

Town of Southern Pines North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

Prepared by the Department of Finance

Crystal J. Gabric, Director of Finance



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Town of Southern Pines, North Carolina

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Introductory Section



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

October 31, 2017

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, 2017 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, 2017, 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, 2017, are fairly presented in conformity with GAAP. The independent auditors' 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 auditors' 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 2017 population of approximately 13,756 and encompasses 16.80 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 twenty ninth. Tourism revenues generated \$441.84 million dollars.

The Town continues to experience economic growth in the wake of the national economic slowdown. Southern Pines continues to attract significant new retail and residential development.

Phase I of construction of the Tyler's Ridge planned residential development has been completed which includes 144 apartments. Phase II should be completed in 2018, which includes an additional 72 apartments. In addition, the Tyler's Ridge commercial development was partially completed as of June 30, 2017.

During 2017, construction was completed on the Legends at Morganton Park, which contains 288 apartment units. Units are currently near 100% occupancy.

Phase 1 of both the Morganton Park North and Morganton Park South Development were completed in 2017. These developments include large-scale retail, restaurants and office establishments. The Town anticipates that construction will continue on the next phase in 2018.

The Knollwood Tract planned development, which is a 538 acre mixed use development, received its first incremental master development plan approval in 2017. The approval was for 86 single family homes.

Redevelopment continued to occur in the Town during 2017 with more anticipated in the near future. In addition, there are several re-development projects that have been completed, such as the Southern Pines Village commercial development, which continues to increase its occupancy in 2017. Two major redevelopments projects include the Pinehurst Toyota on US Highway 15-501 and Crossroads Ford Lincoln on US Highway 1.

The Town enjoys a vibrant downtown area with retail, restaurants and offices that are complemented with a diversity of housing types. The Town has seen an influx of townhome and single family detached developments in the downtown area in 2017 that are scheduled for completion in 2018.

According to the Livability website, the Town of Southern Pines continues to rank number 30 in the top 100 best small towns in the United States. The top 100 towns are based upon good schools, hospitals, climate and infrastructure to name a few of the guiding principles of the ranking process. In addition, Southern Pines was recognized as number 25 of the top 50 best small town's in America by Newsmax.

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 provides 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 2017 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.

Progress continued on the renovation of two of the Town parks. The renovation includes playground equipment replacement, the construction of a performance stage and the installation of trails.

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.

Paving of unimproved streets within the Town continued in 2017 with the paving of Riding Lane. Sewer and water line replacements and improvements also continued during 2017 as well as continued construction and improvements of various sidewalks in the Town.

AWARDS AND ACKNOWLEDGEMENTS

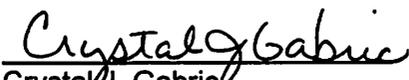
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Southern Pines, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twenty sixth 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 comprehensive annual financial 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 W. Gabric
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

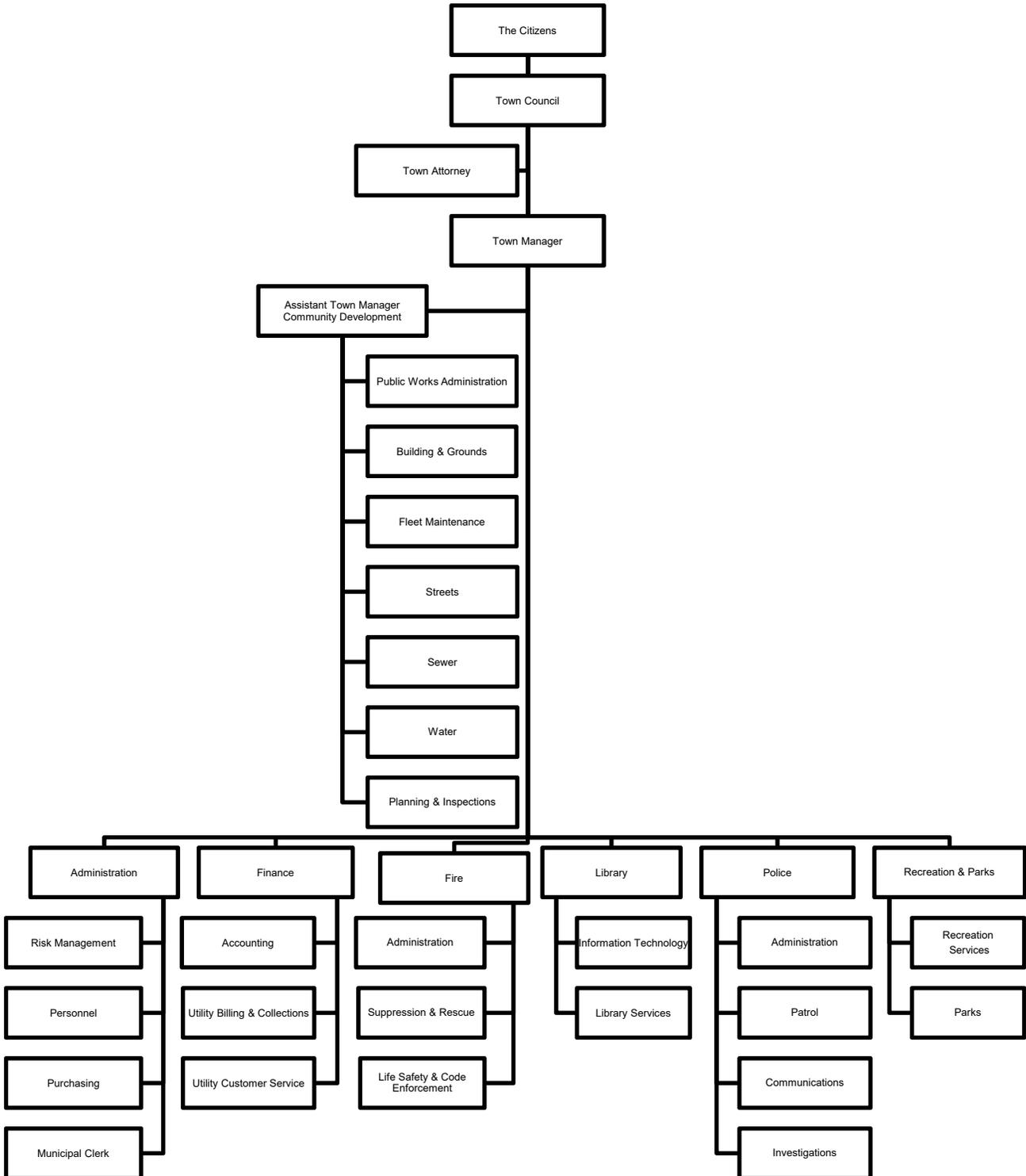
**Town of Southern Pines
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

TOWN OF SOUTHERN PINES Organizational Chart



TOWN OF SOUTHERN PINES
LIST OF PRINCIPAL OFFICIALS
June 30, 2017

TOWN COUNCIL

W. David McNeill	Mayor
James R. Simeon	Mayor Pro-tem
Fred C. Walden	Treasurer
Carol R. Haney	Council Member
Teresa M. VanCamp (Hanf)	Council Member

TOWN OFFICIALS

Reagan D. Parsons	Town Manager
Douglas R. Gill	Town Attorney
Christopher F. Kennedy	Assistant Town Manager – Director of Community Development
Crystal J. Gabric	Director of Finance
Mike Cameron	Fire Chief
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

Financial Section

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, the fiduciary funds, each major fund, and the aggregate remaining fund information of the Town of Southern Pines, North Carolina ("Town") as of and for the year ended June 30, 2017, 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, the fiduciary funds, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2017, 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.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during 2017 the Town of Southern Pines implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions*, which resulted in a cumulative effect adjustment to net position as of the beginning of the year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability and Schedules of Employer Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 financial 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. 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. In our opinion, based on our audit, the procedures performed as described above, the combining 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.



The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of Town's 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's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**High Point, North Carolina
October 31, 2017**

**Town of Southern Pines
Management's Discussion and Analysis
June 30, 2017**

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, 2017. 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

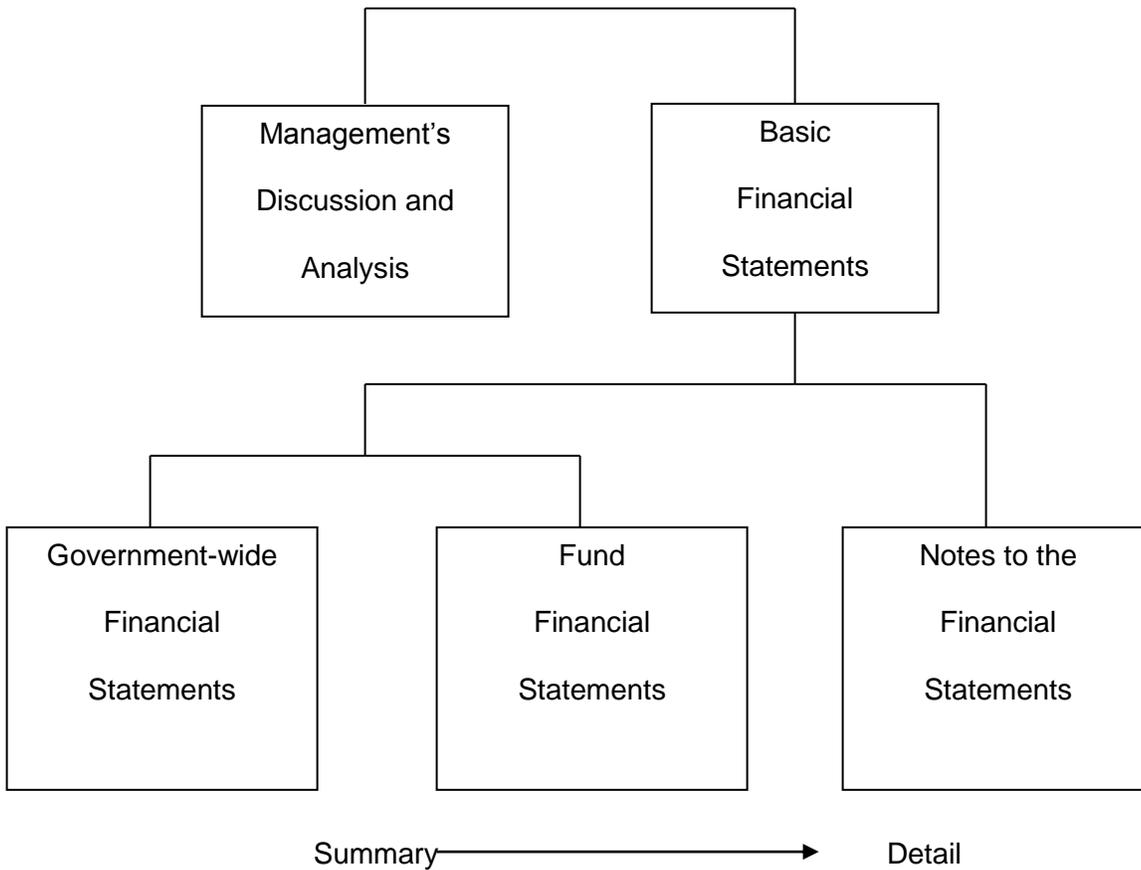
- The assets and deferred outflows of resources of the Town of Southern Pines exceeded its liabilities at the close of the fiscal year by \$89,377,426 (net position).
- The government's total net position increased by \$2,972,269, due to an increase in both the governmental activities and the business type activities net position due to lower than expected expenditures/expenses and higher than expected revenues.
- As of the close of the current fiscal year, the Town of Southern Pines governmental funds reported combined ending fund balances of \$12,897,204, an increase of \$1,270,387 in comparison with the prior year. Approximately 12.65 percent of this total amount, or \$1,631,963, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,330,949 or 42.01 percent of total General Fund expenditures for the fiscal year.
- The Town of Southern Pines' total debt increased by \$2,245,043 or 28.27 percent during the current fiscal year. The net increase was due to the net pension liability for the LGERS and the LEO pension liability.
- The Town maintained its A2 bond rating from Moody's Investors Services for the 19th consecutive year as well as its AA- from Standard and Poor's for the 9th 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 32 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 58 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

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	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 13,924,749	\$ 13,043,798	\$ 12,695,158	\$ 11,159,740	\$ 26,619,907	\$ 24,203,538
Capital assets	35,647,365	36,042,035	36,347,360	36,906,010	71,994,725	72,948,045
Total assets	49,572,114	49,085,833	49,042,518	48,065,750	98,614,632	97,151,583
Deferred outflows of resources						
Pension	2,328,391	501,887	234,363	51,767	2,562,754	553,654
Total deferred outflows of resources	2,328,391	501,887	234,363	51,767	2,562,754	553,654
Liabilities						
Long term liabilities outstanding	7,517,281	4,964,015	2,668,656	2,976,879	10,185,937	7,940,894
Other liabilities	912,495	1,279,482	467,844	681,917	1,380,339	1,961,399
Total Liabilities	8,429,776	6,243,497	3,136,500	3,658,796	11,566,276	9,902,293
Deferred inflows of resources						
Pension	215,129	337,228	18,555	34,783	233,684	372,011
Total deferred inflows of resources	215,129	337,228	18,555	34,783	233,684	372,011
Net position:						
Net investment in capital assets	32,711,835	32,437,390	33,991,050	34,033,968	66,702,885	66,471,358
Restricted	1,519,740	1,411,213	-	-	1,519,740	1,411,213
Unrestricted	9,024,025	9,158,392	12,130,776	10,389,970	21,154,801	19,548,362
Total net position, previously reported	\$ 43,255,600	\$ 43,006,995	\$ 46,121,826	\$ 44,423,938	\$ 89,377,426	\$ 87,430,933
Cumulative effect adjustment	-	(1,025,776)	-	-	-	(1,025,776)
Total net position, ending	\$ 43,255,600	\$ 41,981,219	\$ 46,121,826	\$ 44,423,938	\$ 89,377,426	\$ 86,405,157

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 \$89,377,426 as of June 30, 2017. The Town's net position increased by \$2,972,269 for the fiscal year ended June 30, 2017 in total for the governmental and business-type activities.

By far, the largest portion of the Town's net position, \$66,702,885 or 74.63%, 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, \$1,519,740 or 1.7%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21,154,801 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

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 99.80%, which is greater than the last reported statewide average of 99.02%.
- Increased sales tax revenues of approximately \$242,230 due to economic growth 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.

(continued on next page)

Figure 3:

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

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,207,984	\$ 2,227,344	\$ 7,769,844	\$ 7,504,763	\$ 9,977,828	\$ 9,732,107
Operating grants and contributions	511,788	495,849	-	-	511,788	495,849
Capital grants and contributions	108,028	1,145,824	282,380	1,524,481	390,408	2,670,305
General revenues:						
Property taxes	8,852,999	8,572,570	-	-	8,852,999	8,572,570
Other taxes	1,243,374	1,255,408	-	-	1,243,374	1,255,408
Other	3,856,474	3,595,552	986,295	494,201	4,842,769	4,089,753
Total revenues	<u>16,780,647</u>	<u>17,292,547</u>	<u>9,038,519</u>	<u>9,523,445</u>	<u>25,819,166</u>	<u>26,815,992</u>
Expenses:						
General government	4,980,274	4,766,172	-	-	4,980,274	4,766,172
Public safety	6,824,645	6,235,300	-	-	6,824,645	6,235,300
Cultural and recreation	1,754,646	1,583,781	-	-	1,754,646	1,583,781
Transportation	1,266,454	1,575,645	-	-	1,266,454	1,575,645
Economic & physical development	563,367	701,189	-	-	563,367	701,189
Interest on long-term debt	116,880	135,625	-	-	116,880	135,625
Water and sewer	-	-	7,340,631	7,083,980	7,340,631	7,083,980
Total expenses	<u>15,506,266</u>	<u>14,997,712</u>	<u>7,340,631</u>	<u>7,083,980</u>	<u>22,846,897</u>	<u>22,081,692</u>
Increase in net position	1,274,381	2,294,835	1,697,888	2,439,465	2,972,269	4,734,300
Net position, beginning, previously reported	43,006,995	40,712,160	44,423,938	41,984,473	87,430,933	82,696,633
Cumulative effect adjustment	(1,025,776)	-	-	-	(1,025,776)	-
Net position, beginning, adjusted	41,981,219	40,712,160	44,423,938	41,984,473	86,405,157	82,696,633
Net position, June 30	<u>\$ 43,255,600</u>	<u>\$ 43,006,995</u>	<u>\$ 46,121,826</u>	<u>\$ 44,423,938</u>	<u>\$ 89,377,426</u>	<u>\$ 87,430,933</u>

Governmental activities – As a result of a cumulative effect of an adjustment directly related to the implementation of Governmental Accounting Standards Board (GASB) Statement 73 in the year ending June 30, 2017, a decrease of \$1,025,776 was realized. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officer’s Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016).

Governmental activities increased the Town’s net position by \$1,274,381, thereby accounting for 42.88% of the total increase in the net position of the Town.

Key elements of this change are as follows:

- Current tax collections increased over the prior year due to growth.
- Unrestricted intergovernmental revenue increased due to an increase in the local option sales tax revenue category.

Figure 4:

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

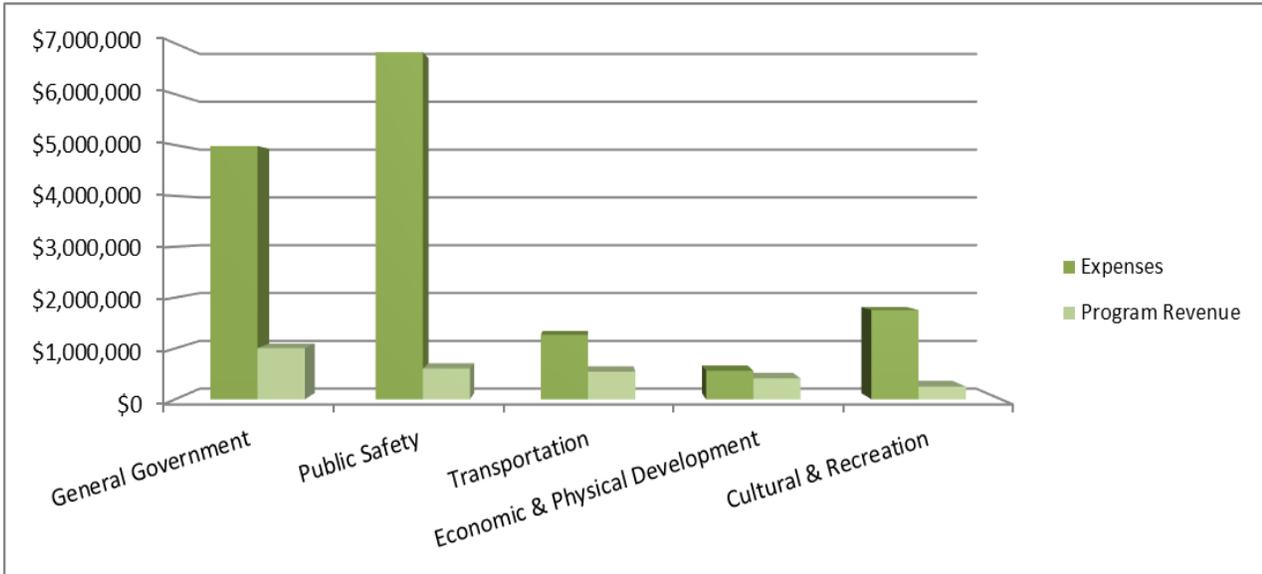
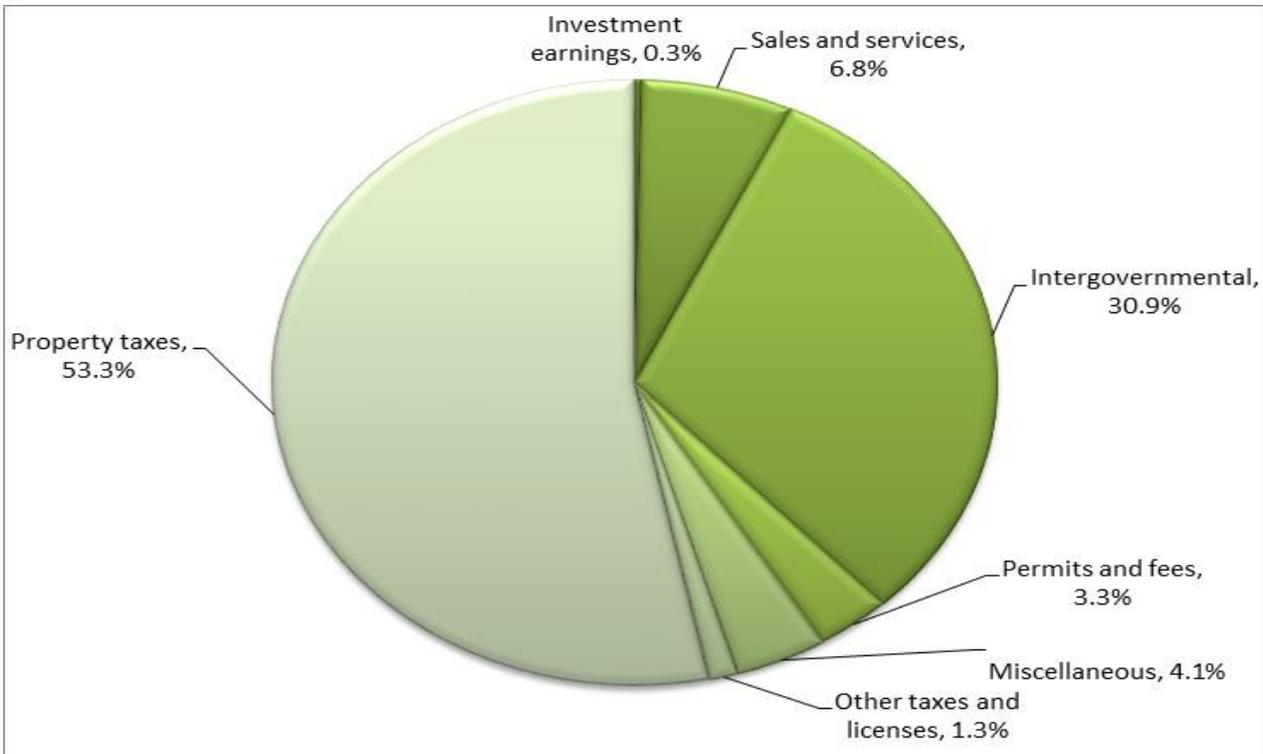


Figure 5:

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



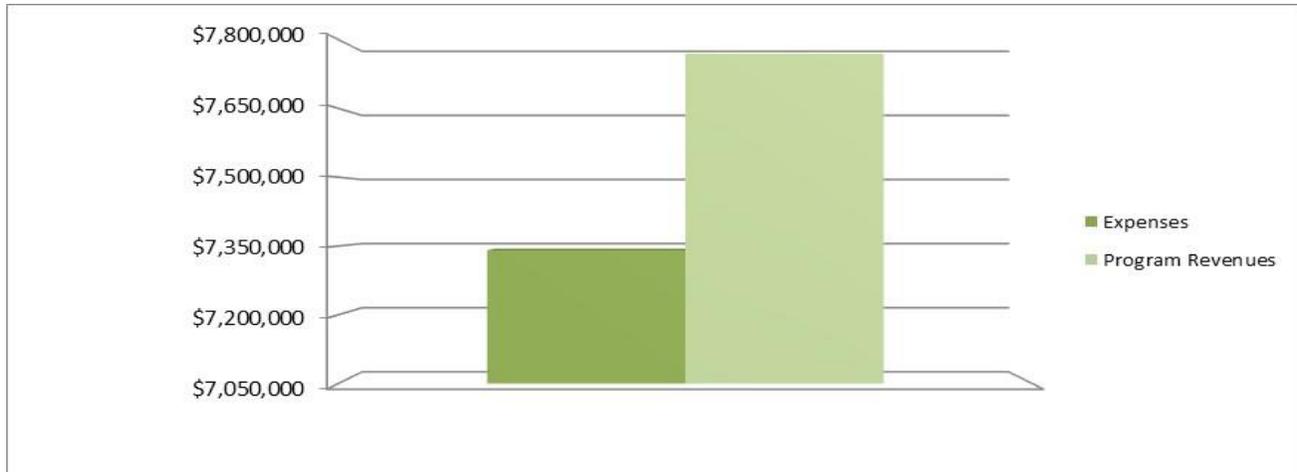
Business-type activities – Business type activities increased the Town’s net position by \$1,697,888, accounting for 57.12% of the total increase in the net position of the Town.

