

# Town of Southern Pines, North Carolina

## Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022

Prepared by the Department of Finance

Tess Brubaker-Speis, Director of Finance



Town of  
Chartered 1887  
Southern Pines  
North Carolina

Town of  
Chartered 1887  
Southern Pines  
North Carolina  
The Mid South Resort  
Internationally Recognized for Program Excellence

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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

December 1, 2022

The Honorable Mayor, Members of Town Council, and 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 Annual Comprehensive Financial Report (ACFR) of the Town of Southern Pines, North Carolina (Town) for the fiscal year ended June 30, 2022 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.

FORVIS, 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, 2022, 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, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Town of Southern Pines is required by State law to have an annual independent financial audit. A compliance audit in accordance with Government Auditing Standards is also required. The auditor's report required by Government Auditing Standards is found in the Compliance Section of this report.

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

## **PROFILE OF THE TOWN**

The Town of Southern Pines, North Carolina, which has been recognized as an “All-American City” by the National Civic League, was incorporated in 1887, and is located on the fringe of the Piedmont section of the State in an area known as the Sandhills. The Town, which is located in Moore County (County), has a 2022 population of approximately 15,607 and encompasses 17.679 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, with hotel rooms regularly booked up even in an environment where short term rentals have increased significantly throughout the region.

The Morganton Park North mixed-use development continues to experience in-fill, with medical offices for both Pinehurst Medical and Pinehurst Surgical now operating, and a third medical office building under construction along with a new facility for Sandhills Pediatrics. Plans for a fourth medical office facility are expected within the next few months. In addition, The Luxe, an expansion of Legends at Morganton Park apartments, is

under construction while a separate market rate multi-family community proposed by DH Horton has been approved along Morganton Rd.

Downtown, Ascot Developers constructed a new office building to house their operation in addition to beginning work on a townhome/brownstone project. In the area south of Broad Street, a new cross-fit gym, a large indoor climate-controlled storage facility, and an upfit of the former Bo's/IGA building into an adult themed bar and gaming business are all underway.

A 100-acre development in the Morganton Park South area has broken ground, with the first Phase of 40+/- acres scheduled to contain a Target shopping center, Dick's Sporting Goods, Golf Galaxy, and other retailers in addition to a 260+/- unit Apartment Complex.

In 2022, construction continued on several residential developments. These developments include the Ravensbrook subdivision, the Longleaf Golf and Family Club, Talamore Cottages at Midland, the Traywick subdivision, and a number of smaller townhome style developments. Ravensbrook subdivision consist of 97 single-family homes, the Longleaf Golf and Family Club, Area F, consist of 24 single-family homes and 10 townhomes, the Talamore Cottages at Midland consist of 36 units, and the Traywick subdivision consist of 35 single-family homes. Construction also continued on Phase 2(a) and 9 of the Caropines planned development with additional phases currently under Site Plan review.

## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES**

The Town of Southern Pines maintains an unassigned fund balance sufficient to maintain consistent cash flow, generate interest income, and eliminate the need for short-term borrowings for all but sizable expenses, while providing 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 2022, the Town achieved a number of improvements in municipal operations and services provided to the citizens of the Town. Some of the more significant accomplishments for the year and major program initiatives for the future are discussed below.

Construction was completed on an upfit of the former Public Works Annex that now houses the Community Development office consisting of personnel across the Public Works, Planning, and Inspections divisions. The plans will now begin for the backfill of space vacated by Planning and Inspections in the Old Library building downtown.

The Town began work on a streambank stabilization project to protect the Police and Fire Stations in addition to work on an above ground sewer effected by the long-term erosion along the streambank.

Sewer and water line replacements and improvements continued during 2022 as well as storm water replacements and capital work at the Water Treatment Plant. A water line providing additional future capacity to areas near the downtown was completed along East Morganton Rd., the Weymouth Pressure Zone project was completed, and a contract was

entered into for a new line that will eventually serve a new Northern Pressure Zone in the area along NC22.

## **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 annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the thirty-first consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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 FORVIS the Town's independent auditors, for their assistance and dedication in preparing this report. In addition, we wish to express our appreciation to the Mayor, and the Town Council for their continued support, leadership, and professionalism in conducting the financial affairs of the Town.

Respectfully submitted,



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Reagan D. Parsons  
Town Manager



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Tess Brubaker- Speis  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Southern Pines  
North Carolina**

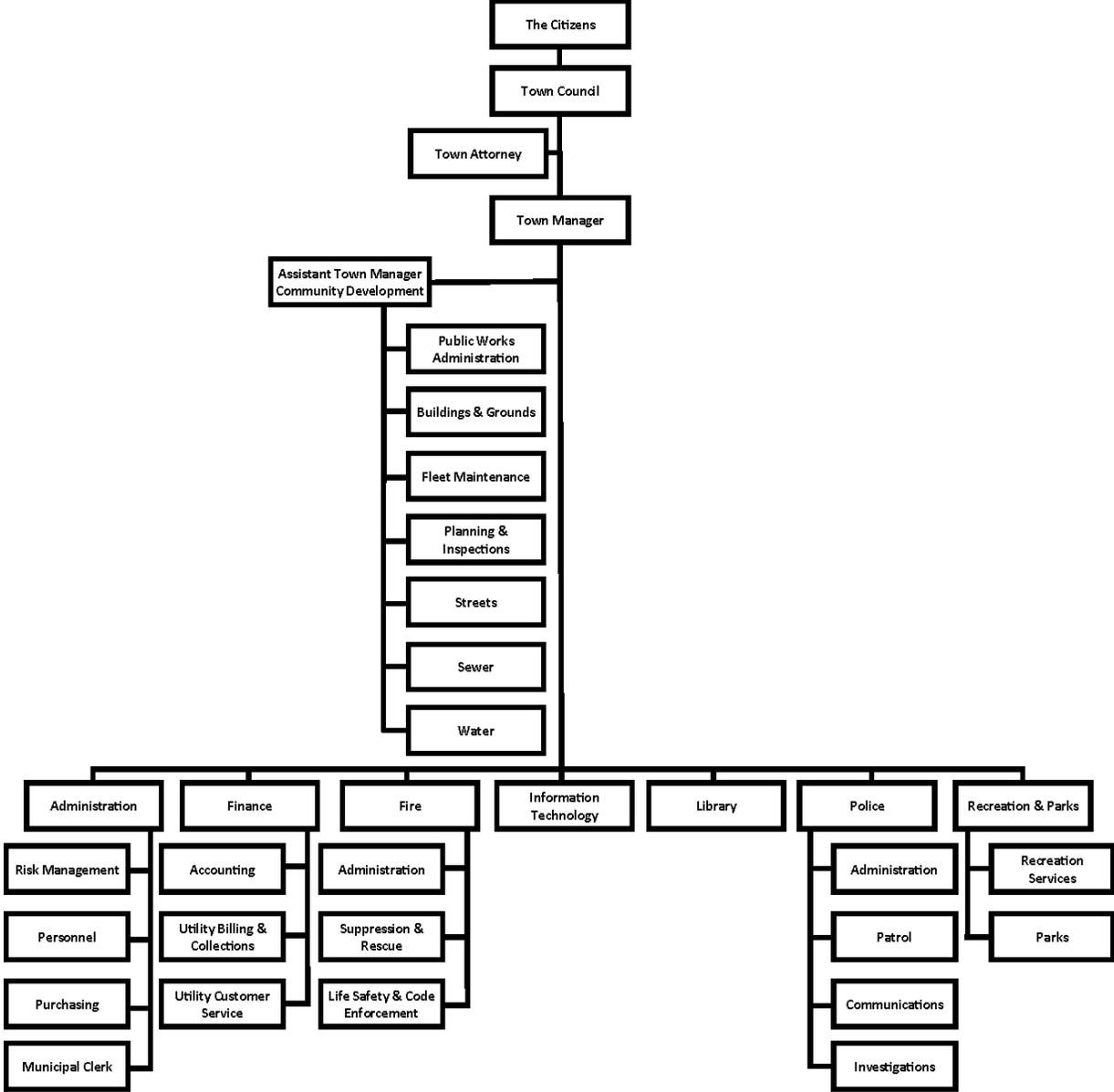
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

# TOWN OF SOUTHERN PINES ORGANIZATIONAL CHART



# TOWN OF SOUTHERN PINES

## LIST OF PRINCIPAL OFFICIALS

June 30, 2022

### TOWN COUNCIL

Carol R. Haney	Mayor
Paul Murphy	Mayor Pro-tem
Bill Pate	Treasurer
Taylor Clement	Council Member
Ann Peterson	Council Member

### TOWN OFFICIALS

Reagan D. Parsons	Town Manager
Douglas R. Gill	Town Attorney
Jessica Roth	Assistant Town Manager
Tess Brubaker-Speis	Director of Finance
Mike Cameron	Fire Chief
Cindi King	Director of Recreation & Parks
Bruce Rosenberger	Director of Administrative Services
Nicholas Polidori	Chief of Police
Amanda Brown	Director of Library Services
Nedra Norton	Director of Information Technology
BJ Grieve	Director of Planning

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***Financial Section***

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the fiduciary fund, 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary fund, each major fund, the aggregate remaining fund information of the Town, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matters***

As discussed in Note 1 to the financial statements, in 2022, the Town adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, subsequent to the issuance of the June 30, 2021 financial statements, management discovered an error in previously reported capital assets and net position reported in the Water and Sewer Fund. The fiscal year 2022 financial statements have been restated for the effects of this error. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue

as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 Total 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 Employee Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 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 other schedules 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, and other schedules 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, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory section and the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required under Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the Town's internal control over financial reporting and compliance.

**FORVIS,LLP**

**High Point, NC  
December 1, 2022**

**Town of Southern Pines  
Management's Discussion and Analysis  
June 30, 2022**

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, 2022. We encourage readers to review the information presented here in conjunction with the Town's financial statements, which follow this narrative and the transmittal letter found in the Introductory Section.

### **Financial Highlights**

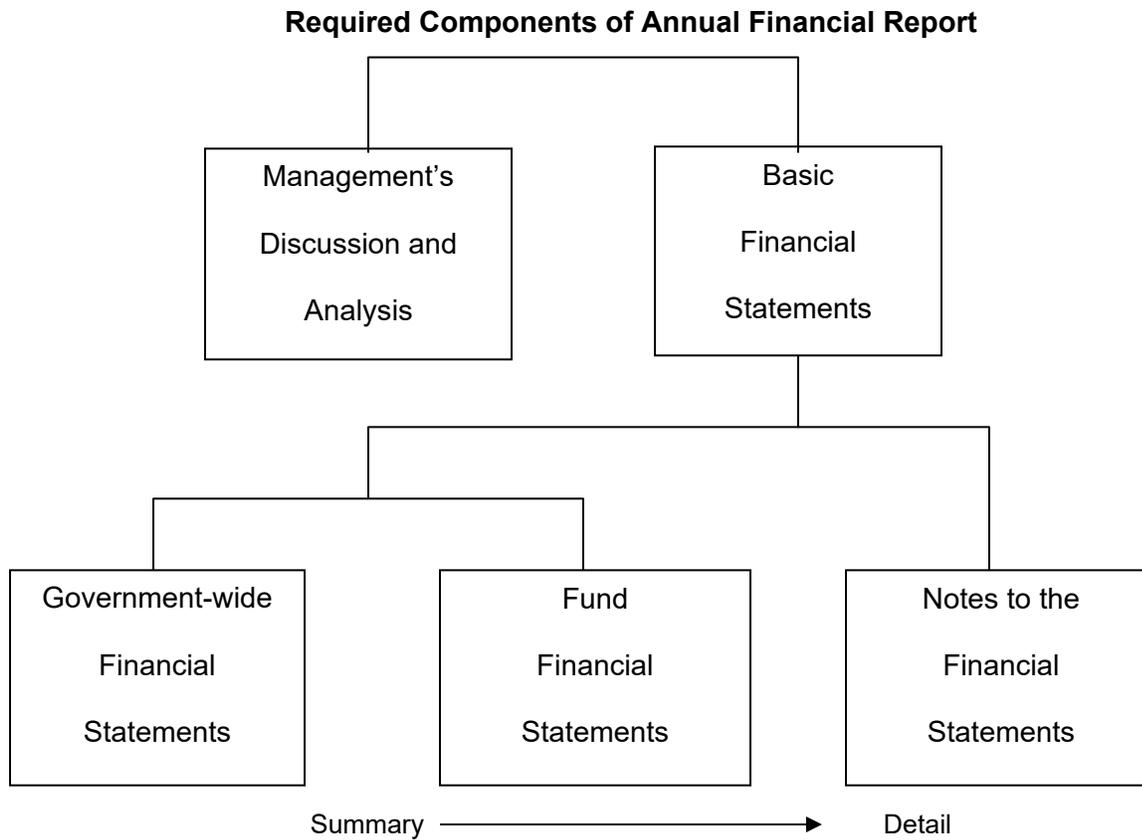
- The assets and deferred outflows of resources of the Town of Southern Pines exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$110,715,107 (net position).
- The government's total net position increased by \$6,939,091, due to an increase in both the governmental 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 \$16,870,724, an increase of \$1,015,132 in comparison with the prior year. Approximately 15.94 percent of the total ending fund balance amount, or \$2,688,515, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,411,276 or 40.69 percent of total General Fund expenditures for the fiscal year.
- The Town of Southern Pines' total debt decreased by \$1,463,128 or 17.66 percent during the current fiscal year. The decrease was due to scheduled principal payments on existing debt obligations.
- The Town maintained its A2 bond rating from Moody's Investors Services for the 24<sup>th</sup> consecutive year as well as its AA- from Standard and Poor's for the 14<sup>th</sup> 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.

The 2021 financial information contained herein has not been restated for the adoption of GASB 87, *Leases*, disclosed in Note 1 to the financial statements, because of the single-year presentation of the basic financial statements.

Figure 1:



### 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.

**Fiduciary Trust Funds** - Trust funds are used to account for resources held for the benefit of parties outside the government. These 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.

**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 33 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 63 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	
	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current and other assets	\$ 24,145,894	\$ 17,072,893	\$ 19,885,379	\$ 17,074,968	\$ 44,031,273	\$ 34,147,861
Capital assets	44,739,487	45,016,654	41,757,785	41,473,756	86,497,272	86,490,410
<b>Total assets</b>	<b>68,885,381</b>	<b>62,089,547</b>	<b>61,643,164</b>	<b>58,548,724</b>	<b>130,528,545</b>	<b>120,638,271</b>
<b>Deferred outflows of resources</b>						
Pension	3,398,782	3,216,767	281,030	257,178	3,679,812	3,473,945
<b>Total deferred outflows of resources</b>	<b>3,398,782</b>	<b>3,216,767</b>	<b>281,030</b>	<b>257,178</b>	<b>3,679,812</b>	<b>3,473,945</b>
<b>Liabilities</b>						
Long term liabilities outstanding	10,836,562	15,476,253	795,617	860,593	11,632,179	16,336,846
Other liabilities	4,247,123	1,111,943	1,239,990	483,434	5,487,113	1,595,377
<b>Total liabilities</b>	<b>15,083,685</b>	<b>16,588,196</b>	<b>2,035,607</b>	<b>1,344,027</b>	<b>17,119,292</b>	<b>17,932,223</b>
<b>Deferred inflows of resources</b>						
Pensions	3,183,717	113,462	279,897	5,524	3,463,614	118,986
Deferred lease revenue	2,910,344	-	-	-	2,910,344	-
<b>Total deferred inflows of resources</b>	<b>6,094,061</b>	<b>113,462</b>	<b>279,897</b>	<b>5,524</b>	<b>6,373,958</b>	<b>118,986</b>
<b>Net position:</b>						
Net investment in capital assets	38,421,771	37,075,906	41,199,204	41,129,762	79,620,975	78,205,668
Restricted	2,520,513	2,145,753	-	-	2,520,513	2,145,753
Unrestricted	10,164,133	9,382,997	18,409,486	16,326,589	28,573,619	25,709,586
<b>Total net position</b>	<b>\$ 51,106,417</b>	<b>\$ 48,604,656</b>	<b>\$ 59,608,690</b>	<b>\$ 57,456,351</b>	<b>\$ 110,715,107</b>	<b>\$ 106,061,007</b>

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 and deferred inflows by \$110,715,107 as of June 30, 2022. The Town's net position increased by \$6,939,091 for the fiscal year ended June 30, 2022, in total for governmental and business-type activities.

By far, the largest portion of the Town's net position, \$79,620,975 or 71.92%, 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, \$2,520,513 or 2.28%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$28,573,619 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 99.84%, which is greater than the last reported statewide average of 99.08%.
- Increased ad valorem tax revenues of approximately \$361,967 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.

**Figure 3:**

### Town of Southern Pines Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 2,608,860	\$ 2,953,943	\$ 10,337,646	\$ 9,174,008	\$ 12,946,506	\$ 12,127,951
Operating grants and contributions	727,120	775,770	-	-	727,120	775,770
Capital grants and contributions	39,960	888,156	1,950,879	3,665,740	1,990,839	4,553,896
General revenues:						
Property taxes	11,568,250	11,218,204	-	-	11,568,250	11,218,204
Other taxes	7,309,725	6,263,750	-	-	7,309,725	6,263,750
Other	379,121	309,198	1,214,110	1,189,500	1,593,231	1,498,698
Total revenues	<u>22,633,036</u>	<u>22,409,021</u>	<u>13,502,635</u>	<u>14,029,248</u>	<u>36,135,671</u>	<u>36,438,269</u>
Expenses:						
General government	5,619,882	5,696,319	-	-	5,619,882	5,696,319
Public safety	8,701,575	8,672,459	-	-	8,701,575	8,672,459
Cultural and recreation	2,447,994	2,985,385	-	-	2,447,994	2,985,385
Transportation	2,332,580	1,390,519	-	-	2,332,580	1,390,519
Economic & physical development	923,165	953,077	-	-	923,165	953,077
Interest on long-term debt	159,016	209,377	-	-	159,016	209,377
Water and sewer	-	-	9,012,368	8,654,092	9,012,368	8,654,092
Total expenses	<u>20,184,212</u>	<u>19,907,136</u>	<u>9,012,368</u>	<u>8,654,092</u>	<u>29,196,580</u>	<u>28,561,228</u>
Transfers	52,937	-	(52,937)	-	-	-
Change in net position	2,501,761	2,501,885	4,437,330	5,375,156	6,939,091	7,877,041
Net position, beginning, as previously reported	48,604,656	46,102,771	57,456,351	52,081,195	106,061,007	98,183,966
Prior period adjustment (Note 2)	-	-	(2,284,991)	-	(2,284,991)	-
Net position, beginning, as restated	<u>48,604,656</u>	<u>46,102,771</u>	<u>55,171,360</u>	<u>52,081,195</u>	<u>103,776,016</u>	<u>98,183,966</u>
Net position, June 30	<u>\$ 51,106,417</u>	<u>\$ 48,604,656</u>	<u>\$ 59,608,690</u>	<u>\$ 57,456,351</u>	<u>\$ 110,715,107</u>	<u>\$ 106,061,007</u>

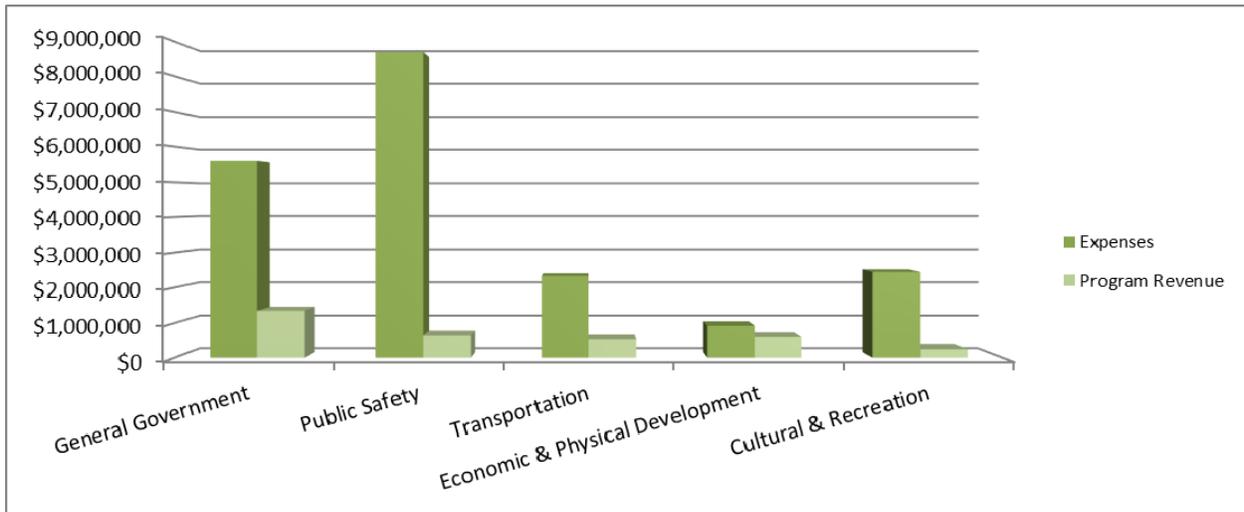
**Governmental activities** - Governmental activities increased the Town's net position by \$2,501,761, thereby accounting for 36.05% of the total increase in the net position of the Town.

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.

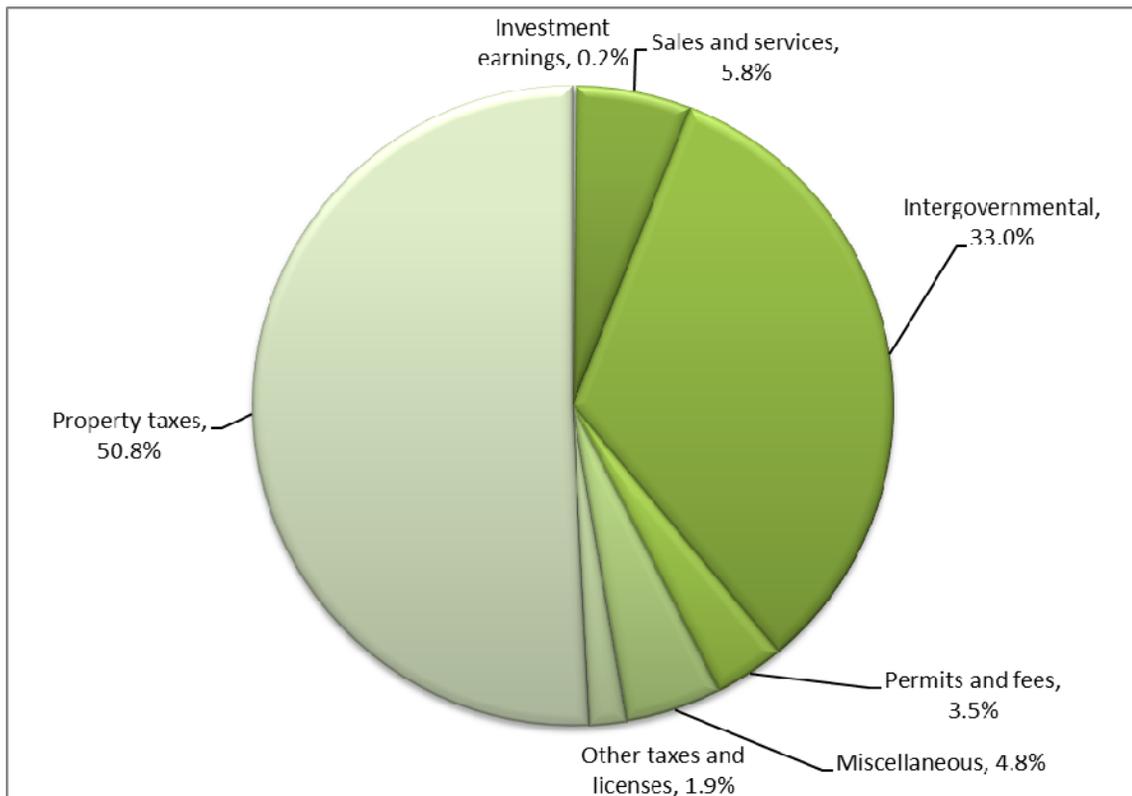
**Figure 4:**

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



**Figure 5:**

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



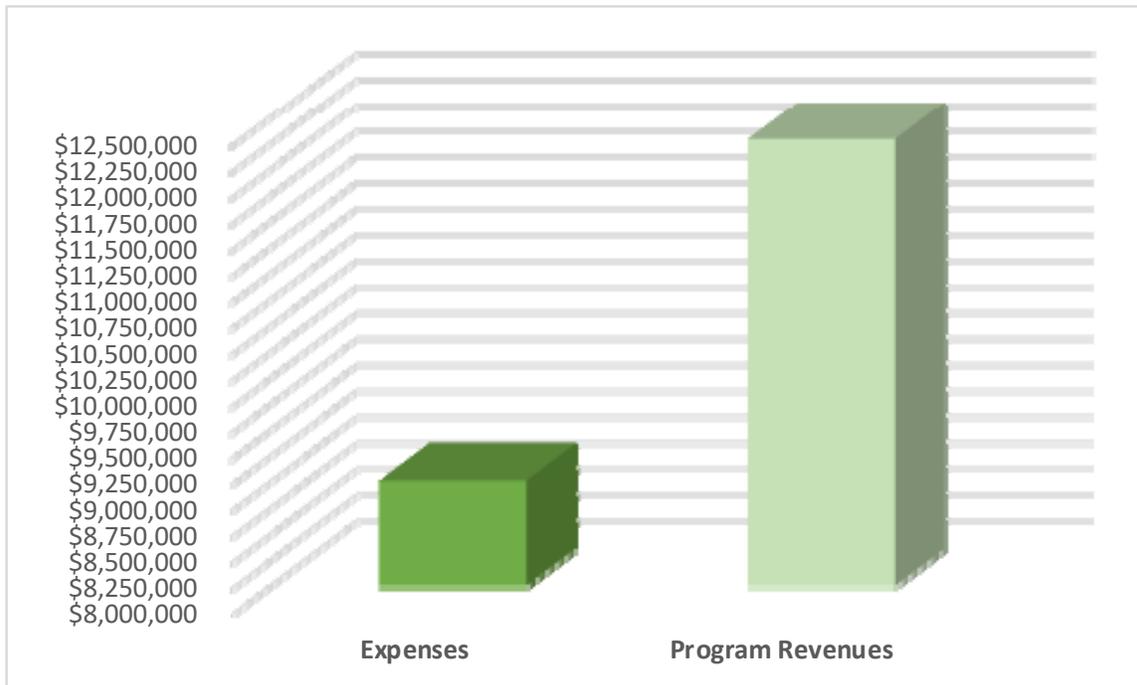
**Business-type activities** - Business-type activities increased the Town's net position by \$4,437,330, accounting for 63.95% of the total increase in the net position of the Town.

