule 3

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

Valuation date	12-31-13
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 – 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

THE GENERAL FUND

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

**TOWN OF SOUTHERN PINES
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2014 and June 30, 2013**

ASSETS	<u>2014</u>	<u>2013</u>
Cash and investments	\$ 7,540,704	\$ 7,444,303
Receivables, net		
Property taxes	75,030	94,540
Due from other governments	858,465	846,770
Accounts receivable	303,727	301,236
Accrued interest receivable	8,613	8,711
Sales tax receivable	76,892	92,657
Parking lot assessments receivable	2,305	2,305
Inventory	36,676	47,457
Prepays	<u>51,520</u>	<u>36,510</u>
 TOTAL ASSETS	 <u>\$ 8,953,932</u>	 <u>\$ 8,874,489</u>
 LIABILITIES		
Current liabilities		
Accounts payable	\$ 467,501	\$ 305,137
Accrued liabilities		
Other	324,558	271,707
Security deposits	<u>83,364</u>	<u>13,539</u>
 TOTAL LIABILITIES	 <u>875,423</u>	 <u>590,383</u>
 DEFERRED INFLOWS OF RESOURCES		
Taxes receivable	75,030	94,540
Parking lot assessments	2,305	2,305
Other	<u>122,628</u>	<u>97,000</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>199,963</u>	 <u>193,845</u>
 FUND BALANCE		
Nonspendable:		
Inventory	36,676	47,457
Prepays	51,520	36,510
Restricted:		
Stabilization by State Statute	1,125,069	1,152,374
Assigned:		
Subsequent year's expenditures	1,496,849	1,879,328
Unassigned	<u>5,168,432</u>	<u>4,974,592</u>
 TOTAL FUND BALANCES	 <u>7,878,546</u>	 <u>8,090,261</u>
	 <u>\$ 8,953,932</u>	 <u>\$ 8,874,489</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

Page 1 of 5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance favorable (unfavorable)	2013
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year		\$ 7,833,116		\$ 7,620,110
Prior years		28,422		39,971
Penalties and interest		25,494		31,469
	<u>\$ 7,618,410</u>	<u>7,887,032</u>	<u>\$ 268,622</u>	<u>7,691,550</u>
Other taxes and licenses				
ABC mixed beverage		130,144		126,165
Solid waste disposal tax		7,069		7,844
Privilege licenses		14,488		46,487
Cablevision franchise fee		38,761		38,865
Lease vehicles		27,889		29,194
	<u>202,600</u>	<u>218,351</u>	<u>15,751</u>	<u>248,555</u>
Unrestricted intergovernmental revenues				
Local option sales tax		2,687,916		2,670,163
Video programming tax		162,917		167,215
Franchise tax		748,619		705,527
Beer and wine		55,059		50,476
	<u>3,315,000</u>	<u>3,654,511</u>	<u>339,511</u>	<u>3,593,381</u>
Restricted intergovernmental revenues				
State Aid - Library Grant		6,896		6,728
Powell Bill allocation		390,633		384,761
Recreation Grants		1,219		1,350
On-behalf of payments - Fire		6,797		6,642
Library grants		3,465		-
Police grants		3,567		13,640
	<u>402,896</u>	<u>412,577</u>	<u>9,681</u>	<u>413,121</u>
Permits and fees				
Building permits and inspection fees		317,802		347,546
Fire and Police Dept. fees		16,412		27,063
Public works fees		5,530		9,034
Street department fees		31,815		27,628
	<u>295,000</u>	<u>371,559</u>	<u>76,559</u>	<u>411,271</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, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance favorable (unfavorable)	2013
	Budget	Actual		Actual
REVENUES (Continued)				
Sales and services				
Rents		\$ 313,558		\$ 295,925
Court facilities fees		2,990		3,723
County disposal fee		477,680		559,805
Recreation department fees		199,375		185,031
Library fees		40,633		39,972
Reservoir park usage fees		5,500		5,500
	<u>\$ 988,340</u>	<u>1,039,736</u>	<u>\$ 51,396</u>	<u>1,089,956</u>
Investment earnings	<u>18,500</u>	<u>16,445</u>	<u>(2,055)</u>	<u>21,373</u>
Other				
Cemetery		1,125		750
Fire department donations		45		25
Fire district revenue		475,392		477,923
Court costs		3,876		7,338
Demolition liens		3,511		10,630
County contribution - fire		47,000		40,000
Miscellaneous		64,897		97,248
	<u>573,325</u>	<u>595,846</u>	<u>22,521</u>	<u>633,914</u>
TOTAL REVENUES	<u>13,414,071</u>	<u>14,196,057</u>	<u>781,986</u>	<u>14,103,121</u>
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits		28,271		28,271
Operating expenditures		90,608		70,657
Professional services		60,744		66,300
Membership dues		15,274		14,312
	<u>242,671</u>	<u>194,897</u>	<u>47,774</u>	<u>179,540</u>
Administration				
Salaries and employee benefits		791,513		753,771
Operating expenditures		308,394		319,451
	<u>1,167,960</u>	<u>1,099,907</u>	<u>68,053</u>	<u>1,073,222</u>
Information Technology				
Salaries and employee benefits		137,087		132,337
Contract Services		332,040		204,727
Operating expenditures		164,037		137,480
Capital outlay		-		74,167
	<u>637,425</u>	<u>633,164</u>	<u>4,261</u>	<u>548,711</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, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance favorable (unfavorable)	2013
	Budget	Actual		Actual
EXPENDITURES (Continued)				
General government (Continued)				
Water and Sewer Fund				
Administrative chargeback	\$ (974,858)	\$ (974,858)	\$ -	\$ (865,246)
Public works				
Salaries and employee benefits		308,665		268,815
Operating expenditures		29,693		21,314
Contract services		1,358,424		1,695,740
	<u>1,830,473</u>	<u>1,696,782</u>	<u>133,691</u>	<u>1,985,869</u>
Building and grounds				
Salaries and employee benefits		880,967		827,026
Vehicle maintenance		11,955		17,240
Contract Services		125,263		101,191
Operating expenditures		309,151		319,225
Capital outlay		123,649		-
	<u>1,556,297</u>	<u>1,450,985</u>	<u>105,312</u>	<u>1,264,682</u>
Garage				
Salaries and employee benefits		226,907		217,656
Operating expenditures		55,710		59,120
	<u>290,759</u>	<u>282,617</u>	<u>8,142</u>	<u>276,776</u>
Total general government	<u>4,750,727</u>	<u>4,383,494</u>	<u>367,233</u>	<u>4,463,554</u>
Public safety				
Police				
Salaries and employee benefits		2,734,066		2,569,734
Operating expenditures		608,007		569,773
Capital outlay		120,297		34,608
	<u>3,743,139</u>	<u>3,462,370</u>	<u>280,769</u>	<u>3,174,115</u>
Fire				
Salaries and employee benefits		1,630,413		1,546,124
Operating expenditures		266,628		301,645
Capital outlay		46,930		75,977
	<u>1,955,860</u>	<u>1,943,971</u>	<u>11,889</u>	<u>1,923,746</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, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance favorable (unfavorable)	2013
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Public safety (Continued)				
Fire and rescue workers pension fund	\$ -	\$ 6,797	\$ (6,797)	\$ 6,642
Total public safety	5,698,999	5,413,138	285,861	5,104,503
Transportation				
Street maintenance				
Salaries and employee benefits		404,296		424,897
Operating expenditures		382,407		355,825
Construction		-		160,650
Paving		166,361		193,000
Contract services		26,028		31,252
Capital outlay		-		78,990
Total transportation	1,084,216	979,092	105,124	1,244,614
Economic and physical development				
Planning and development				
Salaries and employee benefits		569,284		552,637
Contract services		1,831		8,379
Operating expenditures		72,755		131,938
Capital outlay		51,742		
Total economic and physical development	730,465	695,612	34,853	692,954
Cultural and recreational				
Recreation				
Salaries and employee benefits		418,485		473,076
Contract services		40,083		43,476
Operating expenditures		164,775		146,370
Capital outlay		-		125,442
Total cultural and recreational	729,086	623,343	105,743	788,364

TOWN OF SOUTHERN PINES

GENERAL FUND

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance favorable (unfavorable)	2013
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Cultural and recreational (Continued)				
Libraries				
Salaries and employee benefits		\$ 574,350		\$ 567,124
Contract services		21,034		23,554
Operating expenditures		79,306		75,129
Books and periodicals		115,513		114,268
	<u>\$ 855,375</u>	<u>790,203</u>	<u>\$ 65,172</u>	<u>780,075</u>
Total cultural and recreational	<u>1,584,461</u>	<u>1,413,546</u>	<u>170,915</u>	<u>1,568,439</u>
Debt Service				
Principal retirement		584,425		582,228
Interest		168,465		186,825
	<u>752,891</u>	<u>752,890</u>	<u>1</u>	<u>769,053</u>
Total debt service	<u>752,891</u>	<u>752,890</u>	<u>1</u>	<u>769,053</u>
TOTAL EXPENDITURES	<u>14,601,759</u>	<u>13,637,772</u>	<u>963,987</u>	<u>13,843,117</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,187,688)</u>	<u>558,285</u>	<u>1,745,973</u>	<u>260,004</u>
OTHER FINANCING USES:				
Transfers to other funds:				
Capital Projects Funds	<u>(770,000)</u>	<u>(770,000)</u>	<u>-</u>	<u>(382,500)</u>
Total other financing uses	<u>(770,000)</u>	<u>(770,000)</u>	<u>-</u>	<u>(382,500)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(1,957,688)</u>	<u>(211,715)</u>	<u>1,745,973</u>	<u>(122,496)</u>
FUND BALANCE APPROPRIATED	<u>1,957,688</u>	<u>-</u>	<u>(1,957,688)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(211,715)</u>	<u>\$ (211,715)</u>	<u>(122,496)</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>8,090,261</u>		<u>8,212,757</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ 7,878,546</u>		<u>\$ 8,090,261</u>

NON-MAJOR GOVERNMENTAL FUNDS

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

Individual Fund Descriptions:

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 improvement 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

Bike Transport – accounts for funds used for the construction of bike lanes

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

Public Safety – accounts for funds used for the communication equipment and infrastructure for the police and fire departments.

Pool Park – accounts for funds used for the renovation of the existing pool park.

Downtown Park – accounts for funds used for the renovation of the existing downtown park.