The Key elements of the increase are as follows:

- Capital grants and contributions in the amount of \$282,380.
- Charges for services increased due to an increase in water sales and sewer revenue.
- Increase in impact fees in the amount of \$489,782.

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 \$6,330,949, while total fund balance reached \$10,446,250. The Governing Body of the Town of Southern Pines has determined that the Town should maintain a minimum 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 42.01 percent of General Fund expenditures, while total fund balance represents 69.32 percent of that same amount.

At June 30, 2017, the governmental funds of the Town reported a combined fund balance of \$12,897,204 with a net increase in fund balance of \$1,270,387. Included in this change in fund balance is an increase in fund balance in both the General Fund and the Capital Project Funds.

Key components of the change are as follows:

- Increased ad valorem taxes of approximately \$324,021 due to increased construction in the Town.

- \$250,000 budgeted for street resurfacing not accomplished in 2017, re-appropriated in 2018.
- \$44,500 budgeted for computer equipment not received in 2017, re-appropriated in 2018.

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 \$62,311 net increase in appropriations between the original and final amended budget due primarily to an appropriation for the installation of a sewer line at the Reservoir Park restroom facilities and to recognize donations in the Police department.

The actual operating revenues for the General Fund were greater than the final budgeted amount by \$1,761,895. Unrestricted intergovernmental revenues were \$1,050,822 greater than budgeted due primarily to the conservative amount budgeted for local option sales tax and utility franchise taxes. The permits and fees revenue category was \$168,725 greater than budgeted due to conservative budgeting in the building inspections area. The other revenue category was \$100,094 greater than budgeted due primarily to a reimbursement from the Federal Emergency Management Agency for personnel and equipment expenses during Hurricane Matthew in October 2016. Ad valorem taxes also were \$279,112 greater than the amount budgeted due to a conservative collection rate and valuation.

The actual operating expenses for the General Fund were less than the final budgeted amount by \$1,488,530. General government, public safety, transportation, economic and physical development and cultural and recreational realized a savings of \$546,778, \$274,806, \$240,601, \$169,318 and \$257,025 respectively due primarily to personnel vacancies and budgeted and requested items not received by the end of the fiscal year. Those items not received have been re-appropriated in fiscal year 2018.

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 \$12,130,776. The total change in net position was an increase of \$1,697,888. The change in net position is due to the increase in water sales and an increase in capital assets due to the donation of easements and water and sewer lines by developers and individuals. A two percent rate increase contributed to the increase in sewer revenue.

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, 2017, totals \$71,994,725 (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 items:

Governmental Funds:

Additions

- Various purchases of vehicles and motorized equipment totaling \$389,139.
- Various purchases of furniture, fixtures and other equipment equaling \$351,528.

- Construction in progress of \$442,926 in governmental-type activities for the construction of a fire sub-station, the design and installation of storm water infrastructure, construction of a parkway, the construction of bike lanes, the construction of sidewalks and the construction of fiber connections between Town buildings.
- Infrastructure in the amount of \$455,747 fiber optics, storm water improvements, and street paving transferred from construction in progress.
- Land in the amount of \$870 that consists of downtown parking spaces that the Town received in exchange for Town owned parking spaces.
- Intangible assets in progress in the amount of \$25,892 for the Enterprise Information and Document Management System.
- Other Improvements in the amount of \$711,976 for a basketball court replacement, park trails, renovations at the pool park, and the installation of a HVAC system at a Town building.
- Building and building improvements in the amount of \$241,749 for the construction of public restrooms at the downtown park.

Retirements

- Disposals and surplused assets in the amount of \$393,667.
- The exchange of Town owned downtown parking spaces \$2,218.
- The transfer of construction in progress and intangible assets in progress to capital assets in the amount of \$1,475,836.

Proprietary Funds:

Additions

- Construction in progress of \$708,474 for water and sewer improvements.
- The addition of intangible assets consisting of water and sewer easements in the amount of \$51,361.
- Equipment purchases in the amount of \$102,229 for a backhoe and trench roller.
- Plant and distribution system increase in the amount of \$231,019, which consist of water and sewer lines donated by developers.

Retirements

- Disposals and surplused assets in the amount of \$93,652 for a backhoe and trench roller that were replaced during 2017.

(continued on next page)

Figure 7:

**Town of Southern Pines
Capital Assets**

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
Land	\$ 12,305,522	\$ 12,306,870	\$ 540,533	\$ 540,533	\$ 12,846,055	\$ 12,847,403
Buildings and improvements	11,562,180	11,653,300	1,080,330	1,108,822	12,642,510	12,762,122
Other improvements	3,586,539	3,025,522	-	-	3,586,539	3,025,522
Machinery and equipment	211,857	145,637	1,968,138	2,267,531	2,179,995	2,413,168
Infrastructure	3,907,735	3,828,846	-	-	3,907,735	3,828,846
Plant and distribution systems	-	-	29,124,748	30,115,348	29,124,748	30,115,348
Vehicles and motorized equipment	2,186,316	2,342,773	-	-	2,186,316	2,342,773
Furniture, Fixtures, and other equipment	854,108	687,809	-	-	854,108	687,809
Intangibles	133,828	144,980	1,435,911	1,384,550	1,569,739	1,529,530
Intangibles in progress	136,563	177,036	-	-	136,563	177,036
Construction in progress	762,717	1,729,262	2,197,700	1,489,226	2,960,417	3,218,488
Total Capital Assets (net of accumulated depreciation)	\$ 35,647,365	\$ 36,042,035	\$ 36,347,360	\$ 36,906,010	\$ 71,994,725	\$ 72,948,045

Additional information on the Town's capital assets can be found in note 5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2017, 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' installment purchase debt decreased by a net amount of \$1,184,847 or 18.29%.

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 Meter Reading Project in 2013 and the installment financing of a heavy-duty rescue truck and street sweeper in 2014. The total outstanding balance of debt as of June 30, 2017 is \$5,291,840.

Figure 8:

**Town of Southern Pines
Outstanding Debt
General Obligation Bonds and Installment Purchases**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installment Debt	2,935,530	3,604,645	2,356,310	2,872,042	5,291,840	6,476,687
Total	\$ 2,935,530	\$ 3,604,645	\$ 2,356,310	\$ 2,872,042	\$ 5,291,840	\$ 6,476,687

As mentioned in the financial highlights section of this document, the Town maintained its A2 bond rating from Moody's Investors Services for the 19th consecutive year, as well as its AA- from Standard and Poor's for the 9th consecutive year. 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 \$181,451,145, 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 12 of this report.

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

The unemployment rate for the county in which the Town is located was 4.1% as of June 30, 2017. The unemployment rate is consistent with the State average and is down from 5.1% a year ago.

The value of commercial building permits increased 42.8% over the previous fiscal year and residential permit values increased 18.3%.

The fiscal year ending June 30, 2018 budget is balanced and represents an overall increase of 7.49% in the governmental activities operational budget while revenue growth remains consistent. The increase in governmental activities can be partially attributed to the transfer of \$676,500 to capital project funds.

The Town will be seeking installment financing during 2018 for the construction of an additional Fire Station and building renovations/updates. An amount of \$5.7 million has been budgeted to be financed, and one payment of the financing debt service is included in the 2018 budget.

The fiscal year ending June 30, 2018 business type budget reflects an overall increase of 11.36%. The increase in business type activities is due primarily to a transfer to capital project funds for funding of long-term capital planning in the amount of \$1,445,000 as well as an increase in sewage treatment.

Governmental Activities: The 2018 budget includes a two-cent tax increase. This increase will be used to fund four additional Police Officers as well as their related vehicles and equipment. An Assistant Finance Director position is also being funded in 2018.

Unrestricted intergovernmental revenue is budgeted to increase in the local option sales tax revenue category as well as franchise tax revenue. 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 2017-2018 fiscal year. The Town has not budgeted an increase in water rates, but has budgeted a 5.0% increase in sewer rates in the upcoming fiscal year to offset the increase in sewer treatment cost.

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, North Carolina
Statement of Net Position
June 30, 2017

Exhibit 1
(2 pages)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,848,255	\$ 8,619,572	\$ 20,467,827
Receivables - net:			
Property taxes	29,163	-	29,163
Accrued interest receivable on taxes	7,072	-	7,072
Due from other governments	1,116,888	-	1,116,888
Accounts receivable	290,904	-	290,904
Accrued interest	18,648	17,421	36,069
Sales tax	118,638	31,480	150,118
Assessments	2,305	49,983	52,288
Customers	-	1,191,843	1,191,843
Other	-	14,739	14,739
Inventories	16,317	-	16,317
Prepays	95,906	-	95,906
Restricted cash and investments	380,653	2,770,120	3,150,773
	<u>13,924,749</u>	<u>12,695,158</u>	<u>26,619,907</u>
Total current assets			
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements, and construction in progress	13,204,802	2,738,233	15,943,035
Intangibles - easements	-	1,435,911	1,435,911
Other capital assets, net of depreciation	22,442,563	32,173,216	54,615,779
	<u>35,647,365</u>	<u>36,347,360</u>	<u>71,994,725</u>
Total capital assets			
	<u>35,647,365</u>	<u>36,347,360</u>	<u>71,994,725</u>
Total noncurrent assets			
	<u>49,572,114</u>	<u>49,042,518</u>	<u>98,614,632</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	2,328,391	234,363	2,562,754
	<u>2,328,391</u>	<u>234,363</u>	<u>2,562,754</u>
Total deferred outflows of resources			

Town of Southern Pines, North Carolina
Statement of Net Position
June 30, 2017

Exhibit 1
(2 pages)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 531,842	\$ 394,134	\$ 925,976
Payable from restricted assets - customer deposits	380,653	73,710	454,363
Current maturities of long-term debt	<u>852,960</u>	<u>557,221</u>	<u>1,410,181</u>
Total current liabilities	1,765,455	1,025,065	2,790,520
Noncurrent liabilities:			
Net pension liability	2,712,981	275,903	2,988,884
Total pension liability	1,300,931	-	1,300,931
Noncurrent portion of long-term debt	<u>2,650,409</u>	<u>1,835,532</u>	<u>4,485,941</u>
Total noncurrent liabilities	<u>6,664,321</u>	<u>2,111,435</u>	<u>8,775,756</u>
Total liabilities	<u>8,429,776</u>	<u>3,136,500</u>	<u>11,566,276</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>215,129</u>	<u>18,555</u>	<u>233,684</u>
	<u>215,129</u>	<u>18,555</u>	<u>233,684</u>
NET POSITION			
Net investment in capital assets	32,711,835	33,991,050	66,702,885
Restricted for:			
Stabilization by State Statute	1,450,625	-	1,450,625
Cemetery perpetual care:			
Expendable	25,175	-	25,175
Nonexpendable	43,940	-	43,940
Unrestricted	<u>9,024,025</u>	<u>12,130,776</u>	<u>21,154,801</u>
Total net position	<u>\$ 43,255,600</u>	<u>\$ 46,121,826</u>	<u>\$ 89,377,426</u>

Town of Southern Pines, North Carolina
Statement of Activities
Year Ended June 30, 2017

Exhibit 2

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Government activities:							
General government	\$ 4,980,274	\$ 918,206	\$ 89,744	\$ 870	\$ (3,971,454)	\$ -	\$ (3,971,454)
Public safety	6,824,645	596,230	11,518	-	(6,216,897)	-	(6,216,897)
Transportation	1,266,454	35,677	402,027	107,158	(721,592)	-	(721,592)
Economic and physical development	563,367	412,257	-	-	(151,110)	-	(151,110)
Cultural and recreation	1,754,646	242,589	8,499	-	(1,503,558)	-	(1,503,558)
Cemetery	-	3,025	-	-	3,025	-	3,025
Interest on long-term debt	116,880	-	-	-	(116,880)	-	(116,880)
Total governmental activities	15,506,266	2,207,984	511,788	108,028	(12,678,466)	-	(12,678,466)
Business-type activities:							
Water and sewer	7,340,631	7,769,844	-	282,380	-	711,593	711,593
Total business-type activities	7,340,631	7,769,844	-	282,380	-	711,593	711,593
Total primary government	\$ 22,846,897	\$ 9,977,828	\$ 511,788	\$ 390,408	(12,678,466)	711,593	(11,966,873)
General revenues:							
Ad valorem taxes					8,852,999	-	8,852,999
Unrestricted intergovernmental					3,640,353	-	3,640,353
Alcoholic Beverage Tax					156,789	-	156,789
Franchise taxes					1,086,585	-	1,086,585
Investment earnings					65,948	68,242	134,190
Miscellaneous					133,359	904,086	1,037,445
Gain on disposal					16,814	13,967	30,781
Total general revenues					13,952,847	986,295	14,939,142
Change in net position					1,274,381	1,697,888	2,972,269
Net position, beginning, previously reported					43,006,995	44,423,938	87,430,933
Cumulative effect adjustment					(1,025,776)	-	(1,025,776)
Net position, beginning, adjusted					41,981,219	44,423,938	86,405,157
Net position, end of year					\$ 43,255,600	\$ 46,121,826	\$ 89,377,426

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

Town of Southern Pines, North Carolina
Balance Sheet - Governmental Funds
June 30, 2017

Exhibit 3
(2 pages)

	<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and investments	\$ 9,275,557	\$ 2,572,697	\$ 11,848,254
Receivables - net:			
Property taxes	29,163	-	29,163
Due from other governments	1,116,888	-	1,116,888
Accounts receivable	290,904	-	290,904
Accrued interest receivable	14,714	3,935	18,649
Sales tax receivable	107,556	11,082	118,638
Parking lot assessments	2,305	-	2,305
Inventories	16,317	-	16,317
Prepays	95,906	-	95,906
Restricted assets:			
Cash and investments	380,653	-	380,653
Total assets	<u>\$ 11,329,963</u>	<u>\$ 2,587,714</u>	<u>\$ 13,917,677</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 244,918	\$ 136,760	\$ 381,678
Accrued liabilities:			
Other	132,220	-	132,220
Security deposits	380,653	-	380,653
Total liabilities	<u>757,791</u>	<u>136,760</u>	<u>894,551</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	29,163	-	29,163
Parking lot assessments	2,305	-	2,305
Other	94,454	-	94,454
Total deferred inflows of resources	<u>125,922</u>	<u>-</u>	<u>125,922</u>
FUND BALANCES			
Nonspendable:			
Inventories	16,317	-	16,317
Prepays	95,906	-	95,906
Perpetual maintenance	-	69,115	69,115
Restricted:			
Stabilization by State Statute	1,435,608	15,017	1,450,625
Committed:			
General Government	-	462,558	462,558
Public Safety	-	357,830	357,830
Transportation	-	1,161,341	1,161,341
Cultural and Recreational	-	385,093	385,093
Assigned:			
Subsequent year's expenditures	2,567,470	-	2,567,470
Unassigned	6,330,949	-	6,330,949
Total fund balances	<u>10,446,250</u>	<u>2,450,954</u>	<u>12,897,204</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,329,963</u>	<u>\$ 2,587,714</u>	<u>\$ 13,917,677</u>

The notes to the financial statements are an integral part of this statement.

Town of Southern Pines, North Carolina
Balance Sheet - Governmental Funds
June 30, 2017

Exhibit 3
(2 pages)

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

Total fund balance, governmental funds	\$ 12,897,204
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	35,647,365
Deferred outflows of resources related to pensions are not reported in the funds	2,328,391
Other long-term assets (accrued interest receivable from property taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	7,072
Liabilities for earned revenues considered deferred inflows of resources in fund statements	125,922
Deferred inflows of resources related to pensions are not reported in the funds	(215,129)
Some liabilities are not due and payable in the current period and are therefore not reported in the funds:	
Long-term debt included as net position below	(3,521,313)
Net pension liability	(2,712,981)
Total pension liability	<u>(1,300,931)</u>
Net position of governmental activities	<u>\$ 43,255,600</u>

Town of Southern Pines, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2017

Exhibit 4
(2 pages)

	<u>Major Fund</u>	<u>Nonmajor</u>	<u>Totals</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
Revenues			
Ad valorem taxes	\$ 8,887,612	\$ -	\$ 8,887,612
Other taxes and licenses	215,047	-	215,047
Unrestricted intergovernmental	4,731,922	-	4,731,922
Restricted intergovernmental	411,130	-	411,130
Permits and fees	548,475	-	548,475
Sales and services	1,135,112	3,025	1,138,137
Investment earnings	52,553	13,395	65,948
Developer's contributions	-	107,158	107,158
Other	683,542	-	683,542
	<u>16,665,393</u>	<u>123,578</u>	<u>16,788,971</u>
Expenditures			
Current:			
General government	4,770,038	42,854	4,812,892
Public safety	6,233,795	-	6,233,795
Transportation	1,108,984	269,693	1,378,677
Economic and physical development	596,360	-	596,360
Cultural and recreational	1,570,067	156,271	1,726,338
Debt service:			
Principal	669,113	-	669,113
Interest	120,439	-	120,439
	<u>15,068,796</u>	<u>468,818</u>	<u>15,537,614</u>
Revenues over (under) expenditures	<u>1,596,597</u>	<u>(345,240)</u>	<u>1,251,357</u>
Other financing sources (uses)			
Transfers to other funds	(575,000)	-	(575,000)
Transfers from other funds	-	575,000	575,000
Sale of capital assets	19,030	-	19,030
Total other financing sources (uses)	<u>(555,970)</u>	<u>575,000</u>	<u>19,030</u>
Net change in fund balance	1,040,627	229,760	1,270,387
Fund balance, beginning of year, July 1	<u>9,405,623</u>	<u>2,221,194</u>	<u>11,626,817</u>
Fund balance, end of year, June 30	<u>\$ 10,446,250</u>	<u>\$ 2,450,954</u>	<u>\$ 12,897,204</u>

The notes to the financial statements are an integral part of this statement.