The Key elements of the increase are as follows:

- Capital grants and contributions in the amount of \$1,950,879.
- Charges for services increased due to an increase in water sales and sewer revenue.

**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 \$8,411,276, while total fund balance reached \$14,856,958. 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 40.69 percent of General Fund expenditures, while total fund balance represents 71.87 percent of that same amount.

At June 30, 2022, the governmental funds of the Town reported a combined fund balance of \$16,870,724 with a net increase in fund balance of \$1,015,132. Included in this change in fund balance is a decrease to capital project fund balances and an increase to the General Fund and ARPA Special Revenue Fund fund balance.

**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 \$749,777 net increase in appropriations between the original and final amended budget. Key components of the amendments are as follows:

- an appropriation in the Planning Department in the amount of \$38,000 for a contract with Neighboring Concepts for conceptual planning and design services,
- an appropriation in the Inspections Department in the amount of \$7,200 for an increase to demolition expenditures,
- an appropriation in the Legislation Department in the amount of \$19,528 for Moore County Board of Election invoice for primary election,
- an appropriation in the Street Department in the amount of \$24,000 to purchase a Kubota RTV,
- an appropriation in the Street Department in the amount of \$206,765 for Knoll Road repaving,
- an appropriation in the Fire Department in the amount of \$50,000 to increase salaries due to holiday payments and Worker's Comp audit
- an appropriation in the Fire Department in the amount of \$78,000 to purchase two vehicles,
- an appropriation in the Police Department in the amount of \$22,000 to purchase a vehicle,
- an appropriation in the Police Department in the amount of \$30,000 to increase auto operating expense due to rising fuel costs,
- transfer to a capital project fund in the amount of \$274,484 to fully fund of Streambank Stabilization project.

The actual operating revenues for the General Fund were greater than the final budgeted amount by \$3,097,289. Unrestricted intergovernmental revenues were \$2,081,132 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 \$187,821 greater than budgeted due to conservative budgeting in the building inspections area. Ad valorem taxes also were \$413,126 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 \$1,867,900. General government, public safety, transportation, economic and physical development and cultural and recreational realized a savings of \$835,562, \$724,753, \$108,253, \$125,054 and \$71,700, respectively due primarily to personnel vacancies and the inability to procure items during the budget year due to ongoing supply chain shortages.

**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 \$18,409,486. The total change in net position was an increase of \$4,437,330. The change in net position is due to the increase in operating revenues and an increase in capital assets due to the donation of easements and water and sewer lines by developers and individuals. A four percent rate increase contributed to the increase in water and 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, 2022, totals \$79,620,975 (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:**

- Improvements other than buildings at sixty-seven percent of the cost for a fence in the amount of \$14,666 was installed at the Public Works back parking lot.
- Building and building improvements at sixty-seven percent of the cost in the amount \$915,819 for the Public Works Annex Renovations.
- Infrastructure in the amount of \$374,252 for sidewalk addition on S. Bennett Street and sidewalk extension on E. Morganton Road.
- Office machinery and equipment in the amount of \$32,919 for Production San server and AVTech Power Edge server.
- Various purchases of other equipment equaling \$452,364.
- Donated equipment equaling \$39,960.
- Various purchases of vehicles and motorized equipment totaling \$262,473.
- Intangible assets in the amount of \$35,175 for the Springbrook Software Upgrade was transferred from Intangible assets in progress.
- Construction in progress of \$587,663 in governmental-type activities for the design and installation of storm water infrastructure, continued improvements to the reservoir park dam, parking lots, unpaved streets, and facility modernization.
- Intangible assets in progress in the amount of \$283,071 for the Enterprise Information and Document Management System.
- Lease assets additions include Blanchie Carter Playground, Dark Fiber, and Turk Tank Robot in the amount of \$251,920.

#### **Retirements:**

- Disposals and surplused assets in the amount of \$498,407.
- The transfer of construction in progress to capital assets in the amount of \$1,339,913.

**Proprietary Funds:**

**Additions:**

- Construction in progress of \$1,913,316 for water and sewer improvements.
- The addition of intangible assets consisting of water and sewer easements in the amount of \$255,869.
- Equipment purchases in the amount of \$119,568 which consist of vehicles, generators, and an air compressor.
- Improvements other than buildings at thirty three percent of cost for fence in the amount of \$7,224 installed at the Public Works back parking lot.
- Building and building improvements at thirty-three percent of the cost in the amount \$451,075 for the Public Works Annex Renovations.
- Plant and distribution system increase in the amount of \$2,323,134, which consist of water and sewer lines donated by developers, lift station and force main upgrade from a capital project fund.

**Retirements:**

- Disposals and surplus equipment in the amount of \$102,887.
- The transfer of construction in progress to capital assets in the amount of \$2,363,293.

**Figure 7:**

	<b>Town of Southern Pines</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	2021	<b>2022</b>	2021, As Restated	<b>2022</b>	2021, As Restated
Land	<b>\$ 13,431,777</b>	\$ 13,431,777	<b>\$ 540,533</b>	\$ 540,533	<b>\$ 13,972,310</b>	\$ 13,972,310
Buildings and improvements	<b>16,219,636</b>	15,762,873	<b>1,387,848</b>	966,360	<b>17,607,484</b>	16,729,233
Other improvements	<b>3,916,197</b>	4,127,392	<b>7,224</b>	-	<b>3,923,421</b>	4,127,392
Machinery and equipment	<b>240,778</b>	281,809	<b>1,857,103</b>	1,795,610	<b>2,097,881</b>	2,077,419
Infrastructure	<b>5,668,791</b>	5,797,933	-	-	<b>5,668,791</b>	5,797,933
Plant and distribution systems	-	-	<b>31,664,982</b>	29,943,124	<b>31,664,982</b>	29,943,124
Vehicles and motorized equipment	<b>2,825,100</b>	3,061,363	-	-	<b>2,825,100</b>	3,061,363
Furniture, fixtures, and other equipment	<b>1,157,862</b>	830,419	-	-	<b>1,157,862</b>	830,419
Intangibles	<b>180,746</b>	186,218	<b>3,428,095</b>	3,172,226	<b>3,608,841</b>	3,358,444
Intangibles in progress	<b>283,071</b>	285,103	-	-	<b>283,071</b>	285,103
Construction in progress	<b>587,663</b>	1,251,767	<b>2,872,000</b>	2,770,912	<b>3,459,663</b>	4,022,679
Total Capital Assets (net of accumulated depreciation)	<b>\$ 44,511,621</b>	\$ 45,016,654	<b>\$ 41,757,785</b>	\$ 39,188,765	<b>\$ 86,269,406</b>	\$ 84,205,419

Additional information on the Town's capital assets can be found in Note 7 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2022, 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 \$1,463,128 or 17.66 percent.

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 Fire Sub-station installment financing that was issued in 2018, the Fire Tanker Truck installment financing that was issued in 2020, the Annex Remodel installment financing that was issued in 2021, and the Whitehall Land Tract installment financing that was issued in 2021. The total outstanding balance of debt as of June 30, 2022 is \$6,821,614.

**Figure 8:**

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installment Debt	<b>6,263,033</b>	7,940,748	<b>558,581</b>	343,994	<b>6,821,614</b>	8,284,742
Total	<b>\$ 6,263,033</b>	\$ 7,940,748	<b>\$ 558,581</b>	\$ 343,994	<b>\$ 6,821,614</b>	\$ 8,284,742

As mentioned in the financial highlights section of this document, the Town maintained its A2 bond rating from Moody's Investors Services for the 23<sup>rd</sup> consecutive year, as well as its AA- from Standard and Poor's for the 13<sup>th</sup> 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 \$224,071,487, 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 14 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 3.3% as of June 30, 2022. The unemployment rate is slightly lower than the State average.

Commercial activity is steady throughout the Town. The value of commercial building permits decreased 63.8% over the previous fiscal year as well as a decrease of 7% in residential permit values.

The fiscal year ending June 30, 2023 budget is balanced and represents an increase of 10.3% in the governmental activities operational budget while revenue growth remains consistent. Included in governmental activities budget is a transfer of \$591,975 to capital project funds.

The fiscal year ending June 30, 2023 business type operational budget reflects an increase of 14.5%. Included in the budget are transfers to capital project funds for funding of long-term capital planning in the amount of \$1,089,860.

**Governmental Activities:** The 2023 budget does not include a tax rate increase. 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 2022-2023 fiscal year. The Town has budgeted an increase of 5.0% in water and sewer rates, to offset the increase in treatment costs.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Southern Pines, PO Box 870, Southern Pines, NC 28388. You may also call (910) 692-2971 or visit our website [www.southernpines.net](http://www.southernpines.net) for more information.

Town of Southern Pines, North Carolina  
Statement of Net Position  
June 30, 2022

Exhibit 1  
(2 pages)

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 15,279,031	\$ 16,365,072	\$ 31,644,103
Receivables - net:			
Property taxes	19,577	-	19,577
Accrued interest receivable on taxes	2,953	-	2,953
Due from other governments	1,909,859	-	1,909,859
Accounts receivable	457,461	-	457,461
Accrued interest	4,024	3,942	7,966
Sales tax	174,042	67,371	241,413
Assessments	2,305	49,983	52,288
Customers	-	1,639,238	1,639,238
Lease receivable	351,792	-	351,792
Other	-	6,401	6,401
Inventories	49,839	-	49,839
Prepays	98,942	-	98,942
Restricted cash and investments	3,218,296	1,753,372	4,971,668
Total current assets	<u>21,568,121</u>	<u>19,885,379</u>	<u>41,453,500</u>
Noncurrent assets:			
Lease receivable, noncurrent	<u>2,577,773</u>	-	<u>2,577,773</u>
Lease assets, net of amortization	<u>227,866</u>	-	<u>227,866</u>
Capital assets			
Land, non-depreciable improvements, and construction in progress	14,302,511	3,412,533	17,715,044
Intangibles - easements	-	3,428,095	3,428,095
Other capital assets, net of depreciation	<u>30,209,110</u>	<u>34,917,157</u>	<u>65,126,267</u>
Total capital assets	<u>44,511,621</u>	<u>41,757,785</u>	<u>86,269,406</u>
Total noncurrent assets	<u>47,317,260</u>	<u>41,757,785</u>	<u>89,075,045</u>
Total assets	<u>68,885,381</u>	<u>61,643,164</u>	<u>130,528,545</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	<u>3,398,782</u>	<u>281,030</u>	<u>3,679,812</u>
Total deferred outflows of resources	<u>3,398,782</u>	<u>281,030</u>	<u>3,679,812</u>

Town of Southern Pines, North Carolina  
Statement of Net Position  
June 30, 2022

Exhibit 1  
(2 pages)

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 991,502	\$ 1,158,450	\$ 2,149,952
Payable from restricted assets - customer deposits	879,051	81,540	960,591
Unearned revenue	2,376,570	-	2,376,570
Current portion of pension liability - LEO	45,743	-	45,743
Current maturities of long-term debt	1,618,204	242,180	1,860,384
Total current liabilities	5,911,070	1,482,170	7,393,240
Noncurrent liabilities:			
Pension liability - LGERS	1,821,703	184,700	2,006,403
Pension liability - LEO, net of current	2,061,280	-	2,061,280
Due in more than one year	5,289,632	368,737	5,658,369
Total noncurrent liabilities	9,172,615	553,437	9,726,052
Total liabilities	15,083,685	2,035,607	17,119,292
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	3,183,717	279,897	3,463,614
Deferred lease revenue	2,910,344	-	2,910,344
Total deferred inflows	6,094,061	279,897	6,373,958
<b>NET POSITION</b>			
Net investment in capital assets	38,421,771	41,199,204	79,620,975
Restricted for:			
Stabilization by State Statute	2,424,261	-	2,424,261
Cemetery perpetual care:			
Expendable	96,252	-	96,252
Unrestricted	10,164,133	18,409,486	28,573,619
Total net position	\$ 51,106,417	\$ 59,608,690	\$ 110,715,107

Town of Southern Pines, North Carolina  
Statement of Activities  
Year Ended June 30, 2022

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	\$ 5,619,882	\$ 1,181,849	\$ 133,545	\$ 39,960	\$ (4,264,528)	\$ -	\$ (4,264,528)
Public safety	8,701,575	561,887	80,831	-	(8,058,857)	-	(8,058,857)
Transportation	2,332,580	50,321	481,723	-	(1,800,536)	-	(1,800,536)
Economic and physical development	923,165	599,189	-	-	(323,976)	-	(323,976)
Cultural and recreation	2,447,994	212,464	31,021	-	(2,204,509)	-	(2,204,509)
Cemetery	-	3,150	-	-	3,150	-	3,150
Interest on long-term debt	159,016	-	-	-	(159,016)	-	(159,016)
Total governmental activities	<u>20,184,212</u>	<u>2,608,860</u>	<u>727,120</u>	<u>39,960</u>	<u>(16,808,272)</u>	<u>-</u>	<u>(16,808,272)</u>
Business-type activities:							
Water and sewer	9,012,368	10,337,646	-	1,950,879	-	3,276,157	3,276,157
Total business-type activities	<u>9,012,368</u>	<u>10,337,646</u>	<u>-</u>	<u>1,950,879</u>	<u>-</u>	<u>3,276,157</u>	<u>3,276,157</u>
Total primary government	<u>\$ 29,196,580</u>	<u>\$ 12,946,506</u>	<u>\$ 727,120</u>	<u>\$ 1,990,839</u>	<u>(16,808,272)</u>	<u>3,276,157</u>	<u>(13,532,115)</u>
General revenues:							
Ad valorem taxes					11,568,250	-	11,568,250
Unrestricted intergovernmental					5,903,947	-	5,903,947
Alcoholic Beverage Tax					284,148	-	284,148
Franchise taxes					1,121,630	-	1,121,630
Investment earnings					35,569	31,641	67,210
Miscellaneous					519,560	1,176,819	1,696,379
Loss on disposal					(176,008)	5,650	(170,358)
Total general revenues excluding transfers					<u>19,257,096</u>	<u>1,214,110</u>	<u>20,471,206</u>
Transfers					<u>52,937</u>	<u>(52,937)</u>	<u>-</u>
Total general revenues and transfers					<u>19,310,033</u>	<u>1,161,173</u>	<u>20,471,206</u>
Change in net position					2,501,761	4,437,330	6,939,091
Net position, beginning, as previously reported					48,604,656	57,456,351	106,061,007
Prior period adjustment (Note 2)					-	(2,284,991)	(2,284,991)
Net position, beginning, as restated					<u>48,604,656</u>	<u>55,171,360</u>	<u>103,776,016</u>
Net position, end of year					<u>\$ 51,106,417</u>	<u>\$ 59,608,690</u>	<u>\$ 110,715,107</u>

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, 2022

Exhibit 3  
 (2 pages)

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>ARPA Special Revenue Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>ASSETS</b>				
Cash and investments	\$ 13,245,019	\$ -	\$ 2,034,012	\$ 15,279,031
Receivables - net:				
Property taxes	19,577	-	-	19,577
Due from other governments	1,909,859	-	-	1,909,859
Accounts receivable	457,461	-	-	457,461
Accrued interest receivable	3,070	509	445	4,024
Sales tax receivable	172,056	-	1,986	174,042
Parking lot assessments	2,305	-	-	2,305
Lease receivable	2,929,565	-	-	2,929,565
Inventories	49,839	-	-	49,839
Prepays	98,942	-	-	98,942
Restricted assets:				
Cash and investments	879,051	2,339,245	-	3,218,296
Total assets	<u>\$ 19,766,744</u>	<u>\$ 2,339,754</u>	<u>\$ 2,036,443</u>	<u>\$ 24,142,941</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 472,749	\$ -	\$ 26,857	\$ 499,606
Accrued liabilities:				
Other	504,635	-	-	504,635
Security deposits	879,051	-	-	879,051
Unearned revenue	-	2,335,574	-	2,335,574
Total liabilities	<u>1,856,435</u>	<u>2,335,574</u>	<u>26,857</u>	<u>4,218,866</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes receivable	19,577	-	-	19,577
Parking lot assessments	2,305	-	-	2,305
Deferred lease revenue	2,910,344	-	-	2,910,344
Other	121,125	-	-	121,125
Total deferred inflows of resources	<u>3,053,351</u>	<u>-</u>	<u>-</u>	<u>3,053,351</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	49,839	-	-	49,839
Prepays	98,942	-	-	98,942
Leases	19,221	-	-	19,221
Perpetual maintenance	-	-	96,252	96,252
Restricted:				
Stabilization by State Statute	2,421,321	509	2,431	2,424,261
Committed:				
General Government	-	-	1,257,769	1,257,769
Transportation	-	-	182,658	182,658
Cultural and Recreational	-	-	470,476	470,476
Assigned:				
Subsequent year's expenditures	3,856,359	-	-	3,856,359
Unassigned	8,411,276	3,671	-	8,414,947
Total fund balances	<u>14,856,958</u>	<u>4,180</u>	<u>2,009,586</u>	<u>16,870,724</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,766,744</u>	<u>\$ 2,339,754</u>	<u>\$ 2,036,443</u>	<u>\$ 24,142,941</u>

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

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

Total fund balance, governmental funds	\$ 16,870,724
Lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.	227,866
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	44,511,621
Deferred outflows of resources related to pensions are not reported in the funds	3,398,782
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	2,953
Earned revenues considered deferred inflows of resources in fund statements	143,007
Deferred inflows of resources related to pensions are not reported in the funds	(3,183,717)
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	(6,936,093)
Pension liability - LGERS	(1,821,703)
Pension liability - LEO	<u>(2,107,023)</u>
Net position of governmental activities	<u>\$ 51,106,417</u>

Town of Southern Pines, North Carolina  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year Ended June 30, 2022

Exhibit 4  
(2 pages)

	<u>Major Funds</u>			<u>Totals Governmental Funds</u>
	<u>General</u>	<u>ARPA Special Revenue Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>Revenues</b>				
Ad valorem taxes	\$ 11,571,474	\$ -	\$ -	\$ 11,571,474
Other taxes and licenses	427,808	-	-	427,808
Unrestricted intergovernmental	6,946,573	-	-	6,946,573
Restricted intergovernmental	557,080	-	-	557,080
Permits and fees	805,821	-	-	805,821
Sales and services	1,324,446	-	3,150	1,327,596
Investment earnings	27,348	4,180	4,041	35,569
Other	1,087,258	-	-	1,087,258
	<u>22,747,808</u>	<u>4,180</u>	<u>7,191</u>	<u>22,759,179</u>
<b>Expenditures</b>				
Current:				
General government	5,442,502	-	1,064,020	6,506,522
Public safety	8,473,768	-	-	8,473,768
Transportation	1,950,644	-	229,261	2,179,905
Economic and physical development	926,707	-	-	926,707
Cultural and recreational	2,379,247	-	-	2,379,247
Debt service:				
Principal	1,300,953	-	-	1,300,953
Interest	161,338	-	-	161,338
	<u>20,635,159</u>	<u>-</u>	<u>1,293,281</u>	<u>21,928,440</u>
Revenues over (under) expenditures	<u>2,112,649</u>	<u>4,180</u>	<u>(1,286,090)</u>	<u>830,739</u>
<b>Other financing sources (uses)</b>				
Lease liabilities issued	52,629	-	-	52,629
Transfers to other funds	(801,484)	-	-	(801,484)
Transfers from other funds	-	-	900,220	900,220
Sale of capital assets	33,028	-	-	33,028
Total other financing sources (uses)	<u>(715,827)</u>	<u>-</u>	<u>900,220</u>	<u>184,393</u>
Net change in fund balance	1,396,822	4,180	(385,870)	1,015,132
Fund balance, beginning of year, July 1	<u>13,460,136</u>	<u>-</u>	<u>2,395,456</u>	<u>15,855,592</u>
Fund balance, end of year, June 30	<u>\$ 14,856,958</u>	<u>\$ 4,180</u>	<u>\$ 2,009,586</u>	<u>\$ 16,870,724</u>

**Town of Southern Pines, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2022**

**Exhibit 4**  
**(2 pages)**

Net changes in fund balances - total governmental funds	\$	1,015,132
<p>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 and amortization expense in the current period</p>		
Capital outlay expenditures which were capitalized	2,041,036	
Transfers of capital assets to water and sewer fund	(458,299)	
Depreciation expense for governmental assets	(1,918,694)	
Lease asset capital outlay expenditures which were capitalizec	214,129	
Amortization expense for lease assets	<u>(24,055)</u>	(145,883)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,006,648
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		57,187
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Amount of donated assets		39,960
Change in unavailable revenue for tax revenues		9,905
Proceeds from disposal/transfer of capital assets		(33,028)
Net loss on disposal/transfer of capital assets		(176,008)
<p>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.</p>		
Issuance of lease liabilities		(52,629)
Principal payments on long-term debt		1,300,953
Transfer of debt to utility fund		412,500
Decrease in accrued interest payable		2,448
<p>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.</p>		
Compensated absences		12,229
Pension expense		<u>(947,653)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>2,501,761</u>

**Town of Southern Pines, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2022**

**Exhibit 5**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 11,158,348	\$ 11,158,348	\$ 11,571,474	\$ 413,126
Other taxes and licenses	298,550	298,550	427,808	129,258
Unrestricted intergovernmental revenues	4,865,441	4,865,441	6,946,573	2,081,132
Restricted intergovernmental revenues	472,320	472,320	557,080	84,760
Permits and fees	574,000	618,000	805,821	187,821
Sales and services	1,546,600	1,555,660	1,324,446	(231,214)
Investment earnings	38,000	38,000	27,348	(10,652)
Other	595,496	644,200	1,087,258	443,058
	<u>19,548,755</u>	<u>19,650,519</u>	<u>22,747,808</u>	<u>3,097,289</u>
<b>Expenditures</b>				
Current:				
General government	6,296,328	6,315,856	5,442,502	873,354
Public safety	8,924,817	9,198,521	8,473,768	724,753
Transportation	1,828,132	2,058,897	1,950,644	108,253
Economic and physical development	1,006,561	1,051,761	926,707	125,054
Cultural and recreational	2,492,887	2,450,947	2,379,247	71,700
Debt service	1,427,077	1,427,077	1,462,291	(35,214)
	<u>21,975,802</u>	<u>22,503,059</u>	<u>20,635,159</u>	<u>1,867,900</u>
Revenues over (under) expenditures	<u>(2,427,047)</u>	<u>(2,852,540)</u>	<u>2,112,649</u>	<u>4,965,189</u>
<b>Other financing sources (uses)</b>				
Lease liabilities issued	-	-	52,629	52,629
Transfer out to Capital Project Funds	(477,000)	(801,484)	(801,484)	-
Sale of capital assets	70,000	70,000	33,028	(36,972)
Total other financing sources (uses)	<u>(407,000)</u>	<u>(731,484)</u>	<u>(715,827)</u>	<u>15,657</u>
Revenues over (under) expenditures and other financing uses	<u>(2,834,047)</u>	<u>(3,584,024)</u>	<u>1,396,822</u>	<u>4,980,846</u>
Appropriated fund balance	<u>2,834,047</u>	<u>3,584,024</u>	<u>-</u>	<u>(3,584,024)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,396,822</u>	<u>\$ 1,396,822</u>
Fund balance, beginning of year, July 1			<u>13,460,136</u>	
Fund balance, end of year, June 30			<u>\$ 14,856,958</u>	

	<u>Business-Type Activities - Enterprise Major Fund Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents/investments	\$ 16,365,072
Receivables - net:	
Sewer assessments	49,983
Customers	1,639,238
Accrued interest	3,942
Sales taxes	67,371
Other	6,401
Total current assets	<u>18,132,007</u>
Temporarily restricted assets:	
Cash and cash equivalents/investments	<u>1,753,372</u>
Capital assets	
Land, improvements, and construction in progress	3,412,533
Intangibles - easements	3,428,095
Other capital assets, net of depreciation	<u>34,917,157</u>
Total capital assets, net	<u>41,757,785</u>
Total unrestricted noncurrent assets	<u>41,757,785</u>
Total noncurrent assets	<u>43,511,157</u>
Total assets	<u>61,643,164</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	<u>281,030</u>
Total deferred outflows of resources	<u>281,030</u>

