

Town of Southern Pines North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

Prepared by the Department of Finance

Crystal J. Gabric, Director of Finance





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Introductory Section



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November 21, 2019

To 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 Comprehensive Annual Financial Report (CAFR) of the Town of Southern Pines, North Carolina (Town) for the fiscal year ended June 30, 2019 is hereby submitted.

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

Dixon Hughes Goodman LLP, a firm of licensed certified public accountants, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2019, 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, 2019, 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 2019 population of approximately 14,224 and encompasses 17.22 square miles. The Town provides a full range of services including police and fire protection, streets, planning and zoning, parks and recreation, library, fleet maintenance, and general administrative services. The Town also operates water and sewer utility services.

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

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

LOCAL ECONOMY

The economic profile of the Town is a mixture of tourism, retirement, professional services and retail. Direct spending by visitors continues to be high, placing Moore County eleventh in the one hundred counties in North Carolina, while its population places it twenty-eighth. Tourism revenues generated \$441.84 million dollars. Southern Pines continues to attract significant new retail and residential development.

All phases of Tyler's Ridge planned residential development were previously completed, which totaled 216 apartments. The Tyler's Ridge commercial development continues to buildout as of June 30, 2019 with the completion of the Building Blocks Early Education Center daycare and the commencement of the construction of a multi-tenant commercial structure.

Construction began on Phase 1(a) of the Knollwood Tract planned development, which is a 558-acre mixed-use development. Phase 1(a) is an 800-student elementary school known as McDeeds Creek Elementary. Phase 1(b), which is 100 single-family homes, has not yet begun construction.

Redevelopment and infill development projects continued to occur in the Town during 2019, with more anticipated in the near future. A few redevelopments along US Highway 15-501 continued to be developed during 2019 including a new commercial center, Sandhill Commons, the site for former Mellow Mushroom restaurant and Four Oaks Bank, and the Pinehurst Toyota dealership.

In 2019, construction began on several residential developments. These developments include the Ravensbrook subdivision, the Longleaf Golf and Family Club, Area F, Talamore Cottages at Midland, and the Traywick subdivision. Ravensbrook subdivision consists of 97 single-family homes, the Longleaf Golf and Family Club, Area F, consists of 24 single-family homes and 10 townhomes, the Talamore Cottages at Midland consist of 36 units, and the Traywick subdivision consists of 35 single-family homes.

During 2019, approval was given and construction began on several projects. These projects include Phase 2(a) and 9 of the Caropines planned development. The construction consists of 36 single family homes. Also included is a new elementary school on Morganton Road and a 288 unit apartment complex known as Eagle Landing located between Morganton Road and 15-501.

The Town enjoys a vibrant downtown area with retail, restaurants and offices that are complemented with a diversity of housing types. The Town has seen new businesses and an influx of townhome and single-family developments in the downtown area during 2019.

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 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 2019, 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 almost completed in 2019 of an additional Fire Station. The station will consist of approximately 15,030 square feet that will include 3 ½ bays, as well as office and living space for Fire Department personnel. In addition, Moore County will lease space for EMS operations. The additional station will reduce response times to the

northern portion of Southern Pines. Construction is anticipated to be completed in early fiscal year 2020.

Progress continued on the renovation of two Town parks. The renovation includes the construction of an outdoor splash pad, and the replacement of playground equipment.

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

Sewer and water line replacements and improvements continued during 2019 as well as storm water replacements.


AWARDS AND ACKNOWLEDGEMENTS


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Southern Pines, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the twenty-eighth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,


Reagan D. Parsons
Town Manager


Crystal J. Gabriel
Director of Finance



Government Finance Officers Association

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

Presented to

**Town of Southern Pines
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

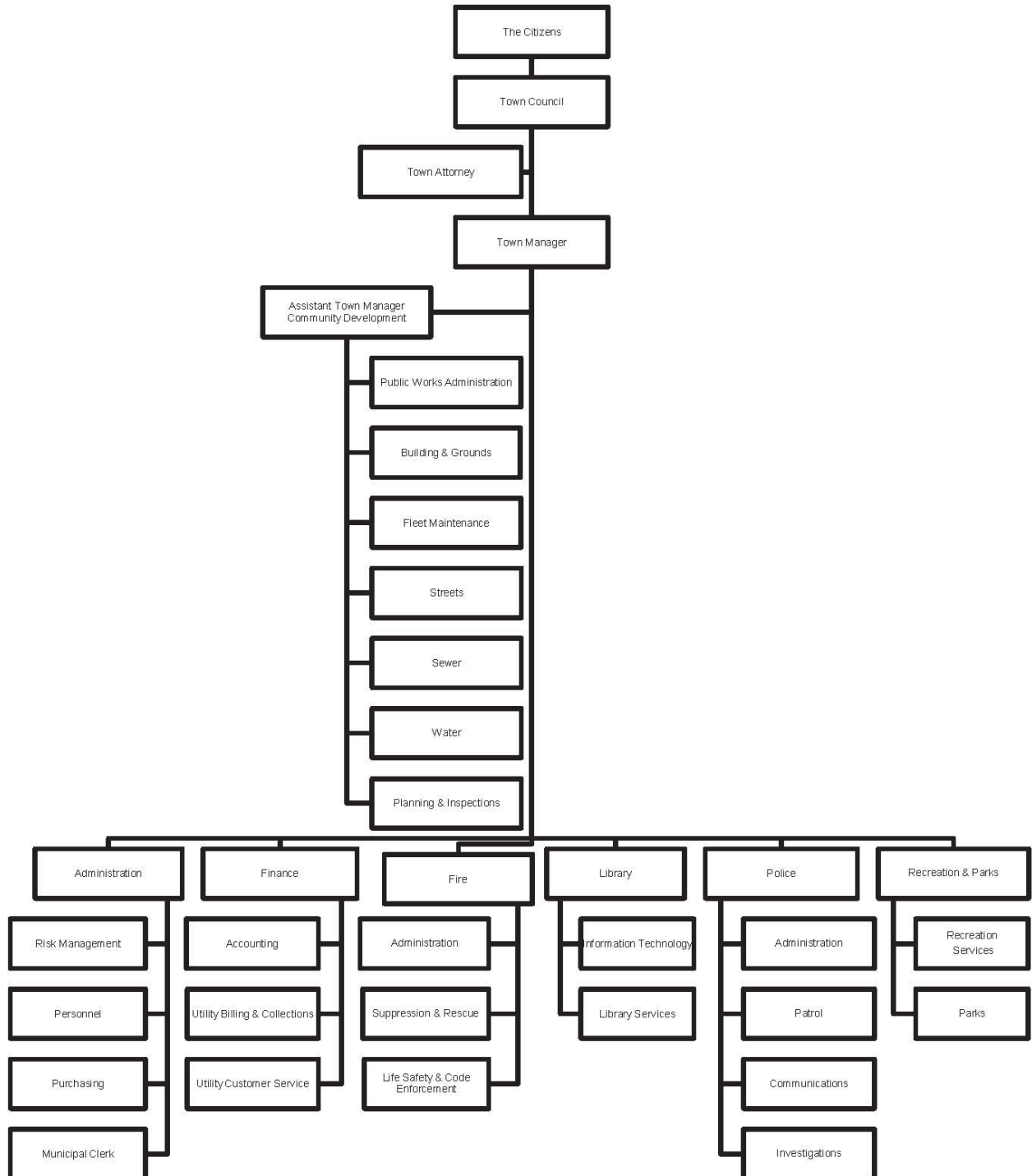
June 30, 2018

Christopher P. Morill

Executive Director/CEO

TOWN OF SOUTHERN PINES

Organizational Chart



TOWN OF SOUTHERN PINES

LIST OF PRINCIPAL OFFICIALS

June 30, 2019

TOWN COUNCIL

W. David McNeill	Mayor
James R. Simeon	Mayor Pro-tem
Carol R. Haney	Treasurer
Mitchell Lancaster	Council Member
Paul Murphy	Council Member

TOWN OFFICIALS

Reagan D. Parsons	Town Manager
Douglas R. Gill	Town Attorney
Christopher F. Kennedy	Assistant Town Manager - Director of Community Development
Crystal J. Gabric	Director of Finance
Mike Cameron	Fire Chief
Robert Reeve	Director of Recreation & Parks
Bruce Rosenberger	Director of Administrative Services
Robert Temme	Chief of Police
Lynn Thompson	Director of Library Services & Information Technology

Financial Section

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary funds, each major fund, and the aggregate remaining fund information of the Town of Southern Pines, North Carolina ("Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary funds, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability and Schedules of Employer Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019 on our consideration of Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**High Point, North Carolina
November 21, 2019**

**Town of Southern Pines
Management's Discussion and Analysis
June 30, 2019**

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, 2019. 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.

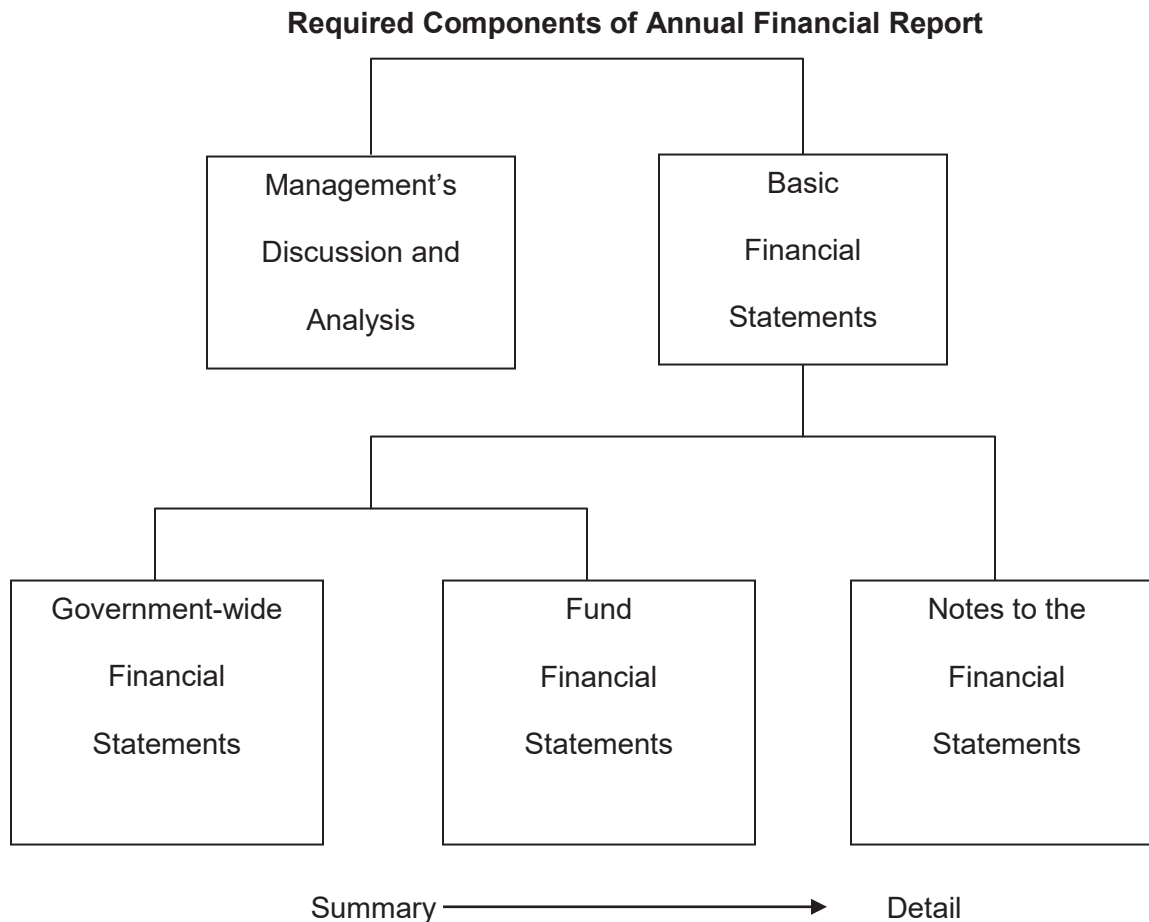
Financial Highlights

- The assets and deferred outflows of resources of the Town of Southern Pines exceeded its liabilities at the close of the fiscal year by \$94,783,020 (net position).
- The government's total net position increased by \$2,264,497, 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 \$13,806,795, a decrease of \$3,250,602 in comparison with the prior year. The decrease is directly related to construction cost in the Fire Substation major fund. Approximately 14.69 percent of the total ending fund balance amount, or \$2,028,528, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,806,882 or 40.11 percent of total General Fund expenditures for the fiscal year.
- The Town of Southern Pines' total debt decreased by \$1,328,572 or 14.08 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 21st consecutive year as well as its AA- from Standard and Poor's for the 11th consecutive year. During fiscal year 2013, the Town received an increase in its North Carolina Municipal Council rating from 85 to 86, which is comparable to a rating of A1/A+ by the national rating agencies.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. These basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Southern Pines.