Town of Southern Pines, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2017

Exhibit 4
(2 pages)

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

Net changes in fund balances - total governmental funds	\$ 1,270,387
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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	(393,324)
--	-----------

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	547,645
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	23,877

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

Change in unavailable revenue for tax revenues	(26,008)
Proceeds received from disposal/transfer of capital assets	(19,030)
Gain on disposal/transfer of capital assets	16,814
Donated capital assets	870

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 on long-term debt	669,113
Decrease in accrued interest payable	3,559

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	1,978
Pension expense	(821,500)

Total changes in net position of governmental activities	<u>\$ 1,274,381</u>
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Town of Southern Pines, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2017

Exhibit 5

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 8,608,500	\$ 8,608,500	\$ 8,887,612	\$ 279,112
Other taxes and licenses	159,800	159,800	215,047	55,247
Unrestricted intergovernmental revenues	3,681,100	3,681,100	4,731,922	1,050,822
Restricted intergovernmental revenues	407,200	407,200	411,130	3,930
Permits and fees	379,000	379,750	548,475	168,725
Sales and services	1,066,700	1,066,700	1,135,112	68,412
Investment earnings	17,000	17,000	52,553	35,553
Other	547,539	583,448	683,542	100,094
	<u>14,866,839</u>	<u>14,903,498</u>	<u>16,665,393</u>	<u>1,761,895</u>
Expenditures				
Current:				
General government	5,302,544	5,316,816	4,770,038	546,778
Public safety	6,484,214	6,508,601	6,233,795	274,806
Transportation	1,349,585	1,349,585	1,108,984	240,601
Economic and physical development	765,678	765,678	596,360	169,318
Cultural and recreational	1,769,281	1,827,092	1,570,067	257,025
Debt service	789,554	789,554	789,552	2
	<u>16,460,856</u>	<u>16,557,326</u>	<u>15,068,796</u>	<u>1,488,530</u>
Revenues over (under) expenditures	<u>(1,594,017)</u>	<u>(1,653,828)</u>	<u>1,596,597</u>	<u>3,250,425</u>
Other financing sources (uses)				
Transfer out to Capital Project Funds	(572,500)	(575,000)	(575,000)	-
Sale of capital assets	30,000	30,000	19,030	(10,970)
Total other financing sources (uses)	<u>(542,500)</u>	<u>(545,000)</u>	<u>(555,970)</u>	<u>(10,970)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>(2,136,517)</u>	<u>(2,198,828)</u>	<u>1,040,627</u>	<u>3,239,455</u>
Appropriated fund balance	<u>2,136,517</u>	<u>2,198,828</u>	<u>-</u>	<u>(2,198,828)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,040,627</u>	<u>\$ 1,040,627</u>
Fund balance, beginning of year, July 1			<u>9,405,623</u>	
Fund balance, end of year, June 30			<u>\$ 10,446,250</u>	

The notes to the financial statements are an integral part of this statement.

	<u>Business-Type Activities - Enterprise Major Fund Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents/investments	\$ 8,619,572
Receivables - net:	
Sewer assessments	49,983
Customers	1,191,843
Accrued interest	17,421
Sales taxes	31,480
Other	<u>14,739</u>
Total receivables	1,305,466
Total current assets	<u>9,925,038</u>
Temporarily restricted assets:	
Cash and investments	<u>2,770,120</u>
Capital assets	
Land, improvements, and construction in progress	2,738,233
Intangibles - easements	1,435,911
Other capital assets, net of depreciation	<u>32,173,216</u>
Total capital assets, net	<u>36,347,360</u>
Total unrestricted noncurrent assets	<u>36,347,360</u>
Total noncurrent assets	<u>39,117,480</u>
Total assets	<u>49,042,518</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>234,363</u>
Total deferred outflows of resources	<u>234,363</u>

Town of Southern Pines, North Carolina
Statement of Fund Net Position - Proprietary Fund
June 30, 2017

Exhibit 6
(2 pages)

	Business-Type Activities - Enterprise
	Major Fund
	Water and Sewer
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 377,005
Compensated absences - current	26,245
Installment purchases - current	530,976
Accrued liabilities	17,129
Security deposits	73,710
	<hr/>
Total current liabilities	1,025,065
	<hr/>
Noncurrent liabilities	
Compensated absences	10,198
Installment purchases	1,825,334
Net pension liability	275,903
	<hr/>
	2,111,435
	<hr/>
Total liabilities	3,136,500
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	18,555
	<hr/>
NET POSITION	
Net investment in capital assets	33,991,050
Unrestricted	12,130,776
	<hr/>
Total net position	\$ 46,121,826
	<hr/> <hr/>

Town of Southern Pines, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2017

Exhibit 7

	<u>Major Fund</u> <u>Water and</u> <u>Sewer</u>
Operating revenues	
Charges for sales and services	\$ 7,769,844
Operating expenses	
Billings and collection	454,362
Water treatment	1,209,370
Sewage treatment	1,663,897
Water extensions and maintenance	678,015
Sewer extensions and maintenance	699,259
Chargeout for administrative expenses	981,995
Depreciation and amortization	1,578,497
Total operating expenses	<u>7,265,395</u>
Operating income	<u>504,449</u>
Nonoperating revenues (expenses)	
Impact fees	904,086
Interest on investments	50,072
BAB interest rebate	18,170
Gain on disposal of capital assets	13,967
Interest expense	(75,236)
Total nonoperating revenues (expenses)	<u>911,059</u>
Income before capital contributions	1,415,508
Capital contributions	<u>282,380</u>
Change in net position	1,697,888
Total net position, beginning of year	<u>44,423,938</u>
Net position, end of year	<u>\$ 46,121,826</u>

Town of Southern Pines, North Carolina
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2017

Exhibit 8
(2 pages)

	<u>Major Fund</u> <u>Water and</u> <u>Sewer</u>
Cash flows from operating activities	
Cash received from customers and users	\$ 7,774,645
Cash paid for goods and services	(4,862,876)
Cash paid to or on behalf of employees for services	(1,023,137)
Customer deposit refunded	(42,210)
Customer deposits received	<u>36,765</u>
Net cash provided by operating activities	<u>1,883,187</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(737,467)
Impact fees	904,086
Principal paid on installment purchase obligation	(515,732)
Interest paid on installment purchase obligation	(57,894)
Proceeds from sale of capital assets	<u>13,967</u>
Net cash used by capital and related financing activities	<u>(393,040)</u>
Cash flows from investing activities	
Interest on investments	<u>45,120</u>
Net cash provided by investing activities	<u>45,120</u>
Net increase in cash and cash equivalents	1,535,267
Cash and cash equivalents at beginning of year	<u>9,854,425</u>
Cash and cash equivalents at end of year	<u><u>\$ 11,389,692</u></u>

Town of Southern Pines, North Carolina
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2017

Exhibit 8
(2 pages)

	<u>Major Fund</u> <u>Water and</u> <u>Sewer</u>
**Cash and Investments per Exhibit 6	
Unrestricted	\$ 8,619,572
Restricted	2,770,120
	<hr/>
Total	\$ 11,389,692
	<hr/> <hr/>
Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	\$ 504,449
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation and amortization	1,578,497
Change in assets, deferred outflows of resources,	
deferred inflows of resources and liabilities:	
(Increase) decrease in:	
Accounts receivable	4,801
Deferred outflows of resources for pensions	(182,596)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(207,800)
Customer deposits	(5,445)
Accrued vacation pay	(8,039)
Net pension liability	215,548
Deferred inflows of resources for pensions	(16,228)
	<hr/>
Total adjustments	1,378,738
	<hr/>
Net cash provided by operating activities	\$ 1,883,187
	<hr/> <hr/>

Noncash investing, capital, and financing activities:

During fiscal year ended June 30, 2017, the Town received \$231,019 in water and sewer line improvements and \$51,361 of easements from various land developers and individuals. These improvements are recorded as capital contributions.

Town of Southern Pines, North Carolina
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

Exhibit 9

	Private-Purpose Trust Fund	Agency Funds
	Virginia Kelly Trust	Cafeteria Plan
ASSETS		
Cash and investments	\$ 25,354	\$ 36,937
Accrued interest	39	57
	\$ 25,393	\$ 36,994
LIABILITIES		
Miscellaneous liabilities	\$ -	\$ 36,994
NET POSITION		
Reserved for payment of death benefits - police	\$ 25,393	

Town of Southern Pines, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2017

Exhibit 10

	<u>Private-Purpose Trust Fund Virginia Kelly Trust</u>
Revenues	
Investment earnings	\$ 124
Deductions	
Death benefits	\$ -
Net Increase	124
Net position, beginning of year, July 1	<u>25,269</u>
Net position, end of year, June 30	<u><u>\$ 25,393</u></u>

Notes to Financial Statements

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, 2017, 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. Interfund services provided and used are not eliminated in the process of consolidation. 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, North Carolina

Notes to Financial Statements

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 Transport - 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.

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.

Library HVAC - This fund is used to account for the design and replacement of the HVAC system at the Southern Pines Public Library.

Unpaved Street Fund - This fund is used for the purpose of paving existing Town streets that are currently unpaved.

CDBG TYR Tactical Fund - This fund is used to account for public roadway improvements to service TYR Tactical facility located in the Town.

Sidewalk Construction II – This fund is used for the construction and improvement of various sidewalks in the Town.

Recreational Improvements – This fund is used for the purpose of various recreational park improvements and renovations

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

General Capital Reserve Fund - This fund is used to accumulate financial resources for ongoing or future capital projects.

Town of Southern Pines, North Carolina
Notes to Financial Statements

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.

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

Town of Southern Pines, North Carolina
Notes to Financial Statements

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. Sales taxes are considered a shared revenue for the Town of Southern Pines because the tax is levied by Moore County and then remitted to and distributed by the State. 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.

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 Government Portfolio, a SEC-registered (2a-7) external investment pool, are measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. 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.

Town of Southern Pines, North Carolina
Notes to Financial Statements

(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

Governmental activities:

General Fund:

Customer deposits \$ 380,653

Total governmental activities 380,653

Business-type activities:

Water and Sewer Fund:

Customer deposits 73,710

Water impact fees 1,801,895

Sewer impact fees 894,515

Total business-type activities 2,770,120

Total restricted cash \$ 3,150,773

(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, 2016.

(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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

Town of Southern Pines, North Carolina
Notes to Financial Statements

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10 to 50 years
Other improvements	10 to 50 years
Infrastructure	15 to 30 years
Machinery and equipment	5 to 15 years
Vehicles	3 to 25 years
Furniture and office equipment	5 years
Computer software	5 years
Plant and distribution systems	10 to 40 years
Intangible assets – software	15 years

(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 two items that meet this criterion, contributions made to the pension plan in the 2017 fiscal year and other pension related deferrals. 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 four items that meet the criterion for this category - property taxes receivable, parking lot assessments, other receivables, and pension deferrals.

(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, North Carolina
Notes to Financial Statements

(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's governing body (highest level of decision-making authority) by ordinance. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. 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.

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.

Town of Southern Pines, North Carolina
Notes to Financial Statements

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. The general fund is the only fund that reports a positive unassigned fund balance.

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) Defined Benefit Cost-Sharing Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

(13) 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:

Town of Southern Pines, North Carolina
Notes to Financial Statements

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)	\$ 55,867,276
Less accumulated depreciation	<u>(20,219,911)</u>
Net capital assets	<u>35,647,365</u>
Contributions to the pension plans in the current fiscal year, following the measurement date of the related pension liabilities, are deferred outflows of resources on the Statement of Net Position	<u>571,522</u>
Net pension-related deferrals (deferred outflows and deferred inflows), excluding contributions to pension plans	<u>1,541,740</u>
Accrued interest receivable for property taxes is not available to pay for current-period expenditures and therefore are inflows of resources in the funds	<u>7,072</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Taxes receivable	36,993
Parking lot assessments	2,305
Other receivables	<u>86,624</u>
Net deferred revenues	<u>125,922</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	(2,935,530)
Compensated absences	(567,839)
Net pension obligations	(4,013,912)
Accrued interest	<u>(17,944)</u>
Liabilities	<u>(7,535,225)</u>
Total adjustment	<u>\$ 30,358,396</u>

- 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:

Town of Southern Pines, North Carolina
Notes to Financial Statements

Description

Capital outlay expenditures recorded in the fund financial statements but capitalized as assets in the statement of activities	\$ 1,119,418
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	(1,512,742)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	547,645
Benefit payments paid and administrative expense for the LEOSSA are not included in the statement of activities	23,877
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Other	(26,008)
Proceeds received from disposal/transfer of capital assets	(19,030)
Gain on disposal/transfer of capital assets	16,814
Donated capital assets	870
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	669,113
Decrease in accrued interest	3,559
Compensated absences	1,978
Pension expense	<u>(821,500)</u>
Total adjustment	<u>\$ 3,994</u>

2. 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, 2017, the Town's deposits had a carrying amount of \$10,124,069 and a bank balance of \$10,418,925. Of the bank balance \$500,000 was covered by federal depository insurance and \$9,918,925 was covered by collateral held under the Pooling Method. At June 30, 2017, the Town's petty cash fund totaled \$1,050.

Town of Southern Pines, North Carolina
Notes to Financial Statements

3. Investments

At June 30, 2017, the Town's investment balances were as follows:

Investments by Type	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2017</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 12,994,619	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>561,153</u>	0.09 years	Unrated
Total		<u>\$ 13,555,772</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets of a group of assets.

Level of fair value hierarchy:

Level 1 - Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Town does not have a formal investment policy.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2017. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments permitted under G.S. 159-30 as amended.

4. 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, 2017</u>
General Fund:	
Taxes receivable	\$ 40,627
Enterprise Fund	<u>9,400</u>
	<u>\$ 50,027</u>

Town of Southern Pines, North Carolina
Notes to Financial Statements

5. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

<u>Governmental Activities by Type</u>	<u>July 1, 2016</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2017</u>
Capital assets not being amortized or depreciated:				
Land	\$ 12,306,870	\$ 870	\$ (2,218)	\$ 12,305,522
Intangible assets in progress	177,036	25,892	(66,365)	136,563
Construction in progress	<u>1,729,262</u>	<u>442,926</u>	<u>(1,409,471)</u>	<u>762,717</u>
	<u>14,213,168</u>	<u>469,688</u>	<u>(1,478,054)</u>	<u>13,204,802</u>
Capital assets being amortized or depreciated:				
Buildings and improvements	15,988,844	241,749	-	16,230,593
Other improvements	4,441,431	711,976	(27,902)	5,125,505
Infrastructure	12,898,153	455,747	-	13,353,900
Machinery and equipment	528,845	113,831	(74,468)	568,208
Intangible assets - software	167,285	-	-	167,285
Vehicles and motorized equipment	5,108,864	275,308	(206,777)	5,177,395
Furniture, fixtures and other equipment	<u>1,772,581</u>	<u>351,528</u>	<u>(84,520)</u>	<u>2,039,589</u>
	<u>40,906,003</u>	<u>2,150,139</u>	<u>(393,667)</u>	<u>42,662,475</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	4,335,544	332,869	-	4,668,413
Other improvements	1,415,909	150,959	(27,902)	1,538,966
Infrastructure	9,069,307	376,858	-	9,446,165
Machinery and equipment	383,208	47,611	(74,468)	356,351
Intangible assets - software	22,305	11,152	-	33,457
Vehicles and motorized equipment	2,766,091	431,765	(206,777)	2,991,079
Furniture, fixtures and other equipment	<u>1,084,772</u>	<u>185,229</u>	<u>(84,520)</u>	<u>1,185,481</u>
	<u>19,077,136</u>	<u>1,536,443</u>	<u>(393,667)</u>	<u>20,219,912</u>
Depreciable assets - net	<u>21,828,867</u>	<u>613,696</u>	<u>-</u>	<u>22,442,563</u>
Governmental activities capital assets - net	<u>\$ 36,042,035</u>	<u>\$ 1,083,384</u>	<u>\$ (1,478,054)</u>	<u>\$ 35,647,365</u>
<u>Governmental Activities by Function</u>				
General government	\$ 17,419,453	\$ 768,724	\$ (671,667)	\$ 17,516,510
Public safety	15,192,271	199,935	(116,323)	15,275,883
Transportation	14,239,926	672,652	(278,118)	14,634,460
Economic and physical development	235,775	22,434	(22,703)	235,506
Cultural and recreational	<u>8,031,746</u>	<u>956,082</u>	<u>(782,910)</u>	<u>8,204,918</u>
	<u>55,119,171</u>	<u>2,619,827</u>	<u>(1,871,721)</u>	<u>55,867,277</u>

Town of Southern Pines, North Carolina
Notes to Financial Statements

<u>Governmental Activities by Function (Continued)</u>	<u>July 1, 2016</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2017</u>
Less accumulated depreciation and amortization for:				
General government	\$ 2,949,462	\$ 240,443	\$ (61,739)	\$ 3,128,166
Public safety	3,651,558	615,021	(116,323)	4,150,256
Transportation	9,638,333	434,655	(145,185)	9,927,803
Economic and physical development	159,272	10,827	(22,703)	147,396
Cultural and recreational	<u>2,678,511</u>	<u>235,497</u>	<u>(47,717)</u>	<u>2,866,291</u>
	<u>19,077,136</u>	<u>1,536,443</u>	<u>(393,667)</u>	<u>20,219,912</u>
Total governmental activities capital assets - net	<u>\$ 36,042,035</u>	<u>\$ 1,083,384</u>	<u>\$ (1,478,054)</u>	<u>\$ 35,647,365</u>
<u>Business Activities</u>				
Nondepreciable assets:				
Land	\$ 540,533	\$ -	\$ -	\$ 540,533
Intangibles - easements	1,384,550	51,361	-	1,435,911
Construction in progress	<u>1,489,226</u>	<u>708,474</u>	<u>-</u>	<u>2,197,700</u>
	<u>3,414,309</u>	<u>759,835</u>	<u>-</u>	<u>4,174,144</u>
Depreciable assets:				
Plant and distribution system	53,587,667	231,019	-	53,818,686
Buildings	1,424,609	-	-	1,424,609
Equipment	<u>3,835,266</u>	<u>102,229</u>	<u>(93,652)</u>	<u>3,843,843</u>
	<u>58,847,542</u>	<u>333,248</u>	<u>(93,652)</u>	<u>59,087,138</u>
Less accumulated depreciation and amortization for:				
Plant and distribution system	23,472,319	1,221,619	-	24,693,938
Building	315,787	28,492	-	344,279
Equipment	<u>1,567,735</u>	<u>401,622</u>	<u>(93,652)</u>	<u>1,875,705</u>
	<u>25,355,841</u>	<u>1,651,733</u>	<u>(93,652)</u>	<u>26,913,922</u>
Depreciable assets - net	<u>33,491,701</u>	<u>(1,318,485)</u>	<u>-</u>	<u>32,173,216</u>
Total business activities capital assets - net	<u>\$ 36,906,010</u>	<u>\$ (558,650)</u>	<u>\$ -</u>	<u>\$ 36,347,360</u>

Intangible assets

Intangible assets consist of enterprise resource planning software that is being developed for the town and recorded in the Enterprise Information and Document Management (EIDMS) capital project fund. As of June 30, 2017 \$167,285 of this software has been completed and is being used by the Town. This cost is being amortized over 15 years using the straight-line method.

Town of Southern Pines, North Carolina
Notes to Financial Statements

Future amortization is as follows:

Year Ending June 30

2018	\$	11,152
2019		11,152
2020		11,152
2021		11,152
2022		11,152
Thereafter		<u>78,068</u>
	\$	<u>133,828</u>

Construction commitments

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Weymouth Woods Pressure Zone Improvements	\$ 61,470	\$ 490,436
Pee Dee Pump Station Replacement	38,690	810
Warrior Woods pump Station & Force Main	16,200	28,800
Sidewalk Improvements	136,760	499
Street Resurfacing	-	197,859
Reservoir Park Road Resurfacing	<u>-</u>	<u>49,364</u>
Total	\$ <u>253,120</u>	\$ <u>767,768</u>

6. Payables

Payables at the government-wide level at June 30, 2017, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:				
General	\$ 244,916	\$ 132,220	\$ 17,946	\$ 395,082
Other governmental	<u>136,760</u>	<u>-</u>	<u>-</u>	<u>136,760</u>
Total governmental activities	\$ <u>381,676</u>	\$ <u>132,220</u>	\$ <u>17,946</u>	\$ <u>531,842</u>
Business-type activities:				
Water and sewer	\$ <u>376,907</u>	\$ <u>12,823</u>	\$ <u>4,404</u>	\$ <u>394,134</u>

7. Pension Plan and Postemployment Obligations

A. Local Governmental Employees' Retirement System

Plan description - The Town of Southern Pines is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns

Town of Southern Pines, North Carolina Notes to Financial Statements

the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, or at www.osc.nc.gov.

Benefits provided - LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service of within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6 percent of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.33% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$603,339 for the year ended June 30, 2017.

Refunds of contributions - City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2017, the Town reported a liability of \$2,988,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the

Town of Southern Pines, North Carolina
Notes to Financial Statements

actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.141% which was a decrease of 0.003% from its proportion measured at June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$789,946. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 56,156	\$ 104,734
Changes of assumption	204,712	-
Net difference between projected and actual earnings on pension plan investments	1,652,476	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	22,194	96,280
Town contributions subsequent to the measurement date	<u>603,339</u>	<u>-</u>
Total	<u>\$ 2,538,877</u>	<u>\$ 201,014</u>

\$603,339 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2018	\$ 258,205
2019	258,320
2020	758,681
2021	459,317
2022	-
Thereafter	-

Actuarial assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rate also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

Town of Southern Pines, North Carolina
Notes to Financial Statements

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the town's proportionate share of the net pension liability to changes in the discount rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 7,094,017	\$ 2,988,884	\$ (440,028)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Town of Southern Pines, North Carolina
Notes to Financial Statements

B. Law Enforcement Officers Special Separation Allowance

(i) Plan description

The Town of Southern Pines administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 County law enforcement officers are covered by the Separation Allowance. At the December 31, 2015 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but no yet receiving benefits	-
Active plan members	<u>38</u>
Total	<u><u>40</u></u>

(ii) Summary of significant accounting policies

Basis of accounting - The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

(iii) Actuarial assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the weekly average of the Bond buyer General Obligation 20-Year Municipal Bond Index determined at the end of each month for the year ending December 31, 2016.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

(iv) Change in Actuarial Assumptions

On the prior measurement date (December 31, 2015), the Municipal Bond Index Rate, on which the discount rate is based, was 3.57%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 3.86% as of the Measurement Date (December 31, 2016). This resulted in a \$38,313 reduction in the Total Pension Liability.