	<b>Business-Type Activities - Enterprise</b>
	<b>Major Fund</b>
	<b>Water and Sewer</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,114,659
Compensated absences - current	41,099
Installment purchases - current	201,081
Accrued liabilities	43,791
Security deposits	81,540
	<hr/>
Total current liabilities	1,482,170
	<hr/>
Noncurrent liabilities	
Compensated absences	11,237
Installment purchases	357,500
Net pension liability	184,700
	<hr/>
	553,437
	<hr/>
Total liabilities	2,035,607
	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	279,897
	<hr/>
<b>NET POSITION</b>	
Net investment in capital assets	41,199,204
Unrestricted	18,409,486
	<hr/>
Total net position	\$ 59,608,690
	<hr/> <hr/>

Town of Southern Pines, North Carolina  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
Year Ended June 30, 2022

Exhibit 7

	<u>Major Fund</u> <u>Water and</u> <u>Sewer</u>
<b>Operating revenues</b>	
Charges for sales and services	\$ 10,337,646
<b>Operating expenses</b>	
Billings and collection	474,749
Water treatment	1,424,213
Sewage treatment	1,968,085
Water extensions and maintenance	1,044,893
Sewer extensions and maintenance	937,573
Chargeout for administrative expenses	1,184,485
Depreciation and amortization	1,965,810
Total operating expenses	<u>8,999,808</u>
Operating income	<u>1,337,838</u>
<b>Nonoperating revenues (expenses)</b>	
System development fees	1,176,819
Interest on investments	31,641
Gain on disposal of capital assets	5,650
Interest expense	<u>(12,560)</u>
Total nonoperating revenues (expenses)	<u>1,201,550</u>
Income before capital contributions and transfers	2,539,388
Capital contributions	1,950,879
Transfers to other funds	<u>(52,937)</u>
Change in net position	4,437,330
Total net position, beginning of year, as previously reported	57,456,351
Prior period adjustment (Note 2)	<u>(2,284,991)</u>
Total net position, beginning of year, as restated	<u>55,171,360</u>
Net position, end of year	<u><u>\$ 59,608,690</u></u>

	<u>Major Fund</u> <u>Water and</u> <u>Sewer</u>
<b>Cash flows from operating activities</b>	
Cash received from customers and users	\$ 10,243,287
Cash paid for goods and services	(5,023,677)
Cash paid to or on behalf of employees for services	(1,277,946)
Customer deposit refunded	(40,610)
Customer deposits received	36,515
	<hr/>
Net cash provided by operating activities	3,937,569
	<hr/>
<b>Cash flows from noncapital financing activities</b>	
Transfers out to other funds	(98,736)
	<hr/>
Net cash used by noncapital financing activities	(98,736)
	<hr/>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(2,125,651)
Proceeds from sale of capital assets	5,650
System development fees	1,176,819
Principal paid on installment purchase obligation	(197,913)
Interest paid on installment purchase obligation	(13,327)
	<hr/>
Net cash used by capital and related financing activities	(1,154,422)
	<hr/>
<b>Cash flows from investing activities</b>	
Interest on investments	34,115
	<hr/>
Net cash provided by investing activities	34,115
	<hr/>
Net increase in cash and cash equivalents	2,718,526
Cash and cash equivalents at beginning of year	15,399,918
	<hr/>
Cash and cash equivalents at end of year	<u>\$ 18,118,444</u>

	<u>Major Fund</u> <u>Water and</u> <u>Sewer</u>
<b>Cash and investments per Exhibit 6</b>	
Unrestricted	\$ 16,365,072
Restricted	1,753,372
	<hr/>
Total	\$ 18,118,444
	<hr/> <hr/>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 1,337,838
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,965,810
Change in assets, deferred outflows of resources, deferred inflows of resources and liabilities:	
(Increase) decrease in:	
Accounts receivable	(94,359)
Deferred outflows of resources for pensions	(23,852)
Increase (decrease) in:	
Accounts payable and accrued liabilities	761,417
Customer deposits	(4,095)
Accrued vacation pay	5,087
Net pension liability	(284,650)
Deferred inflows of resources for pensions	274,373
	<hr/>
Total adjustments	2,599,731
	<hr/>
Net cash provided by operating activities	\$ 3,937,569
	<hr/> <hr/>

Noncash investing, capital and financing activities:  
During fiscal year ended June 30, 2022, the Town received \$1,719,616 in water and sewer line improvements and \$231,263 of easements from various land developers and individuals. These improvements are recorded as capital contributions.

During fiscal year ended June 30, 2022, the Town transferred buildings and improvements with a net book value of \$458,299, and related debt of \$412,500 from Governmental Activities to the Water and Sewer Fund.

Town of Southern Pines, North Carolina  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2022

Exhibit 9

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	<u>Private-Purpose Trust Fund Virginia Kelly Trust</u>
<b>ASSETS</b>	
Cash and investments	\$ 26,572
Accrued interest	<u>6</u>
	<u>26,578</u>
<b>NET POSITION</b>	
Restricted for:	
Payment of death benefits - police	<u>26,578</u>
Total fiduciary net position	<u><u>\$ 26,578</u></u>

Town of Southern Pines, North Carolina  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended June 30, 2022

Exhibit 10

	<u>Private-Purpose Trust Fund Virginia Kelly Trust</u>
<b>Revenues</b>	
Investment earnings	\$ 49
Net increase	49
Net position, beginning of year, July 1	<u>26,529</u>
Net position, end of year, June 30	<u><u>\$ 26,578</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, 2022, 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

**Town of Southern Pines, North Carolina**  
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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.

*ARPA Special Revenue Fund* - The American Rescue Plan Act ("ARPA") special revenue fund is used to account for amounts received from the Coronavirus State and Local Fiscal Recover Funds related to the American Rescue Plan Act of 2021. The use of income from the fund is restricted to supporting economic recovery from the COVID-19 pandemic.

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.

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

*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.

*Bike Transport* - This fund is used to account for the construction and improvements of bike lanes throughout the town.

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

*Building Renovation* - This fund is used to account for the renovation of the Public Works Annex and the Garage Facility.

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

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

*Parking Lot Project* - This fund accounts for funds used for the purpose of construction and renovation of parking lots owned by the Town.

*Facility Modernization* - This fund accounts for funds used for addressing immediate needs of Town owned buildings as designated by the 2019 Facility Condition Assessment.

*Reservoir Dam Improvements* - This fund accounts for funds used for improvements to the dam at Reservoir Park.

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

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

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*Streambank Stabilization Project* – This fund is used for the purpose of stabilizing the erosion of the streambank behind the Fire and Police stations.

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 type:

*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.

**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. 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

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to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in law, the state of North Carolina is responsible for billing and collecting the property taxes on registered vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. 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 the Special Revenue Fund, 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolios has a maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. 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.

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(2) Cash and cash equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) Restricted assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Impact fees are held by the Town for the purpose of expanding water and sewer infrastructure. Water and wastewater system development fees are held by the Town for specific future water and wastewater capital projects to be funded with system development fees levied by the Town. Unexpended debt proceeds are held by the Town for the purpose of constructing a new fire department substation.

**Town of Southern Pines Restricted Cash**

Governmental activities:

General Fund:

ARPA Grant funds	\$ 2,339,245
Customer deposits	<u>879,051</u>

Total governmental activities	<u>3,218,296</u>
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Business-type activities:

Water and Sewer Fund:

Customer deposits	81,540
Water system development fees capital reserve	1,266,340
Wastewater system development fees capital reserve	<u>405,492</u>

Total business-type activities	<u>1,753,372</u>
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Total restricted cash	<u>\$ 4,971,668</u>
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(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, 2021.

(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.

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(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.

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	5 to 15 years

(8) Lease assets

The Town has recorded lease assets as a result of implementing GASB 87. The lease assets are initially measured at an amount equal to the initial measurement of the related lease liabilities plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the leases into service. The lease assets are amortized on a straight-line basis over the lives of the related leases.

(9) 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 assets 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 plans in the 2022 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 assets that applies to a future period and so will not be recognized as revenue until then. The Town has five items that meet the criterion for this category - property taxes receivable, parking lot assessments, other receivables, pension deferrals, and deferred lease revenue.

(10) 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

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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.

(11) Compensated absences

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

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

(12) 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.

*Leases* – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

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**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 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute ("RSS"), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the statement of net position and the balance sheet.

**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.

**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.

**Town of Southern Pines, North Carolina**  
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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.

(13) Defined benefit cost-sharing plan

For purposes of measuring the total 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.

(14) Reconciliation of government-wide and fund financial statements

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

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

**Description**

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 71,894,503
Less accumulated depreciation	<u>(27,382,882)</u>
Net capital assets	<u>44,511,621</u>
Lease assets, net of accumulated amortization, used in governmental activities are not financial resources and are therefore not reported in the funds	<u>227,866</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>1,029,520</u>
Net pension-related deferrals (deferred outflows and deferred inflows), excluding contributions to pension plans	<u>(814,455)</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>2,953</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Taxes receivable	19,577
Parking lot assessments	2,305
Other receivables	<u>121,125</u>
Net deferred revenues	<u>143,007</u>

**Town of Southern Pines, North Carolina**  
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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	\$ (6,263,033)
Lease liabilities	(54,683)
Compensated absences	(590,120)
Pension obligations	(3,928,726)
Accrued interest	<u>(28,257)</u>
Liabilities	<u>(10,864,819)</u>
Total adjustment	<u>\$ 35,235,693</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:

**Description**

Capital outlay expenditures recorded in the fund financial statements but capitalized as assets in the statement of activities	\$ 2,041,036
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	(1,918,694)
Transfers of capital assets recorded on the statement of activities but not in the fund statements	(458,299)
Lease asset related capital outlay expenditures recorded in the fund financial statements but capitalized as assets in the statement of activities	214,129
Amortization expense, the allocation of those lease assets over their lease lives, that is recorded on the statement of activities but not in the fund statements	(24,055)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	1,006,648
Benefit payments paid and administrative expense for the LEOSSA are not included in the statement of activities	57,187
Revenues and other financing sources in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Amount of donated assets	39,960
Other	9,905
Proceeds from the disposal/transfer of capital assets	(33,028)
Loss on disposal/transfer of capital assets	(176,008)
Issuance of lease liabilities	(52,629)

**Town of Southern Pines, North Carolina**  
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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	1,300,953
Transfer of debt to the Water and Sewer Fund	412,500
Decrease in accrued interest	2,448
Compensated absences	12,229
Pension expense	<u>(947,653)</u>
Total adjustment	<u>\$ 1,486,629</u>

**F. Change in accounting principle**

Effective July 1, 2021, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. A lessee is required to recognize a lease liability and a lease asset. This adjustment had no effect on the beginning net position at July 1, 2021.

**2. Prior Period Adjustment**

During the current year, management discovered an error related to capital assets reported in the Water and Sewer Fund in the prior year financial statements. For the year ended June 30, 2021, the Town reported capital assets of \$2,284,991 in the Water and Sewer Fund that were subsequently determined to not be eligible for capitalization, and therefore, should have been expensed in prior years. To correct these errors, the beginning net position of the Water and Sewer Fund of \$57,456,351, as originally reported, has been decreased to \$55,171,360. In addition, the beginning net position of Business-Type Activities of \$57,456,351, as originally reported, has been decreased to \$55,171,360. The net effect of the above restatement would have decreased the change in net position, for the year ended June 30, 2021, by \$423,402 for Business-Type activities and for the Water and Sewer Fund.

**3. Deposits**

All of the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

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At June 30, 2022, the Town's deposits had a carrying amount of \$11,376,610 and a bank balance of \$11,791,096. Of the bank balance \$750,000 was covered by federal depository insurance and \$11,041,096 was covered by collateral held under the Pooling Method. At June 30, 2022, the Town's petty cash fund totaled \$1,100.

**4. Investments**

At June 30, 2022, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2022</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 25,238,061	N/A	AAAm
Total		<u>\$ 25,238,061</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, 2022.

**5. Receivables - Allowance for Doubtful Accounts**

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

<u>Fund</u>	<u>June 30, 2022</u>
General Fund:	
Taxes receivable	\$ 30,590
Enterprise Fund	<u>12,000</u>
	<u>\$ 42,590</u>

## **6. Lease Receivables**

The Town has entered into five lease agreements whereby the Town leases space on several of its water towers to unrelated parties for cellular antennas. The initial non-cancelable terms of the leases are 5 years, and additional 5-year extension(s) are offered on each of the leases. Additional 5-year extension terms remain on four of the leases and two additional 5-year extension terms remain on one of the leases. Management believes that it is reasonably certain that the lessees will exercise all extension options. The leases call for monthly payments ranging from \$4,235 per month to \$5,070 per month during the year ended June 30, 2022, and generally increase by 3% per year thereafter, including during the extension periods. There are no variable components in the leases. The lease receivables are measured at the present value of the future minimum rent payments expected to be received during the lease term, at discount rates ranging from 0.514% to 0.727%, which are based on the Town's incremental borrowing rate.

The Town leases space in two of its fire stations to the County of Moore. These leases were entered into on July 1, 2019 and 2020, respectively. The lessees occupy bay space for one EMS transport unit, and office and day room space in each of the respective fire stations. The first lease, for space at the 500 W. Pennsylvania Ave. station, has a noncancellable term through June 30, 2022, and automatically renews for additional one-year terms each July 1, unless either party gives the other a 30-day written notice that the lease shall not be renewed. In any event, the lease shall not exceed eight years, through June 30, 2028, without both parties entering into a new lease agreement. The lease calls for monthly payments in the amount of \$750, including during any extension periods. The second lease, for space at the NC Highway 22 station, has a noncancellable lease term that extends through June 30, 2044. The lease calls for monthly payments in the amount of \$2,692 for a period of 20 years through June 30, 2039, and \$1,200 per month for a period of five years beginning July 1, 2039 and ending June 30, 2044. There are no variable components in the leases. The lease receivables are measured as the present value of the future minimum rent payments expected to be received during the lease terms, at discount rates of 0.316% and 2.440%, which is based on the Town's incremental borrowing rate.

The Town has entered into a lease agreement that conveys the right to use a 0.92-acre parcel of land to Charter Communications. The original lease was executed on January 24, 2011. Effective January 24, 2021, the lessee exercised its option to extend the term of the lease for ten years through January 23, 2031. The lease calls for monthly payments in the amount of \$1,803 through January 23, 2026, and \$1,983 for the period from January 24, 2026 through January 23, 2031. There are no variable components in the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term, at a discount rate of 1.604%, which is based on the Town's incremental borrowing rate.

The Town has entered into various other agreements to lease office space, soccer and baseball fields, and water pumps to unrelated parties. The leases call for monthly payments ranging from \$500 to \$1,000, and have noncancellable lease terms that expire from August 2023 through June 2026. There are no variable components in the leases. The lease receivables are measured as the present value of the future minimum rent payments expected to be received during the lease terms, at discount rates of 0.387% and 1.390%, which is based on the Town's incremental borrowing rate.

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**Notes to Financial Statements**

Future minimum lessee payments due to the Town under non-cancelable lease agreements, as of June 30, 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 351,792	\$ 29,162	\$ 380,954
2024	314,450	26,358	340,808
2025	299,615	23,807	323,422
2026	310,879	21,224	332,103
2027	315,491	18,532	334,023
Thereafter	<u>1,337,338</u>	<u>92,209</u>	<u>1,429,547</u>
	<u>\$ 2,929,565</u>	<u>\$ 211,292</u>	<u>\$ 3,137,857</u>

The Town reported lease revenue of \$365,285 and interest revenue of \$10,506 during the year ended June 30, 2022. Deferred inflows of resources related to the leases receivable amounted to \$2,910,344 as of June 30, 2022.

**7. Capital Assets and Lease Assets**

Capital assets activity for the year ended June 30, 2022, was as follows:

<u>Governmental Activities by Type</u>	<u>July 1, 2021</u>	<u>Transfers In/ Additions</u>	<u>Transfers Out/ Disposals</u>	<u>June 30, 2022</u>
Capital assets not being amortized or depreciated:				
Land	\$ 13,431,777	\$ -	\$ -	\$ 13,431,777
Intangible assets in progress	285,103	33,143	(35,175)	283,071
Construction in progress	<u>1,251,767</u>	<u>1,260,006</u>	<u>(1,924,110)</u>	<u>587,663</u>
	<u>14,968,647</u>	<u>1,293,149</u>	<u>(1,959,285)</u>	<u>14,302,511</u>
Capital assets being amortized or depreciated:				
Buildings and improvements	21,847,641	908,595	-	22,756,236
Other improvements	6,443,562	618	-	6,444,180
Infrastructure	16,853,315	374,252	-	17,227,567
Machinery and equipment	805,247	32,918	-	838,165
Intangible assets - software	311,825	35,175	-	347,000
Vehicles and motorized equipment	7,105,910	262,473	(381,558)	6,986,825
Furniture, fixtures and other equipment	<u>2,595,273</u>	<u>492,323</u>	<u>(95,577)</u>	<u>2,992,019</u>
	<u>55,962,773</u>	<u>2,106,354</u>	<u>(477,135)</u>	<u>57,591,992</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	\$ 6,084,768	\$ 451,832	\$ -	\$ 6,536,600
Other improvements	2,316,170	222,508	(10,695)	2,527,983
Infrastructure	11,055,382	503,394	-	11,558,776
Machinery and equipment	523,438	73,949	-	597,387
Intangible assets - software	125,607	40,647	-	166,254
Vehicles and motorized equipment	4,044,547	464,742	(347,564)	4,161,725
Furniture, fixtures and other equipment	<u>1,764,854</u>	<u>161,622</u>	<u>(92,319)</u>	<u>1,834,157</u>
	<u>25,914,766</u>	<u>1,918,694</u>	<u>(450,578)</u>	<u>27,382,882</u>
Depreciable assets - net	<u>30,048,007</u>			<u>30,209,110</u>
Governmental activities capital assets - net	<u>\$ 45,016,654</u>			<u>\$ 44,511,621</u>

**Town of Southern Pines, North Carolina**  
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<b><u>Governmental Activities by Type</u></b>	<b><u>July 1, 2021</u></b>	<b><u>Transfers In/ Additions</u></b>	<b><u>Transfers Out/ Disposals</u></b>	<b><u>June 30, 2022</u></b>
General government	\$ 18,555,718	\$ 2,027,129	\$ (1,606,437)	\$ 18,976,410
Public safety	22,345,278	488,563	(414,178)	22,419,663
Transportation	18,497,122	848,521	(449,252)	18,896,391
Economic and physical development	266,156	-	-	266,156
Cultural and recreational	11,267,146	89,313	(20,576)	11,335,883
	<u>70,931,420</u>	<u>3,453,526</u>	<u>(2,490,443)</u>	<u>71,894,503</u>
Less accumulated depreciation and amortization for:				
General government	3,483,980	232,580	(17,318)	3,699,242
Public safety	6,200,805	693,096	(347,565)	6,546,336
Transportation	11,875,550	640,038	(75,000)	12,440,588
Economic and physical development	203,722	10,528	-	214,250
Cultural and recreational	4,150,709	342,452	(10,695)	4,482,466
	<u>25,914,766</u>	<u>1,918,694</u>	<u>(450,578)</u>	<u>27,382,882</u>
Total governmental activities capital assets - net	<u>\$ 45,016,654</u>			<u>\$ 44,511,621</u>
<b><u>Business Activities by Type</u></b>	<b><u>July 1, 2021, as Restated</u></b>	<b><u>Transfers In/ Additions</u></b>	<b><u>Transfers Out/ Disposals</u></b>	<b><u>June 30, 2022</u></b>
Nondepreciable assets:				
Land	\$ 540,533	\$ -	\$ -	\$ 540,533
Intangibles - easements	3,172,226	255,869	-	3,428,095
Construction in progress	2,770,912	2,068,230	(1,967,142)	2,872,000
	<u>6,483,671</u>	<u>2,324,099</u>	<u>(1,967,142)</u>	<u>6,840,628</u>
Depreciable assets:				
Plant and distribution system	59,232,291	3,303,246	-	62,535,537
Buildings	1,424,609	451,075	-	1,875,684
Improvements other than buildings	-	7,224	-	7,224
Equipment	4,518,639	491,328	(102,887)	4,907,080
	<u>65,175,539</u>	<u>4,252,873</u>	<u>(102,887)</u>	<u>69,325,525</u>
Less accumulated depreciation and amortization for:				
Plant and distribution system	29,289,167	1,581,388	-	30,870,555
Building	458,249	29,587	-	487,836
Equipment	2,723,029	429,835	(102,887)	3,049,977
	<u>32,470,445</u>	<u>2,040,810</u>	<u>(102,887)</u>	<u>34,408,368</u>
Depreciable assets - net	<u>32,705,094</u>			<u>34,917,157</u>
Total business activities capital assets - net	<u>\$ 39,188,765</u>			<u>\$ 41,757,785</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 well as other software packages. As of June 30, 2022, \$180,747 of this software has been completed and is being used by the Town, net of accumulated amortization of \$166,253. This cost is being amortized over 5 to 15 years using the straight-line method.

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Future amortization is as follows:

**Year Ending June 30**

2023	\$	47,095
2024		47,095
2025		28,463
2026		18,187
2027		17,602
2028 - 2029		<u>22,305</u>
	\$	<u>180,747</u>

**Construction commitments**

The government has active construction projects as of June 30, 2022. At year end, the government's commitments with contractors are as follows:

<b><u>Project</u></b>	<b><u>Spent to Date</u></b>	<b><u>Remaining Commitment</u></b>
Water Treatment Modernization	\$ 1,609,182	\$ 612,368
Streambank Stabilization Design	90,349	80,855
Streambank Stabilization Construction	-	543,344
Warrior Woods Lift Station Relocation	24,000	6,000
Long Leaf Golf Club Dam Sewer Relocation	15,473	262,772
Recreation Improvements	-	63,350
Reservoir Dam Improvements Design	53,820	5,980
West Pennsylvania Avenue Waterline Design	242,027	152,073
West Pennsylvania Avenue Waterline Construction	-	<u>3,251,749</u>
Total	<u>\$ 2,034,851</u>	<u>\$ 4,978,491</u>

**Lease assets**

The Town has recorded three lease assets. The assets are for the right to use a playground, a fiber optic communication system, and a turf tank robotic field painter. The related leases are discussed in the Lease Liabilities note. The lease assets are amortized on a straight-line basis over the terms of the leases. Lease asset activity for the year ended June 30, 2022 was as follows:

	<b><u>Beginning Balances, As Restated</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Transfers</u></b>	<b><u>Ending Balances</u></b>
Governmental activities:					
Lease assets:					
Playground	\$ -	\$ 160,000	\$ -	\$ -	\$ 160,000
Fiber optic	37,792	-	-	-	37,792
Turf Tank robot	-	54,129	-	-	54,129
	<u>37,792</u>	<u>214,129</u>	<u>-</u>	<u>-</u>	<u>251,921</u>
Less accumulated amortization for:					
Playground	\$ -	\$ 902	\$ -	\$ -	\$ 902
Fiber optic	-	20,472	-	-	20,472
Turf Tank robot	-	2,681	-	-	2,681
	<u>-</u>	<u>24,055</u>	<u>-</u>	<u>-</u>	<u>24,055</u>
Governmental activity Lease assets, net	<u>\$ 37,792</u>				<u>\$ 227,866</u>

**8. Payables**

Payables at the government-wide level at June 30, 2022, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:				
General	\$ 473,055	\$ 463,333	\$ 28,257	\$ 964,645
Other governmental	<u>26,857</u>	<u>-</u>	<u>-</u>	<u>26,857</u>
Total governmental activities	<u>\$ 499,912</u>	<u>\$ 463,333</u>	<u>\$ 28,257</u>	<u>\$ 991,502</u>
Business-type activities:				
Water and sewer	<u>\$ 1,114,659</u>	<u>\$ 40,745</u>	<u>\$ 3,046</u>	<u>\$ 1,158,450</u>

**9. 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 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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](http://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

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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, 2022, was 12.04% of compensation for law enforcement officers and 11.40% 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 \$1,108,711 for the year ended June 30, 2022.

*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, 2022, the Town reported a liability of \$2,006,403 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the 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, 2021 (measurement date), the Town's proportion was 0.1308%, which was a decrease of 0.007% from its proportion measured at June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$813,880. At June 30, 2022, 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	\$ 638,309	\$ -
Changes of assumption	1,260,534	-
Net difference between projected and actual earnings on pension plan investments	-	2,866,548
Changes in proportion and differences between Town contributions and proportionate share of contributions	45,286	173,973
Town contributions subsequent to the measurement date	<u>1,108,711</u>	<u>-</u>
Total	<u>\$ 3,052,840</u>	<u>\$ 3,040,521</u>

**Town of Southern Pines, North Carolina**  
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\$1,108,711 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30**

2023	\$ 145,230
2024	(97,487)
2025	(266,953)
2026	(877,182)
2027	-
Thereafter	-

*Actuarial assumptions* - The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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, 2021 (measurement date) are summarized in the following table:

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<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 2020 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 2.50%. All rates of return and inflation are annualized.