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, 2014

	Capital Projects Funds												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	Public Safety	Pool Park	Downtown Park		Cemetery Perpetual Care
ASSETS															
Cash and investments	\$ 71,347	\$ 50,959	\$ 168,014	\$ 113,995	\$ 271,039	\$ 26,194	\$ 615,214	\$ 458,674	\$ 50,170	\$ 326,046	\$ 115,777	\$ 317,109	\$ 253,456	\$ 56,971	\$ 2,894,965
Sales tax receivable	-	-	1,044	240	-	-	-	-	61	-	653	-	688	-	2,686
Accrued Interest	82	58	193	131	311	30	706	526	58	374	133	364	291	65	3,322
	<u>\$ 71,429</u>	<u>\$ 51,017</u>	<u>\$ 169,251</u>	<u>\$ 114,366</u>	<u>\$ 271,350</u>	<u>\$ 26,224</u>	<u>\$ 615,920</u>	<u>\$ 459,200</u>	<u>\$ 50,289</u>	<u>\$ 326,420</u>	<u>\$ 116,563</u>	<u>\$ 317,473</u>	<u>\$ 254,435</u>	<u>\$ 57,036</u>	<u>\$ 2,900,973</u>
LIABILITIES AND FUND BALANCE															
LIABILITIES															
Payables	\$ -	\$ -	\$ 116,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,813	\$ -	\$ 118,448
Total Liabilities	-	-	116,635	-	-	-	-	-	-	-	-	-	1,813	-	118,448
FUND BALANCE															
Nonspendable:															
Perpetual maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	56,971	56,971
Restricted:															
Stabilization by State Statute	82	58	1,237	371	311	30	706	526	119	374	786	364	979	65	6,008
Committed:															
Capital Projects	71,347	50,959	51,379	113,995	271,039	26,194	615,214	458,674	50,170	326,046	115,777	317,109	251,643	-	2,719,546
Total fund balance	<u>71,429</u>	<u>51,017</u>	<u>52,616</u>	<u>114,366</u>	<u>271,350</u>	<u>26,224</u>	<u>615,920</u>	<u>459,200</u>	<u>50,289</u>	<u>326,420</u>	<u>116,563</u>	<u>317,473</u>	<u>252,622</u>	<u>57,036</u>	<u>2,782,525</u>
	<u>\$ 71,429</u>	<u>\$ 51,017</u>	<u>\$ 169,251</u>	<u>\$ 114,366</u>	<u>\$ 271,350</u>	<u>\$ 26,224</u>	<u>\$ 615,920</u>	<u>\$ 459,200</u>	<u>\$ 50,289</u>	<u>\$ 326,420</u>	<u>\$ 116,563</u>	<u>\$ 317,473</u>	<u>\$ 254,435</u>	<u>\$ 57,036</u>	<u>\$ 2,900,973</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, 2014

	Capital Projects Funds												Permanent Fund		
	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics	Storm Water Improvements	Road Construction	EIDMS	Patrick Road	Bike Transport	Fire Department Substation	Public Safety	Pool Park	Downtown Park	Cemetery Perpetual Care	Total Non-Major Governmental Funds
REVENUES															
Investment Earnings	\$ 140	\$ 100	\$ 315	\$ 232	\$ 534	\$ 52	\$ 1,244	\$ 903	\$ 100	\$ 642	\$ 254	\$ 616	\$ 553	\$ 109	\$ 5,794
Sale of Plots	-	-	-	-	-	-	-	-	-	-	-	-	-	2,675	2,675
	140	100	315	232	534	52	1,244	903	100	642	254	616	553	2,784	8,469
EXPENDITURES															
General Government	-	-	-	4,854	-	-	17,413	-	-	-	-	-	-	-	22,267
Cultural and Recreational	-	-	-	-	-	-	-	-	3,955	-	-	24,600	62,931	-	91,486
Public Safety	-	-	-	-	-	-	-	-	-	3,809	14,655	-	-	-	18,464
Transportation	-	-	115,590	-	-	-	-	-	-	-	-	-	-	-	115,590
	-	-	115,590	4,854	-	-	17,413	-	3,955	3,809	14,655	24,600	62,931	-	247,807
REVENUES OVER (UNDER)															
EXPENDITURES	140	100	(115,275)	(4,622)	534	52	(16,169)	903	(3,855)	(3,167)	(14,401)	(23,984)	(62,378)	2,784	(239,338)
OTHER FINANCING SOURCES (USES)															
Transfers (to)/from:															
General Fund	-	-	150,000	-	-	-	-	-	5,000	-	-	300,000	315,000	-	770,000
	-	-	150,000	-	-	-	-	-	5,000	-	-	300,000	315,000	-	770,000
NET CHANGE IN FUND BALANCE	140	100	34,725	(4,622)	534	52	(16,169)	903	1,145	(3,167)	(14,401)	276,016	252,622	2,784	530,662
FUND BALANCE, BEGINNING OF YEAR, JULY 1	71,289	50,917	17,891	118,988	270,816	26,172	632,089	458,297	49,144	329,587	130,964	41,457	-	54,252	2,251,863
FUND BALANCE, END OF YEAR, JUNE 30	\$ 71,429	\$ 51,017	\$ 52,616	\$ 114,366	\$ 271,350	\$ 26,224	\$ 615,920	\$ 459,200	\$ 50,289	\$ 326,420	\$ 116,563	\$ 317,473	\$ 252,622	\$ 57,036	\$ 2,782,525

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, 2014

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 14,350	\$ 14,289	\$ 140	\$ 14,429	\$ 79
	<u>14,350</u>	<u>14,289</u>	<u>140</u>	<u>14,429</u>	<u>79</u>
EXPENDITURES					
Transportation Construction	71,350	-	-	-	71,350
	<u>71,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,350</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(57,000)</u>	<u>14,289</u>	<u>140</u>	<u>14,429</u>	<u>71,429</u>
OTHER FINANCING SOURCES					
Land exchange proceeds	57,000	57,000	-	57,000	-
	<u>57,000</u>	<u>57,000</u>	<u>-</u>	<u>57,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 71,289</u>	<u>140</u>	<u>\$ 71,429</u>	<u>\$ 71,429</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>71,289</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 71,429</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, 2014**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 9,700	\$ 9,172	\$ 100	\$ 9,272	\$ (428)
	<u>9,700</u>	<u>9,172</u>	<u>100</u>	<u>9,272</u>	<u>(428)</u>
EXPENDITURES					
Cultural and Recreational Construction	135,700	84,255	-	84,255	51,445
	<u>135,700</u>	<u>84,255</u>	<u>-</u>	<u>84,255</u>	<u>51,445</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(126,000)</u>	<u>(75,083)</u>	<u>100</u>	<u>(74,983)</u>	<u>51,017</u>
OTHER FINANCING SOURCES					
Transfers from: Capital Projects Fund - Road Construction	126,000	126,000	-	126,000	-
	<u>126,000</u>	<u>126,000</u>	<u>-</u>	<u>126,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 50,917</u>	<u>100</u>	<u>\$ 51,017</u>	<u>\$ 51,017</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>50,917</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 51,017</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, 2014**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 7,100	\$ 7,065	\$ 315	\$ 7,380	\$ 280
	<u>7,100</u>	<u>7,065</u>	<u>315</u>	<u>7,380</u>	<u>280</u>
EXPENDITURES					
Transportation Construction	973,612	805,686	115,590	921,276	52,336
	<u>973,612</u>	<u>805,686</u>	<u>115,590</u>	<u>921,276</u>	<u>52,336</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(966,512)</u>	<u>(798,621)</u>	<u>(115,275)</u>	<u>(913,896)</u>	<u>52,616</u>
OTHER FINANCING SOURCES					
Transfers from: General Fund	966,512	816,512	150,000	966,512	-
	<u>966,512</u>	<u>816,512</u>	<u>150,000</u>	<u>966,512</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 17,891</u>	34,725	<u>\$ 52,616</u>	<u>\$ 52,616</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>17,891</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 52,616</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, 2014**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 17,700	\$ 17,703	\$ 232	\$ 17,935	\$ 235
	<u>17,700</u>	<u>17,703</u>	<u>232</u>	<u>17,935</u>	<u>235</u>
EXPENDITURES					
General Government Construction	543,523	424,538	4,854	429,392	114,131
	<u>543,523</u>	<u>424,538</u>	<u>4,854</u>	<u>429,392</u>	<u>114,131</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(525,823)</u>	<u>(406,835)</u>	<u>(4,622)</u>	<u>(411,457)</u>	<u>114,366</u>
OTHER FINANCING SOURCES					
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 (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 118,988</u>	<u>(4,622)</u>	<u>\$ 114,366</u>	<u>\$ 114,366</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>118,988</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 114,366</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, 2014

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 21,750	\$ 21,816	\$ 534	\$ 22,350	\$ 600
	<u>21,750</u>	<u>21,816</u>	<u>534</u>	<u>22,350</u>	<u>600</u>
EXPENDITURES					
Transportation Construction	270,750	-	-	-	270,750
	<u>270,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,750</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(249,000)</u>	<u>21,816</u>	<u>534</u>	<u>22,350</u>	<u>271,350</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>\$ 270,816</u>	<u>534</u>	<u>\$ 271,350</u>	<u>\$ 271,350</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>270,816</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 271,350</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, 2014**

	Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ 298	\$ 52	\$ 350	\$ 350
	<u>-</u>	<u>298</u>	<u>52</u>	<u>350</u>	<u>350</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>298</u>	<u>52</u>	<u>350</u>	<u>26,224</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>\$ 26,172</u>	<u>52</u>	<u>\$ 26,224</u>	<u>\$ 26,224</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>26,172</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 26,224</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, 2014