Figure 1:



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained therein. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes and the Town's budget ordinance. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - The Town has one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Trust and Agency Funds - Trust and agency funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for agency funds is much like that used for proprietary funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 32 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

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

Government-Wide Financial Analysis of the Town of Southern Pines

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

Figure 2:

The Town of Southern Pines Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 15,689,578	\$ 18,521,663	\$ 16,249,327	\$ 14,402,525	\$ 31,938,905	\$ 32,924,188
Capital assets	41,075,184	37,445,324	35,171,380	36,056,830	76,246,564	73,502,154
Total assets	56,764,762	55,966,987	51,420,707	50,459,355	108,185,469	106,426,342
Deferred outflows of resources						
Pension	2,271,984	1,461,416	226,716	144,219	2,498,700	1,605,635
Total deferred outflows of resources	2,271,984	1,461,416	226,716	144,219	2,498,700	1,605,635
Liabilities						
Long term liabilities outstanding	11,794,699	11,446,232	1,602,834	2,054,329	13,397,533	13,500,561
Other liabilities	1,809,655	1,391,080	551,983	425,810	2,361,638	1,816,890
Total Liabilities	13,604,354	12,837,312	2,154,817	2,480,139	15,759,171	15,317,451
Deferred inflows of resources						
Pension	129,941	177,355	12,037	18,648	141,978	196,003
Total deferred inflows of resources	129,941	177,355	12,037	18,648	141,978	196,003
Net position:						
Net investment in capital assets	34,568,937	34,673,136	33,892,745	34,193,906	68,461,682	68,867,042
Restricted	1,900,876	1,698,798	-	-	1,900,876	1,698,798
Unrestricted	8,832,638	8,041,802	15,587,824	13,910,881	24,420,462	21,952,683
Total net position	\$ 45,302,451	\$ 44,413,736	\$ 49,480,569	\$ 48,104,787	\$ 94,783,020	\$ 92,518,523

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities by \$94,783,020 as of June 30, 2019. The Town's net position increased by \$2,264,497 for the fiscal year ended June 30, 2019 in total for governmental and business-type activities.

By far, the largest portion of the Town's net position, \$68,461,682 or 72.23%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$1,900,876 or 2.0%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,460,462 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 99.89%, which is greater than the last reported statewide average of 99.23%.
- Increased ad valorem tax revenues of approximately \$319,408 due to economic growth in the Town.
- Continued low cost of debt due to the Town's good bond ratings.

Changes in Net Position

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

(continued on next page)

Figure 3:

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

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,367,292	\$ 2,240,853	\$ 8,221,653	\$ 8,091,669	\$ 10,588,945	\$ 10,332,522
Operating grants and contributions	745,716	443,810	-	-	745,716	443,810
Capital grants and contributions	-	50,757	332,569	534,515	332,569	585,272
General revenues:						
Property taxes	9,982,178	9,656,725	-	-	9,982,178	9,656,725
Other taxes	1,307,079	1,233,474	-	-	1,307,079	1,233,474
Other	4,445,028	4,002,097	1,068,231	840,181	5,513,259	4,842,278
Total revenues	18,847,293	17,627,716	9,622,453	9,466,365	28,469,746	27,094,081
Expenses:						
General government	5,753,113	5,221,318	-	-	5,753,113	5,221,318
Public safety	7,637,434	6,995,686	-	-	7,637,434	6,995,686
Cultural and recreation	1,887,163	1,824,003	-	-	1,887,163	1,824,003
Transportation	1,761,568	1,694,884	-	-	1,761,568	1,694,884
Economic & physical development	657,709	604,385	-	-	657,709	604,385
Interest on long-term debt	261,591	129,304	-	-	261,591	129,304
Water and sewer	-	-	8,246,671	7,483,404	8,246,671	7,483,404
Total expenses	17,958,578	16,469,580	8,246,671	7,483,404	26,205,249	23,952,984
Increase in net position	888,715	1,158,136	1,375,782	1,982,961	2,264,497	3,141,097
Net position, beginning	44,413,736	43,255,600	48,104,787	46,121,826	92,518,523	89,377,426
Net position, June 30	\$ 45,302,451	\$ 44,413,736	\$ 49,480,569	\$ 48,104,787	\$ 94,783,020	\$ 92,518,523

Governmental activities – Governmental activities increased the Town’s net position by \$888,715, thereby accounting for 39.25% 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 and an increase in the tax rate.
- Unrestricted intergovernmental revenue increased due to an increase in the local option sales tax revenue category.

Figure 4:

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

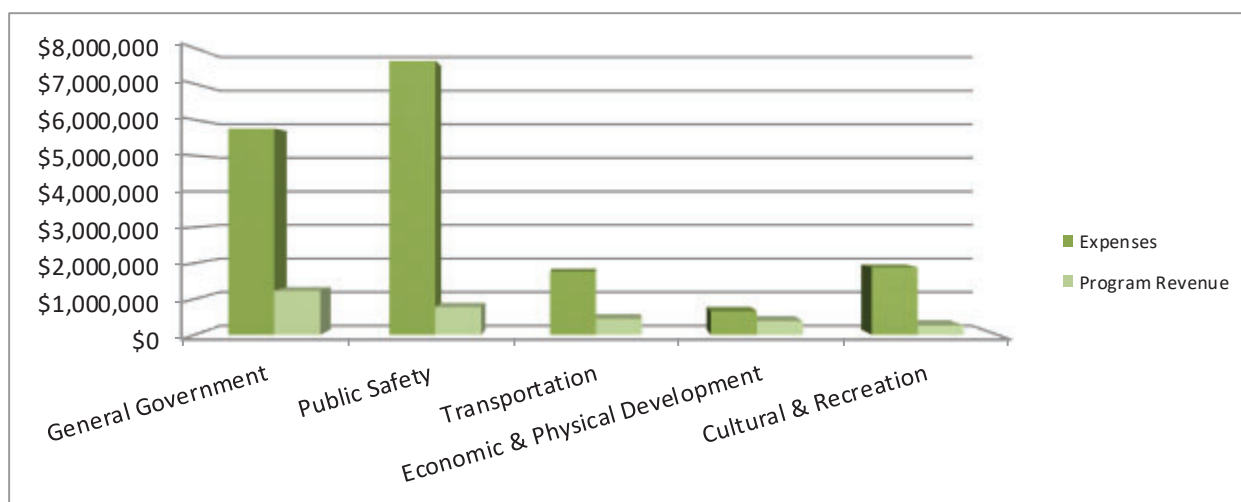
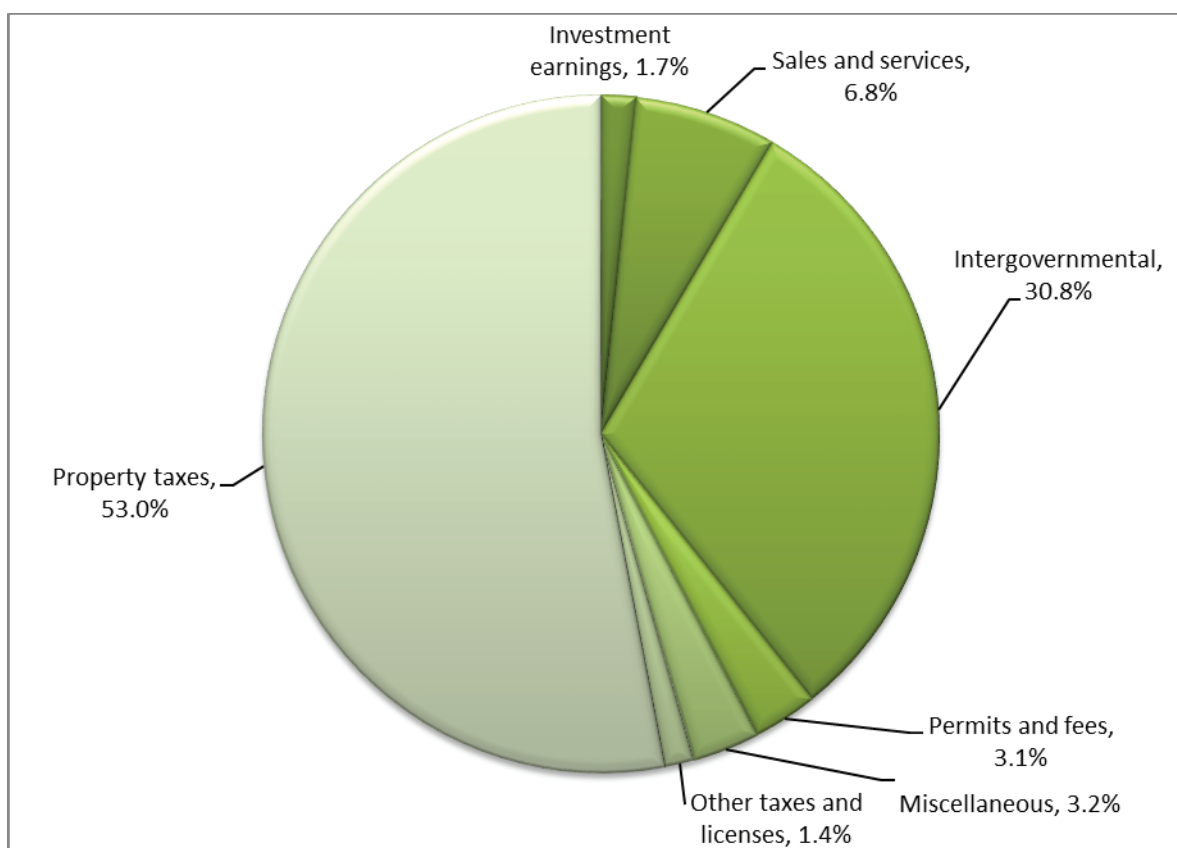


Figure 5:

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



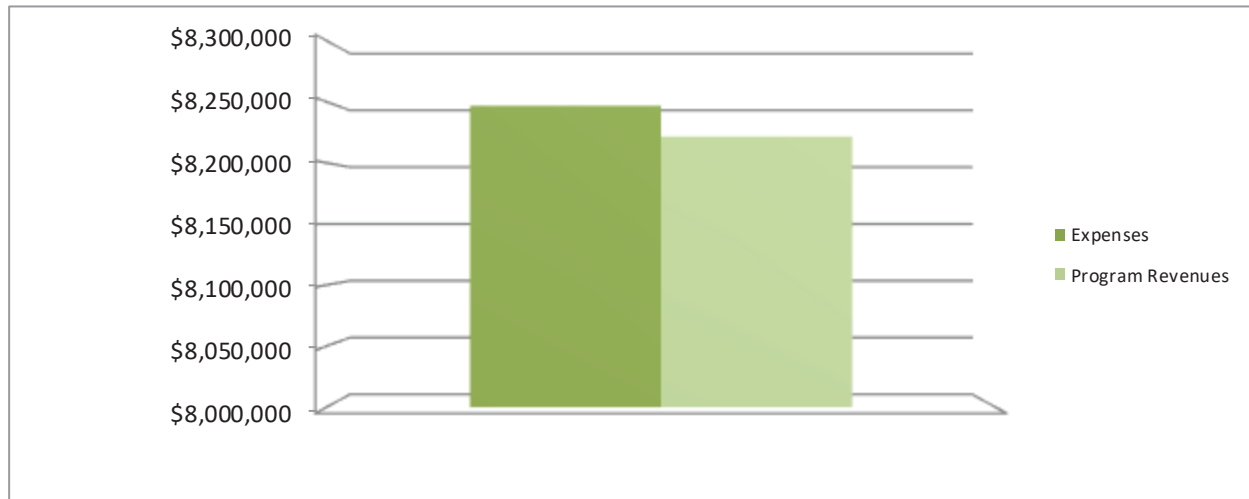
Business-type activities – Business-type activities increased the Town’s net position by \$1,375,782, accounting for 60.75% of the total increase in the net position of the Town.

The Key elements of the increase are as follows:

- Capital grants and contributions in the amount of \$332,569.
- Charges for services increased due to an increase in water sales and sewer revenue.
- Impact fees in the amount of \$154,415.

Figure 6:

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



Financial Analysis of the Town’s Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Southern Pines’ unassigned fund balance in the General Fund, which is available for spending at the government’s discretion, was \$6,806,882, while total fund balance reached \$11,122,282. 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 40.11 percent of General Fund expenditures, while total fund balance represents 65.55 percent of that same amount.

At June 30, 2019, the governmental funds of the Town reported a combined fund balance of \$13,806,795 with a net decrease in fund balance of \$3,250,602. Included in this change in fund balance is a decrease in fund balance in the Fire Substation Major Fund, an increase in the

Capital Project Funds and an increase in the General Fund. The key component in the change was use of funds for the construction of the Fire Sub-Station.

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 \$245,810 net increase in appropriations between the original and final amended budget. Key components of the amendments are as follows:

- an appropriation in the Building & Grounds department in the amount of \$40,000 for a Facility Assessment project,
- an appropriation in the Police department to utilize a donation that was received in the prior fiscal year in the amount of \$2,250,
- an appropriation in the Recreation department for the repair of a vehicle in the amount of \$810,
- transfers to capital project funds in the amount of \$202,750 for the funding of Facilities Modernization and Storm Water.

The actual operating revenues for the General Fund were greater than the final budgeted amount by \$2,005,286. Unrestricted intergovernmental revenues were \$1,024,682 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 \$161,010 greater than budgeted due to conservative budgeting in the building inspections area. Ad valorem taxes also were \$356,852 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 \$1,199,167. General government, public safety, transportation, economic and physical development and cultural and recreational realized a savings of \$545,664, \$338,799, \$100,350, \$27,594 and \$186,758 respectively due primarily to personnel vacancies and the actual cost of items less than the amount budgeted.

Proprietary Funds. The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position at the end of the fiscal year amounted to \$15,587,824. The total change in net position was an increase of \$1,375,782. 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 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, 2019, totals \$76,246,564 (net of accumulated depreciation). These assets include buildings, streets, storm drainage, sidewalks, land, machinery and equipment, park facilities, and vehicles.