*Discount rate* - The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Proportionate share of the net pension liability (asset)	\$ 7,788,692	\$ 2,006,403	\$ (2,752,084)

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

**B. Law Enforcement Officers Special Separation Allowance**

(1) 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.

**Town of Southern Pines, North Carolina**  
**Notes to Financial Statements**

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All full-time Town law enforcement officers are covered by the Separation Allowance. At the December 31, 2020 valuation date, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>38</u>
Total	<u><u>41</u></u>

(2) 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.

(3) Actuarial assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

The discount rate is based on the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2020.

Mortality rates are based on Pub-2010 amount-weighted tables with adjustments for mortality improvements based on Scale MP-2019.

(4) Change in actuarial assumptions

On the prior measurement date (December 31, 2020), the S&P Municipal Bond 20-Year High Grade Rate Index, on which the discount rate is based, was 1.93%. Since the Prior Measurement Date, the S&P Municipal Bond 20-Year High Grade Rate Index has increased to 2.25% as of the Measurement Date (December 31, 2021). This resulted in a \$57,480 decrease in the Total Pension Liability.

(5) 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 \$56,721 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$2,107,023. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$201,706.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 80,739	\$ 345,158
Changes of assumption	523,361	77,935
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>22,872</u>	<u>-</u>
Total	<u>\$ 626,972</u>	<u>\$ 423,093</u>

\$22,638 paid as benefits came due and \$234 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30**

2023	\$ 56,306
2024	50,658
2025	47,523
2026	44,872
2027	(2,241)
Thereafter	<u>(16,111)</u>
	<u>\$ (181,007)</u>

*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 2.25 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 (1.25 percent) or 1 percentage point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension liability	\$ 2,291,960	\$ 2,107,023	\$ 1,937,359

**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	\$ 2,467,605
Service cost	104,505
Interest on the total pension liability	47,077
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(397,963)
Changes of assumptions or other inputs	(57,480)
Benefit payments	(56,721)
Other changes	<u>-</u>
Ending balance of the total pension liability	<u>\$ 2,107,023</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.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2019.

***Total expense, liabilities, and deferred outflows and inflows of resources of related to pensions***

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 813,880	\$ 201,706	\$ 1,015,586
Pension liability	2,006,403	2,107,023	4,113,426
Proportionate share of the net pension liability	0.13083%	n/a	
<b>Deferred of outflows of resources</b>			
Differences between expected and actual experience	638,309	80,739	719,048
Changes of assumptions	1,260,534	523,361	1,783,895
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,286	-	45,286
Benefit payments and administrative costs paid subsequent to the measurement date	1,108,711	22,872	1,131,583
<b>Deferred of inflows of resources</b>			
Differences between expected and actual experience	-	345,158	345,158
Changes of assumptions	-	77,935	77,935
Net difference between projected and actual earnings on plan investments	2,866,548	-	2,866,548
Changes in proportion and differences between contributions and proportionate share of contributions	173,973	-	173,973

**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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 \$171,752 for the reporting year, which consisted of \$124,691 from the Town and \$47,061 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.

**10. 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, 2022, contributions to the Plan consisted of \$317,699 from the Town and \$159,880 in voluntary contributions from employees.

**11. Deferred Outflows and Inflows of Resources**

Deferred inflows of resources at year end reported on the governmental funds balance sheet is comprised of the following:

	<b><u>General Fund</u></b> <b><u>Balance Sheet</u></b>
Taxes receivable, less penalties	\$ 19,577
Other receivables	121,125
Deferred lease revenue	2,910,344
Special assessments receivable	<u>2,305</u>
Total	<u>\$ 3,053,351</u>

**12. 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 \$5 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.

**13. Claims and Judgments**

At June 30, 2022, 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.

**14. Long-Term Debt**

The Town entered into direct placement installment purchase agreements October 2008, May 2013, April 2018, June 2020, February 2021, and June 2021 for the construction of a police station, implementation of an automatic meter reading system, construction of a fire station, the purchase of a fire tanker truck, the Annex remodel and the purchase of the Whitehall land tract. These assets are pledged as collateral for the debt. Liquidations of compensated absences and total pension liabilities for governmental activities occur within the General Fund.

Long-term debt obligations of the Town at June 30, 2022, consisted of the following:

Type	<u>Serviced by</u>	
	<u>Governmental</u>	<u>Business-</u>
	<u>Activities</u>	<u>Activities</u>
Police station; \$6,500,000; issued 2008; due semiannually to 2024; interest at 3.73%; collateralized by police station	\$ 650,000	\$ -
Fire substation; issued 2018; due semiannually to 2033; interest at 2.06%; collateralized by fire substation	3,833,977	-
Automatic meter readers; \$1,600,000; issued 2013; due semiannually to 2023; interest at 1.85%; collateralized by equipment	\$ -	\$ 173,581
Fire tanker; issued 2020; due semiannually to 2025; interest at 1.91%; collateralized by fire tanker truck	397,389	-
Annex remodel; \$1,250,000; issued 2021; due semiannually to 2036; interest at 1.91%; collateralized by the Annex	781,667	385,000
Whitehall land track; \$900,000; issued 2021; due semiannually to 2024; interest at 1.91%; collateralized by land track	600,000	-
Lease liabilities (Note 15)	54,683	-
Net pension liability (LGERS)	1,821,703	184,700
Total pension liability (LEO)	2,107,023	-
Compensated absences	<u>590,120</u>	<u>52,336</u>
Total long-term debt	10,836,562	795,617
Less current portion	<u>(1,663,947)</u>	<u>(242,180)</u>
	<u>\$ 9,172,615</u>	<u>\$ 553,437</u>

At June 30, 2022, the Town of Southern Pines had a legal debt margin of \$224,071,487.

**Town of Southern Pines, North Carolina**  
**Notes to Financial Statements**

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2022:

	<u>Balance July 1, 2021, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Direct placement installment purchases:					
Police station	\$ 1,083,333	\$ -	\$ 433,333	\$ 650,000	\$ 433,333
Fire substation	4,182,520	-	348,543	3,833,977	348,543
Fire engine	524,895	-	127,506	397,389	129,953
Annex Remodel	1,250,000	-	468,333	781,667	55,833
Whitehall Land Tract	900,000	-	300,000	600,000	300,000
Lease liabilities	37,792	52,629	35,738	54,683	11,810
Compensated absences	602,349	333,523	345,752	590,120	338,732
Net pension liability (LGERS)	4,465,551	-	2,643,848	1,821,703	-
Total pension liability (LEO)	<u>2,467,605</u>	<u>-</u>	<u>360,582</u>	<u>2,107,023</u>	<u>45,743</u>
	<u>\$ 15,514,045</u>	<u>\$ 386,152</u>	<u>\$ 5,063,635</u>	<u>\$ 10,836,562</u>	<u>\$ 1,663,947</u>
	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Current Portion of Balance</u>
Business-type activities:					
Direct placement installment purchases:					
Raw water reservoir	\$ -	\$ -	\$ -	\$ -	\$ -
Automatic meter readers	343,994	-	170,413	173,581	173,581
Annex Remodel	-	412,500	27,500	385,000	27,500
Compensated absences	47,249	42,192	37,105	52,336	41,099
Net pension liability (LGERS)	<u>469,350</u>	<u>-</u>	<u>284,650</u>	<u>184,700</u>	<u>-</u>
	<u>\$ 860,593</u>	<u>\$ 454,692</u>	<u>\$ 519,668</u>	<u>\$ 795,617</u>	<u>\$ 242,180</u>

Compensated absences typically have been liquidated in the general fund. The net pension liability 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 lease liabilities, accrued vacation pay, the net pension liability (LGERS) the total pension liability (LEO).

	<u>Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2023	\$ 1,267,662	\$ 129,196
2024	1,053,490	96,482
2025	539,366	77,292
2026	404,377	67,109
2027	404,377	58,863
2028 to 2036	<u>2,593,761</u>	<u>185,612</u>
	<u>\$ 6,263,033</u>	<u>\$ 614,554</u>

**Town of Southern Pines, North Carolina**  
**Notes to Financial Statements**

Business-type activities:		
2023	\$ 201,081	\$ 9,634
2024	27,500	6,697
2025	27,500	6,172
2026	27,500	5,646
2027	27,500	5,121
2028 to 2036	<u>247,500</u>	<u>22,441</u>
	<u>\$ 558,581</u>	<u>\$ 55,711</u>

***Interfund balances and activity***

Transfers to/from other funds at June 30, 2022, consist of the following:

Governmental:

From the General Fund to the Streambank Stabilization Fund for capital project expenditures	\$ 384,484
From the General Fund to the Sidewalk Construction II Capital Project Fund for capital project expenditures	200,000
From the General Fund to the Recreational Improvements Capital Project Fund for capital project expenditures	142,000
From the General Fund to the Reservoir Dam Improvements Capital Project Fund for capital project expenditures	75,000
From the General Capital Reserve Fund to the Streambank Stabilization Capital Project Fund for capital project expenditures	180,000
From the Building Renovation Capital Project Fund to the General Capital Reserve Fund to close out the remaining fund balance	105
From the Nicks Creek Parkway Capital Project Fund to the Streambank Stabilization Capital Project Fund for capital project expenditures	72,000
From the Water and Sewer Fund to the Building Renovation Capital Project Fund for capital project expenditures	<u>98,736</u>
Total governmental	<u>1,152,325</u>

Business-type:

From the Water System Development Fees Capital Reserve Fund to the Water and Sewer Capital Projects Fund for capital project expenditures	\$ 452,240
From the Wastewater System Development Fees Capital Reserve Fund to the Water and Sewer Capital Projects Fund for capital project expenditures	221,639
From the Water and Sewer Fund to the Sanitary Sewer Modernization Capital Projects Fund for capital project expenditures	462,000
From the Water and Sewer Fund to the Water and Sewer Capital Projects Fund for capital project expenditures	1,574,200
From the Water and Sewer Fund to the Building Renovation Capital Project Fund for capital project expenditures	<u>98,736</u>
Total business-type	<u>2,808,815</u>
Total transfers	<u>\$ 3,961,140</u>

**15. Lease Liabilities**

The Town has entered into lease agreements to lease certain property and equipment. The lease agreements qualify as other than short-term lease under GASB 87 and, therefore, a liability has been recorded at the present value of the future minimum lease payments at the date of inception, resulting in an initial liability of \$37,792.

The first lease was executed on December 15, 2021, to lease the Blanchie Carter Playground. The lease required a payment of \$160,000 at execution of the lease. The lease term is for a period of 99 years, through December 2120. The lease requires no additional monthly or annual payments. As such, no lease liability exists related to this lease as of June 30, 2022. As of June 30, 2022, the remaining net book value of the related lease asset was \$159,098, net of accumulated amortization of \$902.

The second lease agreement was executed on January 6, 2022, to lease a Turf Tank Robot that paints fields for sporting events, and requires four quarterly payments of \$1,500, followed by 20 quarterly payments of \$2,500. There are no variable payments components of the lease. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The Town has used its incremental borrowing rate at the date of adoption, 2.058%. As of June 30, 2022, the remaining net book value of the related lease asset was \$51,448, net of accumulated amortization of \$2,681.

The third lease agreement was executed in June 2020, to lease dark fiber infrastructure, and requires monthly payments of \$2,756 through June 2022, followed by monthly payments of \$400 through June 2023. There are no variable payments components of the lease. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The Town has used its incremental borrowing rate at the date of adoption, 0.316%. As of June 30, 2022, the remaining net book value of the related lease asset was \$17,322, net of accumulated amortization of \$20,472.

Future minimum lease obligations and the net present value of these minimum lease payments, as of June 30, 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 11,810	\$ 991	\$ 12,801
2024	9,188	812	10,000
2025	9,379	621	10,000
2026	9,573	427	10,000
2027	9,772	228	10,000
Thereafter	<u>4,961</u>	<u>38</u>	<u>4,999</u>
	<u>\$ 54,683</u>	<u>\$ 3,117</u>	<u>\$ 57,800</u>

**16. Coronavirus Local Fiscal Recovery Funds**

In accordance with funding provided by the American Rescue Plan Act of 2021, effective August 4, 2021, the Town agreed to its terms for receiving an allocation of funds from the U.S. Department of Treasury, through the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund. The Town's total estimated grant award is \$4,671,148, which is to be provided in two equal disbursements of \$2,335,574. The first disbursement was received in July 2021, while the second disbursement was received in August 2022. The Town

**Town of Southern Pines, North Carolina**  
**Notes to Financial Statements**

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will have until December 31, 2024, to use or encumber the funds, and if encumbered, has until December 31, 2026, to finish any associated work. As of June 30, 2022, \$2,335,574 is included as an unearned revenue liability.

**17. 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	\$ 14,856,958
Less:	
Inventories	49,839
Prepaid items	98,942
Leases	19,221
Stabilization by State Statute	2,421,321
Appropriated fund balance in 2023 budget	3,856,359
Fund balance policy	<u>6,191,205</u>
Remaining fund balance	<u>\$ 2,220,071</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.

**18. 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.

**19. Summary Disclosure of Significant Contingencies and Uncertainties**

***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.

## ***Required Supplemental Financial Data***

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

- 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 Nine Fiscal Years**

**Schedule 1**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,108,711	\$ 951,231	\$ 849,091	\$ 671,376	\$ 616,826	\$ 603,339	\$ 520,306	\$ 525,694	\$ 499,274
Contributions in relation to the contractually required contribution	<u>1,108,711</u>	<u>951,231</u>	<u>849,091</u>	<u>671,376</u>	<u>616,826</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Town's covered payroll	\$ 9,579,387	\$ 9,178,016	\$ 9,129,740	\$ 8,377,732	\$ 7,959,271	\$ 8,052,947	\$ 7,568,729	\$ 7,347,598	\$ 7,012,498
Contributions as a percentage of covered payroll	11.57%	10.36%	9.30%	8.01%	7.75%	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 Nine Fiscal Years**

**Schedule 2**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
The Town's proportion of the net pension liability (asset) (%)	<b>0.1308%</b>	0.1381%	0.1311%	0.1333%	0.1311%	0.1408%	0.1438%	-0.1420%	0.1323%
The Town's proportion of the net pension liability (asset) (\$)	<b>\$ 2,006,403</b>	\$ 4,934,901	\$ 3,580,785	\$ 3,161,858	\$ 2,003,303	\$ 2,988,884	\$ 645,500	\$ (837,439)	\$ 1,594,723
The Town's covered-employee payroll	<b>\$ 9,178,016</b>	\$ 9,129,740	\$ 8,377,732	\$ 7,959,271	\$ 8,052,947	\$ 7,568,729	\$ 7,347,598	\$ 7,012,498	\$ 6,605,219
The Town's proportionate share of the net pension (asset) as a percentage of its covered-payroll	<b>21.86%</b>	54.05%	42.74%	39.73%	24.88%	39.49%	8.79%	-11.94%	24.14%
Plan fiduciary net position as a percentage of the total pension liability**	<b>95.51%</b>	88.61%	90.86%	91.63%	94.18%	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**  
**Last Six Fiscal Years**

**Schedule 3**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,467,605	\$ 1,605,268	\$ 1,496,954	\$ 1,462,694	\$ 1,300,931	\$ 1,270,092
Service cost	104,505	78,766	70,343	71,978	60,240	64,204
Interest on the total pension liability	47,077	51,724	53,581	45,267	49,285	44,634
Differences between expected and actual experience in the measurement of the total pension liability	(397,963)	90,479	(21,274)	46,723	2,915	-
Changes of assumptions or other inputs	(57,480)	678,662	55,558	(69,333)	97,533	(38,313)
Benefit payments	(56,721)	(37,294)	(49,894)	(60,375)	(48,210)	(39,686)
Ending balance of the total pension liability	<u>\$ 2,107,023</u>	<u>\$ 2,467,605</u>	<u>\$ 1,605,268</u>	<u>\$ 1,496,954</u>	<u>\$ 1,462,694</u>	<u>\$ 1,300,931</u>

*The amounts presented for each fiscal year were determined as of the prior fiscal year ended 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 Employee Pay**  
**Last Six Fiscal Years**

**Schedule 4**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	<b>\$ 2,107,023</b>	\$ 2,467,605	\$ 1,605,268	\$ 1,496,954	\$ 1,462,694	\$ 1,300,931
Covered employee payroll	<b>2,201,985</b>	2,475,156	2,351,666	2,197,919	2,120,993	2,119,195
Total pension liability as a percentage of covered employee payroll	<b>95.69%</b>	99.69%	68.26%	68.11%	68.96%	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.

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***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, 2022 and June 30, 2021

Schedule 5

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and investments	\$ 13,245,019	\$12,093,408
Receivables, net		
Property taxes	19,577	22,744
Due from other governments	1,909,859	1,662,165
Accounts receivable	457,461	367,227
Accrued interest receivable	3,070	5,113
Sales tax receivable	172,056	119,425
Parking lot assessments receivable	2,305	2,305
Lease receivable	2,929,565	-
Inventory	49,839	37,820
Prepays	98,942	121,930
Restricted assets:		
Cash and investments	879,051	193,799
Total assets	<u>\$ 19,766,744</u>	<u>\$14,625,936</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 472,749	\$409,541
Accrued liabilities:		
Other	504,635	429,415
Security deposits	879,051	193,799
Total liabilities	<u>1,856,435</u>	<u>1,032,755</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Taxes receivable	19,577	22,744
Parking lot assessments	2,305	2,305
Leases	2,910,344	-
Other	121,125	107,996
Total deferred inflows of resources	<u>3,053,351</u>	<u>133,045</u>
<b>FUND BALANCE</b>		
Nonspendable:		
Inventory	49,839	37,820
Prepays	98,942	121,930
Leases	19,221	-
Restricted:		
Stabilization by State Statute	2,421,321	2,045,909
Assigned:		
Subsequent year's expenditures	3,856,359	2,834,047
Unassigned	8,411,276	8,420,430
Total fund balances	<u>14,856,958</u>	<u>13,460,136</u>
	<u>\$ 19,766,744</u>	<u>\$14,625,936</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, 2022  
 With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 6  
 (5 pages)

	2022		Variance Favorable (Unfavorable)	2021
	Budget	Actual		Actual
<b>Revenues</b>				
Ad valorem taxes:				
Current year		\$ 11,531,201		\$11,201,195
Prior years		23,234		(6,883)
Penalties and interest		17,039		15,195
	<u>\$ 11,158,348</u>	<u>11,571,474</u>	<u>\$ 413,126</u>	<u>11,209,507</u>
Other taxes and licenses:				
ABC mixed beverage		284,148		253,772
Solid waste disposal tax		11,716		10,677
Privilege licenses		2,715		3,180
Municipal vehicle tax		62,785		61,895
Lease vehicles		66,444		52,074
	<u>298,550</u>	<u>427,808</u>	<u>129,258</u>	<u>381,598</u>
Unrestricted intergovernmental revenues:				
Local option sales tax		5,645,948		4,665,458
Video programming tax		117,054		146,245
Franchise tax		1,121,630		1,073,629
Beer and wine		61,941		60,142
	<u>4,865,441</u>	<u>6,946,573</u>	<u>2,081,132</u>	<u>5,945,474</u>
Restricted intergovernmental revenues:				
State Aid - Library grant		7,241		6,159
LSTA - Library grant		-		1,500
Powell Bill allocation		481,723		386,118
Recreation grants		-		500
FEMA grants		-		203,037
Fire safer		44,655		146,410
Police grants		10,060		2,954
Fire on-behalf payments		13,401		13,913
	<u>472,320</u>	<u>557,080</u>	<u>84,760</u>	<u>760,591</u>
Permits and fees:				
Building permits		108,408		123,225
Inspection fees		468,957		729,205
Fire and Police Dept. fees		106,718		43,336
Public works fees		71,417		74,401
Street department fees		50,321		48,486
	<u>618,000</u>	<u>805,821</u>	<u>187,821</u>	<u>1,018,653</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, 2022  
 With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 6  
 (5 pages)

	2022		Variance Favorable (Unfavorable)	2021
	Budget	Actual		Actual
<b>Revenues</b>				
Sales and services:				
Rents		\$ 34,058		\$352,308
Homeowners recovery fund		2,800		3,240
County disposal fee		1,075,124		911,635
Recreation department fees		170,234		138,651
Library fees		42,230		26,000
Reservoir park usage fees		-		6,000
	<u>\$ 1,555,660</u>	<u>1,324,446</u>	<u>\$ (231,214)</u>	<u>\$1,437,834</u>
Investment earnings	<u>38,000</u>	<u>27,348</u>	<u>(10,652)</u>	<u>29,564</u>
Other:				
Cemetery		1,250		3,375
Fire department donations		2,500		2,500
Fire district revenue		449,158		475,122
Court costs		6,011		3,095
Library donations		10,180		4,283
Lease revenue		365,285		-
Miscellaneous		252,874		165,893
	<u>644,200</u>	<u>1,087,258</u>	<u>443,058</u>	<u>654,268</u>
Total revenues	<u>19,650,519</u>	<u>22,747,808</u>	<u>3,097,289</u>	<u>21,437,489</u>
<b>Expenditures</b>				
General government:				
Governing body:				
Salaries and employee benefits		26,885		28,265
Operating expenditures		106,987		90,719
Professional services		49,585		66,000
Membership dues		9,155		23,611
	<u>246,729</u>	<u>192,612</u>	<u>54,117</u>	<u>208,595</u>
Administration:				
Salaries and employee benefits		700,336		611,250
Operating expenditures		123,151		93,502
	<u>894,803</u>	<u>823,487</u>	<u>71,316</u>	<u>704,752</u>
Finance:				
Salaries and employee benefits		495,425		469,688
Operating expenditures		262,597		250,530
	<u>803,550</u>	<u>758,022</u>	<u>45,528</u>	<u>720,218</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, 2022  
With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 6  
(5 pages)

	2022		Variance	2021
	Budget	Actual	Favorable (Unfavorable)	Actual
Information technology:				
Salaries and employee benefits		\$ 390,519		\$373,612
Contract Services		337,436		359,870
Operating expenditures		181,760		236,970
Capital outlay		18,957		45,111
	<u>\$ 1,233,183</u>	<u>928,672</u>	<u>\$ 304,511</u>	<u>1,015,563</u>
Administrative chargeback	<u>(1,184,485)</u>	<u>(1,184,485)</u>	<u>-</u>	<u>(1,141,360)</u>
Public works:				
Salaries and employee benefits		317,490		329,458
Operating expenditures		33,152		31,726
Contract services		2,167,900		2,047,670
	<u>2,608,904</u>	<u>2,518,542</u>	<u>90,362</u>	<u>2,408,854</u>
Building and grounds:				
Salaries and employee benefits		570,147		561,375
Vehicle maintenance		4,110		6,969
Contract Services		79,232		51,772
Operating expenditures		451,452		514,612
Capital outlay		-		31,485
	<u>1,371,823</u>	<u>1,104,941</u>	<u>266,882</u>	<u>1,166,213</u>
Garage:				
Salaries and employee benefits		249,274		259,409
Operating expenditures		51,437		50,122
Capital outlay		-		-
	<u>341,349</u>	<u>300,711</u>	<u>40,638</u>	<u>309,531</u>
Total general government	<u>6,315,856</u>	<u>5,442,502</u>	<u>873,354</u>	<u>5,392,366</u>
Public safety:				
Police				
Salaries and employee benefits		4,258,448		3,933,498
Operating expenditures		765,136		671,120
Capital outlay		333,559		323,758
	<u>5,795,156</u>	<u>5,357,143</u>	<u>438,013</u>	<u>4,928,376</u>
Fire:				
Salaries and employee benefits		2,504,171		2,393,392
Operating expenditures		497,407		457,603
Capital outlay		115,047		-
	<u>3,403,365</u>	<u>3,116,625</u>	<u>286,740</u>	<u>2,850,995</u>
Total public safety	<u>9,198,521</u>	<u>8,473,768</u>	<u>724,753</u>	<u>7,779,371</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, 2022**  
**With Comparative Actual Amounts for the Year Ended June 30, 2021**

**Schedule 6**  
**(5 pages)**

	2022		Variance Favorable (Unfavorable)	2021
	Budget	Actual		Actual
Transportation:				
Street maintenance:				
Salaries and employee benefits		\$ 763,576		\$749,087
Operating expenditures		419,138		365,052
Paving		480,833		217,884
Contract services		42,089		31,023
Capital outlay		245,008		107,656
	<u>\$ 2,058,897</u>	<u>1,950,644</u>	<u>\$ 108,253</u>	<u>1,470,702</u>
Total transportation	<u>2,058,897</u>	<u>1,950,644</u>	<u>108,253</u>	<u>1,470,702</u>
Economic and physical development:				
Planning and development:				
Salaries and employee benefits		754,776		757,527
Contract services		32,137		30,626
Operating expenditures		139,794		111,404
	<u>1,051,761</u>	<u>926,707</u>	<u>125,054</u>	<u>899,557</u>
Total economic and physical development	<u>1,051,761</u>	<u>926,707</u>	<u>125,054</u>	<u>899,557</u>
Cultural and recreational:				
Recreation:				
Salaries and employee benefits		827,633		837,852
Contract services		98,629		30,573
Operating expenditures		272,851		280,476
Capital outlay		249,313		62,094
	<u>1,471,342</u>	<u>1,448,426</u>	<u>22,916</u>	<u>1,210,995</u>
Libraries:				
Salaries and employee benefits		686,343		619,043
Contract services		41,754		41,103
Operating expenditures		89,299		74,145
Books and periodicals		113,425		122,308
Capital outlay		-		-
	<u>979,605</u>	<u>930,821</u>	<u>48,784</u>	<u>856,599</u>
Total cultural and recreational	<u>2,450,947</u>	<u>2,379,247</u>	<u>71,700</u>	<u>2,067,594</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, 2022  
 With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 6  
 (5 pages)

	2022		Variance Favorable (Unfavorable)	2021
	Budget	Actual		Actual
Debt service:				
Principal retirement		\$ 1,300,953		\$906,983
Interest		161,338		215,239
	<u>\$ 1,427,077</u>	<u>1,462,291</u>	<u>\$ (35,214)</u>	<u>1,122,222</u>
Total debt service	<u>1,427,077</u>	<u>1,462,291</u>	<u>(35,214)</u>	<u>1,122,222</u>
Total expenditures	<u>22,503,059</u>	<u>20,635,159</u>	<u>1,867,900</u>	<u>18,731,812</u>
Revenues over (under) expenditures	<u>(2,852,540)</u>	<u>2,112,649</u>	<u>4,965,189</u>	<u>2,705,677</u>
<b>Other financing sources (uses)</b>				
Lease liabilities issued	-	52,629	52,629	-
Transfers to other funds:				
Capital Projects Funds	(801,484)	(801,484)	-	(885,136)
Sale of capital assets	70,000	33,028	(36,972)	52,505
Total other financing sources (uses)	<u>(731,484)</u>	<u>(715,827)</u>	<u>15,657</u>	<u>(832,631)</u>
Revenues over (under) expenditures and other financing uses	<u>(3,584,024)</u>	<u>1,396,822</u>	<u>4,980,846</u>	<u>1,873,046</u>
Fund balance appropriated	<u>3,584,024</u>	-	<u>(3,584,024)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>1,396,822</u>	<u>\$ 1,396,822</u>	<u>1,873,046</u>
Fund balance, beginning of year, July 1		<u>13,460,136</u>		<u>11,587,090</u>
Fund balance, end of year, June 30		<u>\$ 14,856,958</u>		<u>\$ 13,460,136</u>

## ***Special Revenue Funds***

Special Revenue Funds are used to account for resources that must be used for specific projects.