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 3,000	\$ 12,287	\$ 1,244	\$ 13,531	\$ 10,531
	<u>3,000</u>	<u>12,287</u>	<u>1,244</u>	<u>13,531</u>	<u>10,531</u>
EXPENDITURES					
General government					
Enterprise Resource Planning	900,000	277,198	17,413	294,611	605,389
	<u>900,000</u>	<u>277,198</u>	<u>17,413</u>	<u>294,611</u>	<u>605,389</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(897,000)</u>	<u>(264,911)</u>	<u>(16,169)</u>	<u>(281,080)</u>	<u>615,920</u>
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	400,000	400,000	-	400,000	-
Capital Projects Fund- Police Station	240,500	240,500	-	240,500	-
Capital Projects Fund- 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 (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 632,089</u>	<u>(16,169)</u>	<u>\$ 615,920</u>	<u>\$ 615,920</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>632,089</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 615,920</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, 2014**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 37,200	\$ 37,306	\$ 903	\$ 38,209	\$ 1,009
	<u>37,200</u>	<u>37,306</u>	<u>903</u>	<u>38,209</u>	<u>1,009</u>
EXPENDITURES					
Transportation Construction	493,191	35,000	-	35,000	458,191
	<u>493,191</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>458,191</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(455,991)</u>	<u>2,306</u>	<u>903</u>	<u>3,209</u>	<u>459,200</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>\$ 458,297</u>	<u>903</u>	<u>\$ 459,200</u>	<u>\$ 459,200</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>458,297</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 459,200</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, 2014**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ 350	\$ 100	\$ 450	\$ 450
	<u>-</u>	<u>350</u>	<u>100</u>	<u>450</u>	<u>450</u>
EXPENDITURES					
Cultural and recreational Construction	65,000	11,206	3,955	15,161	49,839
	<u>65,000</u>	<u>11,206</u>	<u>3,955</u>	<u>15,161</u>	<u>49,839</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(65,000)</u>	<u>(10,856)</u>	<u>(3,855)</u>	<u>(14,711)</u>	<u>50,289</u>
OTHER FINANCING SOURCES					
Transfers from: General fund	65,000	60,000	5,000	65,000	-
	<u>65,000</u>	<u>60,000</u>	<u>5,000</u>	<u>65,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 49,144</u>	1,145	<u>\$ 50,289</u>	<u>\$ 50,289</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>49,144</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 50,289</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, 2014

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 586	\$ 2,271	\$ 642	\$ 2,913	\$ 2,327
	<u>586</u>	<u>2,271</u>	<u>642</u>	<u>2,913</u>	<u>2,327</u>
EXPENDITURES					
Public Safety Construction	<u>360,700</u>	<u>32,797</u>	<u>3,809</u>	<u>36,606</u>	<u>324,094</u>
	<u>360,700</u>	<u>32,797</u>	<u>3,809</u>	<u>36,606</u>	<u>324,094</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(360,114)</u>	<u>(30,526)</u>	<u>(3,167)</u>	<u>(33,693)</u>	<u>326,421</u>
OTHER FINANCING SOURCES					
Transfers from:					
Capital Projects Fund-					
Police Expansion Fund	<u>360,114</u>	<u>360,113</u>	<u>-</u>	<u>360,113</u>	<u>(1)</u>
	<u>360,114</u>	<u>360,113</u>	<u>-</u>	<u>360,113</u>	<u>(1)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 329,587</u>	<u>(3,167)</u>	<u>\$ 326,420</u>	<u>\$ 326,420</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>329,587</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 326,420</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (PUBLIC SAFETY)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2014

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ 391	\$ 254	\$ 645	\$ 645
	-	391	254	645	645
EXPENDITURES					
Public Safety Construction	182,500	51,927	14,655	66,582	115,918
	182,500	51,927	14,655	66,582	115,918
REVENUES OVER (UNDER) EXPENDITURES	(182,500)	(51,536)	(14,401)	(65,937)	116,563
OTHER FINANCING SOURCES					
Transfers from: General Fund	182,500	182,500	-	182,500	-
	182,500	182,500	-	182,500	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ 130,964	(14,401)	\$ 116,563	\$ 116,563
FUND BALANCE, BEGINNING OF YEAR, JULY 1			130,964		
FUND BALANCE, END OF YEAR, JUNE 30			\$ 116,563		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (POOL PARK)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2014

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ 114	\$ 616	\$ 730	\$ 730
	-	114	616	730	730
EXPENDITURES					
Cultural and Recreational Construction	350,000	8,657	24,600	33,257	316,743
	350,000	8,657	24,600	33,257	316,743
REVENUES OVER (UNDER) EXPENDITURES	(350,000)	(8,543)	(23,984)	(32,527)	317,473
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	350,000	50,000	300,000	350,000	-
	350,000	50,000	300,000	350,000	-
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ -	\$ 41,457	276,016	\$ 317,473	\$ 317,473
FUND BALANCE, BEGINNING OF YEAR, JULY 1			41,457		
FUND BALANCE, END OF YEAR, JUNE 30			\$ 317,473		

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (DOWNTOWN PARK)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2014**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ -	\$ 553	\$ 553	\$ 553
	-	-	553	553	553
EXPENDITURES					
Cultural and Recreational Construction	315,000	-	62,931	62,931	252,069
	315,000	-	62,931	62,931	252,069
REVENUES OVER (UNDER) EXPENDITURES	(315,000)	-	(62,378)	(62,378)	252,622
OTHER FINANCING SOURCES					
Transfers from: General Fund	315,000	-	315,000	315,000	-
	315,000	-	315,000	315,000	-
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ -	\$ -	252,622	\$ 252,622	\$ 252,622
FUND BALANCE, BEGINNING OF YEAR, JULY 1			-		
FUND BALANCE, END OF YEAR, JUNE 30			\$ 252,622		

**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, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance favorable (unfavorable)	2013
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 10,400	\$ 109	\$ (10,291)	\$ 132
Sale of plots	45,000	2,675	(42,325)	1,750
Total revenues	55,400	2,784	(52,616)	1,882
EXPENDITURES				
Reserved for future expense	55,400	-	55,400	-
REVENUES OVER EXPENDITURES	<u>\$ -</u>	2,784	<u>\$ 2,784</u>	1,882
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>54,252</u>		<u>52,370</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ 57,036</u>		<u>\$ 54,252</u>

ENTERPRISE FUND

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

Individual Fund Descriptions:

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

**TOWN OF SOUTHERN PINES
WATER AND SEWER FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance favorable (unfavorable)	2013
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Charges for services				
Water sales		\$ 4,353,088		\$ 3,813,241
Sewer sales		2,201,173		1,976,842
Service charges		104,988		140,025
Miscellaneous operating revenue		193,923		202,320
Total operating revenues	\$ 6,099,920	6,853,172	\$ 753,252	6,132,428
Nonoperating revenues				
Impact fees		179,062		201,655
Investment earnings		9,515		10,198
BAB interest rebate		29,282		33,836
Gain on disposal of capital assets		28,213		45,095
	38,554	246,072	207,518	290,784
Total revenues	6,138,474	7,099,244	960,770	6,423,212
EXPENDITURES				
Billings and collections				
Salaries and employee benefits		281,897		243,731
Contracted services		18,233		18,387
Other departmental expenditures		113,140		108,818
	435,738	413,270	22,468	370,936
Water treatment				
Contractual services		942,307		899,961
Utilities		343,062		283,125
Other departmental expenditures		49,100		66,005
	1,369,155	1,334,469	34,686	1,249,091
Sewage treatment				
Contractual services	1,485,000	1,452,231	32,769	1,429,627
Water extensions and maintenance				
Salaries and employee benefits		300,575		318,015
Contractual services		22,276		36,153
Supplies		147,560		131,632
Other departmental expenditures		74,257		126,452
	706,287	544,668	161,619	612,252

**TOWN OF SOUTHERN PINES
WATER AND SEWER FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance favorable (unfavorable)	2013
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Sewer extensions and maintenance				
Salaries and employee benefits		\$ 389,270		\$ 359,552
Contractual services		97,410		95,258
Supplies		57,870		77,852
Other departmental expenditures		155,266		145,553
	<u>\$ 836,263</u>	<u>699,816</u>	<u>\$ 136,447</u>	<u>678,215</u>
Chargeout for administrative expenses	<u>974,858</u>	<u>974,858</u>	<u>-</u>	<u>865,246</u>
Total	<u>5,807,301</u>	<u>5,419,312</u>	<u>387,989</u>	<u>5,205,367</u>
Budgetary appropriations				
Interest	119,078	119,078	-	100,951
Debt principal	472,719	472,719	-	314,853
Capital outlay	169,500	169,575	(75)	52,101
	<u>761,297</u>	<u>761,372</u>	<u>(75)</u>	<u>467,905</u>
Total expenditures	<u>6,568,598</u>	<u>6,180,684</u>	<u>387,914</u>	<u>5,673,272</u>
REVENUES OVER (UNDER) EXPENDITURES	(430,124)	918,560	1,348,684	749,940
OTHER FINANCING USES				
Transfers to:				
Morganton Road	-	-	-	(200,000)
Water and Sewer Improvements	-	-	-	(300,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(430,124)	918,560	1,348,684	249,940
APPROPRIATED RETAINED EARNINGS	<u>430,124</u>	<u>-</u>	<u>(430,124)</u>	<u>-</u>
REVENUES AND APPROPRIATED RETAINED EARNINGS OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ 918,560</u>	<u>\$ 918,560</u>	<u>\$ 249,940</u>

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

Page 3 of 3

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	<u>2014</u>	<u>2013</u>
REVENUES OVER EXPENDITURES	\$ 918,560	\$ 249,940
RECONCILING ITEMS:		
Principal retirement	472,719	314,853
Capital outlay	169,575	52,101
Capital project expenditures not capitalized	-	(21,881)
Loss on disposal of construction in process	-	(122,837)
Depreciation and amortization	(1,209,477)	(1,133,090)
Interest earnings on Water and Sewer		
Capital Projects Fund	4,869	6,203
Developer's contributions	207,567	8,089
Intangible contributions	118,342	106,892
Transfers to Water and Sewer		
Morganton Road	-	200,000
Water and sewer improvements	-	300,000
	<u>(236,405)</u>	<u>(289,670)</u>
CHANGE IN NET POSITION	<u>\$ 682,155</u>	<u>\$ (39,730)</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, 2014**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance favorable (unfavorable)
REVENUES					
Grant proceeds	\$ 582,950	\$ 561,332	\$ -	\$ 561,332	\$ (21,618)
Investment earnings	55,662	45,659	4,869	50,528	(5,134)
Developers contributions	394,616	398,032	-	398,032	3,416
TOTAL REVENUES	1,033,228	1,005,023	4,869	1,009,892	(23,336)
EXPENDITURES					
Commercial park project	811,666	791,960	-	791,960	19,706
Morganton road	200,000	150	-	150	199,850
Automatic meter reading	2,100,000	545,677	1,129,974	1,675,651	424,349
Village project	165,900	151,950	-	151,950	13,950
Raw water reservoir	5,603,582	5,864,748 ^A	(261,166)	5,603,582	-
Water/sewer improvements II	1,699,156	17,990	43,246	61,236	1,637,920
TOTAL EXPENDITURES	10,580,304	7,372,475	912,054	8,284,529	2,295,775
REVENUES OVER (UNDER) EXPENDITURES	(9,547,076)	(6,367,452)	(907,185)	(7,274,637)	2,272,439
OTHER FINANCING SOURCES (USES)					
Issuance of debt	5,100,000	5,100,000	-	5,100,000	-
Transfer to:					
Water/sewer improvements II	(788,580)	-	(788,580)	(788,580)	-
Transfers from:					
Raw water reservoir	788,580	-	788,580	788,580	-
Impact fees	841,146	841,146	-	841,146	-
Water treatment	460,500	460,500	-	460,500	-
Water/sewer improvements I	1,400,576	1,400,576	-	1,400,576	-
Water & Sewer Fund	1,744,854	1,744,854	-	1,744,854	-
Total other financing sources	9,547,076	9,547,076	-	9,547,076	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ 3,179,624	\$ (907,185)	\$ 2,272,439	\$ 2,272,439

^A Current credit due to the reversal of a payable (accrued in the prior year) that was not paid as a result of a contractual breach by the contractor in the current year.