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

Governmental Funds:

Additions

- Various purchases of vehicles and motorized equipment totaling \$166,163.
- Various purchases of furniture, fixtures and other equipment equaling \$88,013.
- Construction in progress of \$5,089,442 in governmental-type activities for the construction of a fire sub-station, the design and installation of storm water infrastructure, construction/ renovations to Town parks, the construction of sidewalks and the construction of fiber connections between Town buildings.
- Infrastructure in the amount of \$334,950 for storm water improvements transferred from construction in progress.
- Intangible assets in progress in the amount of \$19,729 for the Enterprise Information and Document Management System.
- Other Improvements in the amount of \$403,939 for the installation of a splash pad at the pool park, the park entrance project at the downtown park, the replacement of playground equipment at the soccer field, and the replacement of the existing dock at Reservoir Park.
- Machinery and equipment in the amount of \$17,192 for LAN switches.
- Building and building improvements in the amount of \$52,714 for HVAC improvements at the Police Station.

Retirements

- Disposals and surplused assets in the amount of \$482,699.
- The transfer of construction in progress to capital assets in the amount of \$843,264.

Proprietary Funds:

Additions

- Construction in progress of \$646,263 for water and sewer improvements.
- The addition of intangible assets consisting of water and sewer easements in the amount of \$20,791.
- Equipment purchases in the amount of \$173,214, which consist of vehicles and a HVAC unit.
- Plant and distribution system increase in the amount of \$953,738, which consist of water and sewer lines donated by developers, and water and sewer lines transferred from a capital project fund.

Retirements

- The transfer of construction in progress to capital assets in the amount of \$791,959.
- Disposals and surplused equipment in the amount of \$30,177.
- The disposal and sale of the old water plant in the amount of \$558,901.

(continued on next page)

Figure 7:

**Town of Southern Pines
Capital Assets**

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2019	2018	2019	2018	2019	2018
Land	\$ 12,305,522	\$ 12,305,522	\$ 540,533	\$ 540,533	\$ 12,846,055	\$ 12,846,055
Buildings and improvements	10,973,719	11,297,242	1,023,344	1,051,836	11,997,063	12,349,078
Other improvements	4,084,351	3,869,115	-	-	4,084,351	3,869,115
Machinery and equipment	260,536	317,701	1,461,559	1,735,301	1,722,095	2,053,002
Infrastructure	4,548,927	4,604,079	-	-	4,548,927	4,604,079
Plant and distribution systems	-	-	27,620,293	28,078,604	27,620,293	28,078,604
Vehicles and motorized equipment	2,614,759	2,930,029	-	-	2,614,759	2,930,029
Furniture, Fixtures, and other equipment	689,929	778,949	-	-	689,929	778,949
Intangibles	111,523	122,676	1,810,070	1,789,279	1,921,593	1,911,955
Intangibles in progress	163,609	143,880	-	-	163,609	143,880
Construction in progress	5,322,309	1,076,131	2,715,581	2,861,277	8,037,890	3,937,408
Total Capital Assets (net of accumulated depreciation)	\$ 41,075,184	\$ 37,445,324	\$ 35,171,380	\$ 36,056,830	\$ 76,246,564	\$ 73,502,154

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

Long-term Debt. As of June 30, 2019, 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 \$1,328,572 or 14.08 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 total outstanding balance of debt as of June 30, 2019 is \$8,108,243.

Figure 8:

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installment Debt	6,829,607	7,611,483	1,278,636	1,825,332	8,108,243	9,436,815
Total	\$ 6,829,607	\$ 7,611,483	\$ 1,278,636	\$ 1,825,332	\$ 8,108,243	\$ 9,436,815

As mentioned in the financial highlights section of this document, the Town maintained its A2 bond rating from Moody's Investors Services for the 21st consecutive year, as well as its AA- from Standard and Poor's for the 11th 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 \$191,237,117, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information regarding the Town's long-term debt can be found in note 12 of this report.

Economic Factors and Next Year's Budget and Rates

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

The unemployment rate for the county in which the Town is located was 4.4% as of June 30, 2019. The unemployment rate is consistent with the State average.

Residential activity remains strong throughout the Town. The value of residential building permits increased 30.0% over the previous fiscal year while commercial permit values decreased 23.9%.

The fiscal year ending June 30, 2020 budget is balanced and represents an overall increase of 10.7% in the governmental activities operational budget while revenue growth remains consistent. Included in governmental activities budget is a transfer of \$697,967 to capital project funds.

The fiscal year ending June 30, 2020 business type operational budget reflects an overall increase of 7.1%. Included in the budget are transfers to capital project funds for funding of long-term capital planning in the amount of \$1,635,334.

Governmental Activities: The 2020 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 2019-2020 fiscal year. The Town has budgeted an increase of 3% in water rates. Also budgeted is a 2.0% increase in sewer rates in the upcoming fiscal year to offset the increase in sewage treatment cost.

Requests for Information

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

Town of Southern Pines, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1
(2 pages)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,174,870	\$ 11,622,817	\$ 23,797,687
Receivables - net:			
Property taxes	11,582	-	11,582
Accrued interest receivable on taxes	3,182	-	3,182
Due from other governments	1,333,536	150,000	1,483,536
Accounts receivable	340,348	-	340,348
Accrued interest	58,078	62,062	120,140
Sales tax	188,201	29,897	218,098
Assessments	2,305	49,983	52,288
Customers	-	1,507,445	1,507,445
Other	-	16,175	16,175
Inventories	34,399	-	34,399
Prepays	93,253	580	93,833
Restricted cash and investments	1,449,824	2,810,368	4,260,192
Total current assets	15,689,578	16,249,327	31,938,905
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements, and construction in progress	17,791,440	3,256,114	21,047,554
Intangibles - easements	-	1,810,070	1,810,070
Other capital assets, net of depreciation	23,283,744	30,105,196	53,388,940
Total capital assets	41,075,184	35,171,380	76,246,564
Total noncurrent assets	41,075,184	35,171,380	76,246,564
Total assets	56,764,762	51,420,707	108,185,469
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	2,271,984	226,716	2,498,700
Total deferred outflows of resources	2,271,984	226,716	2,498,700

Town of Southern Pines, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1
(2 pages)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,347,113	\$ 472,403	\$ 1,819,516
Payable from restricted assets - customer deposits	462,542	79,580	542,122
Current maturities of long-term debt	<u>1,067,492</u>	<u>591,416</u>	<u>1,658,908</u>
Total current liabilities	2,877,147	1,143,399	4,020,546
Noncurrent liabilities:			
Net pension liability	2,867,131	294,727	3,161,858
Total pension liability	1,496,954	-	1,496,954
Noncurrent portion of long-term debt	<u>6,363,122</u>	<u>716,691</u>	<u>7,079,813</u>
Total noncurrent liabilities	<u>10,727,207</u>	<u>1,011,418</u>	<u>11,738,625</u>
Total liabilities	<u>13,604,354</u>	<u>2,154,817</u>	<u>15,759,171</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>129,941</u>	<u>12,037</u>	<u>141,978</u>
	<u>129,941</u>	<u>12,037</u>	<u>141,978</u>
NET POSITION			
Net investment in capital assets	34,568,937	33,892,745	68,461,682
Restricted for:			
Stabilization by State Statute	1,823,273	-	1,823,273
Cemetery perpetual care:			
Expendable	33,663	-	33,663
Nonexpendable	43,940	-	43,940
Unrestricted	<u>8,832,638</u>	<u>15,587,824</u>	<u>24,420,462</u>
Total net position	<u>\$ 45,302,451</u>	<u>\$ 49,480,569</u>	<u>\$ 94,783,020</u>

Town of Southern Pines, North Carolina
Statement of Activities
Year Ended June 30, 2019

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	\$ 5,753,113	\$ 1,055,204	\$ 176,379	\$ -	\$ (4,521,530)	\$ -	\$ (4,521,530)
Public safety	7,637,434	618,001	157,580	-	(6,861,853)	-	(6,861,853)
Transportation	1,761,568	43,690	403,744	-	(1,314,134)	-	(1,314,134)
Economic and physical development	657,709	384,840	-	-	(272,869)	-	(272,869)
Cultural and recreation	1,887,163	261,607	8,013	-	(1,617,543)	-	(1,617,543)
Cemetery	-	3,950	-	-	3,950	-	3,950
Interest on long-term debt	261,591	-	-	-	(261,591)	-	(261,591)
Total governmental activities	17,958,578	2,367,292	745,716	-	(14,845,570)	-	(14,845,570)
Business-type activities:							
Water and sewer	8,246,671	8,221,653	-	332,569	-	307,551	307,551
Total business-type activities	8,246,671	8,221,653	-	332,569	-	307,551	307,551
Total primary government	\$ 26,205,249	\$ 10,588,945	\$ 745,716	\$ 332,569	(14,845,570)	307,551	(14,538,019)
General revenues:							
Ad valorem taxes					9,982,178	-	9,982,178
Unrestricted intergovernmental					3,987,169	-	3,987,169
Alcoholic Beverage Tax					196,226	-	196,226
Franchise taxes					1,110,853	-	1,110,853
Investment earnings					312,484	245,011	557,495
Miscellaneous					138,493	419,695	558,188
Transfers					1,749	(1,749)	-
Gain on disposal					5,133	405,274	410,407
Total general revenues					15,734,285	1,068,231	16,802,516
Change in net position					888,715	1,375,782	2,264,497
Net position, beginning					44,413,736	48,104,787	92,518,523
Net position, end of year					\$ 45,302,451	\$ 49,480,569	\$ 94,783,020

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, 2019

Exhibit 3
(2 pages)

	Major Funds		Nonmajor	Total
	General	Fire Department Substation	Governmental Funds	Governmental Funds
ASSETS				
Cash and investments	\$ 9,898,185	\$ 222,066	\$ 2,054,619	\$ 12,174,870
Receivables - net:				
Property taxes	11,582	-	-	11,582
Due from other governments	1,333,536	-	-	1,333,536
Accounts receivable	340,348	-	-	340,348
Accrued interest receivable	44,048	5,200	8,830	58,078
Sales tax receivable	117,763	62,331	8,107	188,201
Parking lot assessments	2,305	-	-	2,305
Inventories	34,399	-	-	34,399
Prepays	93,253	-	-	93,253
Restricted assets:				
Cash and investments	462,542	987,282	-	1,449,824
Total assets	<u>\$ 12,337,961</u>	<u>\$ 1,276,879</u>	<u>\$ 2,071,556</u>	<u>\$ 15,686,396</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 332,949	\$ 663,544	\$ 378	\$ 996,871
Accrued liabilities:				
Other	309,411	-	-	309,411
Security deposits	462,542	-	-	462,542
Total liabilities	<u>1,104,902</u>	<u>663,544</u>	<u>378</u>	<u>1,768,824</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes receivable	11,582	-	-	11,582
Parking lot assessments	2,305	-	-	2,305
Other	96,890	-	-	96,890
Total deferred inflows of resources	<u>110,777</u>	<u>-</u>	<u>-</u>	<u>110,777</u>
FUND BALANCES				
Nonspendable:				
Inventories	34,399	-	-	34,399
Prepays	93,253	-	-	93,253
Perpetual maintenance	-	-	77,603	77,603
Restricted:				
Stabilization by State Statute	1,738,805	67,531	16,937	1,823,273
Committed:				
General Government	-	-	748,911	748,911
Public Safety	-	545,804	-	545,804
Transportation	-	-	911,314	911,314
Cultural and Recreational	-	-	316,413	316,413
Assigned:				
Subsequent year's expenditures	2,448,943	-	-	2,448,943
Unassigned	6,806,882	-	-	6,806,882
Total fund balances	<u>11,122,282</u>	<u>613,335</u>	<u>2,071,178</u>	<u>13,806,795</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,337,961</u>	<u>\$ 1,276,879</u>	<u>\$ 2,071,556</u>	<u>\$ 15,686,396</u>

Town of Southern Pines, North Carolina
Balance Sheet - Governmental Funds
June 30, 2019

Exhibit 3
(2 pages)

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

Total fund balance, governmental funds	\$ 13,806,795
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	41,075,184
Deferred outflows of resources related to pensions are not reported in the funds	2,271,984
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	3,182
Earned revenues considered deferred inflows of resources in fund statements	110,777
Deferred inflows of resources related to pensions are not reported in the funds	(129,941)
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	(7,471,445)
Net pension liability	(2,867,131)
Total pension liability	<u>(1,496,954)</u>
Net position of governmental activities	<u><u>\$ 45,302,451</u></u>

Town of Southern Pines, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2019

Exhibit 4
(2 pages)

	Major Funds		Nonmajor	Totals
	General	Fire Department Substation	Governmental Funds	Governmental Funds
Revenues				
Ad valorem taxes	\$ 9,989,891	\$ -	\$ -	\$ 9,989,891
Other taxes and licenses	258,833	-	-	258,833
Unrestricted intergovernmental	5,098,682	-	-	5,098,682
Restricted intergovernmental	706,216	-	-	706,216
Permits and fees	583,260	-	-	583,260
Sales and services	1,282,079	-	3,950	1,286,029
Investment earnings	211,233	64,105	37,146	312,484
Grant proceeds	-	-	-	-
Other	609,819	-	-	609,819
	<u>18,740,013</u>	<u>64,105</u>	<u>41,096</u>	<u>18,845,214</u>
Expenditures				
Current:				
General government	5,364,406	-	36,922	5,401,328
Public safety	6,925,060	4,492,377	-	11,417,437
Transportation	1,323,289	-	417,809	1,741,098
Economic and physical development	621,021	-	-	621,021
Cultural and recreational	1,686,627	-	244,923	1,931,550
Debt service:				
Principal	781,876	-	-	781,876
Interest	266,335	-	-	266,335
	<u>16,968,614</u>	<u>4,492,377</u>	<u>699,654</u>	<u>22,160,645</u>
Revenues over (under) expenditures	<u>1,771,399</u>	<u>(4,428,272)</u>	<u>(658,558)</u>	<u>(3,315,431)</u>
Other financing sources (uses)				
Installment purchase obligations issued	-	-	-	-
Transfers to other funds	(1,042,750)	-	(72,000)	(1,114,750)
Transfers from other funds	-	72,000	1,042,750	1,114,750
Sale of capital assets	64,829	-	-	64,829
Total other financing sources (uses)	<u>(977,921)</u>	<u>72,000</u>	<u>970,750</u>	<u>64,829</u>
Net change in fund balance	793,478	(4,356,272)	312,192	(3,250,602)
Fund balance, beginning of year, July 1	<u>10,328,804</u>	<u>4,969,607</u>	<u>1,758,986</u>	<u>17,057,397</u>
Fund balance, end of year, June 30	<u>\$ 11,122,282</u>	<u>\$ 613,335</u>	<u>\$ 2,071,178</u>	<u>\$ 13,806,795</u>