### **Individual fund description:**

- *ARPA* - Accounts for amounts received from the Coronavirus State and Local Fiscal Recover Funds related to the American Rescue Plan Act of 2021. The use of income from the fund is restricted to supporting economic recovery from the COVID-19 pandemic.

Town of Southern Pines, North Carolina  
 Schedule of Revenues, Expenses and Changes in Fund Balance  
 Budget and Actual  
 Special Revenue Fund (American Rescue Plan Act Grant)  
 From Inception and for for Year Ended June 30, 2022

Schedule 7

	<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>		
<b>Revenues</b>					
ARP Funds	\$ 4,671,000	\$ -	\$ -	\$ -	\$ (4,671,000)
Investment earnings	-	-	4,180	4,180	4,180
	<u>4,671,000</u>	<u>-</u>	<u>4,180</u>	<u>4,180</u>	<u>(4,666,820)</u>
<b>Expenditures</b>					
General government: Unassigned ARP expenditures	<u>4,671,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,671,000</u>
	<u>4,671,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,671,000</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	4,180	<u>\$ 4,180</u>	<u>\$ 4,180</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ 4,180</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.
- *Storm Water Improvements* - accounts for funds used for the design and installation of storm water infrastructure.
- *Streambank Stabilization* - accounts for funds used for the purpose of stabilizing the erosion of the streambank behind the Fire and Police stations.
- *Enterprise Information and Document Management System (EIDMS)* - accounts for funds used for the purchase and implementation of Enterprise Resource Planning software.
- *Bike Transport* - accounts for funds used for the construction of bike lanes.
- *Unpaved Street* - accounts for funds used for paving existing Town streets that are currently unpaved.
- *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
- *Building Renovation* – accounts for funds to be used for renovation of the Public Works Annex and the Garage Facility
- *Parking Lot Project* – accounts for funds to be used for construction and renovation of parking lots owned by the Town.
- *Facility Modernization* – accounts for funds to be used for addressing immediate needs of Town owned buildings as designated by the 2019 Facility Condition Assessment
- *Reservoir Dam Improvements* - accounts for funds to be used for improvements to the dam at Reservoir Park
- *General Capital Reserve* - used to account for resources accumulated for ongoing or future capital projects

	<b>Capital Projects Funds</b>			
	<u>Nicks Creek Parkway</u>	<u>Open Space and Greenways</u>	<u>Storm Water Improvements</u>	<u>Streambank Stabilization</u>
<b>ASSETS</b>				
Cash and investments	\$ 3,392	\$ 48,973	\$ 63,830	\$ 659,638
Sales tax receivable	-	-	-	39
Accrued Interest	1	11	14	144
	<u>\$ 3,393</u>	<u>\$ 48,984</u>	<u>\$ 63,844</u>	<u>\$ 659,821</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Payables	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by State Statute	1	11	14	183
Committed:				
Capital Projects	<u>3,392</u>	<u>48,973</u>	<u>63,830</u>	<u>659,638</u>
Total fund balance	<u>3,393</u>	<u>48,984</u>	<u>63,844</u>	<u>659,821</u>
	<u>\$ 3,393</u>	<u>\$ 48,984</u>	<u>\$ 63,844</u>	<u>\$ 659,821</u>

Town of Southern Pines, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2022

Schedule 8  
 (4 pages)

	<b>Capital Projects Funds</b>			
	<b>EIDMS</b>	<b>Bike Transport</b>	<b>Unpaved Street</b>	<b>Sidewalk Construction II</b>
<b>ASSETS</b>				
Cash and investments	\$ 196,854	\$ 245,980	\$ 22,895	\$ 34,208
Sales tax receivable	-	-	-	1,872
Accrued Interest	43	54	5	7
	<u>\$ 196,897</u>	<u>\$ 246,034</u>	<u>\$ 22,900</u>	<u>\$ 36,087</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Payables	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by State Statute	43	54	5	1,879
Committed:				
Capital Projects	<u>196,854</u>	<u>245,980</u>	<u>22,895</u>	<u>34,208</u>
Total fund balance	<u>196,897</u>	<u>246,034</u>	<u>22,900</u>	<u>36,087</u>
	<u>\$ 196,897</u>	<u>\$ 246,034</u>	<u>\$ 22,900</u>	<u>\$ 36,087</u>

	<b>Capital Projects Funds</b>			
	<b>Recreational Improvements</b>	<b>Building Renovation</b>	<b>Parking Lot Project</b>	<b>Facility Modernization</b>
<b>ASSETS</b>				
Cash and investments	\$ 154,286	\$ -	\$ 85,190	\$ 384,683
Sales tax receivable	-	-	-	75
Accrued Interest	34	-	19	84
	<u>\$ 154,320</u>	<u>\$ -</u>	<u>\$ 85,209</u>	<u>\$ 384,842</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Payables	\$ -	\$ -	\$ 26,857	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>26,857</u>	<u>-</u>
Fund balance				
Nonspendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by State Statute	34	-	19	159
Committed:				
Capital Projects	<u>154,286</u>	<u>-</u>	<u>58,333</u>	<u>384,683</u>
Total fund balance	<u>154,320</u>	<u>-</u>	<u>58,352</u>	<u>384,842</u>
	<u>\$ 154,320</u>	<u>\$ -</u>	<u>\$ 85,209</u>	<u>\$ 384,842</u>

Town of Southern Pines, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2022

Schedule 8  
 (4 pages)

	Capital Projects Funds		Permanent Fund	Non-Major Governmental Funds
	Reservoir Dam Improvements	General Capital Reserve	Cemetery Perpetual Care	
<b>ASSETS</b>				
Cash and investments	\$ 21,237	\$ 16,594	\$ 96,252	\$ 2,034,012
Sales tax receivable	-	-	-	1,986
Accrued Interest	5	4	20	445
	<u>\$ 21,242</u>	<u>\$ 16,598</u>	<u>\$ 96,272</u>	<u>\$ 2,036,443</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Payables	\$ -	\$ -	\$ -	\$ 26,857
Total liabilities	-	-	-	26,857
Fund balance				
Nonspendable:				
Perpetual maintenance	-	-	96,252	96,252
Restricted:				
Stabilization by State Statute	5	4	20	2,431
Committed:				
Capital Projects	21,237	16,594	-	1,910,903
Total fund balance	<u>21,242</u>	<u>16,598</u>	<u>96,272</u>	<u>2,009,586</u>
	<u>\$ 21,242</u>	<u>\$ 16,598</u>	<u>\$ 96,272</u>	<u>\$ 2,036,443</u>

Town of Southern Pines, North Carolina  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2022

Schedule 9  
 (4 pages)

	<b>Capital Projects Funds</b>			
	<b>Nicks Creek Parkway</b>	<b>Open Space and Greenways</b>	<b>Storm Water Improvements</b>	<b>Streambank Stabilization</b>
<b>Revenues</b>				
Investment earnings	\$ 41	\$ 90	\$ 116	\$ 958
Sale of plots	-	-	-	-
	<u>41</u>	<u>90</u>	<u>116</u>	<u>958</u>
<b>Expenditures</b>				
General government	-	-	-	15,230
Transportation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,230</u>
Revenues over (under) expenditures	<u>41</u>	<u>90</u>	<u>116</u>	<u>(14,272)</u>
<b>Other financing sources (uses)</b>				
Transfers (to) from:				
General Fund	-	-	-	384,484
General Capital Reserve fund	-	-	-	180,000
Building renovation fund	-	-	-	-
Nicks Creek Parkway	-	-	-	72,000
Streambank stabilization fund	(72,000)	-	-	-
Water and sewer fund	-	-	-	-
	<u>(72,000)</u>	<u>-</u>	<u>-</u>	<u>636,484</u>
Net change in fund balance	(71,959)	90	116	622,212
Fund balance, beginning of year, July 1	<u>75,352</u>	<u>48,894</u>	<u>63,728</u>	<u>37,609</u>
Fund balance, end of year, June 30	<u>\$ 3,393</u>	<u>\$ 48,984</u>	<u>\$ 63,844</u>	<u>\$ 659,821</u>

Town of Southern Pines, North Carolina  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2022

Schedule 9  
 (4 pages)

	<b>Capital Projects Funds</b>			
	<b>EIDMS</b>	<b>Bike Transport</b>	<b>Unpaved Street</b>	<b>Sidewalk Construction II</b>
<b>Revenues</b>				
Investment earnings	\$ 371	\$ 448	\$ 41	\$ 330
Sale of plots	-	-	-	-
	<u>371</u>	<u>448</u>	<u>41</u>	<u>330</u>
<b>Expenditures</b>				
General government	33,143	-	-	-
Transportation	-	-	-	202,404
	<u>33,143</u>	<u>-</u>	<u>-</u>	<u>202,404</u>
Revenues over (under) expenditures	<u>(32,772)</u>	<u>448</u>	<u>41</u>	<u>(202,074)</u>
<b>Other financing sources (uses)</b>				
Transfers (to) from:				
General Fund	-	-	-	200,000
General Capital Reserve fund	-	-	-	-
Building renovation fund	-	-	-	-
Nicks Creek Parkway	-	-	-	-
Streambank stabilization fund	-	-	-	-
Water and sewer fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Net change in fund balance	(32,772)	448	41	(2,074)
Fund balance, beginning of year, July 1	<u>229,669</u>	<u>245,586</u>	<u>22,859</u>	<u>38,161</u>
Fund balance, end of year, June 30	<u>\$ 196,897</u>	<u>\$ 246,034</u>	<u>\$ 22,900</u>	<u>\$ 36,087</u>

Town of Southern Pines, North Carolina  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2022

Schedule 9  
(4 pages)

	<b>Capital Projects Funds</b>			
	<b>Recreational Improvements</b>	<b>Building Renovation</b>	<b>Parking Lot Project</b>	<b>Facility Modernization</b>
<b>Revenues</b>				
Investment earnings	\$ 255	\$ 179	\$ 155	\$ 703
Sale of plots	-	-	-	-
	<u>255</u>	<u>179</u>	<u>155</u>	<u>703</u>
<b>Expenditures</b>				
General government	-	947,788	-	14,039
Transportation	-	-	26,857	-
	<u>-</u>	<u>947,788</u>	<u>26,857</u>	<u>14,039</u>
Revenues over (under) expenditures	<u>255</u>	<u>(947,609)</u>	<u>(26,702)</u>	<u>(13,336)</u>
<b>Other financing sources (uses)</b>				
Transfers (to)/from:				
General fund	142,000	-	-	-
General Capital Reserve fund	-	(105)	-	-
Building renovation fund	-	-	-	-
Nicks Creek Parkway	-	-	-	-
Streambank stabilization fund	-	-	-	-
Water Sewer fund	-	98,736	-	-
	<u>142,000</u>	<u>98,631</u>	<u>-</u>	<u>-</u>
Net change in fund balance	142,255	(848,978)	(26,702)	(13,336)
Fund balance, beginning of year, July 1	<u>12,065</u>	<u>848,978</u>	<u>85,054</u>	<u>398,178</u>
Fund balance, end of year, June 30	<u>\$ 154,320</u>	<u>\$ -</u>	<u>\$ 58,352</u>	<u>\$ 384,842</u>

Town of Southern Pines, North Carolina  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2022

Schedule 9  
(4 pages)

	Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Reservoir Dam Improvements	General Capital Reserve	Cemetery Perpetual Care	
<b>Revenues</b>				
Investment earnings	\$ 62	\$ 118	\$ 174	\$ 4,041
Sale of plots	-	-	3,150	3,150
	<u>62</u>	<u>118</u>	<u>3,324</u>	<u>7,191</u>
<b>Expenditures</b>				
General government	53,820	-	-	1,064,020
Transportation	-	-	-	229,261
	<u>53,820</u>	<u>-</u>	<u>-</u>	<u>1,293,281</u>
Revenues over (under) expenditures	<u>(53,758)</u>	<u>118</u>	<u>3,324</u>	<u>(1,286,090)</u>
<b>Other financing sources (uses)</b>				
Transfers (to)/from:				
General fund	75,000	-	-	801,484
General Capital Reserve fund	-	-	-	179,895
Building renovation fund	-	105	-	105
Nicks Creek Parkway	-	-	-	72,000
Streambank stabilization fund	-	(180,000)	-	(252,000)
Water Sewer fund	-	-	-	98,736
	<u>75,000</u>	<u>(179,895)</u>	<u>-</u>	<u>900,220</u>
Net change in fund balance	21,242	(179,777)	3,324	(385,870)
Fund balance, beginning of year, July 1	-	196,375	92,948	2,395,456
Fund balance, end of year, June 30	<u>\$ 21,242</u>	<u>\$ 16,598</u>	<u>\$ 96,272</u>	<u>\$ 2,009,586</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, 2022

Schedule 10

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ 15,000	\$ 18,352	\$ 41	\$ 18,393	\$ 3,393
	<u>15,000</u>	<u>18,352</u>	<u>41</u>	<u>18,393</u>	<u>3,393</u>
<b>Other financing sources (uses)</b>					
Land exchange proceeds	57,000	57,000	-	57,000	-
Transfers to:					
Streambank Stabilization	<u>(72,000)</u>	<u>-</u>	<u>(72,000)</u>	<u>(72,000)</u>	<u>-</u>
	<u>(15,000)</u>	<u>57,000</u>	<u>(72,000)</u>	<u>(15,000)</u>	<u>-</u>
Revenues and other financing sources over (under) other financing uses	<u>\$ -</u>	<u>\$ 75,352</u>	<u>(71,959)</u>	<u>\$ 3,393</u>	<u>\$ 3,393</u>
Fund balance, beginning of year, July 1			<u>75,352</u>		
Fund balance end of year, June 30			<u>\$ 3,393</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, 2022

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ 9,700	\$ 12,128	\$ 90	\$ 12,218	\$ 2,518
	<u>9,700</u>	<u>12,128</u>	<u>90</u>	<u>12,218</u>	<u>2,518</u>
<b>Expenditures</b>					
Cultural and recreational Construction	1,799,962	1,753,496	-	1,753,496	46,466
	<u>1,799,962</u>	<u>1,753,496</u>	<u>-</u>	<u>1,753,496</u>	<u>46,466</u>
Revenues (under) expenditures	<u>(1,790,262)</u>	<u>(1,741,368)</u>	<u>90</u>	<u>(1,741,278)</u>	<u>48,984</u>
<b>Other financing sources</b>					
Installment purchase obligations issued	900,000	900,000	-	900,000	-
Transfers from:					
General Fund	519,262	519,262	-	519,262	-
General Capital Reserve Fund	245,000	245,000	-	245,000	-
Capital Projects Fund - road construction	126,000	126,000	-	126,000	-
	<u>1,790,262</u>	<u>1,790,262</u>	<u>-</u>	<u>1,790,262</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 48,894</u>	<u>90</u>	<u>\$ 48,984</u>	<u>\$ 48,984</u>
Fund balance, beginning of year, July 1			<u>48,894</u>		
Fund balance, end of year, June 30			<u>\$ 48,984</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, 2022

Schedule 12

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ 22,500	\$ 35,552	\$ 116	\$ 35,668	\$ 13,168
	22,500	35,552	116	35,668	13,168
<b>Expenditures</b>					
Transportation: Construction	571,500	520,824	-	520,824	50,676
	571,500	520,824	-	520,824	50,676
Revenues over (under) expenditures	(549,000)	(485,272)	116	(485,156)	63,844
<b>Other financing sources</b>					
Transfers from:					
Capital Projects Fund - Patrick Road	50,000	50,000	-	50,000	-
General Fund	499,000	499,000	-	499,000	-
	549,000	549,000	-	549,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 63,728	116	\$ 63,844	\$ 63,844
Fund balance, beginning of year, July 1			63,728		
Fund balance, end of year, June 30			\$ 63,844		

Town of Southern Pines, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Capital Projects Fund (Streambank Stabilization)  
From Inception and for the Year Ended June 30, 2022

Schedule 13

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 143	\$ 958	\$ 1,101	\$ 1,101
	-	143	958	1,101	1,101
<b>Expenditures</b>					
General government:					
Construction	711,484	37,534	15,230	52,764	658,720
	711,484	37,534	15,230	52,764	658,720
Revenues under expenditures	(711,484)	(37,391)	(14,272)	(51,663)	659,821
<b>Other financing sources</b>					
Transfers from:					
General Fund	459,484	75,000	384,484	459,484	-
Nicks Creek Parkway	72,000	-	72,000	72,000	-
General Capital Reserve	180,000	-	180,000	180,000	-
	711,484	75,000	636,484	711,484	-
Revenues and other financing sources over expenditures	\$ -	\$ 37,609	622,212	\$ 659,821	\$ 659,821
Fund balance, beginning of year, July 1			37,609		
Fund balance, end of year, June 30			\$ 659,821		

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, 2022

Schedule 14

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ 14,200	\$ 30,121	\$ 371	\$ 30,492	\$ 16,292
	14,200	30,121	371	30,492	16,292
<b>Expenditures</b>					
General government Enterprise Resource Planning	907,059	693,311	33,143	726,454	180,605
	907,059	693,311	33,143	726,454	180,605
Revenues under expenditures	(892,859)	(663,190)	(32,772)	(695,962)	196,897
<b>Other financing sources (uses)</b>					
Transfers from:					
General Fund	570,874	570,874	-	570,874	-
Capital Projects Fund- Police Station	240,500	240,500	-	240,500	-
Capital Projects Fund- Water and Sewer Fund	256,500	256,500	-	256,500	-
Capital Projects Fund- Patrick Road	49,985	49,985	-	49,985	-
Transfers to:					
Capital Projects Fund- Library HVAC Fund	(225,000)	(225,000)	-	(225,000)	-
	892,859	892,859	-	892,859	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 229,669	(32,772)	\$ 196,897	\$ 196,897
Fund balance, beginning of year, July 1			229,669		
Fund balance, end of year, June 30			\$ 196,897		

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, 2022

Schedule 15

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 9,260	\$ 448	\$ 9,708	\$ 9,708
	-	9,260	448	9,708	9,708
<b>Expenditures</b>					
Cultural and recreational:					
Construction	278,000	41,674	-	41,674	236,326
	278,000	41,674	-	41,674	236,326
Revenues over (under) expenditures	(278,000)	(32,414)	448	(31,966)	246,034
<b>Other financing sources</b>					
Transfers from:					
General fund	140,000	140,000	-	140,000	-
Capital Projects Fund- Patrick Road	138,000	138,000	-	138,000	-
	278,000	278,000	-	278,000	-
Revenues and other financing sources over expenditures	\$ -	\$ 245,586	448	\$ 246,034	\$ 246,034
Fund balance, beginning of year, July 1			245,586		
Fund balance, end of year, June 30			\$ 246,034		

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, 2022

Schedule 16

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 11,150	\$ 41	\$ 11,191	\$ 11,191
	-	11,150	41	11,191	11,191
<b>Expenditures</b>					
Transportation:					
Construction	657,500	645,791	-	645,791	11,709
	657,500	645,791	-	645,791	11,709
Revenues over (under) expenditures	(657,500)	(634,641)	41	(634,600)	22,900
<b>Other financing sources</b>					
Transfers from:					
General Fund	657,500	657,500	-	657,500	-
	657,500	657,500	-	657,500	-
Revenues and other financing sources over expenditures	\$ -	\$ 22,859	41	\$ 22,900	\$ 22,900
Fund balance, beginning of year, July 1			22,859		
Fund balance, end of year, June 30			\$ 22,900		

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, 2022

Schedule 17

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 10,811	\$ 330	\$ 11,141	\$ 11,141
	-	10,811	330	11,141	11,141
<b>Expenditures</b>					
Transportation:					
Construction	1,057,877	830,527	202,404	1,032,931	24,946
	1,057,877	830,527	202,404	1,032,931	24,946
Revenues under expenditures	(1,057,877)	(819,716)	(202,074)	(1,021,790)	36,087
<b>Other financing sources</b>					
Transfers from:					
General Fund	1,011,150	811,150	200,000	1,011,150	-
Capital Projects Fund - sidewalks	46,727	46,727	-	46,727	-
	1,057,877	857,877	200,000	1,057,877	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 38,161	(2,074)	\$ 36,087	\$ 36,087
Fund balance, beginning of year, July 1			38,161		
Fund balance, end of year, June 30			\$ 36,087		

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, 2022

Schedule 18

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 3,995	\$ 255	\$ 4,250	\$ 4,250
	-	3,995	255	4,250	4,250
<b>Expenditures</b>					
Cultural and recreational:					
Construction	499,500	349,430	-	349,430	150,070
	499,500	349,430	-	349,430	150,070
Revenues under (over) expenditures	(499,500)	(345,435)	255	(345,180)	154,320
<b>Other financing sources</b>					
Transfers from:					
General Fund	499,500	357,500	142,000	499,500	-
	499,500	357,500	142,000	499,500	-
Revenues and other financing sources over expenditures	\$ -	\$ 12,065	142,255	\$ 154,320	\$ 154,320
Fund balance, beginning of year, July 1			12,065		
Fund balance, end of year, June 30			\$ 154,320		

Town of Southern Pines, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Capital Projects Fund (Building Renovation)  
From Inception and for the Year Ended June 30, 2022

Schedule 19

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ 860	\$ 681	\$ 179	\$ 860	\$ -
	<u>860</u>	<u>681</u>	<u>179</u>	<u>860</u>	<u>-</u>
<b>Expenditures</b>					
General government: Construction	1,549,991	602,203	947,788	1,549,991	-
	<u>1,549,991</u>	<u>602,203</u>	<u>947,788</u>	<u>1,549,991</u>	<u>-</u>
Revenues under expenditures	<u>(1,549,131)</u>	<u>(601,522)</u>	<u>(947,609)</u>	<u>(1,549,131)</u>	<u>-</u>
<b>Other financing sources (uses)</b>					
Installment purchase obligations issued	1,250,000	1,250,000	-	1,250,000	-
Transfers from:					
General Fund	113,000	113,000	-	113,000	-
Capital Reserve Fund	87,500	87,500	-	87,500	-
Water and Sewer Fund	98,736	-	98,736	98,736	-
Transfers to:					
Capital Reserve Fund	<u>(105)</u>	<u>-</u>	<u>(105)</u>	<u>(105)</u>	<u>-</u>
	<u>1,549,131</u>	<u>1,450,500</u>	<u>98,631</u>	<u>1,549,131</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 848,978</u>	<u>(848,978)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1			<u>848,978</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 (Parking Lot Project)  
 From Inception and for the Year Ended June 30, 2022

Schedule 20

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 7,141	\$ 155	\$ 7,296	\$ 7,296
	-	7,141	155	7,296	7,296
<b>Expenditures</b>					
Transportation: Construction	288,000	210,087	26,857	236,944	51,056
	288,000	210,087	26,857	236,944	51,056
Revenues under expenditures	(288,000)	(202,946)	(26,702)	(229,648)	58,352
<b>Other financing sources</b>					
Transfers from: General Fund	288,000	288,000	-	288,000	-
	288,000	288,000	-	288,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 85,054	(26,702)	\$ 58,352	\$ 58,352
Fund balance, beginning of year, July 1			85,054		
Fund balance, end of year, June 30			\$ 58,352		