AGENCY FUND

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

Individual Fund Descriptions:

Agency Fund:

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

TOWN OF SOUTHERN PINES
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Cafeteria Plan				
ASSETS				
Cash and investments	\$ 27,451	\$ 307,646	\$ 312,778	\$ 22,319
Accrued interest	30	40	30	40
	<u>\$ 27,481</u>	<u>\$ 307,686</u>	<u>\$ 312,808</u>	<u>\$ 22,359</u>
LIABILITIES				
Miscellaneous liabilities	<u>\$ 27,481</u>	<u>\$ 307,686</u>	<u>\$ 312,808</u>	<u>\$ 22,359</u>

CAPITAL ASSETS OF GOVERNMENTAL FUNDS

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

TOWN OF SOUTHERN PINES
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2014

	Land	Buildings and Improvements	Other Improvements	Machinery and equipment	Vehicles and motorized equipment	Furniture, fixtures, and other equipment	Infrastructure	Construction and Intangibles In Progress	Total
General government	\$ 10,696,146	\$ 2,330,498	\$ 2,052,723	\$ 312,671	\$ 424,633	\$ 358,567	\$ -	\$ 724,006	\$ 16,899,244
Public safety	1,070,553	8,015,770	842,362	116,898	3,176,381	747,948	-	103,188	14,073,100
Transportation	-	32,384	8,265	-	481,626	359,813	11,532,231	956,276	13,370,595
Economic and physical development	43,850	71,896	-	-	120,029	-	-	-	235,775
Cultural and recreational	36,102	4,613,234	1,549,140	23,000	87,712	59,582	-	195,605	6,564,375
Total governmental funds capital assets	<u>\$ 11,846,651</u>	<u>\$ 15,063,782</u>	<u>\$ 4,452,490</u>	<u>\$ 452,569</u>	<u>\$ 4,290,381</u>	<u>\$ 1,525,910</u>	<u>\$ 11,532,231</u>	<u>\$ 1,979,075</u>	<u>\$ 51,143,089</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, 2014

	Balance July 1, 2013	Additions and Transfers in	Disposals and Transfers out	Balance June 30, 2014
General government	\$ 16,755,202	\$ 236,195	\$ (92,153)	\$ 16,899,244
Public safety	14,024,742	185,691	(137,333)	14,073,100
Transportation	13,226,983	213,564	(69,952)	13,370,595
Economic and physical development	218,526	51,742	(34,493)	235,775
Cultural and recreational	6,487,175	91,485	(14,285)	6,564,375
Total governmental funds capital assets	<u>\$ 50,712,628</u>	<u>\$ 778,677</u>	<u>\$ (348,216)</u>	<u>\$ 51,143,089</u>

Note: Amounts presented above exclude accumulated depreciation.

TOWN OF SOUTHERN PINES
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
For the Year Ended June 30, 2014

	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 7,859,930	\$ 7,833,116	\$ 26,814
2012-2013	43,648	-	28,464	15,184
2011-2012	16,424	-	5,835	10,589
2010-2011	10,192	-	2,925	7,267
2009-2010	6,851	-	493	6,358
2008-2009	5,698	-	205	5,493
2007-2008	5,069	-	299	4,770
2006-2007	14,518	-	151	14,367
2005-2006	8,196	-	112	8,084
2004-2005	4,471	-	147	4,324
2003-2004	2,928	-	2,928	-
	<u>\$ 117,995</u>	<u>\$ 7,859,930</u>	<u>\$ 7,874,675</u>	103,250
Less allowance for uncollected taxes receivable General fund				<u>(28,220)</u>
Ad valorem taxes receivable, net				<u>\$ 75,030</u>
Reconcilement with revenue:				
Taxes				\$ 7,887,032
Penalties and interest				(25,494)
Refunds				4,400
Taxes written off				2,867
Other adjustments				<u>5,870</u>
Total collections and credits				<u>\$ 7,874,675</u>

**TOWN OF SOUTHERN PINES
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2014**

	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:	\$ 2,078,015,068	\$ 0.35	\$ 7,273,069	\$ 7,273,069	\$ -
Penalties	-		2,073	2,073	-
	<u>2,078,015,068</u>		<u>7,275,142</u>	<u>7,275,142</u>	<u>-</u>
Discoveries:					
Adjustments at current year's rate	168,369,362	0.35	593,999	88,379	505,620
Adjustments at prior year's rate	<u>9,939,433</u>	<u>0.35</u>	<u>34,790</u>	<u>-</u>	<u>34,790</u>
Total	2,256,323,863		7,903,931	7,363,521	540,410
Abatements:					
Current year's rate	<u>(11,314,231)</u>	0.35	<u>(44,001)</u>	<u>(18,692)</u>	<u>(25,309)</u>
TOTAL PROPERTY VALUATION	<u>\$ 2,245,009,632</u>				
Net levy			7,859,930	7,344,829	515,101
Uncollected taxes at June 30, 2014			<u>26,814</u>	<u>16,315</u>	<u>10,499</u>
Current year's taxes collected			<u>\$ 7,833,116</u>	<u>\$ 7,328,514</u>	<u>\$ 504,602</u>
Percent of current year taxes collected			<u>99.66%</u>	<u>99.78%</u>	<u>97.96%</u>

TOWN OF SOUTHERN PINES
SCHEDULE OF INTERFUND TRANSFERS
Year Ended June 30, 2014

	<u>Transfer from Fund</u>	
	<u>Major Governmental</u>	
<u>Transfers to Fund</u>	<u>General Fund</u>	<u>Total</u>
Governmental: Non-Major Funds	\$ 770,000	\$ 770,000
Business-Type: Major Funds	-	-
Total	<u>\$ 770,000</u>	<u>\$ 770,000</u>

STATISTICAL SECTION

This part of the Town of Southern Pines' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial information, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends - These tables contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity - These tables contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity - These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic - These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information - These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

FINANCIAL TRENDS INFORMATION

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

Table 1

	2005	2006	2007	2008	2009
Governmental Activities					
Invested in Capital Assets, net of related debt	\$ 24,767,860	\$ 24,905,903	\$ 26,203,921	\$ 27,637,028	\$ 26,349,353
Restricted	4,816,663	5,742,934	4,480,356	5,800,666	5,844,156
Unrestricted	4,254,350	4,187,841	5,556,822	4,839,735	6,350,644
Total Governmental Activities Net Position	33,838,873	34,836,678	36,241,099	38,277,429	38,544,153
Business-type Activities					
Invested in Capital Assets, net of related debt	26,899,892	27,293,907	28,224,160	29,842,062	30,955,704
Restricted	-	-	-	-	-
Unrestricted	4,538,012	5,082,649	5,758,921	6,975,786	7,152,347
Total Business-type Activities Net Position	31,437,904	32,376,556	33,983,081	36,817,848	38,108,051
Primary Government					
Invested in Capital Assets, net of related debt	51,667,752	52,199,810	54,428,081	57,479,090	57,305,057
Restricted	4,816,663	5,742,934	4,480,356	5,800,666	5,844,156
Unrestricted	8,792,362	9,270,490	11,315,743	11,815,521	13,502,991
Total primary Government Net Position	\$ 65,276,777	\$ 67,213,234	\$ 70,224,180	\$ 75,095,277	\$ 76,652,204

Notes:

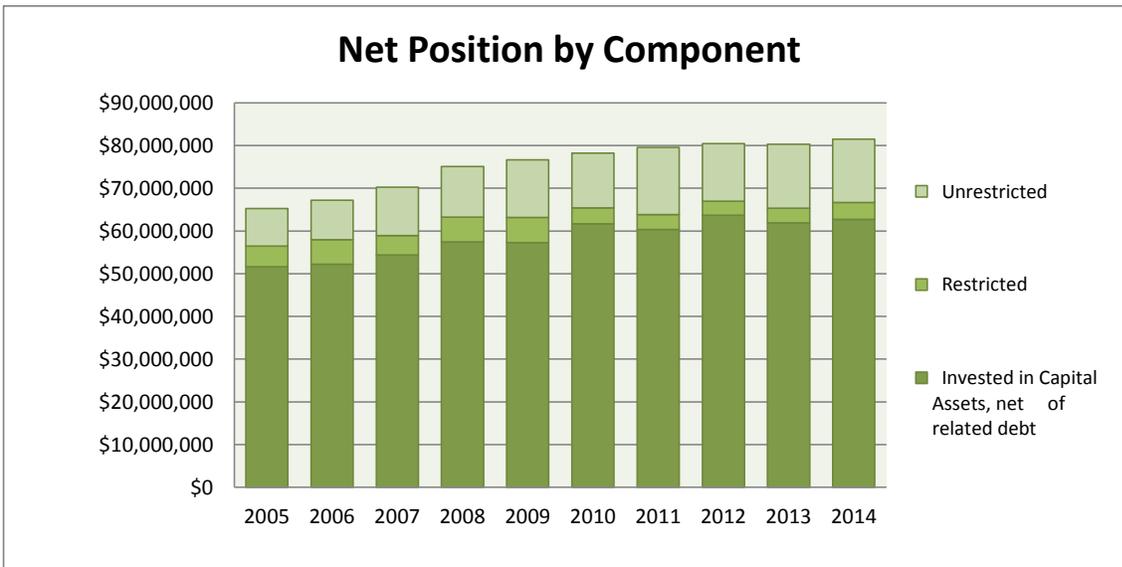
This table was prepared using the accrual basis of accounting.