Town of Southern Pines, North Carolina
Notes to Financial Statements

(v) *Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$39,686 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a total pension liability of \$1,300,931. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$103,415.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumption	\$ -	\$ 32,670
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>23,877</u>	<u>-</u>
Total	<u>\$ 23,877</u>	<u>\$ 32,670</u>

The \$23,877 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2018	\$ (5,643)
2019	(5,643)
2020	(5,643)
2021	(5,643)
2022	(5,643)
Thereafter	(4,455)

Sensitivity of the Town's total pension liability to changes in the discount rate - The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension liability	\$ 1,437,821	\$ 1,300,931	\$ 1,177,154

Town of Southern Pines, North Carolina
Notes to Financial Statements

**Schedule of Changes in Total Pension Liability Law
Enforcement Officers' Special Separation Allowance**

Beginning balance	\$ 1,270,092
Service cost	64,204
Interest on the total pension liability	44,634
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(38,313)
Benefit payments	(39,686)
Other changes	<u>-</u>
Ending balance of the total pension liability	<u>\$ 1,300,931</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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.

The Town made contributions of \$153,842 for the reporting year, which consisted of \$107,707 from the Town and \$46,135 from the law enforcement officers. No amounts were forfeited.

D. 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.

8. 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, 2017, contributions to the Plan consisted of \$274,535 from the Town and \$143,700 in voluntary contributions from employees.

9. Deferred Outflows and Inflows of Resources

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

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

Contributions to LGERS pension plan in the current fiscal year	\$ 603,339
Benefit payments made and administrative expenses for LEOSSA	23,877
Changes in proportion and differences between Town contributions and proportionate share of contributions	22,194
Difference between expected and actual experience	56,156
Changes in assumptions	204,712
Net difference between projected and actual earnings	<u>1,652,476</u>
	<u>\$ 2,562,754</u>

Town of Southern Pines, North Carolina
Notes to Financial Statements

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties	\$ -	\$ 36,993
Other receivables	-	86,624
Special assessments receivable	-	2,305
Changes in assumptions	32,670	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	96,280	-
Differences between expected and actual experience	<u>104,734</u>	<u>-</u>
Total	<u>\$ 233,684</u>	<u>\$ 125,922</u>

10. 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.

11. Claims and Judgments

At June 30, 2017, the Town was a defendant to various 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.

Town of Southern Pines, North Carolina
Notes to Financial Statements

12. Long-Term Debt

The Town entered into installment purchase agreements October 2008, December 2010, May 2013, and September 2014 for the construction of a police station and raw water reservoir, implementation of an automatic meter reading system and the purchase of a heavy duty rescue truck and street sweeper. Liquidations of compensated absences and net pension obligation for governmental activities occur within the General Fund.

Long-term debt obligations of the Town at June 30, 2017, 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	\$ 2,816,667	\$ -
Heavy duty rescue truck; issued 2014; due semiannually to 2018; interest at 1.10%; collateralized by heavy duty rescue truck	80,256	-
Street sweeper; issued 2014; due semiannually to 2018; interest at 1.10%; collateralized by street sweeper	38,607	-
Raw water reservoir; \$3,500,000; issued 2010; due semiannually to 2021; interest at 3.40%; collateralized by real estate	-	1,361,193
Automatic meter readers; \$1,600,000; issued 2013; due semiannually to 2023; interest at 1.85%; collateralized by equipment	-	995,117
Net pension obligation (LGERS)	2,712,981	275,903
Total pension liability (LEO)	1,300,931	-
Compensated absences	<u>567,839</u>	<u>36,443</u>
Total long-term debt	<u>7,517,281</u>	<u>2,668,656</u>
Total outstanding	7,517,281	2,668,656
Less current portion	<u>(852,960)</u>	<u>(557,221)</u>
	<u>\$ 6,664,321</u>	<u>\$ 2,111,435</u>

At June 30, 2017, the Town of Southern Pines had a legal debt margin of \$181,451,145.

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Police station	\$ 3,250,001	\$ -	\$ 433,334	\$ 2,816,667	\$ 433,333
Heavy duty rescue truck	239,454	-	159,198	80,256	80,256
Street sweeper	115,190	-	76,583	38,607	38,607
Compensated absences	569,815	299,835	301,811	567,839	300,764
Net pension liability (LGERS)	585,145	2,127,836	-	2,712,981	-
Total pension liability (LEO)	<u>204,410</u>	<u>1,096,521</u>	<u>-</u>	<u>1,300,931</u>	<u>-</u>
	<u>\$ 4,964,015</u>	<u>\$ 3,524,192</u>	<u>\$ 970,926</u>	<u>\$ 7,517,281</u>	<u>\$ 852,960</u>

Town of Southern Pines, North Carolina
Notes to Financial Statements

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Business-type activities:					
Raw water reservoir	\$ 1,721,502	\$ -	\$ 360,309	\$ 1,361,193	\$ 372,664
Automatic meter readers	1,150,540	-	155,423	995,117	158,312
Compensated absences	44,482	23,995	32,034	36,443	26,245
Net pension liability (LGERS)	<u>60,355</u>	<u>215,548</u>	<u>-</u>	<u>275,903</u>	<u>-</u>
	<u>\$ 2,976,879</u>	<u>\$ 239,543</u>	<u>\$ 547,766</u>	<u>\$ 2,668,656</u>	<u>\$ 557,221</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, the net pension liability (LGERS) and the total pension liability (LEO).

	<u>Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2018	\$ 552,196	\$ 101,675
2019	433,333	84,858
2020	433,333	68,694
2021	433,333	52,531
2022	433,333	36,368
2023 - 2025	<u>650,002</u>	<u>24,245</u>
	<u>\$ 2,935,530</u>	<u>\$ 368,371</u>
Business-type activities:		
2018	\$ 530,976	\$ 60,820
2019	546,697	45,100
2020	562,910	28,886
2021	371,731	12,164
2022	170,413	5,579
2023	<u>173,583</u>	<u>2,412</u>
	<u>\$ 2,356,310</u>	<u>\$ 154,961</u>

Town of Southern Pines, North Carolina
Notes to Financial Statements

13. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017, consist of the following:

Governmental:

From the General Fund to the Storm Water Capital Project Fund for capital project expenditures	\$ 100,000
From the General Fund to the Downtown Park Capital Project Fund for capital project expenditures	150,000
From the General Fund to the Unpaved Streets Capital Project Fund for capital project expenditures	92,500
From the General Fund to the Sidewalks II Capital Project Fund for capital project expenditures	150,000
From the General Fund to the Recreation Improvements Capital Project Fund for capital project expenditures	80,000
From the General Fund to the General Capital Reserve Fund	2,500
From the Sidewalks Construction Capital Project Fund to the Sidewalks II Capital Project Fund for capital project expenditures	<u>46,727</u>
Total governmental	<u>621,727</u>

Business-type:

From the Water & Sewer Fund to the Water & Sewer Capital Projects Fund for capital project expenditures	<u>900,000</u>
Total business-type	<u>900,000</u>
Total transfers	<u>\$ 1,521,727</u>

14. Fund Balance

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

Total fund balance - General Fund	\$ 10,446,250
Less:	
Inventories	16,317
Prepaid items	95,906
Stabilization by State Statute	1,435,608
Appropriated fund balance in 2018 budget	2,567,470
Fund balance policy	<u>4,604,089</u>
Remaining fund balance	<u>\$ 1,726,860</u>

The Town 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.

15. 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.

16. 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.

17. Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period. The information necessary for full retrospective application is not available, so the accounting change was implemented in 2017 with a cumulative effect adjustment to net position as of the beginning of the year. As a result, net position for the governmental activities at July 1, 2016 decreased \$1,025,776.

Required Supplemental Financial Data

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

- Schedule of Employer Contributions for the Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability (Asset) for the Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance

Town of Southern Pines, North Carolina
Local Government Employees' Retirement System
Required Supplementary Information
Schedule of Employer Contributions
Last Four Fiscal Years

Schedule 1

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 603,339	\$ 520,306	\$ 525,694	\$ 499,274
Contributions in relation to the contractually required contribution	<u>603,339</u>	<u>520,306</u>	<u>525,694</u>	<u>499,274</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Town's covered-employee payroll	\$8,052,947	\$7,568,729	\$7,347,598	\$7,012,498
Contributions as a percentage of covered-employee payroll	7.49%	6.87%	7.15%	7.12%

Town of Southern Pines, North Carolina
Local Government Employees' Retirement System
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability (Asset)
Last Four Fiscal Years

Schedule 2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The Town's proportion of the net pension liability (asset) (%)	0.1408%	0.1438%	0.1420%	0.1323%
The Town's proportion of the net pension liability (asset) (\$)	\$2,988,884	\$ 645,500	\$ (837,439)	\$1,594,723
The Town's covered-employee payroll	7,568,729	7,347,598	7,012,498	6,605,219
The Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.49%	8.79%	-11.94%	24.14%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

**The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.*

Town of Southern Pines, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Changes in Total Pension Liability
June 30, 2017

Schedule 3

	<u>2017</u>
Beginning balance	\$ 1,270,092
Service Cost	64,204
Interest on the total pension liability	44,634
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(38,313)
Benefit payments	(39,686)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,300,931</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Southern Pines, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Total Pension Liability as a Percentage of Covered Payroll
June 30, 2017

Schedule 4

	<u>2017</u>
Total pension liability	\$ 1,300,931
Covered payroll	2,119,195
Total pension liability as a percentage of covered payroll	61.39%

Notes to the schedules:

The Town of Southern Pines has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

***Combining, Individual Fund and Account Groups
Financial Statements and Schedules***

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, North Carolina
General Fund
Comparative Balance Sheets
June 30, 2017 and June 30, 2016

Schedule 5

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 9,275,557	\$ 8,745,449
Receivables, net		
Property taxes	29,163	51,846
Due from other governments	1,116,888	992,924
Accounts receivable	290,904	308,905
Accrued interest receivable	14,714	11,568
Sales tax receivable	107,556	97,884
Parking lot assessments receivable	2,305	2,305
Inventory	16,317	25,840
Prepays	95,906	53,875
Restricted assets:		
Cash and investments	380,653	365,668
Total assets	<u>\$ 11,329,963</u>	<u>\$ 10,656,264</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 244,918	\$ 331,073
Accrued liabilities:		
Other	132,220	413,904
Security deposits	380,653	365,668
Total liabilities	<u>757,791</u>	<u>1,110,645</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes receivable	29,163	51,846
Parking lot assessments	2,305	2,305
Other	94,454	85,845
Total deferred inflows of resources	<u>125,922</u>	<u>139,996</u>
FUND BALANCE		
Nonspendable:		
Inventory	16,317	25,840
Prepays	95,906	53,875
Restricted:		
Stabilization by State Statute	1,435,608	1,325,436
Assigned:		
Subsequent year's expenditures	2,567,470	2,136,517
Unassigned	6,330,949	5,863,955
Total fund balances	<u>10,446,250</u>	<u>9,405,623</u>
	<u>\$ 11,329,963</u>	<u>\$ 10,656,264</u>

Town of Southern Pines, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

Schedule 6
(5 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Revenues				
Ad valorem taxes:				
Current year		\$ 8,854,601		\$ 8,526,671
Prior years		16,381		16,862
Penalties and interest		16,630		20,058
	<u>\$ 8,608,500</u>	<u>8,887,612</u>	<u>\$ 279,112</u>	<u>8,563,591</u>
Other taxes and licenses:				
ABC mixed beverage		156,789		143,195
Solid waste disposal tax		9,018		8,428
Privilege licenses		2,315		-
Lease vehicles		46,925		39,382
	<u>159,800</u>	<u>215,047</u>	<u>55,247</u>	<u>191,005</u>
Unrestricted intergovernmental revenues:				
Local option sales tax		3,419,800		3,177,570
Video programming tax		164,610		161,043
Franchise tax		1,086,585		1,112,213
Beer and wine		60,927		58,550
	<u>3,681,100</u>	<u>4,731,922</u>	<u>1,050,822</u>	<u>4,509,376</u>
Restricted intergovernmental revenues:				
State Aid - Library Grant		6,290		6,382
Powell Bill allocation		402,027		404,887
Recreation Grants		709		921
Police grants		2,104		3,566
	<u>407,200</u>	<u>411,130</u>	<u>3,930</u>	<u>415,756</u>
Permits and fees:				
Building permits and inspection fees		409,722		344,142
Fire and Police Dept. fees		78,304		97,598
Public works fees		24,772		54,262
Street department fees		35,677		53,711
	<u>379,750</u>	<u>548,475</u>	<u>168,725</u>	<u>549,713</u>

Town of Southern Pines, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

Schedule 6
(5 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Revenues				
Sales and services:				
Rents		\$ 325,831		\$ 347,106
Court facilities fees		464		1,919
County disposal fee		566,228		543,676
Recreation department fees		195,117		216,554
Library fees		41,472		44,681
Reservoir park usage fees		6,000		5,500
	<u>\$ 1,066,700</u>	<u>1,135,112</u>	<u>\$ 68,412</u>	<u>1,159,436</u>
Investment earnings	<u>17,000</u>	<u>52,553</u>	<u>35,553</u>	<u>30,273</u>
Other:				
Cemetery		1,375		2,125
Fire department donations		3,654		4,431
Fire district revenue		503,109		493,585
FEMA revenue		87,601		-
Court costs		6,523		2,596
Demolition liens		-		25,622
County contribution - fire		-		46,000
Miscellaneous		81,280		81,611
	<u>583,448</u>	<u>683,542</u>	<u>100,094</u>	<u>655,970</u>
Total revenues	<u>14,903,498</u>	<u>16,665,393</u>	<u>1,761,895</u>	<u>16,075,120</u>
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits		28,453		28,271
Operating expenditures		80,518		112,051
Professional services		66,026		66,000
Membership dues		17,658		17,958
	<u>208,986</u>	<u>192,655</u>	<u>16,331</u>	<u>224,280</u>
Administration:				
Salaries and employee benefits		490,533		469,391
Operating expenditures		85,511		86,575
	<u>617,655</u>	<u>576,044</u>	<u>41,611</u>	<u>555,966</u>
Finance:				
Salaries and employee benefits		358,047		367,628
Operating expenditures		255,683		226,715
	<u>616,148</u>	<u>613,730</u>	<u>2,418</u>	<u>594,343</u>

Town of Southern Pines, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

Schedule 6
(5 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Information technology:				
Salaries and employee benefits		\$ 178,210		\$ 144,790
Contract Services		283,945		314,463
Operating expenditures		204,762		175,033
Capital outlay		47,466		91,543
	<u>\$ 864,180</u>	<u>714,383</u>	<u>\$ 149,797</u>	<u>725,829</u>
Administrative chargeback	<u>(981,995)</u>	<u>(981,995)</u>	<u>-</u>	<u>(903,277)</u>
Public works:				
Salaries and employee benefits		356,015		352,752
Operating expenditures		26,863		37,991
Contract services		1,455,523		1,399,223
	<u>1,918,542</u>	<u>1,838,401</u>	<u>80,141</u>	<u>1,789,966</u>
Building and grounds:				
Salaries and employee benefits		955,774		934,794
Vehicle maintenance		4,873		12,861
Contract Services		56,610		146,305
Operating expenditures		407,611		299,400
Capital outlay		81,502		27,949
	<u>1,759,436</u>	<u>1,506,370</u>	<u>253,066</u>	<u>1,421,309</u>
Garage:				
Salaries and employee benefits		249,881		239,251
Operating expenditures		60,569		98,501
	<u>313,864</u>	<u>310,450</u>	<u>3,414</u>	<u>337,752</u>
Total general government	<u>5,316,816</u>	<u>4,770,038</u>	<u>546,778</u>	<u>4,746,168</u>
Public safety:				
Police				
Salaries and employee benefits		3,364,811		3,081,275
Operating expenditures		687,211		656,358
Capital outlay		181,786		240,307
	<u>4,418,708</u>	<u>4,233,808</u>	<u>184,900</u>	<u>3,977,940</u>
Fire:				
Salaries and employee benefits		1,696,065		1,665,874
Operating expenditures		303,922		316,019
	<u>2,089,893</u>	<u>1,999,987</u>	<u>89,906</u>	<u>1,981,893</u>
Total public safety	<u>6,508,601</u>	<u>6,233,795</u>	<u>274,806</u>	<u>5,959,833</u>

Town of Southern Pines, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

Schedule 6
(5 pages)

	2017		2016
	Budget	Actual	Actual
			Variance Favorable (Unfavorable)
Transportation:			
Street maintenance:			
Salaries and employee benefits		\$ 493,177	\$ 469,929
Operating expenditures		334,639	385,585
Paving		-	196,058
Contract services		34,842	30,189
Capital outlay		246,326	33,162
	<u>\$ 1,349,585</u>	<u>1,108,984</u>	<u>\$ 240,601</u>
Total transportation	<u>1,349,585</u>	<u>1,108,984</u>	<u>240,601</u>
Economic and physical development:			
Planning and development:			
Salaries and employee benefits		525,424	614,940
Contract services		4,538	28,399
Operating expenditures		43,964	54,560
Capital outlay		22,434	-
	<u>765,678</u>	<u>596,360</u>	<u>169,318</u>
Total economic and physical development	<u>765,678</u>	<u>596,360</u>	<u>169,318</u>
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		440,971	427,272
Contract services		48,841	53,318
Operating expenditures		208,220	144,691
Capital outlay		71,086	46,253
	<u>921,542</u>	<u>769,118</u>	<u>152,424</u>
Libraries:			
Salaries and employee benefits		580,954	592,869
Contract services		33,815	35,435
Operating expenditures		59,262	68,502
Books and periodicals		126,918	119,517
	<u>905,550</u>	<u>800,949</u>	<u>104,601</u>
Total cultural and recreational	<u>1,827,092</u>	<u>1,570,067</u>	<u>257,025</u>

Town of Southern Pines, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

Schedule 6
(5 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Debt service:				
Principal retirement		\$ 669,113		\$ 666,541
Interest		120,439		139,174
	<u>\$ 789,554</u>	<u>789,552</u>	<u>\$ 2</u>	<u>805,715</u>
Total debt service	<u>789,554</u>	<u>789,552</u>	<u>2</u>	<u>805,715</u>
Total expenditures	<u>16,557,326</u>	<u>15,068,796</u>	<u>1,488,530</u>	<u>14,812,395</u>
Revenues over (under) expenditures	<u>(1,653,828)</u>	<u>1,596,597</u>	<u>3,250,425</u>	<u>1,262,725</u>
Other financing sources (uses)				
Transfers to other funds:				
Capital Projects Funds	(575,000)	(575,000)	-	(310,000)
Sale of capital assets	30,000	19,030	(10,970)	171,199
Total other financing uses	<u>(545,000)</u>	<u>(555,970)</u>	<u>(10,970)</u>	<u>(138,801)</u>
Revenues over (under) expenditures and other financing uses	<u>(2,198,828)</u>	<u>1,040,627</u>	<u>3,239,455</u>	<u>1,123,924</u>
Fund balance appropriated	<u>2,198,828</u>	<u>-</u>	<u>(2,198,828)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,040,627</u>	<u>\$ 1,040,627</u>	<u>1,123,924</u>
Fund balance, beginning of year, July 1		<u>9,405,623</u>		<u>8,281,699</u>
Fund balance, end of year, June 30		<u>\$ 10,446,250</u>		<u>\$ 9,405,623</u>

Nonmajor Governmental Funds

Capital Projects Funds are used to account for the acquisition of 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
- 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.
- Library HVAC - accounts for funds used for the design and replacement of the HVAC system at the Southern Pines Public Library
- Unpaved Street - accounts for funds used for paving existing Town streets that are currently unpaved.
- CDBG TYR Tactical - accounts for funds used for construction of roadway improvements to service the TYR Tactical facility.
- Sidewalk Construction II - accounts for funds used for the construction and improvement of various sidewalks in the Town.
- Recreational Improvements – accounts for funds used for the purpose of various recreational park improvements and renovations
- General Capital Reserve - used to account for resources accumulated for ongoing or future capital projects

Town of Southern Pines, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Capital Projects Funds			
	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics
ASSETS				
Cash and investments	\$ 72,013	\$ 51,434	\$ -	\$ 58,037
Accounts Receivable	-	-	-	-
Sales tax receivable	-	-	-	401
Accrued Interest	110	79	-	90
	<u>\$ 72,123</u>	<u>\$ 51,513</u>	<u>\$ -</u>	<u>\$ 58,528</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Payables	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by State Statute	110	79	-	491
Committed:				
Capital Projects	<u>72,013</u>	<u>51,434</u>	<u>-</u>	<u>58,037</u>
Total fund balance	<u>72,123</u>	<u>51,513</u>	<u>-</u>	<u>58,528</u>
	<u>\$ 72,123</u>	<u>\$ 51,513</u>	<u>\$ -</u>	<u>\$ 58,528</u>

Capital Projects Funds

<u>Storm Water Improvements</u>	<u>Road Construction</u>	<u>EIDMS</u>	<u>Patrick Road</u>	<u>Bike Transport</u>	<u>Fire Department Substation</u>
\$ 399,795	\$ 26,438	\$ 287,939	\$ 462,953	\$ 126,306	\$ 357,830
-	-	-	-	-	-
71	-	294	-	-	-
612	40	440	708	193	547
<u>\$ 400,478</u>	<u>\$ 26,478</u>	<u>\$ 288,673</u>	<u>\$ 463,661</u>	<u>\$ 126,499</u>	<u>\$ 358,377</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
683	40	734	708	193	547
399,795	26,438	287,939	462,953	126,306	357,830
400,478	26,478	288,673	463,661	126,499	358,377
<u>\$ 400,478</u>	<u>\$ 26,478</u>	<u>\$ 288,673</u>	<u>\$ 463,661</u>	<u>\$ 126,499</u>	<u>\$ 358,377</u>