Town of Southern Pines, North Carolina  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Capital Projects Fund (Facility Modernization)  
 From Inception and for the Year Ended June 30, 2022

Schedule 21

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 10,781	\$ 703	\$ 11,484	\$ 11,484
	-	10,781	703	11,484	11,484
<b>Expenditures</b>					
General government: Construction	718,901	331,504	14,039	345,543	373,358
	718,901	331,504	14,039	345,543	373,358
Revenues under expenditures	(718,901)	(320,723)	(13,336)	(334,059)	384,842
<b>Other financing sources</b>					
Transfers from:					
General Fund	416,567	416,567	-	416,567	-
Water Sewer Fund	302,334	302,334	-	302,334	-
	718,901	718,901	-	718,901	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 398,178	(13,336)	\$ 384,842	\$ 384,842
Fund balance, beginning of year, July 1			398,178		
Fund balance, end of year, June 30			\$ 384,842		

Town of Southern Pines, North Carolina  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Capital Projects Fund (Reservoir Dam Improvements)  
 From Inception and for the Year Ended June 30, 2022

Schedule 22

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ -	\$ 62	\$ 62	\$ 62
	-	-	62	62	62
<b>Expenditures</b>					
General government: Construction	75,000	-	53,820	53,820	21,180
	75,000	-	53,820	53,820	21,180
Revenues under expenditures	(75,000)	-	(53,758)	(53,758)	21,242
<b>Other financing sources</b>					
Transfers from: General Fund	75,000	-	75,000	75,000	-
	75,000	-	75,000	75,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	21,242	\$ 21,242	\$ 21,242
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ 21,242		

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, 2022

Schedule 23

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ 8,285	\$ 118	\$ 8,403	\$ 8,403
	-	8,285	118	8,403	8,403
Revenues over expenditures	-	8,285	118	8,403	8,403
<b>Other financing sources (uses)</b>					
Transfers from:					
General Fund	112,500	112,500	-	112,500	-
Capital Projects Fund - Public Safety	3,697	3,696	-	3,696	(1)
Library HVAC	161	161	-	161	-
CDBG TYR Tactical	620	620	-	620	-
Fiber Optics	2,120	2,120	-	2,120	-
Patrick Road	80,773	80,773	-	80,773	-
Capital Projects Fund - Road Construction	27,590	27,589	-	27,589	(1)
Capital Projects Fund - Fire Department Substation	273,642	273,642	-	273,642	-
Capital Projects Fund - Pool Park	12,740	12,740	-	12,740	-
Capital Projects Fund - Downtown Park	6,748	6,749	-	6,749	1
Capital Projects Fund - Building Renovation	105	-	105	105	-
Transfers to:					
Capital Project Funds	(520,696)	(332,500)	(180,000)	(512,500)	8,196
	-	188,090	(179,895)	8,195	8,195
Revenues and other financing sources over (under) expenditures	\$ -	\$ 196,375	(179,777)	\$ 16,598	\$ 16,598
Fund balance, beginning of year, July 1			196,375		
Fund balance, end of year, June 30			\$ 16,598		

## ***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, 2022  
 With Comparative Actual Amounts for Year Ended June 30, 2021

Schedule 24

	2022			2021
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Investment earnings	\$ 14,500	\$ 174	\$ (14,326)	\$ 193
Sale of plots	<u>80,000</u>	<u>3,150</u>	<u>(76,850)</u>	<u>8,425</u>
Total revenues	94,500	3,324	(91,176)	8,618
<b>Expenditures</b>				
Reserved for future expense	<u>94,500</u>	<u>-</u>	<u>94,500</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>3,324</u>	<u>\$ 3,324</u>	8,618
Fund balance, beginning of year, July 1		<u>92,948</u>		<u>84,330</u>
Fund balance, end of year, June 30		<u>\$ 96,272</u>		<u>\$ 92,948</u>

## ***Enterprise Fund***

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

### **Individual fund descriptions:**

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

Town of Southern Pines, North Carolina  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 Water and Sewer Fund  
 Year Ended June 30, 2022  
 With Comparative Actual Amounts for Year Ended June 30, 2021

Schedule 25  
 (3 pages)

	2022		Variance Favorable (Unfavorable)	2021
	Budget	Actual		Actual
<b>Revenues</b>				
Operating revenues:				
Charges for services:				
Water sales	\$ 5,432,499	\$ 6,377,210	\$ 944,711	\$5,604,266
Sewer sales	2,965,311	3,464,366	499,055	3,048,271
Service charges	120,000	154,104	34,104	148,897
Miscellaneous operating revenue	205,000	341,966	136,966	372,574
Total operating revenues	\$ 8,722,810	10,337,646	1,614,836	9,174,008
Nonoperating revenues :				
Investment earnings	9,500	11,764	\$ 2,264	10,496
BAB interest rebate	-	-	\$ -	3,424
	9,500	11,764	2,264	13,920
Total revenues	8,732,310	10,349,410	1,617,100	9,187,928
<b>Expenditures</b>				
Billings and collections:				
Salaries and employee benefits	328,971	317,405	11,566	305,363
Contracted services	30,000	20,786	9,214	21,324
Other departmental expenditures	178,375	144,921	33,454	132,630
	537,346	483,112	54,234	459,317
Water treatment:				
Contractual services	950,086	932,485	17,601	918,770
Utilities	415,000	419,671	(4,671)	348,712
Other departmental expenditures	193,625	70,562	123,063	59,847
	1,558,711	1,422,718	135,993	1,327,329
Sewage treatment:				
Contractual services	2,200,000	1,964,500	235,500	1,964,500
Water extensions and maintenance:				
Salaries and employee benefits	558,469	543,575	14,894	509,544
Contractual services	45,100	60,584	(15,484)	62,507
Supplies	314,450	258,271	56,179	281,994
Other departmental expenditures	162,310	134,854	27,456	109,328
Capital outlay	160,000	119,568	40,432	205,950
	1,240,329	1,116,852	123,477	1,169,323

Town of Southern Pines, North Carolina  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 Water and Sewer Fund  
 Year Ended June 30, 2022  
 With Comparative Actual Amounts for Year Ended June 30, 2021

Schedule 25  
 (3 pages)

	2022		Variance Favorable (Unfavorable)	2021
	Budget	Actual		Actual
Sewer extensions and maintenance:				
Salaries and employee benefits	\$ 526,823	\$ 420,768	106,055	\$457,605
Contractual services	133,325	102,965	30,360	93,967
Supplies	154,210	112,022	42,188	90,756
Other departmental expenditures	295,100	313,039	(17,939)	240,670
Capital outlay	552,000	-	552,000	232,022
	<u>\$ 1,661,458</u>	<u>948,794</u>	<u>\$ 712,664</u>	<u>1,115,020</u>
Chargeout for administrative expenses	<u>1,184,485</u>	<u>1,184,485</u>	-	<u>1,141,360</u>
Total	<u>8,382,329</u>	<u>7,120,461</u>	<u>1,261,868</u>	<u>7,356,140</u>
Budgetary appropriations:				
Interest	13,435	13,327	108	12,161
Debt principal	197,913	197,913	-	371,731
	<u>211,348</u>	<u>211,240</u>	<u>108</u>	<u>383,892</u>
Total expenditures	<u>8,593,677</u>	<u>7,331,701</u>	<u>1,261,976</u>	<u>7,740,032</u>
Revenues over (under) expenditures	138,633	3,017,709	2,879,076	1,447,896
<b>Other financing sources (uses)</b>				
Transfers to:				
Water and sewer improvements	(2,036,200)	(2,036,200)	-	(2,344,628)
Building renovation fund	(98,736)	(98,736)	-	-
Sale of capital assets	20,000	5,650	(14,350)	78,190
	<u>(2,114,936)</u>	<u>(2,129,286)</u>	<u>(14,350)</u>	<u>(2,266,438)</u>
Revenues over (under) expenditures and other financing sources (uses)	(1,976,303)	888,423	2,864,726	(818,542)
Appropriated retained earnings	<u>1,976,303</u>	-	<u>(1,976,303)</u>	-
Revenues and appropriated retained earnings under expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 888,423</u>	<u>\$ 888,423</u>	<u>\$ (818,542)</u>

**Town of Southern Pines, North Carolina**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Water and Sewer Fund**  
**Year Ended June 30, 2022**  
**With Comparative Actual Amounts for Year Ended June 30, 2021**

**Schedule 25**  
**(3 pages)**

	<u>2022</u>	<u>2021</u>
Revenues and other sources over expenditures and other uses	<u>\$ 888,423</u>	<u>\$ (818,542)</u>
Reconciling items:		
Principal retirement	197,913	371,731
Capital outlay	119,568	437,972
Gain on disposal of capital assets	5,650	78,190
Proceeds from the sale of capital assets	(5,650)	(78,190)
Depreciation and amortization	(1,965,810)	(1,643,597)
Non-capital expenses recorded in Water and Sewer		
Capital Projects Fund	(62,148)	-
(Increase) decrease in accrued interest payable	767	(2,018)
Increase in accrued compensated absences	(5,087)	(3,503)
Transfers of capital assets from other funds	458,299	-
Transfers of debt from other funds	(412,500)	-
Contributions to the pension plan	102,063	90,470
Pension expense	(67,933)	(165,115)
Interest earnings on water and sewer:		
Capital Projects Fund	17,237	21,445
Capital Reserve Funds	2,640	712
Water and wastewater system development fees	1,176,819	1,075,233
Developer's contributions	1,719,616	3,194,972
Intangible contributions	231,263	470,768
Transfers to water and sewer:		
Water and sewer improvements	2,036,200	2,344,628
	<u>3,548,907</u>	<u>6,193,698</u>
Change in net position	<u>\$ 4,437,330</u>	<u>\$ 5,375,156</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, 2022**

**Schedule 26**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>					
Grant proceeds	\$ 150,000	\$150,000	\$ -	\$ 150,000	\$ -
Investment earnings	154,721	224,494	17,237	241,731	87,010
Total revenues	<u>304,721</u>	<u>374,494</u>	<u>17,237</u>	<u>391,731</u>	<u>87,010</u>
<b>Expenditures</b>					
Warrior Woods Lift Station	1,513,200	656,907	6,000	662,907	850,293
East Morganton Road Water Line Replacement	556,767	510,753	46,014	556,767	-
North Pressure Water Zone	760,000	-	-	-	760,000
Sanitary Sewer Modernization	1,258,590	236,168	534,035	770,203	488,387
Water/sewer Improvements II	3,727,482	3,685,258	42,224	3,727,482	-
Water Treatment Process Modernization	3,288,466	372,400	1,236,782	1,609,182	1,679,284
Pennsylvania/Peedee Road Waterline Replacement	3,492,726	37,341	96,224	133,565	3,359,161
Lift Station Upgrades	1,007,000	294,236	30,176	324,412	682,588
Water & Sewer Upgrades	970,416	-	76,775	76,775	893,641
Midland Road Water Line Replacement	160,438	-	-	-	160,438
Total expenditures	<u>16,735,085</u>	<u>5,793,063</u>	<u>2,068,230</u>	<u>7,861,293</u>	<u>8,873,792</u>
Revenues under expenditures	<u>(16,430,364)</u>	<u>(5,418,569)</u>	<u>(2,050,993)</u>	<u>(7,469,562)</u>	<u>8,960,802</u>
<b>Other financing sources (uses)</b>					
<b>Transfer to:</b>					
Morganton Road Bridge	(57,568)	(57,568)	-	(57,568)	-
East Morganton Road	(140,000)	(140,000)	-	(140,000)	-
Water/sewer Improvements II	(36,000)	(36,000)	-	(36,000)	-
Water Treatment Process Modernization	(1,212,000)	(1,212,000)	-	(1,212,000)	-
Lift Station Upgrades	(477,000)	-	(477,000)	(477,000)	-
Water & Sewer Upgrades	(970,416)	-	(970,415)	(970,415)	1
Penn / Peedee Road Line	(109,452)	-	(109,452)	(109,452)	-
<b>Transfers from:</b>					
Raw Water Reservoir	788,580	788,580	-	788,580	-
Auto Meter Reading	257,812	257,812	-	257,812	-
Water/sewer Improvements II	2,799,416	1,352,000	1,447,415	2,799,415	(1)
Water/sewer Improvements I	900,576	900,576	-	900,576	-
Morganton Road	146,647	37,195	109,452	146,647	-
Economic Development	15,455	15,454	-	15,454	(1)
Water System Fees Fund	570,723	118,483	452,240	570,723	-
Wastewater System Development Fees Fund	625,418	403,779	221,639	625,418	-
Water & Sewer Fund	13,328,173	11,291,973	2,036,200	13,328,173	-
Total other financing sources	<u>16,430,364</u>	<u>13,720,284</u>	<u>2,710,079</u>	<u>16,430,363</u>	<u>(1)</u>
Revenues and financing sources over expenditures	<u>\$ -</u>	<u>\$ 8,301,715</u>	<u>\$ 659,086</u>	<u>\$ 8,960,801</u>	<u>\$ 8,960,801</u>

Town of Southern Pines, North Carolina  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP)  
 Water and Sewer Capital Projects Fund (Water System Development Fees  
 Capital Reserve Fund)  
 From Inception and for the Year Ended June 30, 2022

Schedule 27

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$4,378	\$ 1,950	\$ 6,328	\$ 6,328
Water system development fees	1,126,026	1,107,972	898,966	2,006,938	880,912
	<u>1,126,026</u>	<u>1,112,350</u>	<u>900,916</u>	<u>2,013,266</u>	<u>887,240</u>
Revenues over expenditures	<u>1,126,026</u>	<u>1,112,350</u>	<u>900,916</u>	<u>2,013,266</u>	<u>887,240</u>
<b>Other financing uses</b>					
Transfers to:					
Capital Project Funds	<u>(1,126,026)</u>	<u>(294,411)</u>	<u>(452,240)</u>	<u>(746,651)</u>	<u>379,375</u>
	<u>(1,126,026)</u>	<u>(294,411)</u>	<u>(452,240)</u>	<u>(746,651)</u>	<u>379,375</u>
Revenues and other financing uses over expenditures	<u>\$ -</u>	<u>\$ 817,939</u>	448,676	<u>\$ 1,266,615</u>	<u>\$ 1,266,615</u>
Fund balance, beginning of year, July 1			<u>817,939</u>		
Fund balance, end of year, June 30			<u>\$ 1,266,615</u>		

Town of Southern Pines, North Carolina  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP)  
 Water and Sewer Capital Projects Fund (Wastewater System Development Fees  
 Capital Reserve Fund)  
 From Inception and for the Year Ended June 30, 2022

Schedule 28

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$3,303	\$ 690	\$ 3,993	\$ 3,993
Water system development fees	652,622	573,224	277,853	851,077	198,455
	<u>652,622</u>	<u>576,527</u>	<u>278,543</u>	<u>855,070</u>	<u>202,448</u>
Revenues over expenditures	<u>652,622</u>	<u>576,527</u>	<u>278,543</u>	<u>855,070</u>	<u>202,448</u>
<b>Other financing uses</b>					
Transfers to:					
Capital Project Funds	<u>(652,622)</u>	<u>(227,851)</u>	<u>(221,639)</u>	<u>(449,490)</u>	<u>203,132</u>
	<u>(652,622)</u>	<u>(227,851)</u>	<u>(221,639)</u>	<u>(449,490)</u>	<u>203,132</u>
Revenues and other financing uses over expenditures	<u>\$ -</u>	<u>\$ 348,676</u>	56,904	<u>\$ 405,580</u>	<u>\$ 405,580</u>
Fund balance, beginning of year, July 1			<u>348,676</u>		
Fund balance, end of year, June 30			<u>\$ 405,580</u>		

## ***Capital Assets of Governmental Funds***

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

Town of Southern Pines, North Carolina  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2022**

**Schedule 29**  
**(2 pages)**

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Other Improvements</u>	<u>Machinery and Equipment</u>	<u>Vehicles and Motorized Equipment</u>
General government	\$ 10,679,548	\$ 3,312,046	\$ 2,163,327	\$ 671,525	\$ 353,434
Public safety	1,461,767	12,983,925	985,420	166,640	5,635,362
Transportation	-	32,385	181,257	-	522,018
Economic and physical development	43,850	71,895	-	-	150,411
Cultural and recreational	<u>1,246,612</u>	<u>6,355,985</u>	<u>3,114,176</u>	-	<u>325,600</u>
Total governmental funds capital assets	<u>\$ 13,431,777</u>	<u>\$ 22,756,236</u>	<u>\$ 6,444,180</u>	<u>\$ 838,165</u>	<u>\$ 6,986,825</u>

*Note: Amounts presented above exclude accumulated depreciation.*

Town of Southern Pines, North Carolina  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2022**

**Schedule 29**  
**(2 pages)**

	<u>Furniture, Fixtures, and Other Equipment</u>	<u>Infrastructure</u>	<u>Intangible Assets</u>	<u>Construction and Intangibles in Progress</u>	<u>Total</u>
General government	\$ 304,467	\$ 322,814	\$ 347,000	\$ 662,246	\$ 18,816,407
Public safety	1,186,552	-	-	-	22,419,666
Transportation	1,133,956	16,855,389	-	171,386	18,896,391
Economic and physical development	-	-	-	-	266,156
Cultural and recreational	<u>367,044</u>	<u>49,364</u>	<u>-</u>	<u>37,102</u>	<u>11,495,883</u>
Total governmental funds capital assets	<u>\$ 2,992,019</u>	<u>\$ 17,227,567</u>	<u>\$ 347,000</u>	<u>\$870,734</u>	<u>\$ 71,894,503</u>

*Note: Amounts presented above exclude accumulated depreciation.*

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, 2022**

Schedule 30

	<b>Balance July 1, 2021</b>	<b>Additions and Transfers In</b>	<b>Disposals and Transfers Out</b>	<b>Balance June 30, 2022</b>
General government	\$ 18,555,718	\$ 1,867,126	\$ (1,606,437)	<b>\$ 18,816,407</b>
Public safety	22,345,278	488,566	(414,178)	<b>22,419,666</b>
Transportation	18,497,122	848,521	(449,252)	<b>18,896,391</b>
Economic and physical development	266,156	-	-	<b>266,156</b>
Cultural and recreational	11,267,146	249,313	(20,576)	<b>11,495,883</b>
Total governmental funds capital assets	<u>\$ 70,931,420</u>	<u>\$ 3,453,526</u>	<u>\$ (2,490,443)</u>	<u><b>\$ 71,894,503</b></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, 2022

Schedule 31

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021 - 2022	\$ -	\$ 11,551,152	\$ 11,532,880	\$ 18,272
2020 - 2021	27,810	-	18,196	9,614
2019 - 2020	9,589	-	4,128	5,461
2018 - 2019	5,573	-	788	4,785
2017 - 2018	3,200	-	565	2,635
2016 - 2017	2,782	-	523	2,259
2015 - 2016	2,312	-	393	1,919
2014 - 2015	2,347	-	25	2,322
2013 - 2014	1,632	-	19	1,613
2012 - 2013	1,300	-	12	1,288
2011 - 2012	2,204	-	2,204	(0)
2010 - 2011	-	-	-	-
	<u>\$ 58,749</u>	<u>\$ 11,551,152</u>	<u>\$ 11,559,733</u>	50,167
Less: allowance for uncollected taxes receivable General Fund				<u>(30,590)</u>
Ad valorem taxes receivable - net				<u>\$ 19,577</u>
<b>Reconciliation to revenues</b>				
Reconciling items:				
Taxes			\$ 11,571,474	
Penalties and interest			(17,039)	
Refunds			5,060	
Taxes written off			2,166	
Other adjustments			<u>(1,928)</u>	
Total collections and credits			<u>\$ 11,559,733</u>	

Town of Southern Pines, North Carolina  
 Analysis of Current Tax Levy  
 Town-Wide Levy  
 June 30, 2022

Schedule 32

	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:	\$ 2,887,880,139	\$ 0.40	\$ 11,556,606	\$ 10,758,670	\$ 797,936
Penalties	-		-	-	-
Total	2,887,880,139		11,556,606	10,758,670	797,936
Discoveries:					
Adjustments at current year's rate	931,476	0.40	3,773	3,773	-
Adjustments at prior year's rate	341,278	0.40	1,365	1,365	-
Total	2,889,152,893		11,561,744	10,763,808	797,936
Releases:					
Current year's rate	(2,989,130)	0.40	(10,592)	(10,592)	-
Total property valuation	<u>\$ 2,886,163,763</u>				
Net levy			11,551,152	10,753,216	797,936
Uncollected taxes at June 30, 2022			(18,272)	(18,272)	-
Current year's taxes collected			<u>\$ 11,532,880</u>	<u>\$ 10,734,944</u>	<u>\$ 797,936</u>
Current levy collection percentage			<u>99.84%</u>	<u>99.83%</u>	<u>100.00%</u>

Town of Southern Pines, North Carolina  
 Schedule of Interfund Transfers  
 Year Ended June 30, 2022

Schedule 33

<u>Transfers to Fund</u>	<u>Transfer from Fund</u>		<u>Total</u>
	<u>Major Governmental</u>	<u>Major Enterprise</u>	
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	
Governmental:			
General fund	\$ -	\$ 412,500	\$ 412,500
Non-major funds	801,484	98,736	900,220
Business-type:			
Major funds	<u>458,299</u>	<u>-</u>	<u>458,299</u>
	<u>\$ 1,259,783</u>	<u>\$ 511,236</u>	<u>\$ 1,771,019</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***

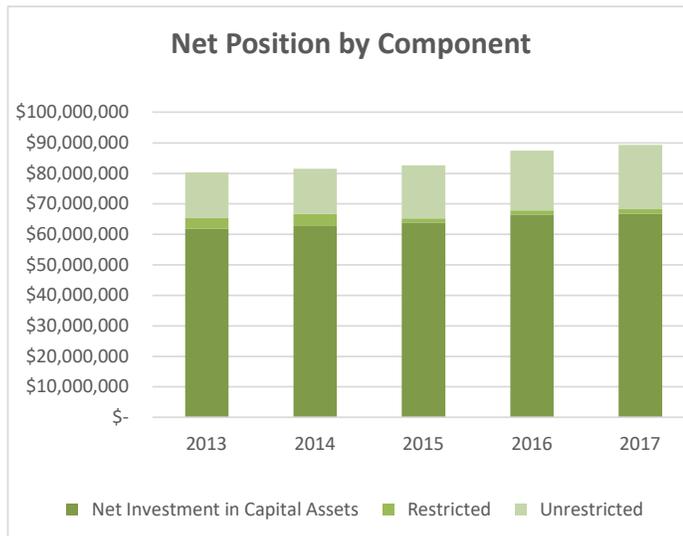
**Town of Southern Pines, North Carolina  
Net Position by Component  
Last Ten Fiscal Years**

**Table 1  
(2 pages)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental Activities</b>					
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	<u>6,517,398</u>	<u>6,354,282</u>	<u>8,398,997</u>	<u>9,158,392</u>	<u>9,024,025</u>
Total Governmental Activities Net Position	<u>39,555,120</u>	<u>40,043,911</u>	<u>40,712,160</u>	<u>43,006,995</u>	<u>43,255,600</u>
<b>Business-type Activities</b>					
Net Investment in Capital Assets	32,299,561	32,970,341	32,916,198	34,033,968	33,991,050
Restricted	-	-	-	-	-
Unrestricted	<u>8,477,760</u>	<u>8,489,135</u>	<u>9,068,275</u>	<u>10,389,970</u>	<u>12,130,776</u>
Total Business-type Activities Net Position	<u>40,777,321</u>	<u>41,459,476</u>	<u>41,984,473</u>	<u>44,423,938</u>	<u>46,121,826</u>
<b>Primary Government</b>					
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	<u>14,995,158</u>	<u>14,843,417</u>	<u>17,467,272</u>	<u>19,548,362</u>	<u>21,154,801</u>
Total primary Government Net Position	<u>\$ 80,332,441</u>	<u>\$ 81,503,387</u>	<u>\$ 82,696,633</u>	<u>\$ 87,430,933</u>	<u>\$ 89,377,426</u>

**Notes:**

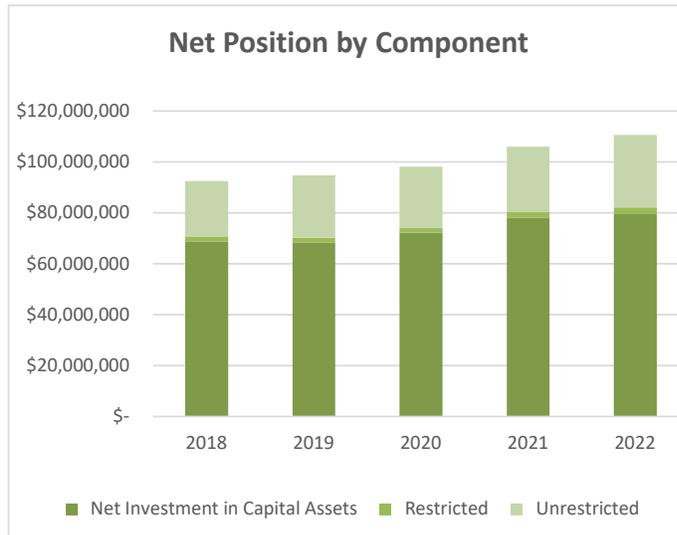
*This table was prepared using the accrual basis of accounting.*