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

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

**Table 1
(con't)**

	2010	2011	2012	2013	2014
Governmental Activities					
Invested in Capital Assets, net of related debt	\$ 29,678,651	\$ 29,411,511	\$ 29,623,108	\$ 29,633,485	\$ 29,782,035
Restricted	3,723,300	3,473,801	3,267,412	3,404,237	3,907,594
Unrestricted	5,465,135	6,208,414	6,721,773	6,517,398	6,354,282
Total Governmental Activities Net Position	38,867,086	39,093,726	39,612,293	39,555,120	40,043,911
Business-type Activities					
Invested in Capital Assets, net of related debt	32,039,888	30,930,532	34,092,915	32,299,561	32,970,341
Restricted	-	-	-	-	-
Unrestricted	7,333,724	9,526,905	6,724,136	8,477,760	8,489,135
Total Business-type Activities Net Position	39,373,612	40,457,437	40,817,051	40,777,321	41,459,476
Primary Government					
Invested in Capital Assets, net of related debt	61,718,539	60,342,043	63,716,023	61,933,046	62,752,376
Restricted	3,723,300	3,473,801	3,267,412	3,404,237	3,907,594
Unrestricted	12,798,859	15,735,319	13,445,909	14,995,158	14,843,417
Total primary Government Net Position	\$ 78,240,698	\$ 79,551,163	\$ 80,429,344	\$ 80,332,441	\$ 81,503,387



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

Table 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General Government	\$ 2,907,623	\$ 3,234,465	\$ 3,409,836	\$ 3,616,005	\$ 4,023,204	\$ 4,539,958	\$ 4,630,400	\$ 4,473,362	\$ 4,561,092	\$ 4,436,854
Public Safety	3,517,083	3,872,906	4,190,726	4,451,595	4,676,145	4,751,887	5,118,600	5,478,090	5,468,061	5,670,709
Transportation	1,136,916	1,301,081	1,305,999	1,365,948	1,821,185	1,593,589	1,436,648	1,441,791	1,574,115	1,338,289
Economic and Physical Development	362,863	409,535	521,189	616,011	791,424	667,356	956,340	722,591	690,132	649,207
Cultural and Recreation	1,390,433	1,555,104	1,586,789	1,733,563	1,820,968	1,587,332	1,549,640	1,542,961	1,583,940	1,543,440
Interest on Long Term Debt	-	11,952	24,183	14,989	177,670	225,648	212,328	199,536	183,766	165,401
Total Governmental Activities Expense	9,314,918	10,385,043	11,038,722	11,798,111	13,310,596	13,365,770	13,903,956	13,858,331	14,061,106	13,803,900
Total Business-Type Activity - Water and Sewer	3,949,406	4,089,521	4,435,308	4,649,136	5,214,994	5,783,760	6,056,432	6,390,539	6,461,289	6,747,867
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 13,264,324	\$ 14,474,564	\$ 15,474,030	\$ 16,447,247	\$ 18,525,590	\$ 19,149,530	\$ 19,960,388	\$ 20,248,870	\$ 20,522,395	\$ 20,551,767
Program revenues										
Governmental activities:										
Charges for Services										
General Governmental	\$ 369,577	\$ 354,292	\$ 396,096	\$ 452,649	\$ 673,830	\$ 830,364	\$ 840,476	\$ 853,392	\$ 865,514	\$ 797,893
Public Safety	345,798	390,331	390,343	500,431	509,706	493,485	501,715	507,750	522,653	502,252
Transportation	21,478	9,779	7,948	7,261	8,775	14,531	14,138	24,493	27,628	31,815
Economic and Physical Development	282,048	342,140	315,976	302,147	221,168	263,420	258,908	292,230	351,236	324,378
Cultural and Recreation	181,982	195,230	203,448	205,893	204,524	219,856	252,066	246,731	230,503	245,508
Cemetery	4,750	2,500	3,775	2,700	3,425	2,525	1,476	3,475	1,750	2,675
Operating Grants and Contributions										
General Governmental	161,498	17,142	159,492	42,514	90,726	67,145	55,392	49,114	42,953	50,933
Public Safety	40,027	72,249	42,826	29,578	9,611	65,701	180,566	335,492	20,382	10,759
Transportation	401,565	416,972	400,518	452,161	408,346	365,427	372,100	373,770	384,761	390,633
Cultural and Recreation	19,587	19,310	12,298	11,801	12,954	50,656	63,951	10,857	10,780	11,625
Capital Grants and Contributions										
General Governmental	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	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	82,049
Total Governmental Activities Program Revenues	2,347,530	2,059,646	2,497,699	2,806,703	2,528,639	2,431,770	2,963,544	3,064,778	2,458,160	2,450,520
Business-type Activity - Water and Sewer										
Charges for Services	4,416,409	4,481,797	4,880,712	5,481,535	5,440,474	6,093,301	6,468,773	6,132,490	6,334,083	7,032,234
Capital Grants and Contributions	549,868	379,848	899,119	1,727,424	878,600	1,114,990	605,535	524,399	114,981	325,909
Total Business Activity Program Revenues	4,966,277	4,861,645	5,779,831	7,208,959	6,319,074	7,208,291	7,074,308	6,656,889	6,449,064	7,358,143
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 7,313,807	\$ 6,921,291	\$ 8,277,530	\$ 10,015,662	\$ 8,847,713	\$ 9,640,061	\$ 10,037,852	\$ 9,721,667	\$ 8,907,224	\$ 9,808,663
Net Revenue (Expense)										
Governmental activities	\$ (6,967,388)	\$ (8,325,397)	\$ (8,541,023)	\$ (8,991,408)	\$ (10,781,957)	\$ (10,934,000)	\$ (10,940,412)	\$ (10,793,553)	\$ (11,602,946)	\$ (11,353,380)
Business-type activity	1,016,871	772,124	1,344,523	2,559,823	1,104,080	1,424,531	1,017,876	266,350	(12,225)	610,276
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ (5,950,517)	\$ (7,553,273)	\$ (7,196,500)	\$ (6,431,585)	\$ (9,677,877)	\$ (9,509,469)	\$ (9,922,536)	\$ (10,527,203)	\$ (11,615,171)	\$ (10,743,104)

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

**Table 2
(con't)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Ad Valorem Taxes	\$ 5,115,657	\$ 5,357,867	\$ 5,739,695	\$ 6,640,605	\$ 7,065,786	\$ 7,236,466	\$ 7,334,480	\$ 7,492,189	\$ 7,686,625	\$ 7,867,525
Alcoholic Beverage Tax	106,703	108,525	107,746	102,028	103,214	94,236	100,423	102,767	126,165	130,144
Franchise Taxes	-	-	-	652,800	739,237	737,932	741,169	724,017	705,527	748,619
Unrestricted Intergovernmental	3,185,874	3,377,304	3,513,520	3,017,903	2,758,140	2,749,947	2,817,894	2,838,253	2,944,945	2,956,816
Investment Earnings	185,066	411,382	555,046	495,007	249,154	109,546	51,884	40,750	27,625	22,239
Miscellaneous Revenue	109,746	68,124	28,187	119,395	133,350	47,231	91,648	102,699	90,090	99,493
Gain (Loss) on Disposal/Transfer of Capital Assets	-	-	-	-	-	24,875	29,554	11,445	(35,204)	17,335
Transfers	125,680	-	1,250	-	-	256,500	-	-	-	-
Total Governmental Activities	8,828,726	9,323,202	9,945,444	11,027,738	11,048,881	11,256,733	11,167,052	11,312,120	11,545,773	11,842,171
Business Type Activity										
Investment Earnings	82,998	174,593	245,894	250,211	139,023	65,120	43,368	87,363	50,237	43,666
Gain (Loss) on Disposal/Transfer of Capital Assets	-	-	13,274	-	5,205	13,829	-	-	(77,742)	28,213
Miscellaneous Revenue	(1,331)	(8,065)	4,084	24,733	41,895	18,581	22,581	5,901	8,216	-
Transfers	(125,680)	-	(1,250)	-	-	(256,500)	-	-	-	-
Total Business Type Activity	(44,013)	166,528	262,002	274,944	186,123	(158,970)	65,949	93,264	(19,289)	71,879
TOTAL PRIMARY GOVERNMENT GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS	\$ 8,784,713	\$ 9,489,730	\$ 10,207,446	\$ 11,302,682	\$ 11,235,004	\$ 11,097,763	\$ 11,233,001	\$ 11,405,384	\$ 11,526,484	\$ 11,914,050
Change in Net Assets										
Governmental Activities	\$ 1,861,338	\$ 997,805	\$ 1,404,421	\$ 2,036,330	\$ 266,924	\$ 322,733	\$ 226,640	\$ 518,567	\$ (57,173)	\$ 488,791
Business-type Activity	972,858	938,652	1,606,525	2,834,767	1,290,203	1,265,561	1,083,825	359,614	(31,514)	682,155
TOTAL PRIMARY GOVERNMENT CHANGE IN NET ASSETS	\$ 2,834,196	\$ 1,936,457	\$ 3,010,946	\$ 4,871,097	\$ 1,557,127	\$ 1,588,294	\$ 1,310,465	\$ 878,181	\$ (88,687)	\$ 1,170,946

Note:

This table was prepared using the accrual basis of accounting.

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

Table 3

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Non spendable	\$ 86,689	\$ 51,371	\$ 55,840	\$ 50,916	\$ 48,431
Restricted	922,713	1,061,610	1,167,583	1,130,360	1,108,514
Assigned	722,806	999,466	1,477,239	2,312,493	1,880,398
Unassigned	<u>3,851,812</u>	<u>4,322,040</u>	<u>4,492,831</u>	<u>4,978,986</u>	<u>4,941,658</u>
Total General Fund	<u>\$ 5,584,020</u>	<u>\$ 6,434,487</u>	<u>\$ 7,193,493</u>	<u>\$ 8,472,755</u>	<u>\$ 7,979,001</u>
All Other Governmental Funds					
Non spendable	\$ 26,322	\$ 29,916	\$ 35,366	\$ 39,681	\$ 44,009
Restricted	23,150	39,275	146,406	18,492	79,500
Committed	<u>3,844,478</u>	<u>3,871,723</u>	<u>3,131,001</u>	<u>2,603,637</u>	<u>4,612,133</u>
Total All Other Governmental Funds	<u>\$ 3,893,950</u>	<u>\$ 3,940,914</u>	<u>\$ 3,312,773</u>	<u>\$ 2,661,810</u>	<u>\$ 4,735,642</u>

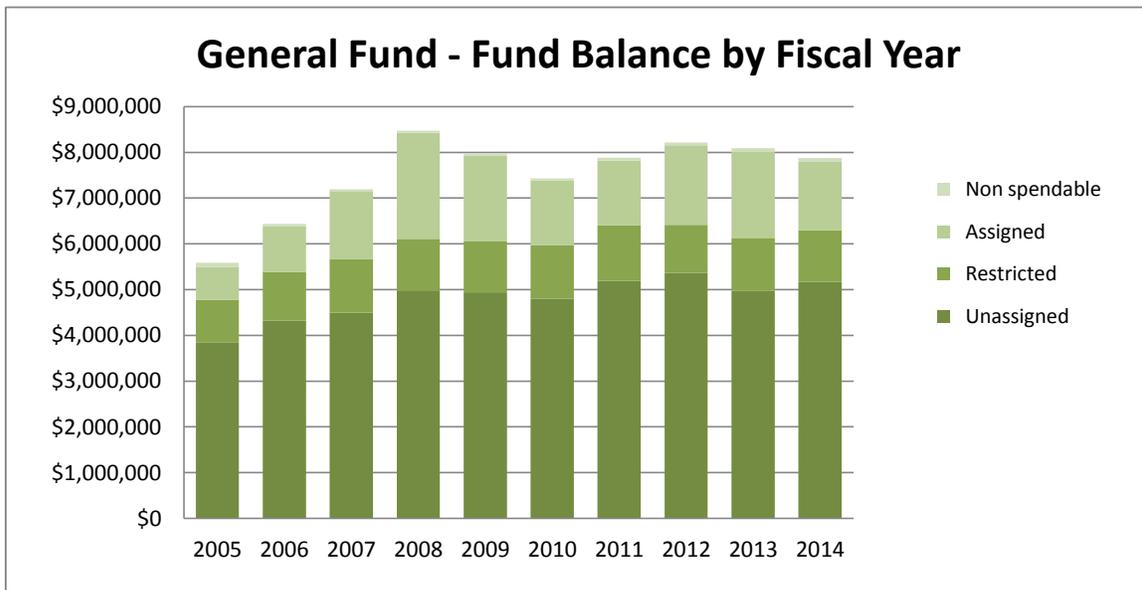
⁽¹⁾ This table was prepared using the modified accrual basis of accounting.