Town of Southern Pines, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2019

Exhibit 4
(2 pages)

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

Net changes in fund balances - total governmental funds	\$ (3,250,602)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were exceeded by depreciation expense in the current period

Capital outlay expenditures which were capitalized	5,512,058	
Depreciation expense for governmental assets	<u>(1,642,923)</u>	
		3,869,135

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	608,795
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	53,754
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue for tax revenues	(4,803)
Proceeds from disposal/transfer of capital assets	(64,829)
Loss on disposal/transfer of capital assets	(176,194)
Transfer of capital assets from the Water & Sewer Fund	1,749

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	781,876
Decrease in accrued interest payable	4,744

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(41,650)
Pension expense	<u>(893,260)</u>

Total changes in net position of governmental activities	<u>\$ 888,715</u>
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Town of Southern Pines, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2019

Exhibit 5

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 9,633,039	\$ 9,633,039	\$ 9,989,891	\$ 356,852
Other taxes and licenses	213,500	213,500	258,833	45,333
Unrestricted intergovernmental revenues	4,074,000	4,074,000	5,098,682	1,024,682
Restricted intergovernmental revenues	407,600	512,790	706,216	193,426
Permits and fees	422,000	422,250	583,260	161,010
Sales and services	1,210,699	1,210,699	1,282,079	71,380
Investment earnings	100,000	100,000	211,233	111,233
Other	525,717	568,449	609,819	41,370
	<u>16,586,555</u>	<u>16,734,727</u>	<u>18,740,013</u>	<u>2,005,286</u>
Expenditures				
Current:				
General government	5,870,070	5,910,070	5,364,406	545,664
Public safety	7,246,554	7,263,859	6,925,060	338,799
Transportation	1,423,639	1,423,639	1,323,289	100,350
Economic and physical development	648,615	648,615	621,021	27,594
Cultural and recreational	1,864,458	1,873,385	1,686,627	186,758
Debt service	1,048,213	1,048,213	1,048,211	2
	<u>18,101,549</u>	<u>18,167,781</u>	<u>16,968,614</u>	<u>1,199,167</u>
Revenues over (under) expenditures	<u>(1,514,994)</u>	<u>(1,433,054)</u>	<u>1,771,399</u>	<u>3,204,453</u>
Other financing sources (uses)				
Transfer out to Capital Project Funds	(715,000)	(1,042,750)	(1,042,750)	-
Sale of capital assets	15,000	15,000	64,829	49,829
Total other financing sources (uses)	<u>(700,000)</u>	<u>(1,027,750)</u>	<u>(977,921)</u>	<u>49,829</u>
Revenues under expenditures and other financing sources (uses)	<u>(2,214,994)</u>	<u>(2,460,804)</u>	<u>793,478</u>	<u>3,254,282</u>
Appropriated fund balance	<u>2,214,994</u>	<u>2,460,804</u>	<u>-</u>	<u>(2,460,804)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>793,478</u>	<u>\$ 793,478</u>
Fund balance, beginning of year, July 1			<u>10,328,804</u>	
Fund balance, end of year, June 30			<u>\$ 11,122,282</u>	

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

Town of Southern Pines, North Carolina
Statement of Fund Net Position - Proprietary Fund
June 30, 2019

Exhibit 6
(2 pages)

	Business-Type Activities - Enterprise Major Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents/investments	\$ 11,622,817
Receivables - net:	
Sewer assessments	49,983
Customers	1,507,445
Accrued interest	62,062
Due from other governments	150,000
Sales taxes	29,897
Other	16,175
Prepays	580
Total current assets	<u>13,438,959</u>
Temporarily restricted assets:	
Cash and investments	<u>2,810,368</u>
Capital assets	
Land, improvements, and construction in progress	3,256,114
Intangibles - easements	1,810,070
Other capital assets, net of depreciation	<u>30,105,196</u>
Total capital assets, net	<u>35,171,380</u>
Total unrestricted noncurrent assets	<u>35,171,380</u>
Total noncurrent assets	<u>37,981,748</u>
Total assets	<u>51,420,707</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>226,716</u>
Total deferred outflows of resources	<u>226,716</u>

Town of Southern Pines, North Carolina
Statement of Fund Net Position - Proprietary Fund
June 30, 2019

Exhibit 6
(2 pages)

	Business-Type Activities - Enterprise Major Fund Water and Sewer
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 439,824
Compensated absences - current	28,506
Installment purchases - current	562,910
Accrued liabilities	32,579
Security deposits	79,580
	<u>1,143,399</u>
Total current liabilities	
Noncurrent liabilities	
Compensated absences	966
Installment purchases	715,725
Net pension liability	294,727
	<u>1,011,418</u>
Total liabilities	<u>2,154,817</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>12,037</u>
NET POSITION	
Net investment in capital assets	33,892,745
Unrestricted	15,587,824
	<u>49,480,569</u>
Total net position	<u>\$ 49,480,569</u>

Town of Southern Pines, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2019

Exhibit 7

	Major Fund Water and Sewer
Operating revenues	
Charges for sales and services	\$ 8,221,653
Operating expenses	
Billings and collection	429,704
Water treatment	1,366,744
Sewage treatment	1,993,421
Water extensions and maintenance	756,743
Sewer extensions and maintenance	762,904
Chargeout for administrative expenses	1,021,577
Depreciation and amortization	1,871,348
Total operating expenses	8,202,441
Operating income	19,212
Nonoperating revenues (expenses)	
Impact fees	154,415
System development fees	265,280
Interest on investments	235,043
BAB interest rebate	9,968
Gain on disposal of capital assets	405,274
Interest expense	(44,230)
Total nonoperating revenues (expenses)	1,025,750
Income before capital contributions and transfers	1,044,962
Capital contributions	332,569
Transfers to other funds	(1,749)
Change in net position	1,375,782
Total net position, beginning of year	48,104,787
Net position, end of year	\$ 49,480,569

Town of Southern Pines, North Carolina
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2019

Exhibit 8
(2 pages)

	<u>Major Fund</u> <u>Water and</u> <u>Sewer</u>
Cash flows from operating activities	
Cash received from customers and users	\$ 8,068,284
Cash paid for goods and services	(5,081,234)
Cash paid to or on behalf of employees for services	(1,113,408)
Customer deposit refunded	(44,610)
Customer deposits received	41,045
	<u>1,870,077</u>
Net cash provided by operating activities	
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(819,478)
Proceeds from sale of capital assets	419,674
Impact fees	154,415
System development fees	265,280
Principal paid on installment purchase obligation	(546,697)
Interest paid on installment purchase obligation	(35,131)
	<u>(561,937)</u>
Net cash used by capital and related financing activities	
Cash flows from investing activities	
Interest on investments	200,950
	<u>200,950</u>
Net cash provided by investing activities	
Net increase in cash and cash equivalents	1,509,090
Cash and cash equivalents at beginning of year	12,924,095
Cash and cash equivalents at end of year	<u><u>\$ 14,433,185</u></u>

Town of Southern Pines, North Carolina
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2019

Exhibit 8
(2 pages)

	<u>Major Fund</u> <u>Water and</u> <u>Sewer</u>
Cash and investments per Exhibit 6	
Unrestricted	\$ 11,622,817
Restricted	<u>2,810,368</u>
Total	<u>\$ 14,433,185</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 19,212
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,871,348
Change in assets, deferred outflows of resources, deferred inflows of resources and liabilities:	
(Increase) decrease in:	
Accounts receivable	(153,369)
Deferred outflows of resources for pensions	(82,497)
Prepaid expenses	(250)
Increase (decrease) in:	
Accounts payable and accrued liabilities	130,607
Customer deposits	(3,565)
Accrued vacation pay	(8,920)
Net pension liability	104,122
Deferred inflows of resources for pensions	<u>(6,611)</u>
Total adjustments	<u>1,850,865</u>
Net cash provided by operating activities	<u>\$ 1,870,077</u>

Noncash investing, capital and financing activities:

During fiscal year ended June 30, 2019, the Town received \$161,778 in water and sewer line improvements and \$20,791 of easements from various land developers and individuals. These improvements are recorded as capital contributions.

During fiscal year ended June 30, 2019, the Town transferred equipment with a net book value of \$1,749 from the Water and Sewer Fund to the Governmental activities.

Town of Southern Pines, North Carolina
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

Exhibit 9

	Private-Purpose Trust Fund Virginia Kelly Trust	Agency Funds Cafeteria Plan
ASSETS		
Cash and investments	\$ 25,986	\$ 54,374
Accrued interest	112	234
	<u>\$ 26,098</u>	<u>\$ 54,608</u>
LIABILITIES		
Miscellaneous liabilities	\$ -	\$ 54,608
NET POSITION		
Reserved for payment of death benefits - police	<u>\$ 26,098</u>	

Town of Southern Pines, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2019

Exhibit 10

	Private-Purpose Trust Fund <hr/> Virginia Kelly Trust <hr/>
Revenues	
Investment earnings	\$ 446
Deductions	
Death benefits	\$ -
Net increase	446
Net position, beginning of year, July 1	25,652
Net position, end of year, June 30	\$ 26,098

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, 2019, no other entity is included in the Town's financial statements.

B. Basis of presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

Town of Southern Pines, North Carolina
Notes to Financial Statements

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

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.

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

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

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

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

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

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

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

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

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.

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.

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.

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.

Town of Southern Pines, North Carolina

Notes to Financial Statements

The Town reports the following major enterprise fund:

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

Additionally, the Town reports the following fund types:

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

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

C. Measurement focus and basis of accounting

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

Government-wide, proprietary and fiduciary fund financial statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Agency fund financial statements have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, property tax revenue is recognized in the fiscal year for which the taxes are levied. Revenue from grants, donations and similar items is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund financial statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in law, the State of North Carolina is responsible for billing and collecting the

Town of Southern Pines, North Carolina

Notes to Financial Statements

property taxes on registered vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Southern Pines because the tax is levied by Moore County and then remitted to and distributed by the State. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General, Permanent, and Enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for Governmental Capital Project Funds and the Enterprise Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. During the year, several amendments to the original budget became necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, liabilities, deferred outflows/inflows of resources, and fund equity

(1) Deposits and investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, are measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. Non-participating interest earnings and investment contracts are reported at cost.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Town of Southern Pines, North Carolina

Notes to Financial Statements

(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:

Customer deposits	\$ 462,542
Fire Department Substation	
Unexpended debt proceeds	<u>987,282</u>
Total governmental activities	<u>1,449,824</u>

Business-type activities:

Water and Sewer Fund:

Customer deposits	79,580
Water impact fees	1,999,755
Sewer impact fees	465,300
Water system development fees capital reserve	147,417
Wastewater system development fees capital reserve	<u>118,316</u>
Total business-type activities	<u>2,810,368</u>
Total restricted cash	<u>\$ 4,260,192</u>

(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, 2018.

(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.

Town of Southern Pines, North Carolina

Notes to Financial Statements

(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	15 years

(8) Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plans in the 2019 fiscal year and other pension related deferrals. In addition to liabilities, the Statement of Net Position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category - property taxes receivable, parking lot assessments, other receivables, and pension deferrals.

(9) Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(10) Compensated absences

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

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

(11) Net position/fund balances

Net position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

Restricted fund balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for stabilization by state statute - portion of fund balance that is restricted by State Statute (G.S. 159-8(a)). This statute 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

Town of Southern Pines, North Carolina

Notes to Financial Statements

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.

Committed for public safety - portion of fund balance that can only be used for the construction of a fire substation and for communication equipment and infrastructure for the police and fire departments.

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation and all amendments made to the original ordinance.

Unassigned fund balance - This classification includes the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only fund that reports a positive unassigned fund balance.

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

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

(12) Defined Benefit Cost-Sharing Plan

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

Town of Southern Pines, North Carolina
Notes to Financial Statements

are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

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

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

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)	\$ 63,953,148
Less accumulated depreciation	<u>(22,877,964)</u>
Net capital assets	<u>41,075,184</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>662,549</u>
Net pension-related deferrals (deferred outflows and deferred inflows), excluding contributions to pension plans	<u>1,479,494</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>3,182</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Taxes receivable	11,582
Parking lot assessments	2,305
Other receivables	<u>96,890</u>
Net deferred revenues	<u>110,777</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund financial statements:	
Notes payable	(6,829,607)
Compensated absences	(601,007)
Pension obligations	(4,364,085)
Accrued interest	<u>(40,831)</u>
Liabilities	<u>(11,835,530)</u>
Total adjustment	<u>\$ 31,495,656</u>

Town of Southern Pines, North Carolina
Notes to Financial Statements

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	\$ 5,512,058
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	(1,642,923)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	608,795
Benefit payments paid and administrative expense for the LEOSA are not included in the statement of activities	53,754
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Other	(4,803)
Proceeds from the disposal/transfer of capital assets	(64,829)
Loss on disposal/transfer of capital assets	(176,194)
Transfer of capital assets from the Water & Sewer Fund	1,749
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:	
New long-term debt issued	-
Principal payments	781,876
Decrease in accrued interest	4,744
Compensated absences	(41,650)
Pension expense	(893,260)
Total adjustment	<u>\$ 4,139,317</u>

2. Deposits

All of the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Town of Southern Pines, North Carolina
Notes to Financial Statements

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$11,364,982 and a bank balance of \$11,667,922. Of the bank balance \$1,000,000 was covered by federal depository insurance and \$10,667,922 was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's petty cash fund totaled \$1,050.