Town of Southern Pines, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Capital Projects Funds			
	Pool Park	Downtown Park	Library HVAC	Unpaved Street
ASSETS				
Cash and investments	\$ 122,505	\$ 4,432	\$ 161	\$ 32,043
Accounts Receivable	-	-	-	-
Sales tax receivable	-	10,112	-	204
Accrued Interest	187	7	-	49
	<u>\$ 122,692</u>	<u>\$ 14,551</u>	<u>\$ 161</u>	<u>\$ 32,296</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Payables	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance				
Nonspendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by State Statute	187	10,119	-	253
Committed:				
Capital Projects	<u>122,505</u>	<u>4,432</u>	<u>161</u>	<u>32,043</u>
Total fund balance	<u>122,692</u>	<u>14,551</u>	<u>161</u>	<u>32,296</u>
	<u>\$ 122,692</u>	<u>\$ 14,551</u>	<u>\$ 161</u>	<u>\$ 32,296</u>

Capital Projects Funds				Permanent Fund	Total Non-Major Governmental Funds
CDBG TYR Tactical	Sidewalk Construction II	Recreational Improvements	General Capital Reserve	Cemetery Perpetual Care	
\$ 107,545	197,314	80,255	\$ 116,582	\$ 69,115	\$ 2,572,697
-	-	-	-	-	-
-	-	-	-	-	11,082
164	302	123	178	106	3,935
<u>\$ 107,709</u>	<u>\$ 197,616</u>	<u>\$ 80,378</u>	<u>\$ 116,760</u>	<u>\$ 69,221</u>	<u>\$ 2,587,714</u>
\$ -	\$ 136,760	\$ -	\$ -	\$ -	\$ 136,760
-	136,760	-	-	-	136,760
-	-	-	-	69,115	69,115
164	302	123	178	106	15,017
107,545	60,554	80,255	116,582	-	2,366,822
107,709	60,856	80,378	116,760	69,221	2,450,954
<u>\$ 107,709</u>	<u>\$ 197,616</u>	<u>\$ 80,378</u>	<u>\$ 116,760</u>	<u>\$ 69,221</u>	<u>\$ 2,587,714</u>

Town of Southern Pines, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Capital Projects Funds			
	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics
Revenues				
Investment earnings	\$ 350	\$ 249	\$ 66	\$ 333
Developer's contributions	-	-	-	-
Sale of plots	-	-	-	-
	<u>350</u>	<u>249</u>	<u>66</u>	<u>333</u>
Expenditures				
General government	-	-	-	16,962
Cultural and recreational	-	-	-	-
Transportation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,962</u>
Revenues over (under) expenditures	<u>350</u>	<u>249</u>	<u>66</u>	<u>(16,629)</u>
Other financing sources (uses)				
Transfers (to)/from:				
General fund	-	-	-	-
Sidewalks fund	-	-	-	-
Sidewalks II fund	-	-	(46,727)	-
	<u>-</u>	<u>-</u>	<u>(46,727)</u>	<u>-</u>
Net change in fund balance	350	249	(46,661)	(16,629)
Fund balance, beginning of year, July 1	<u>71,773</u>	<u>51,264</u>	<u>46,661</u>	<u>75,157</u>
Fund balance, end of year, June 30	<u>\$ 72,123</u>	<u>\$ 51,513</u>	<u>\$ -</u>	<u>\$ 58,528</u>

Capital Projects Funds					
Storm Water Improvements	Road Construction	EIDMS	Patrick Road	Bike Transport	Fire Department Substation
\$ 2,013	\$ 128	\$ 1,470	\$ 2,249	\$ 613	\$ 1,738
-	-	-	-	-	-
-	-	-	-	-	-
2,013	128	1,470	2,249	613	1,738
-	-	25,892	-	-	-
-	-	-	-	-	-
24,429	-	-	-	-	-
24,429	-	25,892	-	-	-
(22,416)	128	(24,422)	2,249	613	1,738
100,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
100,000	-	-	-	-	-
77,584	128	(24,422)	2,249	613	1,738
322,894	26,350	313,095	461,412	125,886	356,639
\$ 400,478	\$ 26,478	\$ 288,673	\$ 463,661	\$ 126,499	\$ 358,377

Town of Southern Pines, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Capital Projects Funds			
	Pool Park	Downtown Park	Library HVAC	Unpaved Street
Revenues				
Investment earnings	\$ 567	\$ 538	\$ 31	\$ 521
Developer's contributions	-	-	-	-
Sale of plots	-	-	-	-
	<u>567</u>	<u>538</u>	<u>31</u>	<u>521</u>
Expenditures				
General government	-	-	-	-
Cultural and recreational	-	149,802	6,469	-
Transportation	-	-	-	108,504
	<u>-</u>	<u>149,802</u>	<u>6,469</u>	<u>108,504</u>
Revenues over (under) expenditures	<u>567</u>	<u>(149,264)</u>	<u>(6,438)</u>	<u>(107,983)</u>
Other financing sources (uses)				
Transfers (to)/from:				
General fund	-	150,000	-	92,500
Sidewalks fund	-	-	-	-
Sidewalks II fund	-	-	-	-
	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>92,500</u>
Net change in fund balance	567	736	(6,438)	(15,483)
Fund balance, beginning of year, July 1	<u>122,125</u>	<u>13,815</u>	<u>6,599</u>	<u>47,779</u>
Fund balance, end of year, June 30	<u>\$ 122,692</u>	<u>\$ 14,551</u>	<u>\$ 161</u>	<u>\$ 32,296</u>

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
CDBG TYR Tactical	Sidewalk Construction II	Recreational Improvements	General Capital Reserve	Cemetery Perpetual Care	
\$ 366	\$ 889	\$ 378	\$ 562	\$ 334	\$ 13,395
107,158			-	-	107,158
-	-	-	-	3,025	3,025
<u>107,524</u>	<u>889</u>	<u>378</u>	<u>562</u>	<u>3,359</u>	<u>123,578</u>
-	-	-	-	-	42,854
-	-	-	-	-	156,271
-	<u>136,760</u>	-	-	-	<u>269,693</u>
-	<u>136,760</u>	-	-	-	<u>468,818</u>
<u>107,524</u>	<u>(135,871)</u>	<u>378</u>	<u>562</u>	<u>3,359</u>	<u>(345,240)</u>
-	150,000	80,000	2,500	-	575,000
-	46,727	-	-	-	46,727
-	-	-	-	-	<u>(46,727)</u>
-	<u>196,727</u>	<u>80,000</u>	<u>2,500</u>	-	<u>575,000</u>
107,524	60,856	80,378	3,062	3,359	229,760
<u>185</u>	-	-	<u>113,698</u>	<u>65,862</u>	<u>2,221,194</u>
<u>\$ 107,709</u>	<u>\$ 60,856</u>	<u>\$ 80,378</u>	<u>\$ 116,760</u>	<u>\$ 69,221</u>	<u>\$ 2,450,954</u>

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Nicks Creek Parkway)
From Inception and for the Year Ended June 30, 2017

Schedule 9

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ 15,000	\$ 14,773	\$ 350	\$ 15,123	\$ 123
	<u>15,000</u>	<u>14,773</u>	<u>350</u>	<u>15,123</u>	<u>123</u>
Expenditures					
Transportation:					
Construction	<u>72,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,000</u>
	<u>72,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,000</u>
Revenues over over (under) expenditures	<u>(57,000)</u>	<u>14,773</u>	<u>350</u>	<u>15,123</u>	<u>72,123</u>
Other financing sources					
Land exchange proceeds	<u>57,000</u>	<u>57,000</u>	<u>-</u>	<u>57,000</u>	<u>-</u>
	<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>\$ 71,773</u>	<u>350</u>	<u>\$ 72,123</u>	<u>\$ 72,123</u>
Fund balance, beginning of year, July 1			<u>71,773</u>		
Fund balance end of year, June 30			<u>\$ 72,123</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Open Space and Greenways)
From Inception and for the Year Ended June 30, 2017

Schedule 10

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ 9,700	\$ 9,519	\$ 249	\$ 9,768	\$ 68
	<u>9,700</u>	<u>9,519</u>	<u>249</u>	<u>9,768</u>	<u>68</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>(74,736)</u>	<u>249</u>	<u>(74,487)</u>	<u>51,513</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>\$ 51,264</u>	<u>249</u>	<u>\$ 51,513</u>	<u>\$ 51,513</u>
Fund balance, beginning of year, July 1			<u>51,264</u>		
Fund balance, end of year, June 30			<u>\$ 51,513</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Sidewalk Construction)
From Inception and for the Year Ended June 30, 2017

Schedule 11

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ 8,305	\$ 8,239	\$ 66	\$ 8,305	\$ -
	<u>8,305</u>	<u>8,239</u>	<u>66</u>	<u>8,305</u>	<u>-</u>
Expenditures					
Transportation:					
Construction	<u>1,228,090</u>	<u>1,228,090</u>	<u>-</u>	<u>1,228,090</u>	<u>-</u>
	<u>1,228,090</u>	<u>1,228,090</u>	<u>-</u>	<u>1,228,090</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,219,785)</u>	<u>(1,219,851)</u>	<u>66</u>	<u>(1,219,785)</u>	<u>-</u>
Other financing sources					
Transfers from:					
General Fund	1,266,512	1,266,512	-	1,266,512	-
Transfers to:					
Capital Projects Fund- sidewalks	<u>(46,727)</u>	<u>-</u>	<u>(46,727)</u>	<u>(46,727)</u>	<u>-</u>
	<u>1,219,785</u>	<u>1,266,512</u>	<u>(46,727)</u>	<u>1,219,785</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ 46,661</u>	<u>(46,661)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1			<u>46,661</u>		
Fund balance, end of year, June 30			<u>\$ -</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Fiber Optics)
From Inception and for the Year Ended June 30, 2017

Schedule 12

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ 17,700	\$ 18,359	\$ 333	\$ 18,692	\$ 992
	<u>17,700</u>	<u>18,359</u>	<u>333</u>	<u>18,692</u>	<u>992</u>
Expenditures					
General Government:					
Construction	543,523	469,025	16,962	485,987	57,536
	<u>543,523</u>	<u>469,025</u>	<u>16,962</u>	<u>485,987</u>	<u>57,536</u>
Revenues under expenditures	<u>(525,823)</u>	<u>(450,666)</u>	<u>(16,629)</u>	<u>(467,295)</u>	<u>58,528</u>
Other financing sources					
Transfers from:					
General Fund	152,823	152,823	-	152,823	-
Capital Projects Fund - Police Station	<u>373,000</u>	<u>373,000</u>	<u>-</u>	<u>373,000</u>	<u>-</u>
	<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>\$ 75,157</u>	<u>(16,629)</u>	<u>\$ 58,528</u>	<u>\$ 58,528</u>
Fund balance, beginning of year, July 1			<u>75,157</u>		
Fund balance, end of year, June 30			<u>\$ 58,528</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Storm Water Improvements)
From Inception and for the Year Ended June 30, 2017

Schedule 13

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ 22,500	\$ 23,894	\$ 2,013	\$ 25,907	\$ 3,407
	<u>22,500</u>	<u>23,894</u>	<u>2,013</u>	<u>25,907</u>	<u>3,407</u>
Expenditures					
Transportation:					
Construction	421,500	-	24,429	24,429	397,071
	<u>421,500</u>	<u>-</u>	<u>24,429</u>	<u>24,429</u>	<u>397,071</u>
Revenues over (under) expenditures	<u>(399,000)</u>	<u>23,894</u>	<u>(22,416)</u>	<u>1,478</u>	<u>400,478</u>
Other financing sources					
Transfers from:					
General Fund	399,000	299,000	100,000	399,000	-
	<u>399,000</u>	<u>299,000</u>	<u>100,000</u>	<u>399,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 322,894</u>	<u>77,584</u>	<u>\$ 400,478</u>	<u>\$ 400,478</u>
Fund balance, beginning of year, July 1			<u>322,894</u>		
Fund balance, end of year, June 30			<u>\$ 400,478</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Road Construction)
From Inception and for the Year Ended June 30, 2017

Schedule 14

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ -	\$ 476	\$ 128	\$ 604	\$ 604
	-	476	128	604	604
Expenditures					
Transportation:					
Construction	25,874	-	-	-	25,874
	25,874	-	-	-	25,874
Revenues over (under) expenditures	(25,874)	476	128	604	26,478
Other financing sources					
Transfers from:					
Special Revenue Fund - Community Development Block Grant	25,874	25,874	-	25,874	-
	25,874	25,874	-	25,874	-
Revenues and other financing sources over expenditures	\$ -	\$ 26,350	128	\$ 26,478	\$ 26,478
Fund balance, beginning of year, July 1			26,350		
Fund balance, end of year, June 30			\$ 26,478		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Enterprise Information and Document Management System)
From Inception and for the Year Ended June 30, 2017

Schedule 15

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ 14,200	\$ 15,434	\$ 1,470	\$ 16,904	\$ 2,704
	<u>14,200</u>	<u>15,434</u>	<u>1,470</u>	<u>16,904</u>	<u>2,704</u>
Expenditures					
General government Enterprise Resource Planning	<u>686,200</u>	<u>374,339</u>	<u>25,892</u>	<u>400,231</u>	<u>285,969</u>
	<u>686,200</u>	<u>374,339</u>	<u>25,892</u>	<u>400,231</u>	<u>285,969</u>
Revenues under expenditures	<u>(672,000)</u>	<u>(358,905)</u>	<u>(24,422)</u>	<u>(383,327)</u>	<u>288,673</u>
Other financing sources (uses)					
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	-
Transfers to:					
Capital Projects Fund- Library HVAC Fund	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>	<u>(225,000)</u>	<u>-</u>
	<u>672,000</u>	<u>672,000</u>	<u>-</u>	<u>672,000</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 313,095</u>	<u>(24,422)</u>	<u>\$ 288,673</u>	<u>\$ 288,673</u>
Fund balance, beginning of year, July 1			<u>313,095</u>		
Fund balance, end of year, June 30			<u>\$ 288,673</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Patrick Road)
From Inception and for the Year Ended June 30, 2017

Schedule 16

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ 38,850	\$ 40,421	\$ 2,249	\$ 42,670	\$ 3,820
	<u>38,850</u>	<u>40,421</u>	<u>2,249</u>	<u>42,670</u>	<u>3,820</u>
Expenditures					
Transportation:					
Construction	494,841	35,000	-	35,000	459,841
	<u>494,841</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>459,841</u>
Revenues over (under) expenditures	<u>(455,991)</u>	<u>5,421</u>	<u>2,249</u>	<u>7,670</u>	<u>463,661</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>\$ 461,412</u>	<u>2,249</u>	<u>\$ 463,661</u>	<u>\$ 463,661</u>
Fund balance, beginning of year, July 1			<u>461,412</u>		
Fund balance, end of year, June 30			<u>\$ 463,661</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Bike Transport)
From Inception and for the Year Ended June 30, 2017

Schedule 17

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ -	\$ 1,047	\$ 613	\$ 1,660	\$ 1,660
	<u>-</u>	<u>1,047</u>	<u>613</u>	<u>1,660</u>	<u>1,660</u>
Expenditures					
Cultural and recreational:					
Construction	140,000	15,161	-	15,161	124,839
	<u>140,000</u>	<u>15,161</u>	<u>-</u>	<u>15,161</u>	<u>124,839</u>
Revenues over (under) expenditures	<u>(140,000)</u>	<u>(14,114)</u>	<u>613</u>	<u>(13,501)</u>	<u>126,499</u>
Other financing sources					
Transfers from:					
General fund	140,000	140,000	-	140,000	-
	<u>140,000</u>	<u>140,000</u>	<u>-</u>	<u>140,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 125,886</u>	<u>613</u>	<u>\$ 126,499</u>	<u>\$ 126,499</u>
Fund balance, beginning of year, July 1			<u>125,886</u>		
Fund balance, end of year, June 30			<u>\$ 126,499</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Fire Department Substation)
From Inception and for the Year Ended June 30, 2017

Schedule 18

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ 2,886	\$ 4,647	\$ 1,738	\$ 6,385	\$ 3,499
	<u>2,886</u>	<u>4,647</u>	<u>1,738</u>	<u>6,385</u>	<u>3,499</u>
Expenditures					
Public safety:					
Construction	796,300	441,421	-	441,421	354,879
	<u>796,300</u>	<u>441,421</u>	<u>-</u>	<u>441,421</u>	<u>354,879</u>
Revenues over (under) expenditures	<u>(793,414)</u>	<u>(436,774)</u>	<u>1,738</u>	<u>(435,036)</u>	<u>358,378</u>
Other financing sources					
Transfers from:					
General Fund	433,300	433,300	-	433,300	-
Capital Projects Fund- Police Expansion Fund	360,114	360,113	-	360,113	(1)
	<u>793,414</u>	<u>793,413</u>	<u>-</u>	<u>793,413</u>	<u>(1)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 356,639</u>	<u>1,738</u>	<u>\$ 358,377</u>	<u>\$ 358,377</u>
Fund balance, beginning of year, July 1			<u>356,639</u>		
Fund balance, end of year, June 30			<u>\$ 358,377</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Pool Park)
From Inception and for the Year Ended June 30, 2017

Schedule 19

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ -	\$ 2,047	\$ 567	\$ 2,614	\$ 2,614
	<u>-</u>	<u>2,047</u>	<u>567</u>	<u>2,614</u>	<u>2,614</u>
Expenditures					
Cultural and recreational:					
Construction	350,000	229,922	-	229,922	120,078
	<u>350,000</u>	<u>229,922</u>	<u>-</u>	<u>229,922</u>	<u>120,078</u>
Revenues over (under) expenditures	<u>(350,000)</u>	<u>(227,875)</u>	<u>567</u>	<u>(227,308)</u>	<u>122,692</u>
Other financing sources					
Transfers from:					
General Fund	350,000	350,000	-	350,000	-
	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 122,125</u>	<u>567</u>	<u>\$ 122,692</u>	<u>\$ 122,692</u>
Fund balance, beginning of year, July 1			<u>122,125</u>		
Fund balance, end of year, June 30			<u>\$ 122,692</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Downtown Park)
From Inception and for the Year Ended June 30, 2017

Schedule 20

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ -	\$ 987	\$ 538	\$ 1,525	\$ 1,525
	<u>-</u>	<u>987</u>	<u>538</u>	<u>1,525</u>	<u>1,525</u>
Expenditures					
Cultural and recreational:					
Construction	565,000	402,172	149,802	551,974	13,026
	<u>565,000</u>	<u>402,172</u>	<u>149,802</u>	<u>551,974</u>	<u>13,026</u>
Revenues under expenditures	<u>(565,000)</u>	<u>(401,185)</u>	<u>(149,264)</u>	<u>(550,449)</u>	<u>14,551</u>
Other financing sources					
Transfers from:					
General Fund	565,000	415,000	150,000	565,000	-
	<u>565,000</u>	<u>415,000</u>	<u>150,000</u>	<u>565,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 13,815</u>	736	<u>\$ 14,551</u>	<u>\$ 14,551</u>
Fund balance, beginning of year, July 1			<u>13,815</u>		
Fund balance, end of year, June 30			<u>\$ 14,551</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Library HVAC)
From Inception and for the Year Ended June 30, 2017

Schedule 21

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ -	\$ 130	\$ 31	\$ 161	\$ 161
	-	130	31	161	161
Expenditures					
Cultural and recreational:					
Construction	225,000	218,531	6,469	225,000	-
	225,000	218,531	6,469	225,000	-
Revenues under expenditures	(225,000)	(218,401)	(6,438)	(224,839)	161
Other financing sources					
Transfers from:					
Capital Projects Fund- EIDMS Software	225,000	225,000	-	225,000	-
	225,000	225,000	-	225,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 6,599	(6,438)	\$ 161	\$ 161
Fund balance, beginning of year, July 1			6,599		
Fund balance, end of year, June 30			\$ 161		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Unpaved Street)
From Inception and for the Year Ended June 30, 2017

Schedule 22

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ -	\$ 341	\$ 521	\$ 862	\$ 862
	<u>-</u>	<u>341</u>	<u>521</u>	<u>862</u>	<u>862</u>
Expenditures					
Transportation:					
Construction	242,500	102,562	108,504	211,066	31,434
	<u>242,500</u>	<u>102,562</u>	<u>108,504</u>	<u>211,066</u>	<u>31,434</u>
Revenues over expenditures	<u>(242,500)</u>	<u>(102,221)</u>	<u>(107,983)</u>	<u>(210,204)</u>	<u>32,296</u>
Other financing sources					
Transfers from:					
General Fund	242,500	150,000	92,500	242,500	-
	<u>242,500</u>	<u>150,000</u>	<u>92,500</u>	<u>242,500</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 47,779</u>	<u>(15,483)</u>	<u>\$ 32,296</u>	<u>\$ 32,296</u>
Fund balance, beginning of year, July 1			<u>47,779</u>		
Fund balance, end of year, June 30			<u>\$ 32,296</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (CDBG TYR Tactical)
From Inception and for the Year Ended June 30, 2017

Schedule 23

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Grant proceeds	\$ 270,000	\$ 219,243	\$ -	\$ 219,243	\$ (50,757)
Developer's contributions	197,915	90,000	107,158	197,158	(757)
Investment earnings	-	185	366	551	551
	<u>467,915</u>	<u>309,428</u>	<u>107,524</u>	<u>416,952</u>	<u>(50,963)</u>
Expenditures					
Transportation:					
Grant administration	15,000	15,000	-	15,000	-
Construction	452,915	294,243	-	294,243	158,672
	<u>467,915</u>	<u>309,243</u>	<u>-</u>	<u>309,243</u>	<u>158,672</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 185</u>	107,524	<u>\$ 107,709</u>	<u>\$ 107,709</u>
Fund balance, beginning of year, July 1			<u>185</u>		
Fund balance, end of year, June 30			<u>\$ 107,709</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Sidewalks II)
From Inception and for the Year Ended June 30, 2017

Schedule 24

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ -	\$ -	889	\$ 889	\$ 889
	-	-	889	889	889
Expenditures					
Transportation:					
Construction	196,727	-	136,760	136,760	59,967
	196,727	-	136,760	136,760	59,967
Revenues over expenditures	(196,727)	-	(135,871)	(135,871)	60,856
Other financing sources (uses)					
Transfers from:					
General Fund	150,000	-	150,000	150,000	-
Capital Projects Fund - sidewalks	46,727	-	46,727	46,727	-
	196,727	-	196,727	196,727	-
Revenues and other financing sources (uses) over over expenditures	\$ -	\$ -	60,856	\$ 60,856	\$ 60,856
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ 60,856		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Recreational Improvement)
From Inception and for the Year Ended June 30, 2017

Schedule 25

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ -	\$ -	\$ 378	\$ 378	\$ 378
	-	-	378	378	378
Expenditures					
Transportation:					
Construction	80,000	-	-	-	80,000
	80,000	-	-	-	80,000
Revenues over (under) expenditures	(80,000)	-	378	378	80,378
Other financing sources (uses)					
Transfers from:					
General Fund	80,000	-	80,000	80,000	-
	80,000	-	80,000	80,000	-
Revenues and other financing sources (uses) over expenditures	\$ -	\$ -	80,378	\$ 80,378	\$ 80,378
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ 80,378		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (General Capital Reserve)
From Inception and for the Year Ended June 30, 2017

Schedule 26

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Investment earnings	\$ -	\$ 2	\$ 562	\$ 564	\$ 564
	-	2	562	564	564
Revenues over expenditures	-	2	562	564	564
Other financing sources (uses)					
Transfers from:					
General Fund	112,500	110,000	2,500	112,500	-
Capital Projects Fund - public safety	3,697	3,696	-	3,696	(1)
Transfers to:					
Capital Project Funds	(116,197)	-	-	-	116,197
	-	113,696	2,500	116,196	116,196
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 113,698</u>	3,062	<u>\$ 116,760</u>	<u>\$ 116,760</u>
Fund balance, beginning of year, July 1			<u>113,698</u>		
Fund balance, end of year, June 30			<u>\$ 116,760</u>		

Permanent Fund

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.