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

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

Table 3
(con't)

	2010	2011	2012	2013	2014
General Fund					
Non spendable	\$ 49,665	\$ 56,829	\$ 62,019	\$ 83,967	\$ 88,196
Restricted	1,165,344	1,213,725	1,052,932	1,152,374	1,125,069
Assigned	1,413,349	1,416,048	1,736,481	1,879,328	1,496,849
Unassigned	4,800,914	5,192,710	5,361,325	4,974,592	5,168,432
Total General Fund	<u>\$7,429,272</u>	<u>\$7,879,312</u>	<u>\$8,212,757</u>	<u>\$ 8,090,261</u>	<u>\$ 7,878,546</u>
All Other Governmental Funds					
Non spendable	\$ 46,999	\$ 48,605	\$ 52,286	\$ 54,189	\$ 56,971
Restricted	135,679	5,112	7,274	7,393	6,008
Committed	2,377,272	2,206,359	2,154,920	2,190,281	2,719,546
Total All Other Governmental Funds	<u>\$2,559,950</u>	<u>\$2,260,076</u>	<u>\$2,214,480</u>	<u>\$ 2,251,863</u>	<u>\$ 2,782,525</u>



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

Table 4

	2005	2006	2007	2008	2009
REVENUES					
Ad Valorem Taxes	\$ 5,124,600	\$ 5,368,600	\$ 5,723,821	\$ 6,647,580	\$ 7,061,426
Other Taxes and Licenses	304,481	313,068	284,209	354,155	359,724
Unrestricted Intergovernmental	3,034,523	3,232,429	3,386,298	3,470,473	3,290,432
Restricted Intergovernmental	583,124	438,358	432,483	474,260	457,268
Permits and Fees	351,384	376,835	360,075	353,271	241,842
Sales and Services	516,880	531,997	553,902	638,939	869,899
Investment Earnings	185,065	411,384	555,046	495,009	249,154
Grant Proceeds	250,000	3,000	117,000	-	-
Developers Contributions	2,000	234,083	381,620	783,034	377,699
Other	438,185	502,579	493,691	612,556	639,165
TOTAL REVENUES	10,790,242	11,412,333	12,288,145	13,829,277	13,546,609
EXPENDITURES					
Current:					
General Government	2,816,484	3,130,199	3,299,983	3,499,763	3,846,334
Public Safety	3,294,457	3,658,260	3,907,353	4,197,139	4,403,315
Transportation	733,431	909,276	920,422	977,346	1,398,167
Economic and Physical Development	352,796	399,600	511,156	609,260	785,403
Cultural and Recreational	1,238,137	1,400,245	1,437,678	1,566,740	1,659,736
Debt Service:					
Principal	-	65,786	134,913	139,494	360,897
Interest	-	11,952	20,562	15,983	132,472
Capital Outlay	1,538,894	1,649,584	1,926,463	2,195,253	5,880,207
TOTAL EXPENDITURES	9,974,199	11,224,902	12,158,530	13,200,978	18,466,531
REVENUES OVER (UNDER) EXPENDITURES	816,043	187,431	129,615	628,299	(4,919,922)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	710,000	-	-	6,500,000
Transfers From Other Funds	3,397,930	118,360	1,250	1,356,066	194,045
Transfers to Other funds	(3,272,250)	(118,360)	-	(1,356,066)	(194,045)
TOTAL OTHER FINANCING SOURCES (USES)	125,680	710,000	1,250	-	6,500,000
NET CHANGE IN FUND BALANCE	941,723	897,431	130,865	628,299	1,580,078
FUND BALANCE - Beginning of Year	8,536,247	9,477,970	10,375,401	10,506,266	11,134,565
Prior Period Adjustment	-	-	-	-	-
FUND BALANCE - End of Year	\$ 9,477,970	\$ 10,375,401	\$ 10,506,266	\$ 11,134,565	\$ 12,714,643
Debt Service as a percentage of non-capital expenditures	0.0%	0.8%	1.5%	1.4%	3.9%

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)**

	2010	2011	2012	2013	2014
REVENUES					
Ad Valorem Taxes	\$ 7,235,515	\$ 7,313,650	\$ 7,492,635	\$ 7,691,550	\$ 7,887,032
Other Taxes and Licenses	369,932	353,827	382,156	248,555	218,351
Unrestricted Intergovernmental	3,236,089	3,344,825	3,342,941	3,593,381	3,654,511
Restricted Intergovernmental	500,288	646,318	686,179	413,121	412,577
Permits and Fees	309,678	297,073	303,210	411,271	371,559
Sales and Services	1,036,689	1,084,292	1,102,639	1,091,706	1,042,411
Investment Earnings	109,546	51,884	40,750	27,625	22,239
Grant Proceeds	-	340,000	-	-	-
Developers Contributions	(10,391)	-	-	-	-
Other	622,814	616,458	652,850	633,914	595,846
TOTAL REVENUES	13,410,160	14,048,327	14,003,360	14,111,123	14,204,526
EXPENDITURES					
Current:					
General Government	4,603,940	4,324,429	4,318,764	4,545,938	4,405,761
Public Safety	4,800,342	5,345,304	5,797,096	5,189,227	5,431,602
Transportation	1,351,346	1,029,229	1,215,914	1,410,762	1,094,682
Economic and Physical Development	665,165	959,010	718,211	692,954	695,612
Cultural and Recreational	1,456,068	1,514,954	1,407,251	1,588,302	1,505,032
Debt Service:					
Principal	582,459	509,784	506,967	582,228	584,425
Interest	236,677	215,451	201,308	186,825	168,465
Capital Outlay	2,696,084	-	-	-	-
TOTAL EXPENDITURES	16,392,081	13,898,161	14,165,511	14,196,236	13,885,579
REVENUES OVER (UNDER) EXPENDITURES	(2,981,921)	150,166	(162,151)	(85,113)	318,947
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	-	450,000	-	-
Transfers From Other Funds	1,122,944	235,220	200,000	382,500	770,000
Transfers to Other funds	(866,444)	(235,220)	(200,000)	(382,500)	(770,000)
TOTAL OTHER FINANCING SOURCES (USES)	256,500	-	450,000	-	-
NET CHANGE IN FUND BALANCE	(2,725,421)	150,166	287,849	(85,113)	318,947
FUND BALANCE - Beginning of Year	12,714,643	9,989,222	10,139,388	10,427,237	10,342,124
Prior Period Adjustment	-	-	-	-	-
FUND BALANCE - End of Year	\$ 9,989,222	\$ 10,139,388	\$ 10,427,237	\$ 10,342,124	\$ 10,661,071
Debt Service as a percentage of non-capital expenditures	6.4%	5.5%	5.4%	5.7%	5.7%

REVENUE CAPACITY INFORMATION

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

Table 5

Fiscal Year	Assessed Value ⁽¹⁾			Property Tax Rate ⁽³⁾	Percent Increase in Value ⁽⁴⁾	
	Real Property	Personal Property ⁽²⁾	Public Service Companies			
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%
2013	1,986,569,105	175,936,820	25,197,699	2,187,703,624	0.35	2.6%
2014	2,003,125,666	218,312,023	23,571,943	2,245,009,632	0.35	2.6%

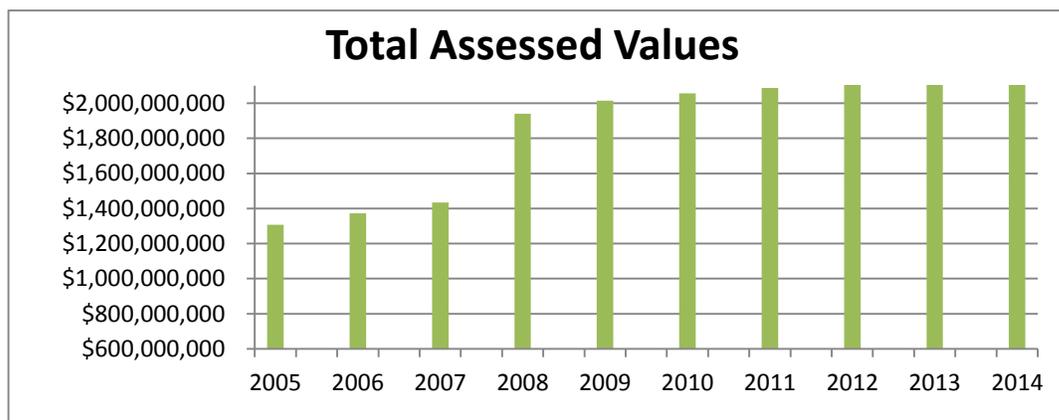
NOTES:

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

⁽²⁾ Includes vehicles.

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

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



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

Table 6

Fiscal Year	Tax Year	Town of Southern Pines			Overlapping Rate
		Operating Millage	Debt Service Millage	Total Town Millage	County of Moore ⁽¹⁾
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
2013	2012	0.35	-	0.35	0.485
2014	2013	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 2007.

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

Source: Moore County Tax Office.