3. Investments

At June 30, 2019, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2019</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 16,189,384	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>582,823</u>	0.11 years	Unrated
Total		<u>\$ 16,772,207</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, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments permitted under G.S. 159-30 as amended.

Town of Southern Pines, North Carolina
Notes to Financial Statements

4. Receivables - Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>June 30, 2019</u>
General Fund:	
Taxes receivable	\$ 33,430
Enterprise Fund	<u>9,400</u>
	<u>\$ 42,830</u>

5. Capital Assets

Capital assets activity for the year ended June 30, 2019, was as follows:

<u>Governmental Activities by Type</u>	<u>July 1, 2018</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2019</u>
Capital assets not being amortized or depreciated:				
Land	\$ 12,305,522	\$ -	\$ -	\$ 12,305,522
Intangible assets in progress	143,880	19,729	-	163,609
Construction in progress	<u>1,076,131</u>	<u>5,089,442</u>	<u>(843,264)</u>	<u>5,322,309</u>
	<u>13,525,533</u>	<u>5,109,171</u>	<u>(843,264)</u>	<u>17,791,440</u>
Capital assets being amortized or depreciated:				
Buildings and improvements	16,294,198	52,714	(50,000)	16,296,912
Other improvements	5,568,245	403,939	(2,123)	5,970,061
Infrastructure	14,398,966	334,950	-	14,733,916
Machinery and equipment	676,241	17,192	(31,691)	661,742
Intangible assets - software	167,285	-	-	167,285
Vehicles and motorized equipment	6,348,641	166,163	(305,885)	6,208,919
Furniture, fixtures and other equipment	<u>2,127,860</u>	<u>88,013</u>	<u>(93,000)</u>	<u>2,122,873</u>
	<u>45,581,436</u>	<u>1,062,971</u>	<u>(482,699)</u>	<u>46,161,708</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	4,996,956	334,320	(8,083)	5,323,193
Other improvements	1,699,130	187,770	(1,190)	1,885,710
Infrastructure	9,794,887	390,102	-	10,184,989
Machinery and equipment	358,540	74,358	(31,692)	401,206
Intangible assets - software	44,609	11,153	-	55,762
Vehicles and motorized equipment	3,418,612	481,433	(305,885)	3,594,160
Furniture, fixtures and other equipment	<u>1,348,911</u>	<u>177,033</u>	<u>(93,000)</u>	<u>1,432,944</u>
	<u>21,661,645</u>	<u>1,656,169</u>	<u>(439,850)</u>	<u>22,877,964</u>
Depreciable assets - net	<u>23,919,791</u>	<u>(593,198)</u>	<u>(42,849)</u>	<u>23,283,744</u>
Governmental activities capital assets - net	<u>\$ 37,445,324</u>	<u>\$ 4,515,973</u>	<u>\$ (886,113)</u>	<u>\$ 41,075,184</u>

Town of Southern Pines, North Carolina
Notes to Financial Statements

<u>Governmental Activities by Function</u>	<u>July 1, 2018</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30, 2019</u>
General government	\$ 17,821,671	\$ 86,591	\$ (387,026)	\$ 17,521,236
Public safety	17,004,645	4,678,776	(222,158)	21,461,263
Transportation	15,237,503	757,913	(369,949)	15,625,467
Economic and physical development	267,056	-	(21,860)	245,196
Cultural and recreational	<u>8,776,094</u>	<u>648,862</u>	<u>(324,970)</u>	<u>9,099,986</u>
	<u>59,106,969</u>	<u>6,172,142</u>	<u>(1,325,963)</u>	<u>63,953,148</u>
Less accumulated depreciation and amortization for:				
General government	3,331,473	247,296	(206,660)	3,372,109
Public safety	4,736,524	608,211	(180,241)	5,164,494
Transportation	10,357,877	484,950	-	10,842,827
Economic and physical development	162,862	19,956	(21,860)	160,958
Cultural and recreational	<u>3,072,909</u>	<u>295,756</u>	<u>(31,089)</u>	<u>3,337,576</u>
	<u>21,661,645</u>	<u>1,656,169</u>	<u>(439,850)</u>	<u>22,877,964</u>
Total governmental activities capital assets - net	<u>\$ 37,445,324</u>	<u>\$ 4,515,973</u>	<u>\$ (886,113)</u>	<u>\$ 41,075,184</u>
<u>Business Activities</u>				
Nondepreciable assets:				
Land	\$ 540,533	\$ -	\$ -	\$ 540,533
Intangibles - easements	1,789,279	20,791	-	1,810,070
Construction in progress	<u>2,861,277</u>	<u>646,263</u>	<u>(791,959)</u>	<u>2,715,581</u>
	5,191,089	667,054	(791,959)	5,066,184
Depreciable assets:				
Plant and distribution system	53,999,833	953,738	(558,901)	54,394,670
Buildings	1,424,609	-	-	1,424,609
Equipment	<u>3,933,223</u>	<u>173,214</u>	<u>(30,177)</u>	<u>4,076,260</u>
	<u>59,357,665</u>	<u>1,126,952</u>	<u>(589,078)</u>	<u>59,895,539</u>
Less accumulated depreciation and amortization for:				
Plant and distribution system	25,921,229	1,397,649	(544,501)	26,774,377
Building	372,773	28,492	-	401,265
Equipment	<u>2,197,922</u>	<u>445,207</u>	<u>(28,428)</u>	<u>2,614,701</u>
	<u>28,491,924</u>	<u>1,871,348</u>	<u>(572,929)</u>	<u>29,790,343</u>
Depreciable assets - net	<u>30,865,741</u>	<u>(744,396)</u>	<u>(16,149)</u>	<u>30,105,196</u>
Total business activities capital assets - net	<u>\$ 36,056,830</u>	<u>\$ (77,342)</u>	<u>\$ (808,108)</u>	<u>\$ 35,171,380</u>

Intangible assets

Intangible assets consist of enterprise resource planning software that is being developed for the town and recorded in the Enterprise Information and Document Management (EIDMS) capital project fund. As of June 30, 2019, \$167,285 of this software has been completed and is being used by the Town. This cost is being amortized over 15 years using the straight-line method.

Town of Southern Pines, North Carolina
Notes to Financial Statements

Future amortization is as follows:

Year Ending June 30

2020	\$	11,152
2021		11,152
2022		11,152
2023		11,152
2024		11,152
Thereafter		<u>55,763</u>
	\$	<u>111,523</u>

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Weymouth Woods Pressure Zone Improvements	\$ 62,563	\$ 2,607
System development	37,630	6,640
Warrior Woods Pump Station	49,937	38,563
Fire Station Construction	<u>4,984,147</u>	<u>308,939</u>
Total	<u>\$ 5,134,277</u>	<u>\$ 356,749</u>

6. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:				
General	\$ 344,323	\$ 298,037	\$ 40,831	\$ 683,191
Other governmental	<u>663,922</u>	<u>-</u>	<u>-</u>	<u>663,922</u>
Total governmental activities	<u>\$ 1,008,245</u>	<u>\$ 298,037</u>	<u>\$ 40,831</u>	<u>\$ 1,347,113</u>
Business-type activities:				
Water and sewer	<u>\$ 439,824</u>	<u>\$ 29,891</u>	<u>\$ 2,688</u>	<u>\$ 472,403</u>

7. Pension Plan and Postemployment Obligations

A. Local Governmental Employees' Retirement System

Plan description - The Town of Southern Pines is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns 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

Town of Southern Pines, North Carolina

Notes to Financial Statements

Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6 percent of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.81% 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 \$671,376 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$3,161,858 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, 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

Town of Southern Pines, North Carolina
Notes to Financial Statements

the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.133%, which was an increase of 0.002% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$846,615. At June 30, 2019, 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	\$ 487,799	\$ 16,368
Changes of assumption	839,035	-
Net difference between projected and actual earnings on pension plan investments	434,029	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	112,780
Town contributions subsequent to the measurement date	<u>671,376</u>	<u>-</u>
Total	<u>\$ 2,432,239</u>	<u>\$ 129,148</u>

\$671,376 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 ended June 30, 2020. 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

2020	\$ 794,579
2021	511,831
2022	77,965
2023	247,340
2024	-
Thereafter	-

Actuarial assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Town of Southern Pines, North Carolina
Notes to Financial Statements

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the town's proportionate share of the net pension liability to changes in the discount rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 7,595,055	\$ 3,161,858	\$ (542,592)

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

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.

All full-time County law enforcement officers are covered by the Separation Allowance. At the December 31, 2017 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>38</u>
Total	<u><u>42</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, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

(4) Change in Actuarial Assumptions

On the prior measurement date (December 31, 2017), the Municipal Bond Index Rate, on which the discount rate is based, was 3.16%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 3.64% as of the Measurement Date (December 31, 2018). This resulted in a \$69,333 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

Town of Southern Pines, North Carolina
Notes to Financial Statements

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 \$53,204 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$1,496,954. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$124,240.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,294	\$ -
Changes of assumption	-	12,830
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>25,167</u>	<u>-</u>
Total	<u>\$ 66,461</u>	<u>\$ 12,830</u>

\$24,947 paid as benefits came due and \$220 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, 2020. 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

2020	\$ 6,555
2021	6,555
2022	6,555
2023	7,743
2024	2,095
Thereafter	(1,039)

Sensitivity of the Town's total pension liability to changes in the discount rate - The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.64 percent) or 1 percentage-point higher (4.64 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 1,644,988	\$ 1,496,954	\$ 1,362,354

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

Beginning balance	\$ 1,462,694
Service cost	71,978

Town of Southern Pines, North Carolina
Notes to Financial Statements

Interest on the total pension liability	45,267
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	46,723
Changes of assumptions or other inputs	(69,333)
Benefit payments	(60,375)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,496,954</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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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	\$ 846,615	\$ 124,240	\$ 970,855
Pension liability	3,161,858	1,496,954	4,658,812
Proportionate share of the net pension liability	0.13333%	n/a	
Deferred of outflows of resources			
Differences between expected and actual experience	487,799	41,294	529,093
Changes of assumptions	839,035	-	839,035
Net difference between projected and actual earnings on plan investments	434,029	-	434,029
Benefit payments and administrative costs paid subsequent to the measurement date	671,376	25,167	696,543
Deferred of inflows of resources			
Differences between expected and actual experience	16,368	-	16,368
Changes of assumptions	-	12,830	12,830
Changes in proportion and differences between contributions and proportionate share of contributions	112,780	-	112,780

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The Town made contributions of \$156,789 for the reporting year, which consisted of \$117,714 from the Town and \$39,075 from the law enforcement officers. No amounts were forfeited.

D. Other employment benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, minimum of \$25,000 and not to exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

8. Deferred Compensation Plan

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

All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Town contributes 5% of eligible compensation to the Plan. For the year ended June 30, 2019, contributions to the Plan consisted of \$278,551 from the Town and \$163,627 in voluntary contributions from employees.

9. 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:

	<u>General Fund</u> <u>Balance Sheet</u>
Taxes receivable, less penalties	\$ 11,582
Other receivables	96,890
Special assessments receivable	<u>2,305</u>
Total	<u>\$ 110,777</u>

10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$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.

11. Claims and Judgments

At June 30, 2019, 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.

12. Long-Term Debt

The Town entered into direct placement installment purchase agreements October 2008, December 2010, May 2013, and April 2018 for the construction of a police station and raw water reservoir, implementation of an automatic meter reading system, and construction of a fire station. These assets are pledged as collateral for the debt. Liquidations of compensated absences and net pension obligations for governmental activities occur within the General Fund.

Town of Southern Pines, North Carolina
Notes to Financial Statements

Long-term debt obligations of the Town at June 30, 2019, consisted of the following:

	Serviced by	
	Governmental Activities	Business-Type Activities
Police station; \$6,500,000; issued 2008; due semiannually to 2024; interest at 3.73%; collateralized by police station	\$ 1,950,000	\$ -
Fire substation; issued 2018; due semiannually to 2033; interest at 3.53%; collateralized by fire substation	4,879,607	-
Raw water reservoir; \$3,500,000; issued 2010; due semiannually to 2021; interest at 3.40%; collateralized by real estate	-	603,085
Automatic meter readers; \$1,600,000; issued 2013; due semiannually to 2023; interest at 1.85%; collateralized by equipment	-	675,551
Net pension obligation (LGERS)	2,867,131	294,727
Total pension liability (LEO)	1,496,954	-
Compensated absences	601,007	29,471
Total long-term debt	<u>11,794,699</u>	<u>1,602,834</u>
Total outstanding	11,794,699	1,602,834
Less current portion	<u>(1,067,492)</u>	<u>(591,416)</u>
	<u>\$ 10,727,207</u>	<u>\$ 1,011,418</u>

At June 30, 2019, the Town of Southern Pines had a legal debt margin of \$191,237,117.