Individual fund description:

- 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, North Carolina
Schedule of Revenues, Expenses and Changes in Fund Balance
Permanent Fund (Cemetery Perpetual Care Fund)
Year Ended June 30, 2017
With Comparative Actual Amounts for Year Ended June 30, 2016

Schedule 27

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Investment earnings	\$ 11,000	\$ 334	\$ (10,666)	\$ 202
Sale of plots	<u>60,000</u>	<u>3,025</u>	<u>(56,975)</u>	<u>5,375</u>
Total revenues	<u>71,000</u>	<u>3,359</u>	<u>(67,641)</u>	<u>5,577</u>
Expenditures				
Reserved for future expense	<u>71,000</u>	<u>-</u>	<u>71,000</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>3,359</u>	<u>\$ 3,359</u>	<u>5,577</u>
Fund balance, beginning of year, July 1		<u>65,862</u>		<u>60,285</u>
Fund balance, end of year, June 30		<u>\$ 69,221</u>		<u>\$ 65,862</u>

Enterprise Fund

Town of Southern Pines, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
Year Ended June 30, 2017
With Comparative Actual Amounts for Year Ended June 30, 2016

Schedule 28
(3 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Revenues				
Operating revenues:				
Charges for services:				
Water sales		\$ 4,844,362		\$ 4,753,027
Sewer sales		2,474,859		2,369,986
Service charges		126,374		132,946
Miscellaneous operating revenue		324,249		248,804
Total operating revenues	\$ 7,025,800	7,769,844	\$ 744,044	7,504,763
Nonoperating revenues :				
Impact fees		904,086		414,304
Investment earnings		38,731		21,452
BAB interest rebate		18,170		34,423
	26,923	960,987	934,064	470,179
Total revenues	7,052,723	8,730,831	1,678,108	7,974,942
Expenditures				
Billings and collections:				
Salaries and employee benefits		275,917		290,494
Contracted services		52,131		29,928
Other departmental expenditures		121,467		123,098
	483,379	449,515	33,864	443,520
Water treatment:				
Contractual services		840,517		835,933
Utilities		324,254		343,031
Other departmental expenditures		44,599		34,209
	1,339,275	1,209,370	129,905	1,213,173
Sewage treatment:				
Contractual services	1,667,700	1,663,897	3,803	1,596,626
Water extensions and maintenance:				
Salaries and employee benefits		352,326		354,395
Contractual services		22,470		8,655
Supplies		218,189		211,275
Other departmental expenditures		79,040		93,784
	747,370	672,025	75,345	668,109

Town of Southern Pines, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
Year Ended June 30, 2017
With Comparative Actual Amounts for Year Ended June 30, 2016

Schedule 28
(3 pages)

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Sewer extensions and maintenance:				
Salaries and employee benefits		\$ 357,697		\$ 329,497
Contractual services		48,399		65,245
Supplies		100,103		58,710
Other departmental expenditures		187,173		182,333
	<u>\$ 808,577</u>	<u>693,372</u>	<u>\$ 115,205</u>	<u>635,785</u>
Chargeout for administrative expenses	<u>981,995</u>	<u>981,995</u>	<u>-</u>	<u>903,277</u>
Total	<u>6,028,296</u>	<u>5,670,174</u>	<u>358,122</u>	<u>5,460,490</u>
Budgetary appropriations:				
Interest	76,064	75,236	828	90,037
Debt principal	515,733	515,732	1	500,951
Capital outlay	28,993	28,993	-	97,891
	<u>620,790</u>	<u>619,961</u>	<u>829</u>	<u>688,879</u>
Total expenditures	<u>6,649,086</u>	<u>6,290,135</u>	<u>358,951</u>	<u>6,149,369</u>
Revenues over expenditures	<u>403,637</u>	<u>2,440,696</u>	<u>2,037,059</u>	<u>1,825,573</u>
Other financing sources (uses)				
Transfers to:				
Water and sewer improvements	(900,000)	(900,000)	-	(600,000)
Sale of capital assets	-	13,967	13,967	21,178
	<u>(900,000)</u>	<u>(886,033)</u>	<u>13,967</u>	<u>(578,822)</u>
Revenues over expenditures and other financing sources (uses)	<u>(496,363)</u>	<u>1,554,663</u>	<u>2,051,026</u>	<u>1,246,751</u>
Appropriated retained earnings	<u>496,363</u>	<u>-</u>	<u>(496,363)</u>	<u>-</u>
Revenues and appropriated retained earnings over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,554,663</u>	<u>\$ 1,554,663</u>	<u>\$ 1,246,751</u>

Town of Southern Pines, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2017
With Comparative Actual Amounts for Year Ended June 30, 2016

Schedule 28
(3 pages)

	<u>2017</u>	<u>2016</u>
Revenues and other sources over expenditures and other uses	\$ 1,554,663	\$ 1,246,751
Reconciling items:		
Principal retirement	515,732	500,951
Capital outlay	28,993	97,891
Gain on disposal of capital assets	13,967	17,198
Proceeds from the sale of capital assets	(13,967)	(21,178)
Depreciation and amortization	(1,578,497)	(1,551,198)
Decrease in net pension asset	-	(80,803)
Increase in deferred outflows of resources - pensions	182,596	(3,250)
Increase in net pension liability	(215,548)	(60,355)
Decrease in deferred inflows of resources - pensions	16,228	162,153
Interest earnings on water and sewer:		
Capital Projects Fund	11,341	6,824
Developer's contributions	231,019	939,181
Intangible contributions	51,361	585,300
Transfers to water and sewer:		
Water and sewer improvements	900,000	600,000
	<u>143,225</u>	<u>1,192,714</u>
Change in net position	<u>\$ 1,697,888</u>	<u>\$ 2,439,465</u>

Water and Sewer Capital Projects Fund

Town of Southern Pines, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Capital Projects Fund
From Inception and for the Year Ended June 30, 2017

Schedule 29

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Grant proceeds	\$ 500,000	\$ 485,357	\$ -	\$ 485,357	\$ (14,643)
Investment earnings	10,000	11,437	11,341	22,778	12,778
Developer's contributions	311,666	322,057	-	322,057	10,391
	<u>821,666</u>	<u>818,851</u>	<u>11,341</u>	<u>830,192</u>	<u>8,526</u>
Expenditures					
Commercial park project	811,666	791,960	-	791,960	19,706
Water/sewer improvements II	3,400,595	697,267	708,476	1,405,743	1,994,852
	<u>4,212,261</u>	<u>1,489,227</u>	<u>708,476</u>	<u>2,197,703</u>	<u>2,014,558</u>
Revenues under expenditures	<u>(3,390,595)</u>	<u>(670,376)</u>	<u>(697,135)</u>	<u>(1,367,511)</u>	<u>2,023,084</u>
Other financing sources (uses)					
Transfer to:					
Morganton road	(57,568)	(57,568)	-	(57,568)	-
Transfers from:					
Raw water reservoir	788,580	788,580	-	788,580	-
Auto meter reading	257,812	257,812	-	257,812	-
Water/sewer improvements I	900,576	900,576	-	900,576	-
Morganton road	1,195	1,195	-	1,195	-
Water & Sewer Fund	1,500,000	600,000	900,000	1,500,000	-
	<u>3,390,595</u>	<u>2,490,595</u>	<u>900,000</u>	<u>3,390,595</u>	<u>-</u>
Total other financing sources	<u>3,390,595</u>	<u>2,490,595</u>	<u>900,000</u>	<u>3,390,595</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,820,219</u>	<u>\$ 202,865</u>	<u>\$ 2,023,084</u>	<u>\$ 2,023,084</u>

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 description:

- 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, North Carolina
Statement of Changes in Assets and Liabilities
Agency Fund
Cafeteria Plan
Year Ended June 30, 2017

Schedule 30

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS				
Cash and investments	\$ 40,186	\$ 569,884	\$ 573,133	\$ 36,937
Accrued interest	51	57	51	57
	<u>\$ 40,237</u>	<u>\$ 569,941</u>	<u>\$ 573,184</u>	<u>\$ 36,994</u>
LIABILITIES				
Miscellaneous liabilities	<u>\$ 40,237</u>	<u>\$ 569,941</u>	<u>\$ 573,184</u>	<u>\$ 36,994</u>

Capital Assets of Governmental Funds

Town of Southern Pines, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2017

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Other Improvements</u>	<u>Machinery and Equipment</u>
General government	\$ 10,679,548	\$ 2,330,498	\$ 2,285,050	\$ 497,608
Public safety	1,461,767	8,015,770	857,600	70,600
Transportation	-	32,385	8,265	-
Economic and physical development	43,850	71,896	-	-
Cultural and recreational	<u>120,357</u>	<u>5,780,044</u>	<u>1,974,590</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 12,305,522</u>	<u>\$ 16,230,593</u>	<u>\$ 5,125,505</u>	<u>\$ 568,208</u>

Note: Amounts presented above exclude accumulated depreciation.

<u>Vehicles and Motorized Equipment</u>	<u>Furniture, Fixtures, and Other Equipment</u>	<u>Infrastructure</u>	<u>Intangible Assets</u>	<u>Construction and Intangibles in Progress</u>	<u>Total</u>
\$ 437,257	\$ 490,244	\$ 322,814	\$ 167,285	\$ 306,206	\$ 17,516,510
3,970,732	849,207	-	-	50,207	15,275,883
441,165	640,556	13,031,086	-	481,003	14,634,460
119,760	-	-	-	-	235,506
208,481	59,582	-	-	61,864	8,204,918
<u>\$ 5,177,395</u>	<u>\$ 2,039,589</u>	<u>\$ 13,353,900</u>	<u>\$ 167,285</u>	<u>\$ 899,280</u>	<u>\$ 55,867,277</u>

Town of Southern Pines, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended June 30, 2017

Schedule 32

	<u>Balance July 1, 2016</u>	<u>Additions and Transfers In</u>	<u>Disposals and Transfers Out</u>	<u>Balance June 30, 2017</u>
General government	\$ 17,419,453	\$ 768,724	\$ (671,667)	\$ 17,516,510
Public safety	15,192,271	199,935	(116,323)	15,275,883
Transportation	14,239,926	672,652	(278,118)	14,634,460
Economic and physical development	235,775	22,434	(22,703)	235,506
Cultural and recreational	<u>8,031,746</u>	<u>956,082</u>	<u>(782,910)</u>	<u>8,204,918</u>
Total governmental funds capital assets	<u>\$ 55,119,171</u>	<u>\$ 2,619,827</u>	<u>\$ (1,871,721)</u>	<u>\$ 55,867,277</u>

Supplemental Financial Data

This section contains additional information on property taxes and U.S.D.A.-requested data.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy - Town-Wide Levy
- Schedule of Interfund Transfers

Town of Southern Pines, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

Schedule 33

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 8,872,587	\$ 8,854,601	\$ 17,986
2015-2016	18,579	-	10,454	8,125
2014-2015	9,654	-	3,337	6,317
2013-2014	8,445	-	1,563	6,882
2012-2013	6,852	-	483	6,369
2011-2012	5,890	-	258	5,632
2010-2011	4,753	-	424	4,329
2009-2010	5,396	-	39	5,357
2008-2009	4,649	-	108	4,541
2007-2008	4,290	-	38	4,252
2006-2007	13,869	-	13,869	-
	<u>\$ 82,377</u>	<u>\$ 8,872,587</u>	<u>\$ 8,885,174</u>	69,790
Less: allowance for uncollected taxes receivable General Fund				<u>(40,627)</u>
Ad valorem taxes receivable - net				<u>\$ 29,163</u>
Reconciliation to revenues				
Reconciling items:				
Taxes			\$ 8,887,612	
Penalties and interest			(16,630)	
Refunds			2,187	
Taxes written off			13,826	
Other adjustments			<u>(1,821)</u>	
Total collections and credits			<u>\$ 8,885,174</u>	

Town of Southern Pines, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
June 30, 2017

Schedule 34

	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:	\$ 2,165,686,996	\$ 0.38	\$ 8,229,611	\$ 8,229,611	\$ -
Penalties	-		3,565	3,565	-
Total	2,165,686,996		8,233,176	8,233,176	-
Discoveries:					
Adjustments at current year's rate	161,723,987	0.38	614,639	93,374	521,265
Adjustments at prior year's rate	7,582,135	0.38	28,673	28,673	-
Total	2,334,993,118		8,876,488	8,355,223	521,265
Abatements:					
Current year's rate	(705,811)	0.38	(3,901)	(3,901)	-
Total property valuation	<u>\$ 2,334,287,307</u>				
Net levy			8,872,587	8,351,322	521,265
Uncollected taxes at June 30, 2017			(17,986)	(17,986)	-
Current year's taxes collected			<u>\$ 8,854,601</u>	<u>\$ 8,333,336</u>	<u>\$ 521,265</u>
Current levy collection percentage			<u>99.80%</u>	<u>99.78%</u>	<u>100.00%</u>

Town of Southern Pines, North Carolina
Schedule of Interfund Transfers
Year Ended June 30, 2017

Schedule 35

<u>Transfers to Fund</u>	<u>Transfer from Fund</u>	
	<u>Major Governmental</u>	<u>Total</u>
	<u>General Fund</u>	
Governmental:		
Non-major funds	\$ 575,000	\$ 575,000
Business-type:		
Major funds	-	-
	<u>\$ 575,000</u>	<u>\$ 575,000</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**

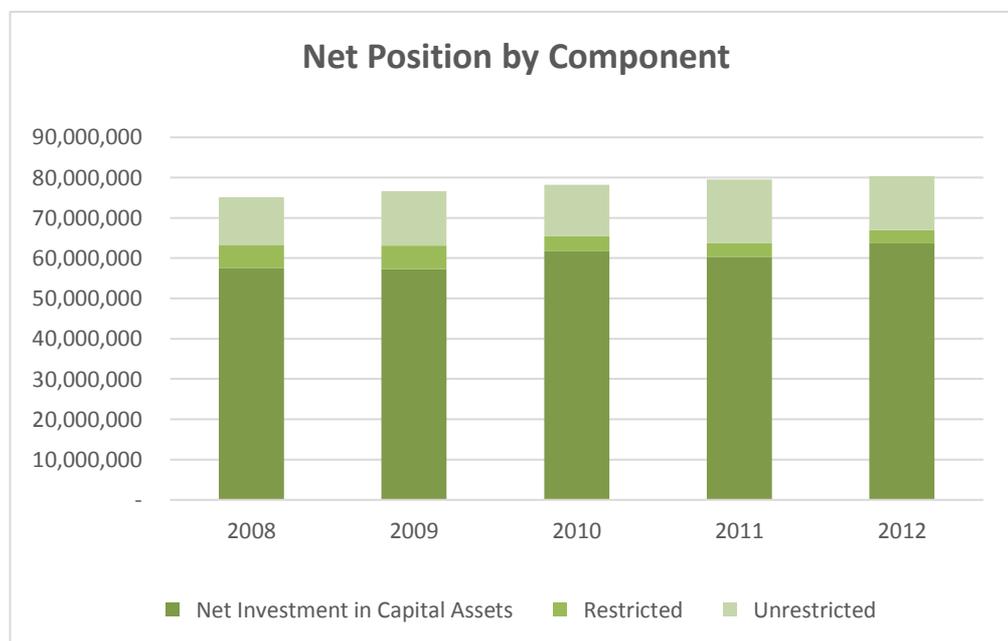
Table 1

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

Notes:

This table was prepared using the accrual basis of accounting.

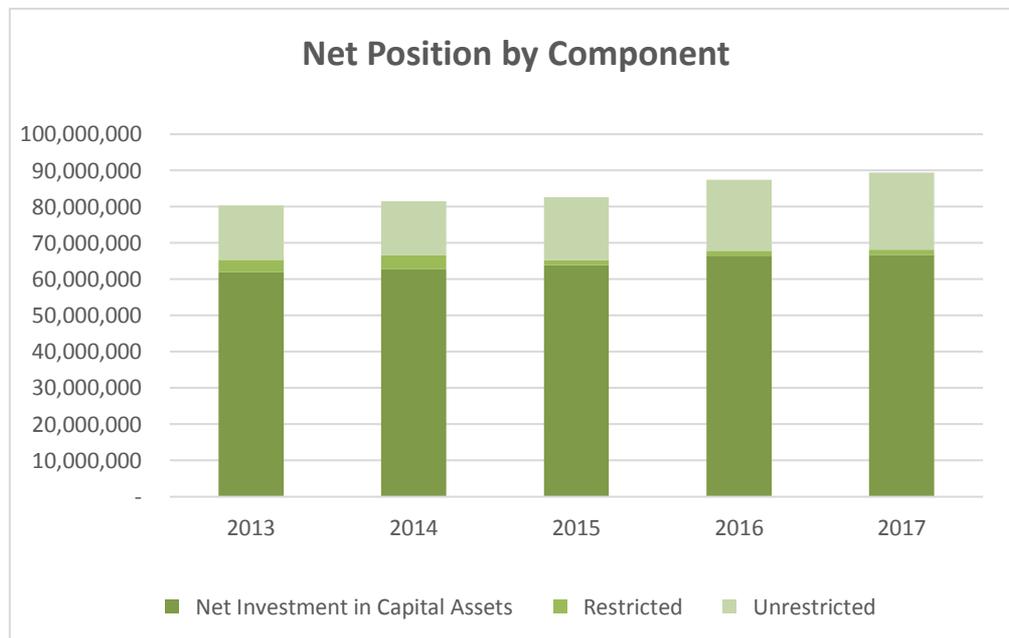
Restricted and unrestricted categories have been restated to retroactively implement GASB 54.