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

Table 7

Taxpayer	Type of Enterprise	2013			2004		
		Total Assessed Value ⁽¹⁾	Rank	Percent of Town's Assessed Valuation	Total Assessed Value	Rank	Percent of Town's Assessed Valuation
Forest Creek	Golf Course	\$ 49,109,850	1	2.19%	\$ 23,451,987	1	1.79%
Pinecrest Plaza	Retail	24,344,970	2	1.08%	14,140,530	4	1.08%
Mid Pines	Golf Course/Hotel	20,033,050	3	0.89%	17,995,574	2	1.38%
Hendricks Southern Pines	Retail	17,229,140	4	0.77%	⁽²⁾	-	-
Claude Smith Enterprises	Retail	12,939,650	5	0.58%	7,608,940	9	0.58%
Southern Pines Retirement	Retirement Community	11,884,780	6	0.53%	⁽²⁾	-	-
Progress Energy	Utility	10,863,914	7	0.48%	9,340,446	6	0.71%
Ingersoll Rand	Manufacturing	8,606,464	8	0.38%	8,230,667	7	0.63%
SAM Southern Pines LLC	Retail	7,720,080	9	0.34%	⁽²⁾	-	-
National Golf Club, Inc.	Golf Course	7,680,170	10	0.34%	15,697,098	3	1.20%
Plantation Investors	Golf Course	⁽²⁾	-	-	10,995,030	5	0.84%
Elks Home of Southern Pines	Golf Course	⁽²⁾	-	-	7,684,662	8	0.59%
IR First of North Carolina	Retail	⁽²⁾	-	-	7,504,210	10	0.57%
		<u>\$ 170,412,068</u>		<u>7.58%</u>	<u>\$ 122,649,144</u>		<u>9.37%</u>

SOURCE: Moore County Tax Department

NOTES:

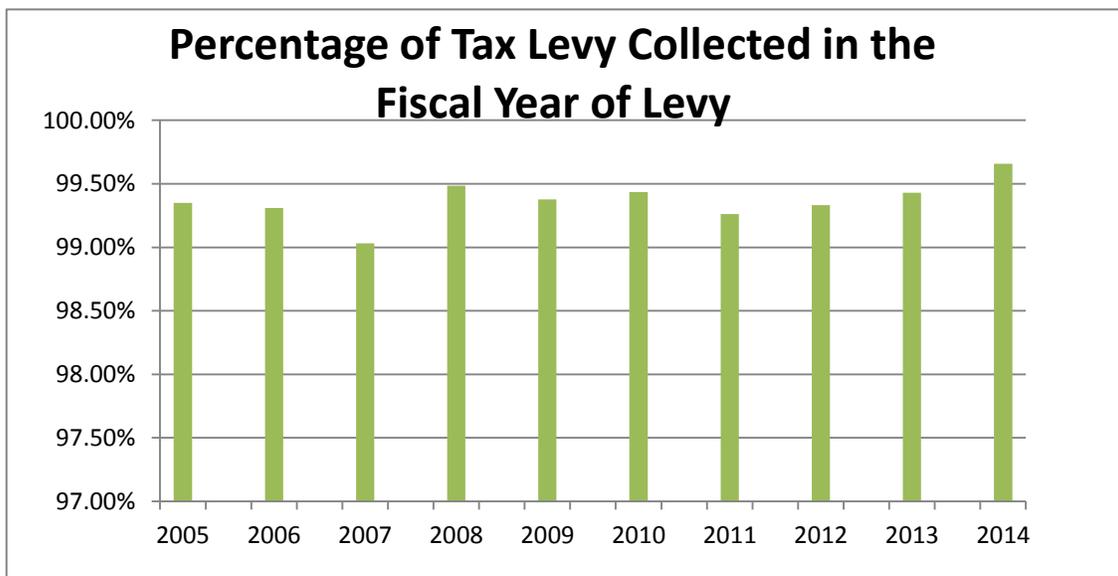
⁽¹⁾ 2013 Assessed value represents taxes assessed and due in the fiscal year ended June 30, 2014, and 2004 represents taxes assessed and due in the fiscal year ended June 30, 2005.

⁽²⁾ Not within top ten ranking.

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

Table 8

Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date		
			Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2005	2004	\$ 5,103,210	\$ 5,070,274	99.35%	\$ 12,607	\$ 5,082,881	99.60%
2006	2005	5,356,356	5,319,159	99.31%	19,504	5,338,663	99.67%
2007	2006	5,745,118	5,689,467	99.03%	37,544	5,727,011	99.68%
2008	2007	6,624,019	6,589,903	99.48%	26,714	6,616,617	99.89%
2009	2008	7,050,041	7,006,217	99.38%	36,431	7,042,648	99.90%
2010	2009	7,211,587	7,170,862	99.44%	32,788	7,203,650	99.89%
2011	2010	7,311,009	7,257,129	99.26%	43,934	7,301,063	99.86%
2012	2011	7,465,959	7,416,155	99.33%	36,984	7,453,139	99.83%
2013	2012	7,663,758	7,620,110	99.43%	18,666	7,638,776	99.67%
2014	2013	7,859,930	7,833,116	99.66%	-	7,833,116	99.66%



DEBT CAPACITY INFORMATION

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

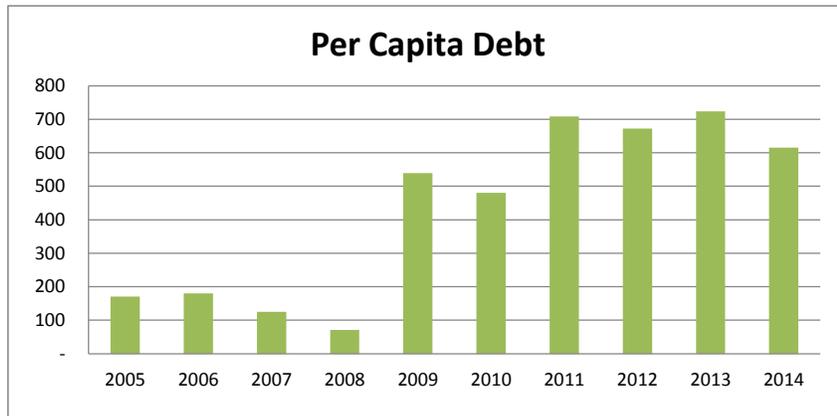
Table 9

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita ⁽²⁾
	General Obligation Bonds	Installment Financing	Capital Leases	General Obligation Bonds	Installment Financing	Capital Leases			
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	1.41%	540
2010	-	5,926,451	-	-	-	-	5,926,451	1.27%	480
2011	-	5,416,667	-	-	3,351,598	-	8,768,265	1.80%	708
2012	-	5,359,700	-	-	3,047,183	-	8,406,883	1.65%	672
2013	-	4,777,471	-	-	4,332,330	-	9,109,801	⁽³⁾	724
2014	-	4,193,047	-	-	3,859,611	-	8,052,658	⁽³⁾	615

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

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

⁽³⁾ Information not yet available.



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

Table 10

Fiscal Year	Assessed Value	Debt Limit 8% of Total Assessed Value	Less: Amount of debt applicable to debt limit - net bonded debt ⁽¹⁾	Less: General Obligation Bonds authorized, not issued	Legal Debt Margin
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
2013	2,187,703,624	175,016,290	9,109,801	-	165,906,489
2014	2,245,009,632	179,600,771	8,052,658	-	171,548,113

⁽¹⁾ Net Bonded Debt Calculation for FY 2014

Utility General Obligation Bonds	\$ -
Installment financing	8,052,658
	<u>8,052,658</u>
Statutory Deductions:	
Bonded debt included in gross debt incurred for water	-
	<u>\$ 8,052,658</u>

TOWN OF SOUTHERN PINES
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2014

Table 11

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit:			
Debt repaid with property taxes: Moore County ⁽²⁾	\$ 89,342,769	18.08%	<u>\$ 16,153,173</u>
Subtotal, overlapping debt			16,153,173
Town of Southern Pines direct debt			<u>4,193,047</u>
Total direct and overlapping debt			<u><u>\$ 20,346,220</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.

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

⁽²⁾ Information provided by Moore County Finance Department.

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Table 12

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Moore County Personal Income (in millions) ⁽²⁾</u>	<u>Moore County Per Capita Personal Income ⁽³⁾</u>	<u>Median Age ⁽⁴⁾</u>	<u>Moore County Unemployment Rate ⁽⁵⁾</u>
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	39,562	41.9	6.2%
2009	12,450	3,216	38,152	41.9	10.7%
2010	12,334	3,271	37,873	44.6	9.9%
2011	12,384	3,438	39,320	45.0	9.5%
2012	12,502	3,669	40,636	47.0	8.9%
2013	12,587	⁽⁶⁾	⁽⁶⁾	47.0	8.8%
2014	13,089	⁽⁶⁾	⁽⁶⁾	45.3	6.0%

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

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

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

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

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

⁽⁶⁾ Information not yet available.

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

Table 13

<u>Employer</u>	2014		Percentage of Total County Employment
	<u>Employees</u>	⁽¹⁾ <u>Rank</u>	
First Health of the Carolinas, Inc.	1,000 & over	1	N/A
Moore County Schools	1,000 & over	2	N/A
Pinehurst, Inc.	1,000 & over	3	N/A
County of Moore	500 - 999	4	N/A
Sandhills Community College	500 - 999	5	N/A
St. Joseph of the Pines	500 - 999	6	N/A
Wal-Mart Associates, Inc.	250 - 499	7	N/A
Pinehurst Medical Clinic, Inc.	250 - 499	8	N/A
Trident Management, Inc.	250 - 499	9	N/A
Food Lion, LLC	250 - 499	10	N/A
Total	N/A		N/A

Source: Department of Commerce, Labor and Economic Analysis Division, QCEW Unit

Note: Data is not available for nine years ago and cannot be segregated for Southern Pines, data above is for Moore County.

⁽¹⁾ Per the NC Employment Security Commission, Labor Market Division Employee figures were compiled for statistical purposes on a range basis only.

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

Table 14

Fiscal Year	Residential		Building Permits ⁽¹⁾ Commercial		Total		Bank Deposits ⁽²⁾
	Number	Value	Number	Value	Number	Value	
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	70	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	26,110,231	1,699,000,000
2013	122	25,551,818	19	6,106,980	141	31,658,798	1,669,601,000
2014	115	26,339,766	12	27,396,373	127	53,736,139	⁽³⁾

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

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

⁽³⁾ Information is unavailable.