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Direct placement					
installment purchases					
Police station	\$ 2,383,333	\$ -	\$ 433,333	\$ 1,950,000	\$ 433,333
Fire substation	5,228,150	-	348,543	4,879,607	348,543
Compensated absences	559,357	307,472	265,822	601,007	285,616
Net pension liability					
(LGERS)	1,812,698	1,054,433	-	2,867,131	-
Total pension liability					
(LEO)	<u>1,462,694</u>	<u>34,260</u>	<u>-</u>	<u>1,496,954</u>	<u>-</u>
	<u>\$ 11,446,232</u>	<u>\$ 1,396,165</u>	<u>\$ 1,047,698</u>	<u>\$ 11,794,699</u>	<u>\$ 1,067,492</u>

Town of Southern Pines, North Carolina
Notes to Financial Statements

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Current Portion of Balance</u>
Business-type activities:					
Direct placement					
installment purchases					
Raw water reservoir	\$ 988,527	\$ -	\$ 385,442	\$ 603,085	\$ 398,659
Automatic meter					
readers	836,805	-	161,254	675,551	164,251
Compensated absences	38,392	28,213	37,134	29,471	28,506
Net pension liability					
(LGERS)	<u>190,605</u>	<u>104,122</u>	<u>-</u>	<u>294,727</u>	<u>-</u>
	<u>\$ 2,054,329</u>	<u>\$ 132,335</u>	<u>\$ 583,830</u>	<u>\$ 1,602,834</u>	<u>\$ 591,416</u>

Compensated absences typically have been liquidated in the general fund. The net pension obligation for governmental activities is expected to be liquidated in the general fund.

The following table summarizes the annual requirements to amortize all long-term debt outstanding excluding vacation pay, the net pension liability (LGERS) and the total pension liability (LEO).

	<u>Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2020	\$ 781,876	\$ 237,868
2021	781,876	209,401
2022	781,876	180,935
2023	781,876	152,468
2024	781,876	124,001
2025-2033	<u>2,920,227</u>	<u>525,978</u>
	<u>\$ 6,829,607</u>	<u>\$ 1,430,651</u>
Business-type activities:		
2020	\$ 562,910	\$ 28,886
2021	371,731	12,164
2022	170,413	5,579
2023	<u>173,582</u>	<u>2,412</u>
	<u>\$ 1,278,636</u>	<u>\$ 49,041</u>

13. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

Governmental:

From the General Fund to the Parking Lot Capital Project Fund for capital project expenditures	\$ 200,000
From the General Fund to the Downtown Park Capital Project Fund for capital project expenditures	35,000
From the General Fund to the Unpaved Streets Capital Project Fund for capital project expenditures	230,000
From the General Fund to the Sidewalk Construction II Capital Project Fund for capital project expenditures	150,000
From the General Fund to the Recreation Improvements Capital Project Fund for capital project expenditures	100,000
From the General Fund to the EIDMS Capital Project Fund for capital project expenditures	125,000
From the General Fund to the Storm Water Improvements Capital Project Fund for capital project expenditures	100,000
From the General Fund to the Facility Modernization Capital Project Fund for capital project expenditures	102,750
From the Patrick Road Capital Project Fund to the Fire Department Substation Capital Project Fund for capital project expenditures	<u>72,000</u>
Total governmental	<u>1,114,750</u>

Business-type:

From the Water and Sewer Fund to the Warrior Woods Lift Station Capital Projects Fund for capital project expenditures	1,055,000
From the Water and Sewer Fund to the East Morganton Road Water Line Replacement Capital Projects Fund for capital project expenditures	378,340
From the Water and Sewer Fund to the Water and Sewer Capital Projects Fund for capital project expenditures	636,250
From the Water and Sewer Fund to the General Fund for transfers of equipment	<u>1,749</u>
Total business-type	<u>2,071,339</u>
Total transfers	<u>\$ 3,186,089</u>

14. Fund Balance

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

Total fund balance - General Fund	\$ 11,122,282
Less:	
Inventories	34,399
Prepaid items	93,253
Stabilization by State Statute	1,738,805
Appropriated fund balance in 2020 budget	2,448,943
Fund balance policy	<u>5,073,301</u>
Remaining fund balance	<u>\$ 1,733,581</u>

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

15. Related Organization

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

16. Summary Disclosure of Significant Contingencies

Federal and state-assisted programs

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

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 Six Fiscal Years

Schedule 1

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 671,376	\$ 616,826	\$ 603,339	\$ 520,306	\$ 525,694	\$ 499,274
Contributions in relation to the contractually required contribution	<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>
The Town's covered-payroll	\$ 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	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 Six Fiscal Years

Schedule 2

	2019	2018	2017	2016	2015	2014
The Town's proportion of the net pension liability (asset) (%)	0.1333%	0.1311%	0.1408%	0.1438%	-0.1420%	0.1323%
The Town's proportion of the net pension liability (asset) (\$)	\$ 3,161,858	\$ 2,003,303	\$ 2,988,884	\$ 645,500	\$ (837,439)	\$ 1,594,723
The Town's covered payroll	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	39.73%	24.88%	39.49%	8.79%	-11.94%	24.14%
Plan fiduciary net position as a percentage of the total pension liability**	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 Three Fiscal Years

Schedule 3

	2019	2018	2017
Beginning balance	\$ 1,462,694	\$ 1,300,931	\$ 1,270,092
Service Cost	71,978	60,240	64,204
Interest on the total pension liability	45,267	49,285	44,634
Differences between expected and actual experience in the measurement of the total pension liability	46,723	2,915	-
Changes of assumptions or other inputs	(69,333)	97,533	(38,313)
Benefit payments	(60,375)	(48,210)	(39,686)
Ending balance of the total pension liability	<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 Payroll
Last Three Fiscal Years

Schedule 4

	2019	2018	2017
Total pension liability	\$ 1,496,954	\$ 1,462,694	\$ 1,300,931
Covered payroll	2,197,919	2,120,993	2,119,195
Total pension liability as a percentage of covered payroll	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.

***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, 2019 and June 30, 2018

Schedule 5

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and investments	\$ 9,898,185	\$ 9,276,162
Receivables, net		
Property taxes	11,582	17,247
Due from other governments	1,333,536	1,194,955
Accounts receivable	340,348	335,406
Accrued interest receivable	44,048	21,039
Sales tax receivable	117,763	134,556
Parking lot assessments receivable	2,305	2,305
Inventory	34,399	27,432
Prepays	93,253	95,581
Restricted assets:		
Cash and investments	462,542	477,527
Total assets	<u><u>\$ 12,337,961</u></u>	<u><u>\$ 11,582,210</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 332,949	\$ 326,425
Accrued liabilities:		
Other	309,411	335,923
Security deposits	462,542	477,527
Total liabilities	<u>1,104,902</u>	<u>1,139,875</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes receivable	11,582	17,247
Parking lot assessments	2,305	2,305
Other	96,890	93,979
Total deferred inflows of resources	<u>110,777</u>	<u>113,531</u>
FUND BALANCE		
Nonspendable:		
Inventory	34,399	27,432
Prepays	93,253	95,581
Restricted:		
Stabilization by State Statute	1,738,805	1,591,977
Assigned:		
Subsequent year's expenditures	2,448,943	2,214,994
Unassigned	6,806,882	6,398,820
Total fund balances	<u>11,122,282</u>	<u>10,328,804</u>
	<u><u>\$ 12,337,961</u></u>	<u><u>\$ 11,582,210</u></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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 6
(5 pages)

	2019		2018
	Budget	Actual	Variance Favorable (Unfavorable)
			Actual
Revenues			
Ad valorem taxes:			
Current year		\$ 9,954,525	\$ 9,623,389
Prior years		17,767	27,277
Penalties and interest		17,599	19,817
	<u>\$ 9,633,039</u>	<u>9,989,891</u>	<u>\$ 9,670,483</u>
Other taxes and licenses:			
ABC mixed beverage		196,226	178,188
Solid waste disposal tax		9,754	9,344
Privilege licenses		2,870	2,405
Lease vehicles		49,983	55,428
	<u>213,500</u>	<u>258,833</u>	<u>245,365</u>
Unrestricted intergovernmental revenues:			
Local option sales tax		3,776,312	3,505,099
Video programming tax		151,120	159,510
Franchise tax		1,110,853	1,055,286
Beer and wine		60,397	59,581
	<u>4,074,000</u>	<u>5,098,682</u>	<u>4,779,476</u>
Restricted intergovernmental revenues:			
State Aid - Library Grant		6,138	15,793
Powell Bill allocation		403,744	405,234
Recreation grants		1,350	1,400
FEMA grants		174,887	-
Fire safer		102,839	-
Police grants		8,135	2,321
Fire on-behalf payments		9,123	-
	<u>512,790</u>	<u>706,216</u>	<u>424,748</u>
Permits and fees:			
Building permits		49,902	41,095
Inspection fees		329,608	359,180
Fire and Police Dept. fees		127,078	75,918
Public works fees		32,982	14,220
Street department fees		43,690	45,234
	<u>422,250</u>	<u>583,260</u>	<u>535,647</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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 6
(5 pages)

	2019		2018
	Budget	Actual	Variance Favorable (Unfavorable)
			Actual
Revenues			
Sales and services:			
Rents		\$ 318,647	\$ 336,332
Court facilities fees		515	-
County disposal fee		701,310	596,169
Recreation department fees		209,450	209,294
Library fees		46,157	43,685
Reservoir park usage fees		6,000	6,000
	<u>\$ 1,210,699</u>	<u>1,282,079</u>	<u>\$ 1,191,480</u>
Investment earnings	<u>100,000</u>	<u>211,233</u>	<u>111,233</u>
Other:			
Cemetery		1,750	1,250
Fire department donations		25,958	12,095
Fire district revenue		488,155	504,122
Court costs		2,768	4,324
Demolition liens		-	350
Miscellaneous		91,188	96,500
	<u>568,449</u>	<u>609,819</u>	<u>41,370</u>
Total revenues	<u>16,734,727</u>	<u>18,740,013</u>	<u>2,005,286</u>
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits		27,238	28,471
Operating expenditures		72,864	116,334
Professional services		66,000	66,052
Membership dues		22,633	22,509
	<u>208,053</u>	<u>188,735</u>	<u>19,318</u>
Administration:			
Salaries and employee benefits		519,196	503,439
Operating expenditures		97,521	94,600
	<u>679,283</u>	<u>616,717</u>	<u>62,566</u>
Finance:			
Salaries and employee benefits		490,692	418,866
Operating expenditures		235,755	242,346
	<u>766,399</u>	<u>726,447</u>	<u>39,952</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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 6
(5 pages)

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Information technology:				
Salaries and employee benefits		\$ 226,520		\$ 218,243
Contract Services		357,592		301,389
Operating expenditures		145,193		158,163
Capital outlay		-		65,265
	<u>\$ 771,911</u>	<u>729,305</u>	<u>\$ 42,606</u>	<u>743,060</u>
Administrative chargeback	<u>(1,021,577)</u>	<u>(1,021,577)</u>	<u>-</u>	<u>(986,277)</u>
Public works:				
Salaries and employee benefits		190,513		377,754
Operating expenditures		43,143		33,181
Contract services		1,826,155		1,539,181
Capital outlay		32,478		-
	<u>2,191,428</u>	<u>2,092,289</u>	<u>99,139</u>	<u>1,950,116</u>
Building and grounds:				
Salaries and employee benefits		1,035,973		947,947
Vehicle maintenance		5,917		11,514
Contract Services		66,148		47,250
Operating expenditures		559,950		512,802
Capital outlay		52,714		177,834
	<u>1,970,879</u>	<u>1,720,702</u>	<u>250,177</u>	<u>1,697,347</u>
Garage:				
Salaries and employee benefits		254,047		257,827
Operating expenditures		57,741		57,381
Capital outlay		-		21,339
	<u>343,694</u>	<u>311,788</u>	<u>31,906</u>	<u>336,547</u>
Total general government	<u>5,910,070</u>	<u>5,364,406</u>	<u>545,664</u>	<u>5,233,410</u>
Public safety:				
Police				
Salaries and employee benefits		3,739,187		3,444,842
Operating expenditures		755,898		765,451
Capital outlay		42,883		531,429
	<u>4,796,602</u>	<u>4,537,968</u>	<u>258,634</u>	<u>4,741,722</u>
Fire:				
Salaries and employee benefits		1,959,341		1,722,317
Operating expenditures		336,948		377,040
Capital outlay		90,803		567,316
	<u>2,467,257</u>	<u>2,387,092</u>	<u>80,165</u>	<u>2,666,673</u>
Total public safety	<u>7,263,859</u>	<u>6,925,060</u>	<u>338,799</u>	<u>7,408,395</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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 6
(5 pages)

	2019		2018
	Budget	Actual	Variance Favorable (Unfavorable)
			Actual
Transportation:			
Street maintenance:			
Salaries and employee benefits		\$ 511,951	\$ 504,112
Operating expenditures		339,577	363,985
Paving		365,027	364,310
Contract services		33,716	32,980
Capital outlay		73,018	29,644
	<u>\$ 1,423,639</u>	<u>1,323,289</u>	<u>\$ 100,350</u>
			1,295,031
Total transportation	<u>1,423,639</u>	<u>1,323,289</u>	<u>100,350</u>
			1,295,031
Economic and physical development:			
Planning and development:			
Salaries and employee benefits		563,418	522,138
Contract services		5,886	8,687
Operating expenditures		51,717	51,692
Capital outlay		-	31,550
	<u>648,615</u>	<u>621,021</u>	<u>27,594</u>
			614,067
Total economic and physical development	<u>648,615</u>	<u>621,021</u>	<u>27,594</u>
			614,067
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		444,961	446,991
Contract services		94,384	76,532
Operating expenditures		156,481	158,775
Capital outlay		110,990	109,627
	<u>924,566</u>	<u>806,816</u>	<u>117,750</u>
			791,925
Libraries:			
Salaries and employee benefits		639,993	609,154
Contract services		33,289	41,309
Operating expenditures		83,198	118,960
Books and periodicals		123,331	125,734
	<u>948,819</u>	<u>879,811</u>	<u>69,008</u>
			895,157
Total cultural and recreational	<u>1,873,385</u>	<u>1,686,627</u>	<u>186,758</u>
			1,687,082