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

**Table 1**  
**(2 pages)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Governmental Activities</b>					
Net Investment in Capital Assets	\$ 34,673,136	\$ 34,528,937	\$ 35,851,831	\$ 37,075,906	\$ <b>38,421,771</b>
Restricted	1,698,798	1,900,876	1,946,432	2,145,753	<b>2,520,513</b>
Unrestricted	8,041,802	8,872,638	8,304,508	9,382,997	<b>10,164,133</b>
<b>Total Governmental Activities Net Position</b>	<b>44,413,736</b>	<b>45,302,451</b>	<b>46,102,771</b>	<b>48,604,656</b>	<b>51,106,417</b>
<b>Business-type Activities</b>					
Net Investment in Capital Assets	34,193,906	33,892,745	36,398,750	41,129,762	<b>41,199,204</b>
Restricted	-	-	-	-	-
Unrestricted	13,910,881	15,587,824	15,682,445	16,326,589	<b>18,409,486</b>
<b>Total Business-type Activities Net Position</b>	<b>48,104,787</b>	<b>49,480,569</b>	<b>52,081,195</b>	<b>57,456,351</b>	<b>59,608,690</b>
<b>Primary Government</b>					
Net Investment in Capital Assets	68,867,042	68,421,682	72,250,581	78,205,668	<b>79,620,975</b>
Restricted	1,698,798	1,900,876	1,946,432	2,145,753	<b>2,520,513</b>
Unrestricted	21,952,683	24,460,462	23,986,953	25,709,586	<b>28,573,619</b>
<b>Total primary Government Net Position</b>	<b>\$ 92,518,523</b>	<b>\$ 94,783,020</b>	<b>\$ 98,183,966</b>	<b>\$ 106,061,007</b>	<b>\$ 110,715,107</b>



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

**Table 2**  
**(2 pages)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 4,561,092	\$ 4,436,854	\$ 4,365,033	\$ 4,766,172	\$ 4,980,274	\$ 5,221,318	\$ 5,753,113	\$ 5,900,817	\$ 5,696,200	\$ 5,619,882
Public Safety	5,468,061	5,670,709	5,782,880	6,235,300	6,824,645	6,995,686	7,637,434	8,659,291	8,672,459	8,701,575
Transportation	1,574,115	1,338,289	1,463,609	1,575,645	1,266,454	1,694,884	1,761,568	1,903,528	1,390,519	2,332,580
Economic and Physical Development	690,132	649,207	653,371	701,189	563,367	604,385	657,709	834,642	953,077	923,165
Cultural and Recreation	1,583,940	1,543,440	1,533,579	1,583,781	1,754,646	1,824,003	1,887,163	2,521,679	2,985,385	2,447,994
Interest on Long Term Debt	183,766	165,401	153,216	135,625	116,880	129,304	261,591	233,606	209,377	159,016
<b>Total Governmental Activities Expense</b>	<b>14,061,106</b>	<b>13,803,900</b>	<b>13,951,688</b>	<b>14,997,712</b>	<b>15,506,266</b>	<b>16,469,580</b>	<b>17,958,578</b>	<b>20,053,563</b>	<b>19,907,017</b>	<b>20,184,212</b>
<b>Total Business-Type Activity - Water and Sewer</b>	<b>6,461,289</b>	<b>6,747,867</b>	<b>6,969,806</b>	<b>7,083,980</b>	<b>7,340,631</b>	<b>7,483,404</b>	<b>8,246,671</b>	<b>8,128,721</b>	<b>8,654,093</b>	<b>9,012,368</b>
<b>Total primary government expenses</b>	<b>\$ 20,522,395</b>	<b>\$ 20,551,767</b>	<b>\$ 20,921,494</b>	<b>\$ 22,081,692</b>	<b>\$ 22,846,897</b>	<b>\$ 23,952,984</b>	<b>\$ 26,205,249</b>	<b>\$ 28,182,284</b>	<b>\$ 28,561,110</b>	<b>\$ 29,196,580</b>
<b>Program revenues</b>										
Governmental activities:										
Charges for Services										
General Governmental	\$ 865,514	\$ 797,893	\$ 853,155	\$ 947,169	\$ 918,206	\$ 947,971	\$ 1,055,204	\$ 1,220,196	\$ 1,341,719	\$ 1,181,849
Public Safety	522,653	502,252	501,768	581,747	596,230	576,534	618,001	516,051	521,553	561,887
Transportation	27,628	31,815	36,146	53,711	35,677	45,234	43,690	36,920	48,486	50,321
Economic and Physical Development	351,236	324,378	403,127	372,607	412,257	409,385	384,840	438,650	863,109	599,189
Cultural and Recreation	230,503	245,508	259,213	266,735	242,589	258,979	261,607	192,808	170,651	212,464
Cemetery	1,750	2,675	3,149	5,375	3,025	2,750	3,950	5,250	8,425	3,150
Operating Grants and Contributions										
General Governmental	42,953	50,933	50,577	48,093	89,744	1,927	176,379	26,234	206,458	133,545
Public Safety	20,382	10,759	20,331	8,147	11,518	18,801	157,580	273,973	170,752	80,831
Transportation	384,761	390,633	490,905	404,887	402,027	405,234	403,744	404,177	386,118	481,723
Cultural and Recreation	10,780	11,625	11,770	34,722	8,499	17,848	8,013	114,352	12,442	31,021
Capital Grants and Contributions										
General Governmental	-	-	-	-	870	-	-	675,854	888,156	39,960
Public Safety	-	-	-	-	-	-	-	-	-	-
Economic and Physical Development	-	-	-	-	-	-	-	-	-	-
Transportation	-	82,049	33,749	220,763	107,158	50,757	-	-	-	-
Cultural and Recreation	-	-	-	925,061	-	-	-	-	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>2,458,160</b>	<b>2,450,520</b>	<b>2,663,890</b>	<b>3,869,017</b>	<b>2,827,800</b>	<b>2,735,420</b>	<b>3,113,008</b>	<b>3,904,465</b>	<b>4,617,869</b>	<b>3,375,940</b>
Business-type Activity - Water and Sewer										
Charges for Services	6,334,083	7,032,234	7,091,574	7,504,763	7,769,844	8,091,669	8,221,653	8,564,595	9,174,008	10,337,646
Capital Grants and Contributions	114,981	325,909	261,567	1,524,481	282,380	534,515	332,569	1,895,667	3,665,740	1,950,879
<b>Total Business Activity Program Revenues</b>	<b>6,449,064</b>	<b>7,358,143</b>	<b>7,353,141</b>	<b>9,029,244</b>	<b>8,052,224</b>	<b>8,626,184</b>	<b>8,554,222</b>	<b>10,460,262</b>	<b>12,839,748</b>	<b>12,288,525</b>
<b>Total primary government program revenues</b>	<b>\$ 8,907,224</b>	<b>\$ 9,808,663</b>	<b>\$ 10,017,031</b>	<b>\$ 12,898,261</b>	<b>\$ 10,880,024</b>	<b>\$ 11,361,604</b>	<b>\$ 11,667,230</b>	<b>\$ 14,364,727</b>	<b>\$ 17,457,617</b>	<b>\$ 15,664,465</b>
<b>Net Revenue (Expense)</b>										
Governmental activities	\$ (11,602,946)	\$ (11,353,380)	\$ (11,287,798)	\$ (11,128,695)	\$ (12,678,466)	\$ (13,734,160)	\$ (14,845,570)	\$ (16,149,098)	\$ (15,289,148)	\$ (16,808,272)
Business-type activity	(12,225)	610,276	383,335	1,945,264	711,593	1,142,780	307,551	2,331,541	4,185,655	3,276,157
<b>Total primary government net expense</b>	<b>\$ (11,615,171)</b>	<b>\$ (10,743,104)</b>	<b>\$ (10,904,463)</b>	<b>\$ (9,183,431)</b>	<b>\$ (11,966,873)</b>	<b>\$ (12,591,380)</b>	<b>\$ (14,538,019)</b>	<b>\$ (13,817,557)</b>	<b>\$ (11,103,493)</b>	<b>\$ (13,532,115)</b>

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

**Table 2**  
**(2 pages)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Ad Valorem Taxes	\$ 7,686,625	\$ 7,867,525	\$ 8,415,626	\$ 8,572,570	\$ 8,852,999	\$ 9,656,725	\$ 9,982,178	\$ 10,782,975	\$ 11,218,204	\$ 11,568,250
Alcoholic Beverage Tax	126,165	130,144	120,790	143,195	156,789	178,188	196,226	198,273	253,772	284,148
Franchise Taxes	705,527	748,619	988,840	1,112,213	1,086,585	1,055,286	1,110,853	1,061,456	1,073,629	1,121,630
Unrestricted Intergovernmental	2,944,945	2,956,816	3,257,298	3,386,423	3,640,353	3,729,381	3,987,169	4,201,137	4,936,349	5,903,947
Investment Earnings	27,625	22,239	20,661	38,091	65,948	159,478	312,484	227,148	35,024	35,569
Miscellaneous Revenue	90,090	99,493	94,977	106,949	133,359	155,103	138,493	149,534	221,669	519,560
Gain (Loss) on Disposal/Transfer of Capital Assets	(35,204)	17,335	47,607	64,089	16,814	(41,865)	5,133	26,561	52,505	(176,008)
Transfers	-	-	-	-	-	-	1,749	302,334	-	52,937
<b>Total Governmental Activities</b>	<b>11,545,773</b>	<b>11,842,171</b>	<b>12,945,799</b>	<b>13,423,530</b>	<b>13,952,847</b>	<b>14,892,296</b>	<b>15,734,285</b>	<b>16,949,418</b>	<b>17,791,152</b>	<b>19,310,033</b>
Business Type Activity										
Investment Earnings	50,237	43,666	26,254	62,699	68,242	138,711	245,011	208,816	36,077	31,641
Miscellaneous Revenue	8,216	-	172,376	414,304	904,086	701,470	419,695	340,683	1,075,223	1,176,819
Gain (Loss) on Disposal/Transfer of Capital Assets	-	-	-	17,198	13,967	-	405,274	21,920	78,190	5,650
Transfers	-	-	-	-	-	-	(1,749)	(302,334)	-	(52,937)
<b>Total Business Type Activity</b>	<b>58,453</b>	<b>43,666</b>	<b>198,630</b>	<b>494,201</b>	<b>986,295</b>	<b>840,181</b>	<b>1,068,231</b>	<b>269,085</b>	<b>1,189,490</b>	<b>1,161,173</b>
<b>Total primary government general revenues and other changes in net position</b>	<b>\$ 11,604,226</b>	<b>\$ 11,885,837</b>	<b>\$ 13,144,429</b>	<b>\$ 13,917,731</b>	<b>\$ 14,939,142</b>	<b>\$ 15,732,477</b>	<b>\$ 16,802,516</b>	<b>\$ 17,218,503</b>	<b>\$ 18,980,642</b>	<b>\$ 20,471,206</b>
Change in Net Position										
Governmental Activities	\$ 192,393	\$ 554,373	\$ 1,817,104	\$ 745,064	\$ 218,687	\$ 46,726	\$ (414,813)	\$ 800,320	\$ 2,501,885	\$ 2,501,761
Business-type Activity	668,729	427,001	2,143,894	1,205,794	2,129,075	1,147,732	3,399,772	2,600,626	5,375,156	4,437,330
<b>Total primary government change in net position</b>	<b>\$ 861,122</b>	<b>\$ 981,374</b>	<b>\$ 3,960,998</b>	<b>\$ 1,950,858</b>	<b>\$ 2,347,762</b>	<b>\$ 1,194,458</b>	<b>\$ 2,984,959</b>	<b>\$ 3,400,946</b>	<b>\$ 7,877,041</b>	<b>\$ 6,939,091</b>

**Note:**

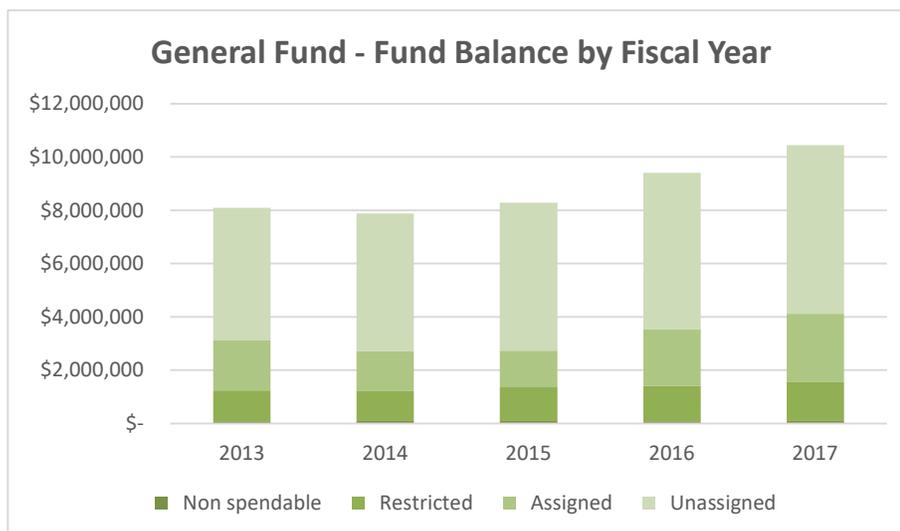
*This table was prepared using the accrual basis of accounting.*

**Town of Southern Pines, North Carolina  
Fund Balances, Governmental Funds (1)  
Last Ten Fiscal Years**

**Table 3  
(2 pages)**

	<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
<b>Total General Fund</b>	<b><u>\$ 8,090,261</u></b>	<b><u>\$ 7,878,546</u></b>	<b><u>\$ 8,281,699</u></b>	<b><u>\$ 9,405,623</u></b>	<b><u>\$ 10,446,250</u></b>
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
Unassigned	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b><u>\$ 2,251,863</u></b>	<b><u>\$ 2,782,525</u></b>	<b><u>\$ 2,580,942</u></b>	<b><u>\$ 2,221,194</u></b>	<b><u>\$ 2,450,954</u></b>

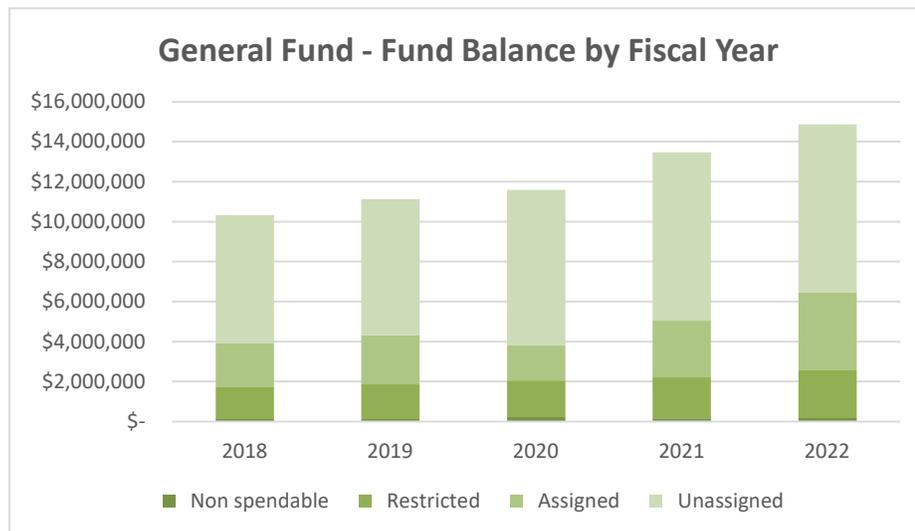
<sup>(1)</sup> This table was prepared using the modified accrual basis of accounting.



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

**Table 3  
(2 pages)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund					
Non spendable	\$ 123,013	\$ 127,652	\$ 213,683	\$ 159,750	\$ <b>168,002</b>
Restricted	1,591,977	1,738,805	1,842,799	2,045,909	<b>2,421,321</b>
Assigned	2,214,994	2,448,943	1,739,405	2,834,047	<b>3,856,359</b>
Unassigned	6,398,820	6,806,882	7,791,203	8,420,430	<b>8,411,276</b>
<b>Total General Fund</b>	<b>\$ 10,328,804</b>	<b>\$ 11,122,282</b>	<b>\$ 11,587,090</b>	<b>\$ 13,460,136</b>	<b>\$ 14,856,958</b>
All Other Governmental Funds					
Non spendable	\$ 72,534	\$ 77,603	\$ 84,062	\$ 92,910	\$ <b>96,252</b>
Restricted	34,287	84,468	19,571	6,934	<b>2,940</b>
Committed	6,621,772	2,522,442	2,082,919	2,295,612	<b>1,910,903</b>
Unassigned	-	-	-	-	<b>3,671</b>
<b>Total All Other Governmental Funds</b>	<b>\$ 6,728,593</b>	<b>\$ 2,684,513</b>	<b>\$ 2,186,552</b>	<b>\$ 2,395,456</b>	<b>\$ 2,013,766</b>



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

**Table 4**  
**(2 pages)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>					
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
<b>Total revenues</b>	<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>
<b>Expenditures</b>					
<b>Current:</b>					
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
<b>Debt Service:</b>					
Principal	582,228	584,425	625,361	666,541	669,113
Interest	186,825	168,465	153,941	139,174	120,439
<b>Total expenditures</b>	<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
<b>Other financing sources (uses)</b>					
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)
<b>Total other financing sources (uses)</b>	<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%

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

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

**Table 4**  
**(2 pages)**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues					
Ad Valorem Taxes	\$ 9,670,483	\$ 9,989,891	\$ 10,780,683	\$ 11,209,507	\$ 11,571,474
Other Taxes and Licenses	245,365	258,833	309,616	381,598	427,808
Unrestricted Intergovernmental	4,779,476	5,098,682	5,214,808	5,945,474	6,946,573
Restricted Intergovernmental	424,748	706,216	780,125	760,591	557,080
Permits and Fees	535,647	583,260	575,118	1,018,653	805,821
Sales and Services	1,194,230	1,286,029	1,351,968	1,446,259	1,327,596
Investment Earnings	159,478	312,484	227,148	35,024	35,569
Grant Proceeds	50,757	-	-	-	-
Developers Contributions	-	-	-	-	-
Other	618,641	609,819	604,546	654,268	1,087,258
<b>Total revenues</b>	<u>17,678,825</u>	<u>18,845,214</u>	<u>19,844,012</u>	<u>21,451,374</u>	<u>22,759,179</u>
Expenditures					
Current:					
General Government	5,357,663	5,401,328	6,110,073	6,202,321	6,506,522
Public Safety	8,075,128	11,417,437	8,406,861	7,779,371	8,473,768
Transportation	1,883,429	1,741,098	2,282,937	1,831,623	2,179,905
Economic and Physical Development	614,067	621,021	776,948	899,557	926,707
Cultural and Recreational	2,167,615	1,931,550	2,309,937	3,736,835	2,379,247
Debt Service:					
Principal	552,196	781,876	781,876	906,981	1,300,953
Interest	101,675	266,335	237,868	215,241	161,338
<b>Total expenditures</b>	<u>18,751,773</u>	<u>22,160,645</u>	<u>20,906,500</u>	<u>21,571,929</u>	<u>21,928,440</u>
Revenues over (under) expenditures	(1,072,948)	(3,315,431)	(1,062,488)	(120,555)	830,739
Other financing sources (uses)					
Issuance of Debt	5,228,150	-	650,000	2,150,000	52,629
Sale of Capital Assets	4,991	64,829	77,001	52,505	33,028
Transfers From Other Funds	816,954	1,114,750	1,334,021	885,136	(801,484)
Transfers to Other funds	(816,954)	(1,114,750)	(1,031,687)	(885,136)	900,220
<b>Total other financing sources (uses)</b>	<u>5,233,141</u>	<u>64,829</u>	<u>1,029,335</u>	<u>2,202,505</u>	<u>184,393</u>
Net change in fund balance	4,160,193	(3,250,602)	(33,153)	2,081,950	1,015,132
Fund balance - beginning of year	12,897,204	17,057,397	13,806,795	13,773,642	15,855,592
Fund balance - end of year	<u>\$ 17,057,397</u>	<u>\$ 13,806,795</u>	<u>\$ 13,773,642</u>	<u>\$ 15,855,592</u>	<u>\$ 16,870,724</u>
Debt Service as a percentage of non-capital expenditures	4.3%	6.3%	5.7%	6.2%	7.4%

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

***Revenue Capacity Information***

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

**Table 5**

Fiscal Year	Assessed Value <sup>(1)</sup>			Property Tax Rate <sup>(3)</sup>	Percent Increase in Value <sup>(4)</sup>	
	Real Property	Personal Property <sup>(2)</sup>	Public Service Companies			Total
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%
2018	2,162,154,416	225,286,648	24,146,744	2,411,587,808	0.40	3.3%
2019	2,227,576,840	239,984,833	24,255,332	2,491,817,005	0.40	3.3%
2020	2,457,838,541	235,337,662	25,376,343	2,718,552,546	0.40	9.1%
2021	2,506,666,887	272,957,278	24,344,390	2,803,968,555	0.40	3.1%
<b>2022</b>	<b>2,565,029,793</b>	<b>294,128,254</b>	<b>27,005,716</b>	<b>2,886,163,763</b>	<b>0.40</b>	<b>2.9%</b>

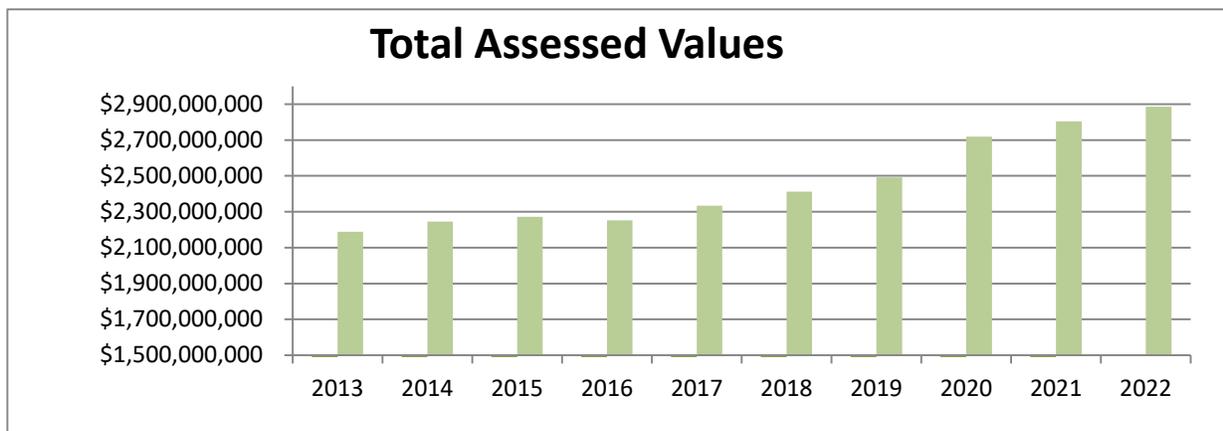
**NOTES:**

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

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

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

<sup>(4)</sup> A revaluation of all property is required at least every eight years by North Carolina General Statutes. The revenue neutral tax rate following revaluation, adjusted for growth, calculates to be \$.3809. The tax rate during fiscal year end June 30, 2020 was held at \$0.40.



Town of Southern Pines, North Carolina  
 Property Tax Rates - Direct and Overlapping Government  
 Last Ten Fiscal Years

Table 6

Fiscal Year	Tax Year	Town of Southern Pines			Overlapping Rate
		Operating Millage	Debt Service Millage	Total Town Millage	County of Moore <sup>(1)</sup>
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
2018	2017	0.40	-	0.40	0.495
2019	2018	0.40	-	0.40	0.505
2020	2019	0.40	-	0.40	0.550
2021	2020	0.40	-	0.40	0.550
<b>2022</b>	<b>2021</b>	<b>0.40</b>	-	<b>0.40</b>	<b>0.550</b>

**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 2019.

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

Source: Moore County Tax Office.