OPERATING INFORMATION

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

Table 15

Function/Program	Full-time Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration	8.5	9.5	9.5	9.5	10.5	10.5	10.5	10.5	10.5	11.0
Information Technology ⁽¹⁾	-	-	-	-	-	2.0	2.0	2.0	2.0	2.0
Public works administration	2.0	2.5	2.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Garage	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Building & Grounds	16.0	18.0	18.0	18.0	19.0	19.0	19.0	19.0	19.0	21.0
Public safety										
Police ⁽³⁾	38.0	38.5	39.5	39.5	39.5	40.5	40.5	41.5	41.5	42.5
Fire ^{(2) (3)}	19.0	22.5	22.5	24.5	24.5	24.5	27.5	27.5	27.5	27.5
Transportation	8.0	8.0	8.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0
Economic and physical development	5.0	6.0	6.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Cultural and recreation										
Recreation ⁽³⁾	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Library ⁽³⁾	10.0	11.0	11.0	11.0	11.0	9.0	9.0	9.0	9.0	9.0
Water/Sewer (Business activity)	16.5	16.5	19.5	20.5	20.5	20.5	21.5	21.5	21.5	22.0
Total	<u>131.0</u>	<u>141.0</u>	<u>145.0</u>	<u>153.0</u>	<u>156.0</u>	<u>157.0</u>	<u>161.0</u>	<u>162.0</u>	<u>162.0</u>	<u>166.0</u>

Source: Town of Southern Pines Finance Department

⁽¹⁾ Department was created in FY 2010

⁽²⁾ Does not include volunteer personnel

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

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

Table 16

Function/Program	2005	2006	2007	2008	2009
Public Safety					
Police					
Number of Part 1 Crimes	739	744	857	935	805
Number of Arrests	806	1,011	960	871	833
Number of Citations	2,901	2,901	2,241	2,009	2,165
Fire					
Number of Fire Calls Answered	998	1,211	832	1,197	1,393
Number of EMS Calls Answered	108	100	101	235	183
Number of Hazard Condition Calls Answered	(2)	(2)	(2)	(2)	(2)
Number of Service Calls Answered	(2)	(2)	(2)	(2)	(2)
Number of Good Intent Calls Answered	(2)	(2)	(2)	(2)	(2)
Number of False Alarm Calls Answered	(2)	(2)	(2)	(2)	(2)
Number of Weather Related Calls Answered	(2)	(2)	(2)	(2)	(2)
Number of Fire Inspections	1,009	1,132	1,029	1,409	1,642
Planning & Inspections					
Planning					
Conditional use Permits Issued	4	4	2	-	1
Final Plats	11	30	40	20	34
Rezoning Applications/Ordinance Amendments	9	9	20	9	15
Annexations	5	6	6	4	-
Inspections					
Building Permits Issued	184	234	216	163	75
Alteration or Addition Permits	175	407	238	153	139
Electrical Permits	106	96	112	88	62
Mechanical Permits	207	253	348	301	323
Plumbing Permits	73	69	66	66	62
Cultural and Recreational					
Recreation and Parks					
Recreational Program Hours	5,890	5,840	5,797	5,517	6,126
Enrolled Participants	17,441	16,890	18,087	21,300	18,230
Reservoir Park Visitors ⁽¹⁾	157,457	171,243	170,423	155,382	143,492
Library					
Total Circulation	118,756	116,970	123,813	134,119	122,510
Library Attendance	96,916	92,261	92,887	101,083	100,655
Library Users Registered	6,287	6,370	6,414	6,383	6,507
Total Programs Held	414	384	376	484	435
Total Attendance at Programs	8,387	7,878	8,350	9,529	8,016
Water					
Water Plant Capacity (millions of gallons per day)	11	11	11	11	11
Number of Utility Customers	7,350	7,536	7,760	7,942	8,042

Source: Town of Southern Pines Department Directors

⁽¹⁾ Amounts are estimated.

⁽²⁾ Information is not available.

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

Table 16
(cont.)

Function/Program	2010	2011	2012	2013	2014
Public Safety					
Police					
Number of Part 1 Crimes	747	856	618	630	668
Number of Arrests	651	943	581	522	531
Number of Citations	1,541	2,509	1,792	1,693	1,223
Fire					
Number of Fire Calls Answered	1,235	1,059	942	89	107
Number of EMS Calls Answered	211	615	649	849	640
Number of Hazard Condition Calls Answered	(2)	(2)	(2)	86	76
Number of Service Calls Answered	(2)	(2)	(2)	96	307
Number of Motor Vehicle Accidents	(2)	(2)	(2)	141	252
Number of Fire Alarm Calls Answered	(2)	(2)	(2)	297	332
Number of Weather Related Calls Answered	(2)	(2)	(2)	47	9
Number of Fire Inspections	1,575	1,876	1,811	1,956	2,470
Planning & Inspections					
Planning					
Conditional use Permits Issued	2	3	8	2	6
Final Plats	28	15	8	5	15
Rezoning Applications/Ordinance Amendments	32	14	5	5	5
Annexations	2	-	2	-	-
Inspections					
Building Permits Issued	72	102	85	144	127
Alteration or Addition Permits	137	162	180	198	189
Electrical Permits	69	102	88	105	107
Mechanical Permits	315	323	300	396	477
Plumbing Permits	94	68	73	74	76
Cultural and Recreational					
Recreation and Parks					
Recreational Program Hours	7,221	7,872	8,630	8,540	7,736
Enrolled Participants	19,840	23,469	25,378	24,090	22,613
Reservoir Park Visitors ⁽¹⁾	175,629	173,021	200,143	190,444	215,007
Library					
Total Circulation	122,033	117,667	118,496	119,559	122,813
Library Attendance	107,530	97,969	93,863	88,137	84,993
Library Users Registered	6,468	6,254	6,212	6,233	6,275
Total Programs Held	502	498	462	465	466
Total Attendance at Programs	9,739	8,737	9,677	11,556	12,029
Water					
Water Plant Capacity (millions of gallons per day)	11	11	11	11	11
Number of Utility Customers	8,192	8,139	8,158	8,342	8,690

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

Table 17

	2005	2006	2007	2008	2009
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	20	21	22	24	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	13	13	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	5	5	6	7	7
Public Works and Utilities					
Streets					
Miles of Paved Streets	77.69	77.73	78.62	78.62	78.65
Miles of Unpaved Streets	1.53	1.53	1.41	1.41	1.41
Water					
Number of Hydrants ⁽¹⁾	1,175	1,195	1,233	1,285	1,290
Water Mains (miles)	226	228	235	239	241
Number of Utility Customers (accounts)	7,350	7,536	7,760	7,942	8,042

Source: Town of Southern Pines Department Directors

⁽¹⁾ Amounts are estimated.

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

Table 17
(cont.)

	2010	2011	2012	2013	2014
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	27	27	27	23	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	2
Number of Lakes	1	1	1	1	2
Number of Picnic Shelters	7	7	7	7	7
Public Works and Utilities					
Streets					
Miles of Paved Streets	78.65	78.76	78.92	78.92	78.96
Miles of Unpaved Streets	1.41	1.34	1.34	1.34	1.30
Water					
Number of Hydrants ⁽¹⁾	1,302	1,345	1,352	1,420	1,311
Water Mains (miles)	245	248	249	223	223
Number of Utility Customers (accounts)	8,192	8,139	8,158	8,342	8,690

**TOWN OF SOUTHERN PINES
INSURANCE IN FORCE ⁽¹⁾
July 1, 2013 - June 30, 2014**

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	6,049,393 1,000	Actual Cash Value Valuation Deductible
Auto Collision	6,049,393 1,000	Actual Cash Value Valuation Deductible
Real & Personal Property	60,048,945 2,500	Cause of Loss Deductible per Occurrence Includes Boiler & Machinery
Municipal Equipment	1,345,909 2,500	Limits of Coverage Deductible per Occurrence
Fine Arts	684,075 1,000	Limits of Coverage Deductible per Occurrence

Source: Town of Southern Pines Risk Management Department

**TOWN OF SOUTHERN PINES
INSURANCE IN FORCE ⁽¹⁾
July 1, 2013 - June 30, 2014**

**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

⁽¹⁾ Represents insurance in force on July 1, 2013. Insurance was renewed on July 1, 2014 for the fiscal year ended June 30, 2015.

**TOWN OF SOUTHERN PINES
 UTILITY RATE INFORMATION
 Fiscal Year 2014 Approved Operating Budget Ordinance**

Table 19

WATER RATES

Minimum Charge

<u>Meter Size</u>	<u>Inside Town</u>	<u>Outside Town</u>
3/4"	\$ 10.93	\$ 21.86
1"	17.94	35.88
1 1/2"	37.92	75.84
2"	65.91	131.82
3"	145.95	291.90
4"	257.92	515.84
6"	578.01	1,156.02
8"	1,026.10	2,052.20

Volume Charge per 1,000 Gallons

<u>Inside Town</u>	<u>Outside Town</u>
\$ 3.18	\$ 6.36

SEWER RATES

Minimum Charge

<u>Meter Size</u>	<u>Inside Town</u>	<u>Outside Town</u>
3/4"	\$ 4.30	\$ 8.60
1"	5.62	11.24
1 1/2"	9.26	18.52
2"	14.42	28.84
3"	29.09	58.18
4"	49.60	99.20
6"	108.30	216.60
8"	190.46	380.92

Volume Charge per 1,000 Gallons

<u>Inside Town</u>	<u>Outside Town</u>
\$ 5.04	\$ 10.08



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

**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**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Southern Pines' basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Southern Pines' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Southern Pines' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Southern Pines' internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

October 27, 2014

TOWN OF SOUTHERN PINES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

<u>Grantor/pass through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>	<u>State expenditures</u>	<u>Local expenditures</u>
<u>Federal Institute of Museum and Library Services</u>				
Passed through North Carolina Department of Cultural Services				
State Library of North Carolina				
Library Services and Technology Act - EZ Literacy & Lifelong Learning	45.310	\$ 3,465	\$ -	\$ 3,850
<u>U.S. Department of Justice</u>				
Office of Justice Programs, BVP Partnership Grant				
2012BUBX12060428	16.607	<u>3,567</u>	<u>-</u>	<u>3,567</u>
Total assistance - federal programs		<u>7,032</u>	<u>-</u>	<u>7,417</u>
State Grants:				
Cash Programs:				
<u>N.C. Department of Cultural Resources:</u>				
State Aid to Libraries		-	6,896	-
Grassroots Arts Program		-	1,219	-
<u>N.C. Department of Transportation:</u>				
Powell Bill		<u>-</u>	<u>390,633</u>	<u>-</u>
Total assistance - state programs		<u>-</u>	<u>398,748</u>	<u>-</u>
TOTAL ASSISTANCE		<u>\$ 7,032</u>	<u>\$ 398,748</u>	<u>\$ 7,417</u>