Town of Southern Pines, North Carolina
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 6
(5 pages)

	2019		2018
	Budget	Actual	Variance Favorable (Unfavorable)
Debt service:			
Principal retirement		\$ 781,876	\$ 552,196
Interest		266,335	101,675
	<u>\$ 1,048,213</u>	<u>1,048,211</u>	<u>\$ 2</u>
Total debt service	<u>1,048,213</u>	<u>1,048,211</u>	<u>2</u>
Total expenditures	<u>18,167,781</u>	<u>16,968,614</u>	<u>1,199,167</u>
Revenues over (under) expenditures	<u>(1,433,054)</u>	<u>1,771,399</u>	<u>3,204,453</u>
Other financing sources (uses)			
Transfers to other funds:			
Capital Projects Funds	(1,042,750)	(1,042,750)	-
Sale of capital assets	15,000	64,829	49,829
Total other financing uses	<u>(1,027,750)</u>	<u>(977,921)</u>	<u>49,829</u>
Revenues over (under) expenditures and other financing uses	<u>(2,460,804)</u>	<u>793,478</u>	<u>3,254,282</u>
Fund balance appropriated	<u>2,460,804</u>	<u>-</u>	<u>(2,460,804)</u>
Net change in fund balance	<u>\$ -</u>	<u>793,478</u>	<u>\$ 793,478</u>
Fund balance, beginning of year, July 1		<u>10,328,804</u>	<u>10,446,250</u>
Fund balance, end of year, June 30		<u>\$ 11,122,282</u>	<u>\$ 10,328,804</u>

Major Capital Project Fund

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:

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

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Fire Department Substation)
From Inception and for the Year Ended June 30, 2019

Schedule 7

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ 2,886	\$ 21,198	\$ 64,105	\$ 85,303	\$ 82,417
	<u>2,886</u>	<u>21,198</u>	<u>64,105</u>	<u>85,303</u>	<u>82,417</u>
Expenditures					
Public safety:					
Construction	6,131,450	1,108,154	4,492,377	5,600,531	530,919
	<u>6,131,450</u>	<u>1,108,154</u>	<u>4,492,377</u>	<u>5,600,531</u>	<u>530,919</u>
Revenues under expenditures	<u>(6,128,564)</u>	<u>(1,086,956)</u>	<u>(4,428,272)</u>	<u>(5,515,228)</u>	<u>613,336</u>
Other financing sources					
Installment purchase obligations issued	5,228,150	5,228,150	-	5,228,150	-
Transfers from:					
General Fund	468,300	468,300	-	468,300	-
Capital Projects Fund-					
Police Expansion Fund	360,114	360,113	-	360,113	(1)
Capital Projects Fund-					
Patrick Road	72,000	-	72,000	72,000	-
	<u>6,128,564</u>	<u>6,056,563</u>	<u>72,000</u>	<u>6,128,563</u>	<u>(1)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 4,969,607</u>	<u>(4,356,272)</u>	<u>\$ 613,335</u>	<u>\$ 613,335</u>
Fund balance, beginning of year, July 1			<u>4,969,607</u>		
Fund balance, end of year, June 30			<u>\$ 613,335</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.
- Fiber Optics - accounts for funds to be used in building fiber connections between Town buildings.
- Storm Water Improvements - accounts for funds used for the design and installation of storm water infrastructure.
- Road Construction - accounts for funds used for construction and improvement of roads.
- Enterprise Information and Document Management System (EIDMS) - accounts for funds used for the purchase and implementation of Enterprise Resource Planning software.
- Patrick Road - accounts for funds used for construction and improvements of Patrick Road.
- Bike Transport - accounts for funds used for the construction of bike lanes.
- Pool Park - accounts for funds used for the renovation of the existing pool park.
- Downtown Park - accounts for funds used for the renovation of the existing downtown park.
- 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.
- General Capital Reserve - used to account for resources accumulated for ongoing or future capital projects

Town of Southern Pines, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Schedule 8
(4 pages)

	Capital Projects Funds			
	Nicks Creek Parkway	Open Space and Greenways	Fiber Optics	Storm Water Improvements
ASSETS				
Cash and investments	\$ 73,809	\$ 52,717	\$ -	\$ 172,297
Accounts Receivable	-	-	-	-
Sales tax receivable	-	-	-	-
Accrued Interest	317	227	-	741
	<u>\$ 74,126</u>	<u>\$ 52,944</u>	<u>\$ -</u>	<u>\$ 173,038</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Payables	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable:				
Perpetual maintenance	-	-	-	-
Restricted:				
Stabilization by State Statute	317	227	-	741
Committed:				
Capital Projects	<u>73,809</u>	<u>52,717</u>	<u>-</u>	<u>172,297</u>
Total fund balance	<u>74,126</u>	<u>52,944</u>	<u>-</u>	<u>173,038</u>
	<u>\$ 74,126</u>	<u>\$ 52,944</u>	<u>\$ -</u>	<u>\$ 173,038</u>

Capital Projects Funds					
Road Construction	EIDMS	Patrick Road	Bike Transport	Pool Park	Downtown Park
\$ 27,097	\$ 443,200	\$ -	\$ 240,555	\$ 11,214	\$ 5,634
-	-	-	-	-	-
-	449	-	-	1,311	1,005
117	1,900	-	1,034	49	24
<u>\$ 27,214</u>	<u>\$ 445,549</u>	<u>\$ -</u>	<u>\$ 241,589</u>	<u>\$ 12,574</u>	<u>\$ 6,663</u>
\$ -	\$ 378	\$ -	\$ -	\$ -	\$ -
-	378	-	-	-	-
-	-	-	-	-	-
117	2,349	-	1,034	1,360	1,029
27,097	442,822	-	240,555	11,214	5,634
27,214	445,171	-	241,589	12,574	6,663
<u>\$ 27,214</u>	<u>\$ 445,549</u>	<u>\$ -</u>	<u>\$ 241,589</u>	<u>\$ 12,574</u>	<u>\$ 6,663</u>

Town of Southern Pines, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

Schedule 8
(4 pages)

Capital Projects Funds			
	Unpaved Street	Sidewalk Construction II	Recreational Improvements
ASSETS			
Cash and investments	\$ 276,645	\$ 158,977	\$ 6,293
Accounts Receivable	-	-	-
Sales tax receivable	-	-	5,342
Accrued Interest	1,190	684	27
	<u>\$ 277,835</u>	<u>\$ 159,661</u>	<u>\$ 11,662</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Payables	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance			
Nonspendable:			
Perpetual maintenance	-	-	-
Restricted:			
Stabilization by State Statute	1,190	684	5,369
Committed:			
Capital Projects	<u>276,645</u>	<u>158,977</u>	<u>6,293</u>
Total fund balance	<u>277,835</u>	<u>159,661</u>	<u>11,662</u>
	<u>\$ 277,835</u>	<u>\$ 159,661</u>	<u>\$ 11,662</u>

Capital Projects Funds				Permanent Fund	Total Non-Major Governmental Funds
Building Renovation	Parking Lot Project	Facility Modernization	General Capital Reserve	Cemetery Perpetual Care	
\$ -	\$ 202,489	\$ 102,735	\$ 203,354	\$ 77,603	\$ 2,054,619
-	-	-	-	-	-
-	-	-	-	-	8,107
-	870	442	875	333	8,830
<u>\$ -</u>	<u>\$ 203,359</u>	<u>\$ 103,177</u>	<u>\$ 204,229</u>	<u>\$ 77,936</u>	<u>\$ 2,071,556</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378
-	-	-	-	-	378
-	-	-	-	77,603	77,603
-	870	442	875	333	16,937
-	202,489	102,735	203,354	-	1,976,638
-	203,359	103,177	204,229	77,936	2,071,178
<u>\$ -</u>	<u>\$ 203,359</u>	<u>\$ 103,177</u>	<u>\$ 204,229</u>	<u>\$ 77,936</u>	<u>\$ 2,071,556</u>

Town of Southern Pines, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2019

Schedule 9
(4 pages)

	Capital Projects Funds			
	Nicks Creek Parkway	Open Space and Greenways	Fiber Optics	Storm Water Improvements
Revenues				
Investment earnings	\$ 1,263	\$ 902	\$ 88	\$ 3,580
Grant proceeds	-	-	-	-
Sale of plots	-	-	-	-
	<u>1,263</u>	<u>902</u>	<u>88</u>	<u>3,580</u>
Expenditures				
General government	-	-	17,193	-
Cultural and recreational	-	-	-	-
Transportation	-	-	-	334,950
	<u>-</u>	<u>-</u>	<u>17,193</u>	<u>334,950</u>
Revenues over (under) expenditures	<u>1,263</u>	<u>902</u>	<u>(17,105)</u>	<u>(331,370)</u>
Other financing sources (uses)				
Transfers (to) from:				
General fund	-	-	-	100,000
General capital reserve fund	-	-	(2,120)	-
Fire Department Substation fund	-	-	-	-
Storm Water Improvements fund	-	-	-	-
EIDMS fund	-	-	-	-
Bike Transport fund	-	-	-	-
Fiber Optics fund	-	-	-	-
Patrick Road fund	-	-	-	50,000
Library HVAC fund	-	-	-	-
CDBG TYR Tactical fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(2,120)</u>	<u>150,000</u>
Net change in fund balance	1,263	902	(19,225)	(181,370)
Fund balance, beginning of year, July 1	<u>72,863</u>	<u>52,042</u>	<u>19,225</u>	<u>354,408</u>
Fund balance, end of year, June 30	<u>\$ 74,126</u>	<u>\$ 52,944</u>	<u>\$ -</u>	<u>\$ 173,038</u>

Capital Projects Funds					
Road Construction	EIDMS	Patrick Road	Bike Transport	Pool Park	Downtown Park
\$ 464	\$ 5,640	\$ 5,200	\$ 2,430	\$ 606	\$ 682
-	-	-	-	-	-
-	-	-	-	-	-
464	5,640	5,200	2,430	606	682
-	19,729	-	-	-	-
-	-	-	-	107,849	42,915
-	-	82,859	-	-	-
-	19,729	82,859	-	107,849	42,915
464	(14,089)	(77,659)	2,430	(107,243)	(42,233)
-	125,000	-	-	-	35,000
-	-	(80,773)	-	-	-
-	-	(72,000)	-	-	-
-	-	(50,000)	-	-	-
-	-	(49,985)	-	-	-
-	-	(138,000)	-	-	-
-	-	-	-	-	-
-	49,985	-	138,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	174,985	(390,758)	138,000	-	35,000
464	160,896	(468,417)	140,430	(107,243)	(7,233)
26,750	284,275	468,417	101,159	119,817	13,896
\$ 27,214	\$ 445,171	\$ -	\$ 241,589	\$ 12,574	\$ 6,663

Town of Southern Pines, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2019

Schedule 9
(4 pages)

	Capital Projects Funds		
	Unpaved Street	Sidewalk Construction II	Recreational Improvements
Revenues			
Investment earnings	\$ 4,613	\$ 2,614	\$ 1,504
Grant proceeds	-	-	-
Sale of plots	-	-	-
	<u>4,613</u>	<u>2,614</u>	<u>1,504</u>
Expenditures			
General government	-	-	-
Cultural and recreational	-	-	94,159
Transportation	-	-	-
	<u>-</u>	<u>-</u>	<u>94,159</u>
Revenues over (under) expenditures	<u>4,613</u>	<u>2,614</u>	<u>(92,655)</u>
Other financing sources (uses)			
Transfers (to)/from:			
General fund	230,000	150,000	100,000
General capital reserve fund	-	-	-
Fire Department Substation fund	-	-	-
Storm Water Improvements fund	-	-	-
EIDMS fund	-	-	-
Bike Transport fund	-	-	-
Fiber Optics fund	-	-	-
Patrick Road fund	-	-	-
Library HVAC fund	-	-	-
CDBG TYR Tactical fund	-	-	-
	<u>230,000</u>	<u>150,000</u>	<u>100,000</u>
Net change in fund balance	234,613	152,614	7,345
Fund balance, beginning of year, July 1	<u>43,222</u>	<u>7,047</u>	<u>4,317</u>
Fund balance, end of year, June 30	<u>\$ 277,835</u>	<u>\$ 159,661</u>	<u>\$ 11,662</u>

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
Building Renovation	Parking Lot Project	Facility Modernization	General Capital Reserve	Cemetery Perpetual Care	
\$ -	\$ 3,359	\$ 427	\$ 2,479	\$ 1,295	\$ 37,146
-	-	-	-	-	-
-	-	-	-	3,950	3,950
-	3,359	427	2,479	5,245	41,096
-	-	-	-	-	36,922
-	-	-	-	-	244,923
-	-	-	-	-	417,809
-	-	-	-	-	699,654
-	3,359	427	2,479	5,245	(658,558)
-	200,000	102,750	-	-	1,042,750
-	-	-	-	-	(82,893)
-	-	-	-	-	(72,000)
-	-	-	-	-	(50,000)
-	-	-	-	-	(49,985)
-	-	-	-	-	(138,000)
-	-	-	2,120	-	2,120
-	-	-	80,773	-	318,758
-	-	-	-	-	-
-	-	-	-	-	-
-	200,000	102,750	82,893	-	970,750
-	203,359	103,177	85,372	5,245	312,192
-	-	-	118,857	72,691	1,758,986
\$ -	\$ 203,359	\$ 103,177	\$ 204,229	\$ 77,936	\$ 2,071,178