**Town of Southern Pines
Net Position by Component
Last Ten Fiscal Years**

**Table 1
(Continued)**

	2013	2014	2015	2016	2017
Governmental Activities					
Net Investment in Capital Assets	\$ 29,633,485	\$ 29,782,035	\$ 30,965,507	\$ 32,437,390	\$ 32,711,835
Restricted	3,404,237	3,907,594	1,347,656	1,411,213	1,519,740
Unrestricted	6,517,398	6,354,282	8,398,997	9,158,392	9,024,025
Total Governmental Activities Net Position	39,555,120	40,043,911	40,712,160	43,006,995	43,255,600
Business-type Activities					
Net Investment in Capital Assets	32,299,561	32,970,341	32,916,198	34,033,968	33,991,050
Restricted	-	-	-	-	-
Unrestricted	8,477,760	8,489,135	9,068,275	10,389,970	12,130,776
Total Business-type Activities Net Position	40,777,321	41,459,476	41,984,473	44,423,938	46,121,826
Primary Government					
Net Investment in Capital Assets	61,933,046	62,752,376	63,881,705	66,471,358	66,702,885
Restricted	3,404,237	3,907,594	1,347,656	1,411,213	1,519,740
Unrestricted	14,995,158	14,843,417	17,467,272	19,548,362	21,154,801
Total primary Government Net Position	\$ 80,332,441	\$ 81,503,387	\$ 82,696,633	\$ 87,430,933	\$ 89,377,426



**Town of Southern Pines
Changes in Net Position
Last Ten Fiscal Years**

Table 2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses										
Governmental activities:										
General Government	\$ 3,616,005	\$ 4,023,204	\$ 4,539,958	\$ 4,630,400	\$ 4,473,362	\$ 4,561,092	\$ 4,436,854	\$ 4,365,033	\$ 4,766,172	\$ 4,980,274
Public Safety	4,451,595	4,676,145	4,751,887	5,118,600	5,478,090	5,468,061	5,670,709	5,782,880	6,235,300	6,824,645
Transportation	1,365,948	1,821,185	1,593,589	1,436,648	1,441,791	1,574,115	1,338,289	1,463,609	1,575,645	1,266,454
Economic and Physical Development	616,011	791,424	667,356	956,340	722,591	690,132	649,207	653,371	701,189	563,367
Cultural and Recreation	1,733,563	1,820,968	1,587,332	1,549,640	1,542,961	1,583,940	1,543,440	1,533,579	1,583,781	1,754,646
Interest on Long Term Debt	14,989	177,670	225,648	212,328	199,536	183,766	165,401	153,216	135,625	116,880
Total Governmental Activities Expense	11,798,111	13,310,596	13,365,770	13,903,956	13,858,331	14,061,106	13,803,900	13,951,688	14,997,712	15,506,266
Total Business-Type Activity - Water and Sewer	4,649,136	5,214,994	5,783,760	6,056,432	6,390,539	6,461,289	6,747,867	6,969,806	7,083,980	7,340,631
Total primary government expenses	\$ 16,447,247	\$ 18,525,590	\$ 19,149,530	\$ 19,960,388	\$ 20,248,870	\$ 20,522,395	\$ 20,551,767	\$ 20,921,494	\$ 22,081,692	\$ 22,846,897
Program revenues										
Governmental activities:										
Charges for Services										
General Governmental	\$ 452,649	\$ 673,830	\$ 830,364	\$ 840,476	\$ 853,392	\$ 865,514	\$ 797,893	\$ 853,155	\$ 947,169	\$ 918,206
Public Safety	500,431	509,706	493,485	501,715	507,750	522,653	502,252	501,768	581,747	596,230
Transportation	7,261	8,775	14,531	14,138	24,493	27,628	31,815	36,146	53,711	35,677
Economic and Physical Development	302,147	221,168	263,420	258,908	292,230	351,236	324,378	403,127	372,607	412,257
Cultural and Recreation	205,893	204,524	219,856	252,066	246,731	230,503	245,508	259,213	266,735	242,589
Cemetery	2,700	3,425	2,525	1,476	3,475	1,750	2,675	3,149	5,375	3,025
Operating Grants and Contributions										
General Governmental	42,514	90,726	67,145	55,392	49,114	42,953	50,933	50,577	48,093	89,744
Public Safety	29,578	9,611	65,701	180,566	335,492	20,382	10,759	20,331	8,147	11,518
Transportation	452,161	408,346	365,427	372,100	373,770	384,761	390,633	490,905	404,887	402,027
Cultural and Recreation	11,801	12,954	50,656	63,951	10,857	10,780	11,625	11,770	34,722	8,499
Capital Grants and Contributions										
General Governmental	799,568	385,574	22,960	36,130	367,474	-	-	-	-	870
Public Safety	-	-	35,700	46,626	-	-	-	-	-	-
Economic and Physical Development	-	-	-	340,000	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	82,049	33,749	220,763	107,158
Cultural and Recreation	-	-	-	-	-	-	-	-	925,061	-
Total Governmental Activities Program Revenues	2,806,703	2,528,639	2,431,770	2,963,544	3,064,778	2,458,160	2,450,520	2,663,890	3,869,017	2,827,800
Business-type Activity - Water and Sewer										
Charges for Services	5,481,535	5,440,474	6,093,301	6,468,773	6,132,490	6,334,083	7,032,234	7,091,574	7,504,763	7,769,844
Capital Grants and Contributions	1,727,424	878,600	1,114,990	605,535	524,399	114,981	325,909	261,567	1,524,481	282,380
Total Business Activity Program Revenues	7,208,959	6,319,074	7,208,291	7,074,308	6,656,889	6,449,064	7,358,143	7,353,141	9,029,244	8,052,224
Total primary government program revenues	\$ 10,015,662	\$ 8,847,713	\$ 9,640,061	\$ 10,037,852	\$ 9,721,667	\$ 8,907,224	\$ 9,808,663	\$ 10,017,031	\$ 12,898,261	\$ 10,880,024
Net Revenue (Expense)										
Governmental activities	\$ (8,991,408)	\$ (10,781,957)	\$ (10,934,000)	\$ (10,940,412)	\$ (10,793,553)	\$ (11,602,946)	\$ (11,353,380)	\$ (11,287,798)	\$ (11,128,695)	\$ (12,678,466)
Business-type activity	2,559,823	1,104,080	1,424,531	1,017,876	266,350	(12,225)	610,276	383,335	1,945,264	711,593
Total primary government net expense	\$ (6,431,585)	\$ (9,677,877)	\$ (9,509,469)	\$ (9,922,536)	\$ (10,527,203)	\$ (11,615,171)	\$ (10,743,104)	\$ (10,904,463)	\$ (9,183,431)	\$ (11,966,873)

**Town of Southern Pines
Changes in Net Position
Last Ten Fiscal Years**

**Table 2
(Continued)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Ad Valorem Taxes	\$ 6,640,605	\$ 7,065,786	\$ 7,236,466	\$ 7,334,480	\$ 7,492,189	\$ 7,686,625	\$ 7,867,525	\$ 8,415,626	\$ 8,572,570	\$ 8,852,999
Alcoholic Beverage Tax	102,028	103,214	94,236	100,423	102,767	126,165	130,144	120,790	143,195	156,789
Franchise Taxes	652,800	739,237	737,932	741,169	724,017	705,527	748,619	988,840	1,112,213	1,086,585
Unrestricted Intergovernmental	3,017,903	2,758,140	2,749,947	2,817,894	2,838,253	2,944,945	2,956,816	3,257,298	3,386,423	3,640,353
Investment Earnings	495,007	249,154	109,546	51,884	40,750	27,625	22,239	20,661	38,091	65,948
Miscellaneous Revenue	119,395	133,350	47,231	91,648	102,699	90,090	99,493	94,977	106,949	133,359
Gain (Loss) on Disposal/Transfer of Capital Assets	-	-	24,875	29,554	11,445	(35,204)	17,335	47,607	64,089	16,814
Transfers	-	-	256,500	-	-	-	-	-	-	-
Total Governmental Activities	<u>11,027,738</u>	<u>11,048,881</u>	<u>11,256,733</u>	<u>11,167,052</u>	<u>11,312,120</u>	<u>11,545,773</u>	<u>11,842,171</u>	<u>12,945,799</u>	<u>13,423,530</u>	<u>13,952,847</u>
Business Type Activity										
Investment Earnings	250,211	139,023	65,120	43,368	87,363	50,237	43,666	26,254	62,699	68,242
Miscellaneous Revenue	24,733	41,895	18,581	22,581	5,901	8,216	-	172,376	414,304	904,086
Gain (Loss) on Disposal/Transfer of Capital Assets	-	-	-	-	-	-	-	-	17,198	13,967
Transfers	-	-	(256,500)	-	-	-	-	-	-	-
Total Business Type Activity	<u>274,944</u>	<u>180,918</u>	<u>(172,799)</u>	<u>65,949</u>	<u>93,264</u>	<u>58,453</u>	<u>43,666</u>	<u>198,630</u>	<u>494,201</u>	<u>986,295</u>
Total primary government general revenues and other changes in net position	<u>\$ 11,302,682</u>	<u>\$ 11,229,799</u>	<u>\$ 11,083,934</u>	<u>\$ 11,233,001</u>	<u>\$ 11,405,384</u>	<u>\$ 11,604,226</u>	<u>\$ 11,885,837</u>	<u>\$ 13,144,429</u>	<u>\$ 13,917,731</u>	<u>\$ 14,939,142</u>
Change in Net Position										
Governmental Activities	\$ 2,036,330	\$ 266,924	\$ 322,733	\$ 226,640	\$ 518,567	\$ (57,173)	\$ 488,791	\$ 1,658,001	\$ 2,294,835	\$ 1,274,381
Business-type Activity	<u>2,834,767</u>	<u>1,284,998</u>	<u>1,251,732</u>	<u>1,083,825</u>	<u>359,614</u>	<u>46,228</u>	<u>653,942</u>	<u>581,965</u>	<u>2,439,465</u>	<u>1,697,888</u>
Total primary government change in net position	<u>\$ 4,871,097</u>	<u>\$ 1,551,922</u>	<u>\$ 1,574,465</u>	<u>\$ 1,310,465</u>	<u>\$ 878,181</u>	<u>\$ (10,945)</u>	<u>\$ 1,142,733</u>	<u>\$ 2,239,966</u>	<u>\$ 4,734,300</u>	<u>\$ 2,972,269</u>

Note:

This table was prepared using the accrual basis of accounting.

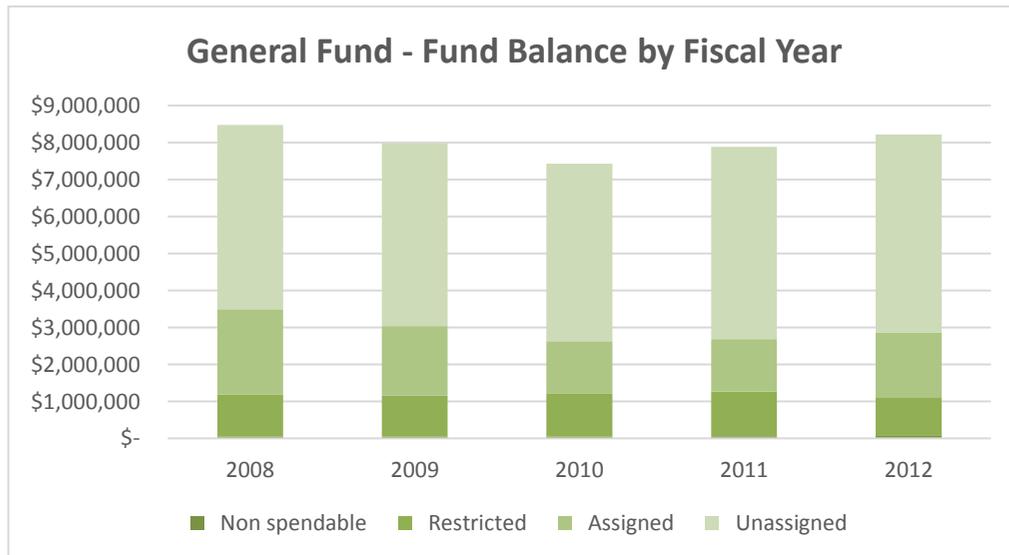
Town of Southern Pines
Fund Balances, Governmental Funds ^{(1), (2)}
Last Ten Fiscal Years

Table 3

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

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

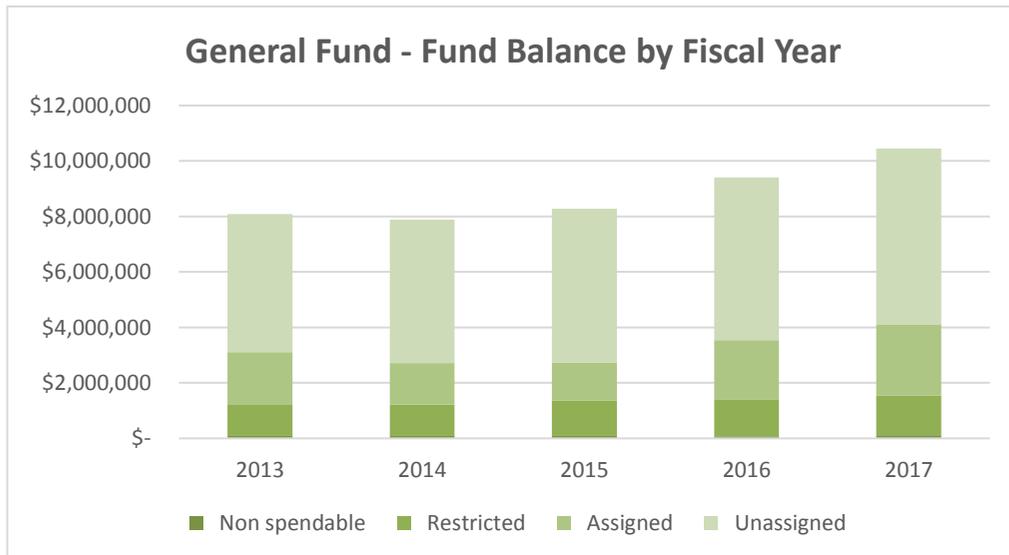
(2) Fund balance categories have been restated to retroactively implement GASB 54.



**Town of Southern Pines
Fund Balances, Governmental Funds
Last Ten Fiscal Years**

**Table 3
(Continued)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund					
Non spendable	\$ 83,967	\$ 88,196	\$ 87,292	\$ 79,715	\$ 112,223
Restricted	1,152,374	1,125,069	1,267,145	1,325,436	1,435,608
Assigned	1,879,328	1,496,849	1,374,933	2,136,517	2,567,470
Unassigned	4,974,592	5,168,432	5,552,329	5,863,955	6,330,949
Total General Fund	<u>\$ 8,090,261</u>	<u>\$ 7,878,546</u>	<u>\$ 8,281,699</u>	<u>\$ 9,405,623</u>	<u>\$10,446,250</u>
All Other Governmental Funds					
Non spendable	\$ 54,189	\$ 56,971	\$ 60,237	\$ 65,779	\$ 69,115
Restricted	7,393	6,008	20,274	19,998	15,017
Committed	2,190,281	2,719,546	2,500,431	2,135,417	2,366,822
Total All Other Governmental Funds	<u>\$ 2,251,863</u>	<u>\$ 2,782,525</u>	<u>\$ 2,580,942</u>	<u>\$ 2,221,194</u>	<u>\$ 2,450,954</u>



**Town of Southern Pines
Changes in Fund Balances,
Governmental Funds
Last Ten Fiscal Years**

Table 4

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues					
Ad Valorem Taxes	\$ 6,647,580	\$ 7,061,426	\$ 7,235,515	\$ 7,313,650	\$ 7,492,635
Other Taxes and Licenses	354,155	359,724	369,932	353,827	382,156
Unrestricted Intergovernmental	3,470,473	3,290,432	3,236,089	3,344,825	3,342,941
Restricted Intergovernmental	474,260	457,268	500,288	646,318	686,179
Permits and Fees	353,271	241,842	309,678	297,073	303,210
Sales and Services	638,939	869,899	1,036,689	1,084,292	1,102,639
Investment Earnings	495,009	249,154	109,546	51,884	40,750
Grant Proceeds	-	-	-	340,000	-
Developers Contributions	783,034	377,699	(10,391)	-	-
Other	612,556	639,165	622,814	616,458	652,850
Total revenues	<u>13,829,277</u>	<u>13,546,609</u>	<u>13,410,160</u>	<u>14,048,327</u>	<u>14,003,360</u>
Expenditures					
Current:					
General Government	3,499,763	3,846,334	4,603,940	4,324,429	4,318,764
Public Safety	4,197,139	4,403,315	4,800,342	5,345,304	5,797,096
Transportation	977,346	1,398,167	1,351,346	1,029,229	1,215,914
Economic and Physical Development	609,260	785,403	665,165	959,010	718,211
Cultural and Recreational	1,566,740	1,659,736	1,456,068	1,514,954	1,407,251
Debt Service:					
Principal	139,494	360,897	582,459	509,784	506,967
Interest	15,983	132,472	236,677	215,451	201,308
Capital Outlay	2,195,253	5,880,207	2,696,084	-	-
Total expenditures	<u>13,200,978</u>	<u>18,466,531</u>	<u>16,392,081</u>	<u>13,898,161</u>	<u>14,165,511</u>
Revenues over (under) expenditures	628,299	(4,919,922)	(2,981,921)	150,166	(162,151)
Other financing sources (uses)					
Issuance of Debt	-	6,500,000	-	-	450,000
Sale of Capital Assets	-	-	-	-	-
Transfers From Other Funds	1,356,066	194,045	1,122,944	235,220	200,000
Transfers to Other funds	(1,356,066)	(194,045)	(866,444)	(235,220)	(200,000)
Total other financing sources (uses)	<u>-</u>	<u>6,500,000</u>	<u>256,500</u>	<u>-</u>	<u>450,000</u>
Net change in fund balance	628,299	1,580,078	(2,725,421)	150,166	287,849
Fund balance - beginning of year	10,506,266	11,134,565	12,714,643	9,989,222	10,139,388
Fund balance - end of year	<u>\$ 11,134,565</u>	<u>\$ 12,714,643</u>	<u>\$ 9,989,222</u>	<u>\$ 10,139,388</u>	<u>\$ 10,427,237</u>
Debt Service as a percentage of non-capital expenditures	1.4%	3.9%	6.4%	5.5%	5.4%

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
(Continued)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues					
Ad Valorem Taxes	\$ 7,691,550	\$ 7,887,032	\$ 8,428,787	\$ 8,563,591	\$ 8,887,612
Other Taxes and Licenses	248,555	218,351	230,577	191,005	215,047
Unrestricted Intergovernmental	3,593,381	3,654,511	4,228,255	4,728,619	4,731,922
Restricted Intergovernmental	413,121	412,577	417,431	415,756	411,130
Permits and Fees	411,271	371,559	469,075	549,713	548,475
Sales and Services	1,091,706	1,042,411	1,094,102	1,164,811	1,138,137
Investment Earnings	27,625	22,239	20,661	38,091	65,948
Grant Proceeds	-	-	-	-	-
Developers Contributions	-	-	90,000	-	107,158
Other	633,914	595,846	632,340	655,970	683,542
Total revenues	<u>14,111,123</u>	<u>14,204,526</u>	<u>15,611,228</u>	<u>16,307,556</u>	<u>16,788,971</u>
Expenditures					
Current:					
General Government	4,545,938	4,405,761	4,606,968	4,783,099	4,812,892
Public Safety	5,189,227	5,431,602	6,761,146	5,973,433	6,233,795
Transportation	1,410,762	1,094,682	1,576,703	1,660,533	1,378,677
Economic and Physical Development	692,954	695,612	663,143	697,899	596,360
Cultural and Recreational	1,588,302	1,505,032	1,725,896	1,793,900	1,726,338
Debt Service:					
Principal	582,228	584,425	625,361	666,541	669,113
Interest	186,825	168,465	153,941	139,174	120,439
Capital Outlay	-	-	-	-	-
Total expenditures	<u>14,196,236</u>	<u>13,885,579</u>	<u>16,113,158</u>	<u>15,714,579</u>	<u>15,537,614</u>
Revenues over (under) expenditures	(85,113)	318,947	(501,930)	592,977	1,251,357
Other financing sources (uses)					
Issuance of Debt	-	-	703,500	-	-
Sale of Capital Assets	-	-	-	171,199	19,030
Transfers From Other Funds	382,500	770,000	908,300	310,000	575,000
Transfers to Other funds	(382,500)	(770,000)	(908,300)	(310,000)	(575,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>703,500</u>	<u>171,199</u>	<u>19,030</u>
Net change in fund balance	(85,113)	318,947	201,570	764,176	1,270,387
Fund balance - beginning of year	<u>10,427,237</u>	<u>10,342,124</u>	<u>10,661,071</u>	<u>10,862,641</u>	<u>11,626,817</u>
Fund balance - end of year	<u>\$ 10,342,124</u>	<u>\$ 10,661,071</u>	<u>\$ 10,862,641</u>	<u>\$ 11,626,817</u>	<u>\$ 12,897,204</u>
Debt Service as a percentage of non-capital expenditures	5.7%	5.7%	5.7%	5.6%	5.5%

Revenue Capacity Information

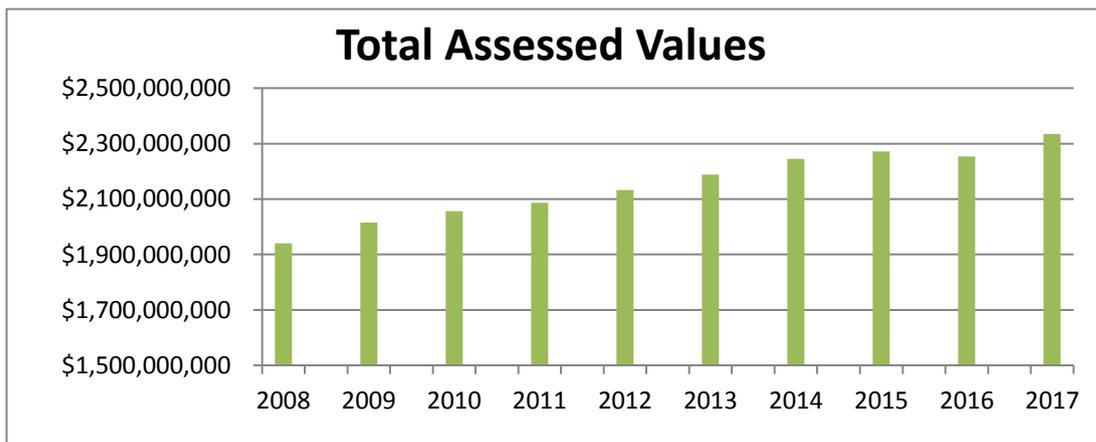
**Town of Southern Pines
Assessed Value of Taxable Property
Last Ten Fiscal Years**

Table 5

Fiscal Year	Assessed Value ⁽¹⁾				Property Tax Rate ⁽³⁾	Percent Increase in Value ⁽⁴⁾
	Real Property	Personal Property ⁽²⁾	Public Service Companies	Total		
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%
2015	2,052,966,995	196,446,739	21,862,247	2,271,275,981	0.37	1.2%
2016	2,025,854,870	203,462,410	23,659,502	2,252,976,782	0.38	-0.8%
2017	2,096,689,403	214,258,835	23,339,069	2,334,287,307	0.38	3.6%

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 and 2016 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⁾
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
2015	2014	0.37	-	0.37	0.485
2016	2015	0.38	-	0.38	0.485
2017	2016	0.38	-	0.38	0.495

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 and 2015.