**Town of Southern Pines, North Carolina  
Principal Property Taxpayers  
Current Year and Nine Years Ago**

**Table 7**

Taxpayer	Type of Enterprise	2022			2013		
		Total Assessed Value <sup>(1)</sup>	Rank	Percent of Town's Assessed Valuation	Total Assessed Value	Rank	Percent of Town's Assessed Valuation
Morganton Park LLC	Residential	\$ 36,665,150	1	1.27%	(2)	-	-
SBV Southern Pines LLC	Retail	26,505,280	2	0.92%	(2)	-	-
Tyler's Ridge Apartment LLC	Residential	25,454,180	3	0.88%	(2)	-	-
Hawthorne Pinecrest LLC	Retail	25,209,160	4	0.87%	(2)	-	-
Ingersoll-Rand Company & In	Manufacturing	22,057,533	5	0.76%	8,368,943	7	0.38%
Colony 9 LLC	Golf Course	16,644,477	6	0.58%	(2)	-	-
Duke Energy Progress, Inc.	Utility	15,802,284	7	0.55%	10,732,937	6	0.49%
Berne Square LLC	Retail	13,176,460	8	0.46%	(2)	-	-
Southern Pines Retirement	Retirement Community	12,754,200	9	0.44%	11,884,780	5	0.54%
PS Southern Pines Real Esta	Automotive	11,914,400	10	0.41%	(2)	-	-
Forest Creek	Golf Course	(2)	-	-	49,552,650	1	2.27%
Mid Pines	Golf Course/Hotel	(2)	-	-	20,456,120	3	0.94%
Pinecrest Plaza	Retail	(2)	-	-	24,344,970	2	1.11%
Claude Smith Enterprises	Retail	(2)	-	-	12,939,650	4	0.59%
National Golf Club Inc	Golf Course	(2)	-	-	7,680,170	10	0.35%
SAM Southern Pines LLC	Retail	(2)	-	-	8,101,000	8	0.37%
Hendricks Southern Pines	Retail	(2)	-	-	7,732,190	9	0.35%
		<u>\$ 206,183,124</u>		<u>7.14%</u>	<u>\$ 161,793,410</u>		<u>7.39%</u>

SOURCE: Moore County Tax Department

**NOTES:**

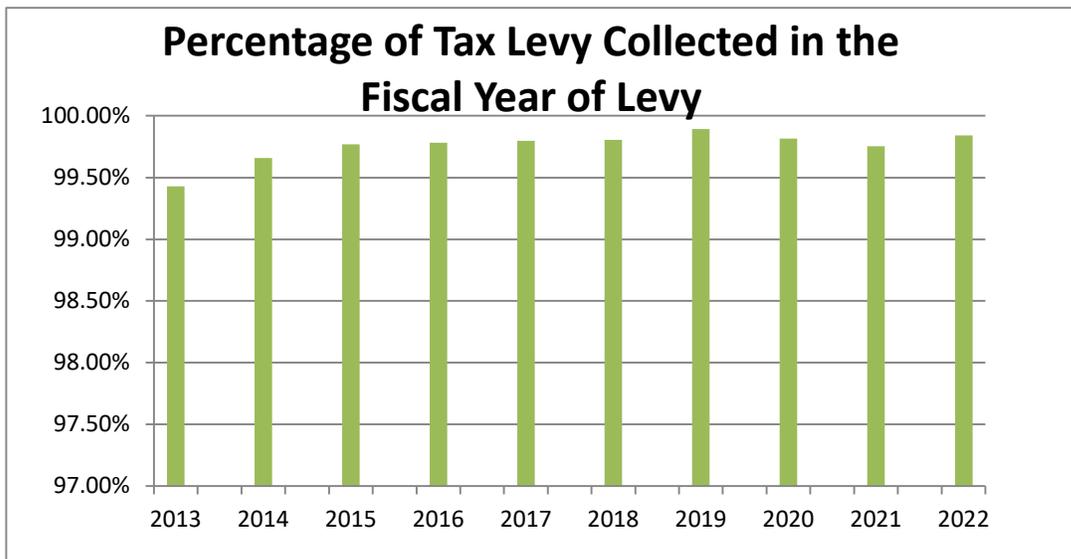
<sup>(1)</sup> 2021 Assessed value represents taxes assessed and due in the fiscal year ended June 30, 2022, and 2012 represents taxes assessed and due in the fiscal year ended June 30, 2013.

<sup>(2)</sup> Not within top ten ranking.

Town of Southern Pines, North Carolina  
 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
2013	2012	\$ 7,663,758	\$ 7,620,110	99.43%	\$ 42,360	\$ 7,662,470	99.98%
2014	2013	7,859,930	7,833,116	99.66%	25,201	7,858,317	99.98%
2015	2014	8,399,348	8,380,020	99.77%	17,006	8,397,026	99.97%
2016	2015	8,545,250	8,526,671	99.78%	16,660	8,543,331	99.98%
2017	2016	8,872,587	8,854,601	99.80%	15,727	8,870,328	99.97%
2018	2017	9,642,138	9,623,389	99.81%	16,114	9,639,503	99.97%
2019	2018	9,965,189	9,954,525	99.89%	5,879	9,960,404	99.95%
2020	2019	10,856,347	10,836,428	99.82%	14,458	10,850,886	99.95%
2021	2020	11,214,970	11,187,429	99.75%	17,927	11,205,356	99.91%
<b>2022</b>	<b>2021</b>	<b>11,551,152</b>	<b>11,532,880</b>	<b>99.84%</b>	-	<b>11,532,880</b>	<b>99.84%</b>



***Debt Capacity Information***

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

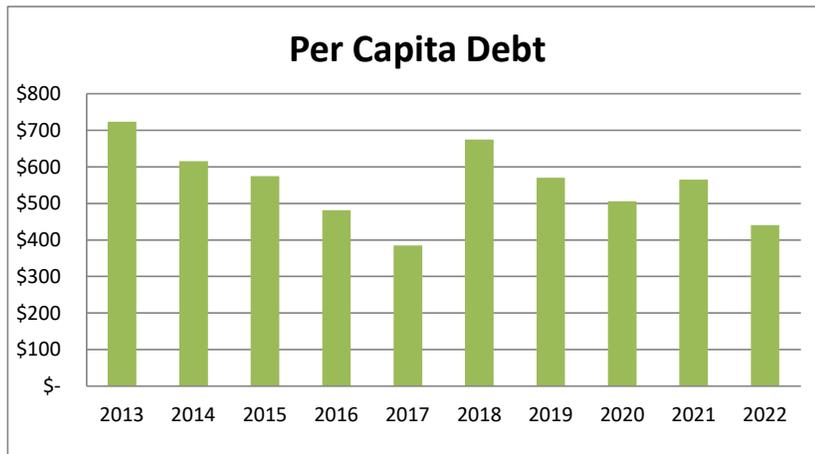
**Table 9**

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita <sup>(2)</sup>
	General Obligation Bonds	Installment Financing	Leases	General Obligation Bonds	Installment Financing	Leases			
2013	\$ -	\$ 4,777,471	\$ -	\$ -	\$ 4,332,330	\$ -	\$ 9,109,801	1.77%	\$ 724
2014	-	4,193,047	-	-	3,859,611	-	8,052,658	1.43%	615
2015	-	4,271,186	-	-	3,372,993	-	7,644,179	1.28%	574
2016	-	3,604,645	-	-	2,872,042	-	6,476,687	1.06%	481
2017	-	2,935,530	-	-	2,356,310	-	5,291,840	0.78%	385
2018	-	7,611,483	-	-	1,825,332	-	9,436,815	1.32%	675
2019	-	6,829,607	-	-	1,278,636	-	8,108,243	1.11%	570
2020	-	6,697,731	-	-	715,725	-	7,413,456	<sup>(3)</sup>	506
2021	-	7,940,748	-	-	343,994	-	8,284,742	<sup>(3)</sup>	565
<b>2022</b>	-	<b>6,263,033</b>	<b>54,683</b>	-	<b>558,581</b>	-	<b>6,876,297</b>	<sup>(3)</sup>	<b>441</b>

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

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

<sup>(3)</sup> Information not yet available.



Town of Southern Pines, North Carolina  
 Computation of Legal Debt Margin  
 Last Ten Fiscal Years

Table 10

Fiscal Year	Assessed Value	Debt Limit 8% of Total Assessed Value	Less: Amount of Debt Applicable to Debt Limit - Net Bonded Debt <sup>(1)</sup>	Less: General Obligation Bonds Authorized, Not Issued	Legal Debt Margin
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
2018	2,411,587,808	192,927,025	9,436,815	-	183,490,210
2019	2,718,552,546	217,484,204	8,108,243	-	209,375,961
2020	2,718,552,546	217,484,204	7,413,456	-	210,070,748
2021	2,803,968,555	224,317,484	8,284,742	-	216,032,742
<b>2022</b>	<b>2,886,163,763</b>	<b>230,893,101</b>	<b>6,821,614</b>	-	<b>224,071,487</b>

<sup>(1)</sup> Net Bonded Debt Calculation for FY 2019

Utility General Obligation Bonds	\$ -
Installment financing	6,821,614
	<u>6,821,614</u>
Statutory Deductions:	
Bonded debt included in gross debt incurred for water	-
	<u>\$ 6,821,614</u>

Town of Southern Pines, North Carolina  
 Direct and Overlapping Governmental Activities Debt  
 June 30, 2022

Table 11

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Governmental Unit:</b>			
Debt repaid with property taxes: Moore County <sup>(2)</sup>	\$ 229,637,017	19.53%	<u>\$ 44,848,109</u>
Subtotal, overlapping debt			44,848,109
Town of Southern Pines direct debt			<u>6,263,033</u>
Total direct and overlapping debt			<u><u>\$ 51,111,142</u></u>

**Note:**

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

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

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

***Demographic and Economic Information***

Town of Southern Pines, North Carolina  
Demographic Statistics  
Last Ten Fiscal Years

Table 12

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>Moore County Personal Income (in millions)<sup>(2)</sup></b>	<b>Moore County Per Capita Personal Income <sup>(3)</sup></b>	<b>Median Age <sup>(4)</sup></b>	<b>Moore County Unemployment Rate <sup>(5)</sup></b>
2013	12,587	\$ 3,757	\$ 40,997	47.0	8.8%
2014	13,089	4,020	43,172	45.3	6.0%
2015	13,310	4,221	44,701	45.1	6.1%
2016	13,461	4,327	45,181	46.0	5.1%
2017	13,756	4,793	49,286	46.2	4.1%
2018	13,978	5,063	51,307	46.5	4.1%
2019	14,224	5,237	51,193	44.0	4.4%
2020	14,657	5,634	54,514	44.0	6.0%
2021	15,545	<sup>(6)</sup>	<sup>(6)</sup>	<sup>(6)</sup>	5.6%
<b>2022</b>	<b>15,607</b>	<sup>(6)</sup>	<sup>(6)</sup>	<sup>(6)</sup>	<b>3.3%</b>

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

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

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

<sup>(4)</sup> Information is not available for the Town of Southern Pines. County data is from the U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>(5)</sup> Information is not available for the Town of Southern Pines. County data is from the U.S. Department of Commerce, Bureau of Economic Analysis.

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

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

**Table 13**

<u>Employer</u>	<u>2022</u>			<u>2013</u>		
	<u>Employees</u> <sup>(1)</sup>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u> <sup>(1)</sup>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
First Health Moore Regional	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	500 - 999	5	N/A
Pinehurst Medical Clinic, Inc.	250 - 499	6	N/A	250 - 499	8	N/A
Pinehurst Surgical Clinic PA	500 - 499	7	N/A	250 - 499	10	N/A
Harris Teeter	250 - 499	8	N/A	<sup>(2)</sup>	-	N/A
United Parcel Service Inc	250 - 499	9	N/A	<sup>(2)</sup>	-	N/A
Bufords Tree LLC	250 - 499	10	N/A	<sup>(2)</sup>	-	N/A
St. Joseph of the Pines	<sup>(2)</sup>	-	N/A	500 - 999	6	N/A
Wal-Mart Associates Inc	<sup>(2)</sup>	-	N/A	250 - 499	7	N/A
Food Lion LLC	<sup>(2)</sup>	-	N/A	250 - 499	9	N/A
<b>Total</b>	<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.

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

<sup>(2)</sup> Not within top ten ranking.

N/A - Not Available

Town of Southern Pines, North Carolina  
Commercial Activity  
Last Ten Fiscal Years

Table 14

Fiscal Year	Building Permits <sup>(1)</sup>						Bank Deposits <sup>(2)</sup>
	Residential		Commercial		Total		
	Number	Value	Number	Value	Number	Value	
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	2,106,486,000
2018	100	26,668,459	7	30,700,000	107	57,368,459	2,255,126,000
2019	133	34,666,663	11	7,343,756	144	42,010,419	2,183,257,000
2020	146	34,849,892	13	15,221,576	159	50,071,468	2,384,558,000
2021	406	91,369,397	76	42,817,250	482	134,186,647	3,165,400,000
<b>2022</b>	<b>366</b>	<b>84,994,265</b>	<b>73</b>	<b>15,491,521</b>	<b>439</b>	<b>100,485,786</b>	<b>3,160,067,000</b>

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

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

## ***Operating Information***

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**Town of Southern Pines, North Carolina  
Employee Position Authorization by Function  
Last Ten Fiscal Years**

**Table 15**

Function/Program	Full-Time Equivalent Employees as of June 30									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government:										
Administration	10.5	11.0	6.0	6.0	6.0	6.0	6.0	6.0	7.0	<b>7.0</b>
Information Technology	2.0	2.0	2.0	2.0	3.0	3.0	3.0	4.0	4.0	<b>4.0</b>
Financial Services <sup>(1)</sup>	-	-	5.0	5.0	5.0	6.0	6.0	6.0	6.0	<b>6.0</b>
Public works administration	3.5	3.5	4.0	4.0	4.0	4.0	4.0	4.0	3.0	<b>4.0</b>
Garage	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	<b>4.0</b>
Building and Grounds	19.0	21.0	22.0	22.0	22.0	22.0	22.0	10.0	10.0	<b>10.0</b>
Public safety:										
Police <sup>(3)</sup>	41.5	42.5	46.5	46.5	46.5	50.5	50.5	50.5	50.5	<b>52.0</b>
Fire <sup>(2) (3)</sup>	27.5	27.5	27.5	27.5	27.5	27.5	33.0	33.0	33.0	<b>33.0</b>
Transportation	10.0	10.0	10.0	10.0	10.0	10.0	10.0	15.0	15.0	<b>15.0</b>
Economic and physical development	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	<b>11.0</b>
Cultural and recreation:										
Recreation <sup>(4)</sup>	5.5	5.5	5.0	5.0	5.0	5.0	5.0	12.0	12.0	<b>13.0</b>
Library <sup>(4)</sup>	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	<b>9.0</b>
Water/Sewer (Business activity)	21.5	22.0	21.0	21.0	21.0	23.0	23.0	24.0	24.0	<b>23.0</b>
<b>Total</b>	<b>162.0</b>	<b>166.0</b>	<b>170.0</b>	<b>170.0</b>	<b>171.0</b>	<b>178.0</b>	<b>183.5</b>	<b>185.5</b>	<b>185.5</b>	<b>191.0</b>

Source: Town of Southern Pines Finance Department

<sup>(1)</sup> Department was created in FY 2015, was previously included in Administration

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

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

**Town of Southern Pines, North Carolina  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

**Table 16  
(2 pages)**

<b>Function/Program</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Public Safety:</b>					
<b>Police:</b>					
Number of Part 1 Crimes	630	668	500	494	466
Number of Part A Crimes	(2)	(2)	(2)	(2)	(2)
Number of Part B Crimes	(2)	(2)	(2)	(2)	(2)
Number of Arrests	522	531	684	664	655
Number of Citations	1,693	1,223	1,466	1,235	1,236
<b>Fire:</b>					
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 Good Intent Calls Answered	141	252	224	249	254
Number of False 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
<b>Planning and Inspections:</b>					
<b>Planning:</b>					
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	-
<b>Inspections:</b>					
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
<b>Cultural and Recreational:</b>					
<b>Recreation and Parks:</b>					
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 <sup>(1)</sup>	190,444	215,007	242,110	215,517	238,779
<b>Library:</b>					
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
<b>Water:</b>					
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

Source: Town of Southern Pines Department Directors

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

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

**Town of Southern Pines, North Carolina  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

**Table 16  
(2 pages)**

<b>Function/Program</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Public Safety:</b>					
<b>Police:</b>					
Number of Part 1 Crimes	513	371	98	(2)	(2)
Number of Part A Crimes	(2)	(2)	587	1,205	<b>1,404</b>
Number of Part B Crimes	(2)	(2)	195	580	<b>583</b>
Number of Arrests	581	537	463	513	<b>651</b>
Number of Citations	1,149	1,282	958	1,447	<b>1,049</b>
<b>Fire:</b>					
Number of Fire Calls Answered	91	155	159	203	<b>225</b>
Number of EMS Calls Answered	699	753	646	927	<b>1,506</b>
Number of Hazard Condition Calls Answered	95	81	79	85	<b>120</b>
Number of Service Calls Answered	405	323	396	322	<b>119</b>
Number of Good Intent Calls Answered	267	262	222	270	<b>279</b>
Number of False Alarm Calls Answered	371	357	387	364	<b>380</b>
Number of Weather Related Calls Answered	45	139	36	24	<b>98</b>
Number of Fire Inspections	2,141	2,070	2,060	1,955	<b>1,996</b>
<b>Planning and Inspections:</b>					
<b>Planning:</b>					
Conditional use Permits Issued	9	12	5	1	<b>4</b>
Final Plats	76	38	50	57	<b>60</b>
Rezoning Applications/Ordinance Amendments	7	6	5	2	<b>4</b>
Annexations	6	9	4	1	<b>9</b>
<b>Inspections:</b>					
Building Permits Issued	163	144	156	329	<b>204</b>
Alteration or Addition Permits	402	166	326	162	<b>232</b>
Electrical Permits	128	169	149	162	<b>570</b>
Mechanical Permits	485	516	383	605	<b>550</b>
Plumbing Permits	96	81	79	111	<b>234</b>
<b>Cultural and Recreational:</b>					
<b>Recreation and Parks:</b>					
Recreational Program Hours	6,389	5,993	4,289	4,306	<b>6,161</b>
Enrolled Participants	17,592	21,113	16,908	12,831	<b>13,528</b>
Reservoir Park Visitors <sup>(1)</sup>	237,382	226,967	252,522	247,236	<b>257,748</b>
<b>Library:</b>					
Total Circulation	126,308	130,953	109,932	118,390	<b>159,478</b>
Library Attendance	89,814	85,125	61,704	38,071	<b>70,183</b>
Library Users Registered	7,632	7,571	7,650	7,255	<b>7,120</b>
Total Programs Held	716	742	563	201	<b>400</b>
Total Attendance at Programs	16,839	18,173	13,746	1,977	<b>7,661</b>
<b>Water:</b>					
Water Plant Capacity (millions of gallons per day)	11	11	11	11	<b>11</b>
Number of Utility Customers	9,716	9,948	9,977	10,251	<b>10,573</b>

Source: Town of Southern Pines Department Directors

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

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

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

**Table 17  
(2 pages)**

<b>Function/Program</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Public Safety:</b>					
<b>Police:</b>					
Police Stations	1	1	1	1	1
Patrol Units	23	27	30	29	34
<b>Fire:</b>					
Stations	1	1	1	1	1
Fire Suppression Vehicles	6	6	6	6	6
Rescue Vehicles	2	2	2	2	2
<b>Cultural and Recreational:</b>					
<b>Recreation and Parks:</b>					
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
<b>Public Works and Utilities:</b>					
<b>Streets:</b>					
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
<b>Water:</b>					
Number of Hydrants <sup>(1)</sup>	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

Source: Town of Southern Pines Department Directors

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

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

**Table 17  
(2 pages)**

<b>Function/Program</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Public Safety:</b>					
<b>Police:</b>					
Police Stations	1	1	1	1	<b>1</b>
Patrol Units	35	33	33	33	<b>33</b>
<b>Fire:</b>					
Stations	1	1	2	2	<b>2</b>
Fire Suppression Vehicles	6	7	7	7	<b>7</b>
Rescue Vehicles	2	2	2	2	<b>3</b>
<b>Cultural and Recreational:</b>					
<b>Recreation and Parks:</b>					
Number of Parks	14	14	14	15	<b>15</b>
Number of Tennis Courts	8	8	8	8	<b>8</b>
Number of Athletic Fields Maintained	10	10	10	10	<b>10</b>
Number of Swimming Pools	1	1	1	1	<b>1</b>
Number of Lakes	1	1	1	1	<b>3</b>
Number of Picnic Shelters	7	7	7	7	<b>7</b>
Number of Performance Stages	1	1	1	1	<b>1</b>
<b>Public Works and Utilities:</b>					
<b>Streets:</b>					
Miles of Paved Streets	80.73	80.44	81.22	91.90	<b>81.90</b>
Miles of Unpaved Streets	0.74	0.60	0.42	0.42	<b>-</b>
<b>Water:</b>					
Number of Hydrants <sup>(1)</sup>	1,519	1,535	1,515	1,603	<b>1,617</b>
Water Mains (miles)	235.6	238.7	240.0	245.78	<b>247</b>
Number of Utility Customers (accounts)	9,716	9,948	9,977	10,251	<b>10,573</b>

*Source: Town of Southern Pines Department Directors*

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

Type of Coverage	Details of Coverage	
Workman's Compensation	\$ 1,000,000 1,000,000 1,000,000	Bodily Injury by Accident-Each Accident Bodily Injury by Disease-Each Employee Bodily Injury by Disease-Coverage Limit
General Liability	5,000,000 2,500	Each Occurrence Deductible
Police Professional Liability	5,000,000 5,000,000 2,500	Each Occurrence and Annual Annual Aggregate Deductible
Public Officials Liability	5,000,000 5,000,000 10,000	Each Claim and Annual Annual Aggregate Deductible
Government Crime Coverage	50,000 250	Indemnification Deductible
Public Officials Bond Finance Officer	250,000 -	Liability Deductible
Automobile Liability	5,000,000 2,500	Per Occurrence Deductible
Auto Comprehensive	10,644,696 2,500	Actual Cash Value Valuation Deductible
Auto Collision	10,644,696 2,500	Actual Cash Value Valuation Deductible
Real & Personal Property	81,437,087 2,500	Cause of Loss Deductible per Occurrence Includes Boiler & Machinery
Municipal Equipment	1,955,387 2,500	Limits of Coverage Deductible per Occurrence
Fine Arts	1,062,400 1,000	Limits of Coverage Deductible per Occurrence

Source: Town of Southern Pines Risk Management Department

<sup>(1)</sup> Represents insurance in force on July 1, 2021. Insurance was renewed on July 1, 2022 for the fiscal year ended June 30, 2023.

Type of Coverage	Details of Coverage	
Computer Equipment/Media	\$ 1,330,557	Limits of Coverage
	500	Deductible
Impounded Auto/Comp	100,000	Limits of Coverage
	1,000	Deductible
Impounded Auto/Collision	100,000	Limits of Coverage
	1,000	Deductible

Source: Town of Southern Pines Risk Management Department

<sup>(1)</sup> Represents insurance in force on July 1, 2021. Insurance was renewed on July 1, 2022 for the fiscal year ended June 30, 2023.

**WATER RATES**

**Minimum Charge**

<u>Meter Size</u>	<u>Inside Town</u>	<u>Outside Town</u>
3/4"	\$ 13.00	\$ 26.00
1"	21.33	42.66
1 1/2"	45.09	90.18
2"	78.37	156.74
3"	173.54	347.08
4"	306.68	613.36
6"	687.27	1,374.54
8"	1,220.07	2,440.14

**Volume Charge per 1,000 Gallons**

<u>Inside Town</u>	<u>Outside Town</u>
\$ 3.52	\$ 7.04

**SEWER RATES**

**Minimum Charge**

<u>Meter Size</u>	<u>Inside Town</u>	<u>Outside Town</u>
3/4"	\$ 6.76	\$ 13.52
1"	8.80	17.60
1 1/2"	14.51	29.02
2"	22.59	45.18
3"	45.56	91.12
4"	77.71	155.42
6"	169.68	339.36
8"	298.42	596.94

**Volume Charge per 1,000 Gallons**

<u>Inside Town</u>	<u>Outside Town</u>
\$ 6.36	\$ 12.72

## ***Compliance Section***

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## **Independent Auditor's 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, NC

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, the fiduciary fund, 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, 2022, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated December 1, 2022, which contained an emphasis of matters paragraph regarding a correction of an error, as well as a change in accounting principles.

### **Report on 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) as a basis for designing 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 a 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

## **Report on 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 financial statements. 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*.

## **The Town's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

**FORVIS,LLP**

**High Point, NC  
December 1, 2022**

## Financial Statement Findings

### *Finding 2022-001: Internal Controls over Financial Reporting*

#### MATERIAL WEAKNESS

Criteria:	The objective of effective internal controls over financial reporting is to detect and correct material misstatements (caused by error or fraud) in a timely manner and permit the timely preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").
Condition:	During the audit for the year ended June 30, 2022, errors were identified from prior years requiring restatement.
Effect:	Correction of the errors resulted in restatement of beginning net position as follows: Business-Type Activities - (\$2,284,991), Water and Sewer Fund - (\$2,284,991).
Cause:	In prior years, certain expenses incurred and paid for through the Water and Sewer Capital Projects Fund were recorded as construction in process, that did not meet the Town's capitalization policy. As a result, total assets and net position for the Water and Sewer Fund were overstated by \$2,284,991 as of June 30, 2021.
Recommendation:	It is our recommendation that all expenditures recorded through the capital projects funds be reviewed closely for alignment with the Town's capitalization policy, and that all activities that are operational in nature be reflected in the Water and Sewer Fund, for ease in reconciliation between the capital related items and the Water and Sewer Capital Projects Fund.
View of responsible officials and planned corrective actions:	Management agrees with this finding. See Corrective Action Plan.



## **CORRECTIVE ACTION PLAN: 2022-001**

Management agrees with the finding as stated.

The following corrective action steps have been taken or are in process by the Town's department head staff regarding internal controls for capital project fund spending.

Quarterly reports of all capital project fund expenditures will be distributed to the Town Manager from the Finance Director for review. During these quarterly reviews the Town Manager and the Finance Director will meet to discuss the results of independent monitoring and take further steps, if needed, to ensure alignment with the Town's capitalization policy and ease of reconciliation.

Town of  
S  
outhern Pines  
North Carolina