⁽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	2016			2007		
		Total Assessed Value ⁽¹⁾	Rank	Percent of Town's Assessed Valuation	Total Assessed Value	Rank	Percent of Town's Assessed Valuation
Morganton Park LLC	Residential	\$ 26,516,330	1	1.14%	⁽²⁾	-	-
Pinecrest Plaza	Retail	24,757,900	2	1.06%	25,373,480	2	1.31%
Hendricks Southern Pines	Retail	23,801,040	3	1.02%			
Forest Creek	Golf Course	17,272,840	4	0.74%	36,231,997	1	1.87%
Tyler's Ridge Apartment LLC	Residential	14,945,240	5	0.64%			
Claude Smith Enterprises	Retail	14,318,140	6	0.61%	24,651,630	3	1.27%
Duke Energy Progress	Utility	12,772,101	7	0.55%	9,861,632	7	0.51%
Ingersoll Rand	Manufacturing	12,010,302	8	0.51%	8,712,289	9	0.45%
Southern Pines Retirement	Retirement Community	10,655,160	9	0.46%	⁽²⁾	-	-
ARO Corporation	Manufacturing	8,642,040	10	0.37%	⁽²⁾	-	-
Mid Pines	Golf Course/Hotel	⁽²⁾	-	-	24,171,102	4	1.25%
National Golf Club, Inc.	Golf Course	⁽²⁾	-	-	18,197,707	5	0.94%
Talamore Golf Partners	Golf Course	⁽²⁾	-	-	17,984,028	6	0.93%
Riverpark	Undeveloped Land	⁽²⁾	-	-	9,277,150	8	0.48%
Carolina Telephone & Telegraph	Utility	⁽²⁾	-	-	8,216,677	10	0.42%
		<u>\$ 165,691,093</u>		<u>7.10%</u>	<u>\$ 182,677,692</u>		<u>9.43%</u>

SOURCE: Moore County Tax Department

NOTES:

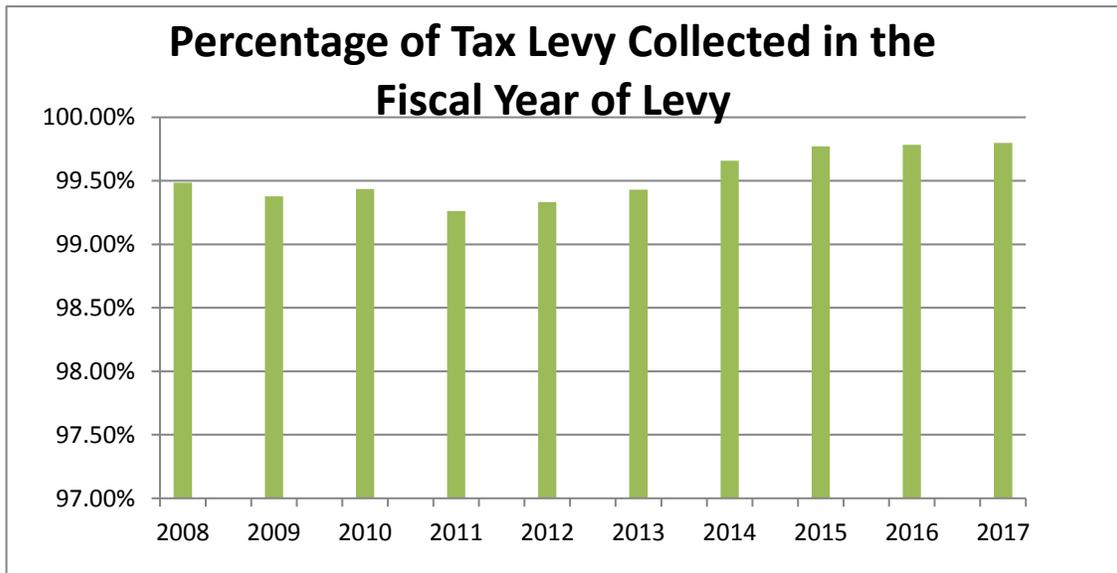
⁽¹⁾ 2016 Assessed value represents taxes assessed and due in the fiscal year ended June 30, 2017, and 2007 represents taxes assessed and due in the fiscal year ended June 30, 2008.

⁽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
2008	2007	\$ 6,624,019	\$ 6,589,903	99.48%	\$ 27,199	\$ 6,617,102	99.90%
2009	2008	7,050,041	7,006,217	99.38%	37,287	7,043,504	99.91%
2010	2009	7,211,587	7,170,862	99.44%	33,753	7,204,615	99.90%
2011	2010	7,311,009	7,257,129	99.26%	46,543	7,303,672	99.90%
2012	2011	7,465,959	7,416,155	99.33%	41,288	7,457,443	99.89%
2013	2012	7,663,758	7,620,110	99.43%	26,993	7,647,103	99.78%
2014	2013	7,859,930	7,833,116	99.66%	18,320	7,851,436	99.89%
2015	2014	8,399,348	8,380,020	99.77%	12,814	8,392,834	99.92%
2016	2015	8,545,250	8,526,671	99.78%	10,430	8,537,101	99.90%
2017	2016	8,872,587	8,854,601	99.80%	-	8,854,601	99.80%



Debt Capacity Information

Town of Southern Pines
Ratios of Outstanding Debt by Type⁽¹⁾
Last Ten Fiscal Years

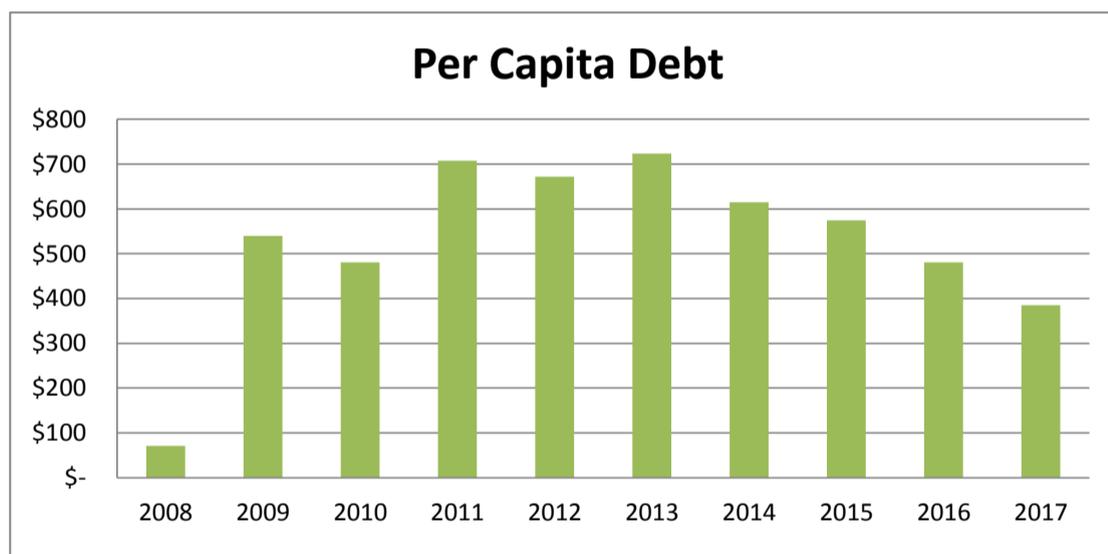
Table 9

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			
2008	\$ -	\$ 369,807	\$ -	\$ 495,000	\$ -	\$ -	\$ 864,807	0.17%	\$ 71
2009	-	6,508,910	-	210,000	-	-	6,718,910	1.39%	540
2010	-	5,926,451	-	-	-	-	5,926,451	1.35%	480
2011	-	5,416,667	-	-	3,351,598	-	8,768,265	1.77%	708
2012	-	5,359,700	-	-	3,047,183	-	8,406,883	1.61%	672
2013	-	4,777,471	-	-	4,332,330	-	9,109,801	1.76%	724
2014	-	4,193,047	-	-	3,859,611	-	8,052,658	1.44%	615
2015	-	4,271,186	-	-	3,372,993	-	7,644,179	1.31%	574
2016	-	3,604,645	-	-	2,872,042	-	6,476,687	⁽³⁾	481
2017	-	2,935,530	-	-	2,356,310	-	5,291,840	⁽³⁾	385

⁽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
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
2015	2,271,275,981	181,702,078	7,644,179	-	174,057,899
2016	2,252,976,782	180,238,143	6,476,687	-	173,761,456
2017	2,334,287,307	186,742,985	5,291,840	-	181,451,145

⁽¹⁾ Net Bonded Debt Calculation for FY 2017

Utility General Obligation Bonds	\$ -
Installment financing	5,291,840
	<u>5,291,840</u>
Statutory Deductions:	
Bonded debt included in gross debt incurred for water	-
	<u>\$ 5,291,840</u>

**Town of Southern Pines
Direct and Overlapping Governmental Activities Debt
June 30, 2017**

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⁾	\$ 66,186,976	19.11%	<u>\$ 12,648,331</u>
Subtotal, overlapping debt			12,648,331
Town of Southern Pines direct debt			<u>2,935,530</u>
Total direct and overlapping debt			<u><u>\$ 15,583,861</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

Fiscal Year	Population ⁽¹⁾	Moore County Personal Income (in millions)⁽²⁾	Moore County Per Capita Personal Income ⁽³⁾	Median Age ⁽⁴⁾	Moore County Unemployment Rate ⁽⁵⁾
2008	12,217	\$ 3,484	\$ 40,454	41.9	6.2%
2009	12,450	3,382	38,761	41.9	10.7%
2010	12,334	3,420	35,594	44.6	9.9%
2011	12,384	3,581	40,065	45.0	9.5%
2012	12,502	3,776	41,801	47.0	8.9%
2013	12,587	3,757	41,030	47.0	8.8%
2014	13,089	3,977	42,736	45.3	6.0%
2015	13,310	4,125	43,725	45.1	6.1%
2016	13,461	⁽⁶⁾	⁽⁶⁾	46.0	5.1%
2017	13,756	⁽⁶⁾	⁽⁶⁾	46.2	4.1%

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

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

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

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

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

⁽⁶⁾ Information not yet available.

**Town of Southern Pines
Principal Employers
Current Year and Nine Years Ago**

Table 13

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	⁽¹⁾ <u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	⁽¹⁾ <u>Rank</u>	<u>Percentage of Total County Employment</u>
First Health of the Carolinas, Inc.	1,000 & over	1	N/A	1,000 & over	1	N/A
Moore County Schools	1,000 & over	2	N/A	1,000 & over	2	N/A
Pinehurst, LLC	1,000 & over	3	N/A	1,000 & over	3	N/A
County of Moore	500 - 999	4	N/A	500 - 999	4	N/A
Sandhills Community College	500 - 999	5	N/A	250 - 499	7	N/A
St. Joseph of the Pines	500 - 999	6	N/A	250 - 499	9	N/A
Pinehurst Medical Clinic, Inc.	250 - 499	7	N/A	⁽²⁾	-	N/A
Harris Teeter	250 - 499	8	N/A	⁽²⁾	-	N/A
Wal-Mart Associates, Inc.	250 - 499	9	N/A	500 - 999	5	N/A
Pinehurst Surgical Clinic	250 - 499	10	N/A	⁽²⁾	-	N/A
Gulistan Carpet	⁽²⁾	-	N/A	250 - 499	6	N/A
Pinehurst Surgical Clinic, PA	⁽²⁾	-	N/A	250 - 499	8	N/A
Lee Electrical Construction, Inc.	⁽²⁾	-	N/A	100 - 249	10	N/A
Total	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>		<u>N/A</u>

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

Note: Data 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.

⁽²⁾ Not within top ten ranking.

N/A - Not Available

**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	
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	1,849,016,000
2015	148	36,511,428	15	9,690,000	163	46,201,428	1,863,054,000
2016	156	33,509,123	13	10,155,861	169	43,664,984	2,022,965,000
2017	165	39,646,481	10	14,506,245	175	54,152,726	(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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Administration	9.5	10.5	10.5	10.5	10.5	10.5	11.0	6.0	6.0	6.0
Information Technology ⁽¹⁾	-	-	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0
Financial Services ⁽²⁾	-	-	-	-	-	-	-	5.0	5.0	5.0
Public works administration	3.5	3.5	3.5	3.5	3.5	3.5	3.5	4.0	4.0	4.0
Garage	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Building & Grounds	18.0	19.0	19.0	19.0	19.0	19.0	21.0	22.0	22.0	22.0
Public safety										
Police ⁽⁴⁾	39.5	39.5	40.5	40.5	41.5	41.5	42.5	46.5	46.5	46.5
Fire ^{(3) (4)}	24.5	24.5	24.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5
Transportation	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Economic and physical development	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Cultural and recreation										
Recreation ⁽⁴⁾	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.0	5.0
Library ⁽⁴⁾	11.0	11.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Water/Sewer (Business activity)	20.5	20.5	20.5	21.5	21.5	21.5	22.0	22.0	22.0	22.0
Total	153.0	156.0	157.0	161.0	162.0	162.0	166.0	171.0	171.0	172.0

Source: Town of Southern Pines Finance Department

⁽¹⁾ Department was created in FY 2010

⁽²⁾ Department was created in FY 2015, was previously included in Administration

⁽³⁾ Does not include volunteer personnel

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

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
(Continued)**

Function/Program	2013	2014	2015	2016	2017
Public Safety					
Police					
Number of Part 1 Crimes	630	668	500	494	466
Number of Arrests	522	531	684	664	655
Number of Citations	1,693	1,223	1,466	1,235	1,236
Fire					
Number of Fire Calls Answered	89	107	125	133	123
Number of EMS Calls Answered	849	640	653	656	671
Number of Hazard Condition Calls Answered	86	76	66	83	77
Number of Service Calls Answered	96	307	209	236	346
Number of Motor Vehicle Accidents	141	252	224	249	254
Number of Fire Alarm Calls Answered	297	332	280	350	392
Number of Weather Related Calls Answered	47	9	18	17	126
Number of Fire Inspections	1,956	2,470	2,273	2,458	2,611
Planning & Inspections					
Planning					
Conditional use Permits Issued	2	6	3	3	5
Final Plats	5	15	2	44	77
Rezoning Applications/Ordinance Amendments	5	5	4	4	-
Annexations	-	-	2	3	-
Inspections					
Building Permits Issued	144	127	163	167	175
Alteration or Addition Permits	198	189	178	185	214
Electrical Permits	105	107	90	95	162
Mechanical Permits	396	477	420	501	48
Plumbing Permits	74	76	148	165	176
Cultural and Recreational					
Recreation and Parks					
Recreational Program Hours	8,540	7,736	8,834	8,265	6,865
Enrolled Participants	24,090	22,613	23,863	21,234	19,463
Reservoir Park Visitors ⁽¹⁾	190,444	215,007	242,110	215,517	238,779
Library					
Total Circulation	119,559	122,813	120,196	127,015	128,171
Library Attendance	88,137	84,993	85,830	86,180	86,804
Library Users Registered	6,233	6,275	6,217	6,283	7,530
Total Programs Held	465	466	590	585	688
Total Attendance at Programs	11,556	12,029	14,675	16,401	15,835
Water					
Water Plant Capacity (millions of gallons per day)	11	11	11	11	11
Number of Utility Customers	8,342	8,690	8,839	9,063	9,443

**Town of Southern Pines
Capital Assets by Function/Program
Last Ten Fiscal Years**

Table 17

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	24	27	27	27	27
Fire					
Stations	1	1	1	1	1
Fire Suppression Vehicles	6	6	6	6	6
Rescue Vehicles	2	2	2	2	2
Cultural and Recreational					
Recreation and Parks					
Number of Parks	14	14	14	14	14
Number of Tennis Courts	8	8	8	8	8
Number of Athletic Fields Maintained	10	10	10		10
Number of Swimming Pools	1	1	1	1	1
Number of Lakes	1	1	1	1	1
Number of Picnic Shelters	7	7	7	7	7
	-	-	-	-	-
Public Works and Utilities					
Streets					
Miles of Paved Streets	78.62	78.65	78.65	78.76	78.92
Miles of Unpaved Streets	1.41	1.41	1.41	1.34	1.34
Water					
Number of Hydrants ⁽¹⁾	1,285	1,290	1,302	1,345	1,352
Water Mains (miles)	239	241	245	248	249.0
Number of Utility Customers (accounts)	7,942	8,042	8,192	8,139	8,158

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
(Continued)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	23	27	30	29	34
Fire					
Stations	1	1	1	1	1
Fire Suppression Vehicles	6	6	6	6	6
Rescue Vehicles	2	2	2	2	2
Cultural and Recreational					
Recreation and Parks					
Number of Parks	14	14	14	14	14
Number of Tennis Courts	8	8	8	8	8
Number of Athletic Fields Maintained	10	10	10	10	10
Number of Swimming Pools	1	1	1	1	1
Number of Lakes	1	1	1	1	1
Number of Picnic Shelters	7	7	7	7	7
Number of Performance Stages	-	-	-	1	1
Public Works and Utilities					
Streets					
Miles of Paved Streets	78.92	78.96	80.30	80.43	80.56
Miles of Unpaved Streets	1.34	1.30	1.24	1.11	0.98
Water					
Number of Hydrants ⁽¹⁾	1,420	1,311	1,433	1,473	1,485
Water Mains (miles)	223.0	223.0	228.0	233.6	235.3
Number of Utility Customers (accounts)	8,342	8,690	8,839	9,063	9,443

<u>Type of Coverage</u>	<u>Details of Coverage</u>	
Workman's Compensation	\$ 1,000,000	Bodily Injury by Accident-Each Accident
	1,000,000	Bodily Injury by Disease-Each Employee
	1,000,000	Bodily Injury by Disease-Coverage Limit
General Liability	1,000,000	Each Occurrence
	2,500	Deductible
Police Professional Liability	1,000,000	Each Occurrence and Annual
	3,000,000	Annual Aggregate
	2,500	Deductible
Public Officials Liability	1,000,000	Each Claim and Annual
	3,000,000	Annual Aggregate
	10,000	Deductible
Government Crime Coverage	50,000	Indemnification
	250	Deductible
Public Officials Bond	250,000	Liability
Finance Officer	0	Deductible
Automobile Liability	1,000,000	Per Occurrence
	2,500	Deductible
Auto Comprehensive	7,414,269	Actual Cash Value Valuation
	1,000	Deductible
Auto Collision	7,414,269	Actual Cash Value Valuation
	1,000	Deductible
Real & Personal Property	61,695,500	Cause of Loss
	2,500	Deductible per Occurrence Includes Boiler & Machinery
Municipal Equipment	1,403,909	Limits of Coverage
	2,500	Deductible per Occurrence
Fine Arts	684,075	Limits of Coverage
	1,000	Deductible per Occurrence

Source: Town of Southern Pines Risk Management Department

<u>Type of Coverage</u>	<u>Details of Coverage</u>	
Computer Equipment/Media	\$ 1,395,889	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, 2016. Insurance was renewed on July 1, 2017 for the fiscal year ended June 30, 2018.

**Town of Southern Pines
Utility Rate Information
Fiscal Year 2017 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"	\$ 4.48	\$ 8.96
1"	5.84	11.68
1 1/2"	9.64	19.28
2"	15.00	30.00
3"	30.26	60.52
4"	51.60	103.20
6"	112.68	225.36
8"	198.16	396.32

Volume Charge per 1,000 Gallons

<u>Inside Town</u>	<u>Outside Town</u>
\$ 5.24	\$ 10.48

Compliance Section

Independent Auditors' 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*

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 ("Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's 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's 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**High Point, North Carolina
October 31, 2017**

Town of Southern Pines
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2017

Schedule 36

<u>Grantor/pass through grantor/program title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U.S. Department of Justice</u>				
Office of Justice Programs, BVP Partnership Grant 2015BUBX15077293	16.607	\$ 2,105	\$ -	\$ 2,105
<u>Federal Emergency Management Agency</u>				
Direct Program:				
Passed through N.C. Division of Emergency Management Fema Public Assistance Grant	97.036	<u>87,601</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs		<u>89,706</u>	<u>-</u>	<u>2,105</u>
State Grants:				
Cash Programs:				
<u>N.C. Department of Cultural Resources:</u>				
State Aid to Libraries		-	6,290	-
Grassroots Arts Program		-	709	-
<u>N.C. Department of Transportation:</u>				
Powell Bill		<u>-</u>	<u>403,219</u>	<u>-</u>
Total assistance - state programs		<u>-</u>	<u>410,218</u>	<u>-</u>
Total assistance		<u>\$ 89,706</u>	<u>\$ 410,218</u>	<u>\$ 2,105</u>