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, 2019

Schedule 10

	<u>Project Authorization</u>	<u>Actual</u> <u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Investment earnings	\$ 15,000	\$ 15,863	\$ 1,263	\$ 17,126	\$ 2,126
	<u>15,000</u>	<u>15,863</u>	<u>1,263</u>	<u>17,126</u>	<u>2,126</u>
Expenditures					
Transportation:					
Construction	72,000	-	-	-	72,000
	<u>72,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,000</u>
Revenues over over (under) expenditures	<u>(57,000)</u>	<u>15,863</u>	<u>1,263</u>	<u>17,126</u>	<u>74,126</u>
Other financing sources					
Land exchange proceeds	57,000	57,000	-	57,000	-
	<u>57,000</u>	<u>57,000</u>	<u>-</u>	<u>57,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 72,863</u>	<u>1,263</u>	<u>\$ 74,126</u>	<u>\$ 74,126</u>
Fund balance, beginning of year, July 1			<u>72,863</u>		
Fund balance end of year, June 30			<u>\$ 74,126</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, 2019

Schedule 11

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ 9,700	\$ 10,297	\$ 902	\$ 11,199	\$ 1,499
	<u>9,700</u>	<u>10,297</u>	<u>902</u>	<u>11,199</u>	<u>1,499</u>
Expenditures					
Cultural and recreational Construction	135,700	84,255	-	84,255	51,445
	<u>135,700</u>	<u>84,255</u>	<u>-</u>	<u>84,255</u>	<u>51,445</u>
Revenues over (under) expenditures	<u>(126,000)</u>	<u>(73,958)</u>	<u>902</u>	<u>(73,056)</u>	<u>52,944</u>
Other financing sources					
Transfers from:					
Capital Projects Fund - road construction	126,000	126,000	-	126,000	-
	<u>126,000</u>	<u>126,000</u>	<u>-</u>	<u>126,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 52,042</u>	<u>902</u>	<u>\$ 52,944</u>	<u>\$ 52,944</u>
Fund balance, beginning of year, July 1			<u>52,042</u>		
Fund balance, end of year, June 30			<u>\$ 52,944</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Fiber Optics)
From Inception and for the Year Ended June 30, 2019

Schedule 12

	<u>Project Authorization</u>	<u>Actual</u> <u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Investment earnings	\$ 19,820	\$ 19,732	\$ 88	\$ 19,820	\$ -
	<u>19,820</u>	<u>19,732</u>	<u>88</u>	<u>19,820</u>	<u>-</u>
Expenditures					
General Government:					
Construction	620,116	602,923	17,193	620,116	-
	<u>620,116</u>	<u>602,923</u>	<u>17,193</u>	<u>620,116</u>	<u>-</u>
Revenues under expenditures	(600,296)	(583,191)	(17,105)	(600,296)	-
Other financing sources (uses)					
Transfers from:					
General Fund	229,416	229,416	-	229,416	-
Capital Projects Fund - Police Station	373,000	373,000	-	373,000	-
Transfers to:					
General Capital Reserve	(2,120)	-	(2,120)	(2,120)	-
	<u>600,296</u>	<u>602,416</u>	<u>(2,120)</u>	<u>600,296</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 19,225</u>	<u>(19,225)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1			<u>19,225</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 (Storm Water Improvements)
From Inception and for the Year Ended June 30, 2019

Schedule 13

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ 22,500	\$ 29,762	\$ 3,580	\$ 33,342	\$ 10,842
	<u>22,500</u>	<u>29,762</u>	<u>3,580</u>	<u>33,342</u>	<u>10,842</u>
Expenditures					
Transportation:					
Construction	571,500	74,354	334,950	409,304	162,196
	<u>571,500</u>	<u>74,354</u>	<u>334,950</u>	<u>409,304</u>	<u>162,196</u>
Revenues under expenditures	<u>(549,000)</u>	<u>(44,592)</u>	<u>(331,370)</u>	<u>(375,962)</u>	<u>173,038</u>
Other financing sources					
Transfers from:					
Capital Projects Fund -					
Patrick Road	50,000	-	50,000	50,000	-
General Fund	<u>499,000</u>	<u>399,000</u>	<u>100,000</u>	<u>499,000</u>	<u>-</u>
	<u>549,000</u>	<u>399,000</u>	<u>150,000</u>	<u>549,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 354,408</u>	<u>(181,370)</u>	<u>\$ 173,038</u>	<u>\$ 173,038</u>
Fund balance, beginning of year, July 1			<u>354,408</u>		
Fund balance, end of year, June 30			<u>\$ 173,038</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Road Construction)
From Inception and for the Year Ended June 30, 2019

Schedule 14

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 876	\$ 464	\$ 1,340	\$ 1,340
	-	876	464	1,340	1,340
Expenditures					
Transportation:					
Construction	25,874	-	-	-	25,874
	25,874	-	-	-	25,874
Revenues over (under) expenditures	(25,874)	876	464	1,340	27,214
Other financing sources					
Transfers from:					
Special Revenue					
Fund - Community					
Development					
Block Grant	25,874	25,874	-	25,874	-
	25,874	25,874	-	25,874	-
Revenues and other financing sources over expenditures	\$ -	\$ 26,750	464	\$ 27,214	\$ 27,214
Fund balance, beginning of year, July 1			26,750		
Fund balance, end of year, June 30			\$ 27,214		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

Schedule 15

Capital Projects Fund (Enterprise Information and Document Management System)
From Inception and for the Year Ended June 30, 2019

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ 14,200	\$ 19,823	\$ 5,640	\$ 25,463	\$ 11,263
	<u>14,200</u>	<u>19,823</u>	<u>5,640</u>	<u>25,463</u>	<u>11,263</u>
Expenditures					
General government					
Enterprise Resource					
Planning	<u>861,185</u>	<u>407,548</u>	<u>19,729</u>	<u>427,277</u>	<u>433,908</u>
	<u>861,185</u>	<u>407,548</u>	<u>19,729</u>	<u>427,277</u>	<u>433,908</u>
Revenues under expenditures	<u>(846,985)</u>	<u>(387,725)</u>	<u>(14,089)</u>	<u>(401,814)</u>	<u>445,171</u>
Other financing sources (uses)					
Transfers from:					
General Fund	525,000	400,000	125,000	525,000	-
Capital Projects Fund- Police Station	240,500	240,500	-	240,500	-
Capital Projects Fund- Water and Sewer Fund	256,500	256,500	-	256,500	-
Capital Projects Fund- Patrick Road	49,985	-	49,985	49,985	-
Transfers to:					
Capital Projects Fund- Library HVAC Fund	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>	<u>(225,000)</u>	<u>-</u>
	<u>846,985</u>	<u>672,000</u>	<u>174,985</u>	<u>846,985</u>	<u>-</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 284,275</u>	160,896	<u>\$ 445,171</u>	<u>\$ 445,171</u>
Fund balance, beginning of year, July 1			<u>284,275</u>		
Fund balance, end of year, June 30			<u>\$ 445,171</u>		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Patrick Road)
From Inception and for the Year Ended June 30, 2019

Schedule 16

	<u>Project Authorization</u>	<u>Actual</u> <u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Investment earnings	\$ 52,626	\$ 47,426	\$ 5,200	\$ 52,626	\$ -
	<u>52,626</u>	<u>47,426</u>	<u>5,200</u>	<u>52,626</u>	<u>-</u>
Expenditures					
Transportation:					
Contractual services	82,859	-	82,859	82,859	-
Construction	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
	<u>117,859</u>	<u>35,000</u>	<u>82,859</u>	<u>117,859</u>	<u>-</u>
Revenues over (under) expenditures	<u>(65,233)</u>	<u>12,426</u>	<u>(77,659)</u>	<u>(65,233)</u>	<u>-</u>
Other financing sources (uses)					
Transfers from:					
Capital Projects Fund- Road Construction	455,991	455,991	-	455,991	-
Transfers to:					
Capital Projects Fund- EIDMS	(49,985)	-	(49,985)	(49,985)	-
Capital Projects Fund- Storm Water Improvements	(50,000)	-	(50,000)	(50,000)	-
Capital Projects Fund- Bike Transport	(138,000)	-	(138,000)	(138,000)	-
Capital Projects Fund- Fire Department Substation	(72,000)	-	(72,000)	(72,000)	-
Capital Projects Fund- General Capital Reserve	<u>(80,773)</u>	<u>-</u>	<u>(80,773)</u>	<u>(80,773)</u>	<u>-</u>
	<u>65,233</u>	<u>455,991</u>	<u>(390,758)</u>	<u>65,233</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 468,417</u>	<u>(468,417)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year, July 1			<u>468,417</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 (Bike Transport)
From Inception and for the Year Ended June 30, 2019

Schedule 17

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 2,833	\$ 2,430	\$ 5,263	\$ 5,263
	-	2,833	2,430	5,263	5,263
Expenditures					
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)	(38,841)	2,430	(36,411)	241,589
Other financing sources					
Transfers from:					
General fund	140,000	140,000	-	140,000	-
Capital Projects Fund- Patrick Road	138,000	-	138,000	138,000	-
	278,000	140,000	138,000	278,000	-
Revenues and other financing sources over expenditures	\$ -	\$ 101,159	140,430	\$ 241,589	\$ 241,589
Fund balance, beginning of year, July 1			101,159		
Fund balance, end of year, June 30			\$ 241,589		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Pool Park)
From Inception and for the Year Ended June 30, 2019

Schedule 18

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 4,195	\$ 606	\$ 4,801	\$ 4,801
	-	4,195	606	4,801	4,801
Expenditures					
Cultural and recreational: Construction	437,861	322,239	107,849	430,088	7,773
	437,861	322,239	107,849	430,088	7,773
Revenues over (under) expenditures	(437,861)	(318,044)	(107,243)	(425,287)	12,574
Other financing sources					
Transfers from: General Fund	437,861	437,861	-	437,861	-
	437,861	437,861	-	437,861	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 119,817	(107,243)	\$ 12,574	\$ 12,574
Fund balance, beginning of year, July 1			119,817		
Fund balance, end of year, June 30			\$ 12,574		

Town of Southern Pines, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund (Downtown Park)
From Inception and for the Year Ended June 30, 2019

Schedule 19

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 3,032	\$ 682	\$ 3,714	\$ 3,714
	-	3,032	682	3,714	3,714
Expenditures					
Cultural and recreational: Construction	785,000	739,136	42,915	782,051	2,949
	785,000	739,136	42,915	782,051	2,949
Revenues under expenditures	(785,000)	(736,104)	(42,233)	(778,337)	6,663
Other financing sources					
Transfers from: General Fund	785,000	750,000	35,000	785,000	-
	785,000	750,000	35,000	785,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 13,896	(7,233)	\$ 6,663	\$ 6,663
Fund balance, beginning of year, July 1			13,896		
Fund balance, end of year, June 30			\$ 6,663		

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, 2019

Schedule 20

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 2,538	\$ 4,613	\$ 7,151	\$ 7,151
	-	2,538	4,613	7,151	7,151
Expenditures					
Transportation:					
Construction	657,500	386,816	-	386,816	270,684
	657,500	386,816	-	386,816	270,684
Revenues over (under) expenditures	(657,500)	(384,278)	4,613	(379,665)	277,835
Other financing sources					
Transfers from:					
General Fund	657,500	427,500	230,000	657,500	-
	657,500	427,500	230,000	657,500	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 43,222	234,613	\$ 277,835	\$ 277,835
Fund balance, beginning of year, July 1			43,222		
Fund balance, end of year, June 30			\$ 277,835		

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, 2019

Schedule 21

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 1,888	\$ 2,614	\$ 4,502	\$ 4,502
	-	1,888	2,614	4,502	4,502
Expenditures					
Transportation:					
Construction	496,727	341,568	-	341,568	155,159
	496,727	341,568	-	341,568	155,159
Revenues over (under) expenditures	(496,727)	(339,680)	2,614	(337,066)	159,661
Other financing sources					
Transfers from:					
General Fund	450,000	300,000	150,000	450,000	-
Capital Projects Fund - sidewalks	46,727	46,727	-	46,727	-
	496,727	346,727	150,000	496,727	-
Revenues and other financing sources over expenditures	\$ -	\$ 7,047	152,614	\$ 159,661	\$ 159,661
Fund balance, beginning of year, July 1			7,047		
Fund balance, end of year, June 30			\$ 159,661		

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, 2019

Schedule 22

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 1,358	\$ 1,504	\$ 2,862	\$ 2,862
	-	1,358	1,504	2,862	2,862
Expenditures					
Cultural and recreational: Construction	277,500	174,541	94,159	268,700	8,800
	277,500	174,541	94,159	268,700	8,800
Revenues under expenditures	(277,500)	(173,183)	(92,655)	(265,838)	11,662
Other financing sources					
Transfers from: General Fund	277,500	177,500	100,000	277,500	-
	277,500	177,500	100,000	277,500	-
Revenues and other financing sources over expenditures	\$ -	\$ 4,317	7,345	\$ 11,662	\$ 11,662
Fund balance, beginning of year, July 1			4,317		
Fund balance, end of year, June 30			\$ 11,662		

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, 2019

Schedule 23

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ 1,100	\$ -	\$ -	\$ -	\$ (1,100)
	1,100	-	-	-	(1,100)
Expenditures					
General government:					
Construction	541,100	-	-	-	541,100
	541,100	-	-	-	541,100
Revenues over (under) expenditures	(540,000)	-	-	-	540,000
Other financing sources					
Installment purchase obligations issued	540,000	-	-	-	(540,000)
	540,000	-	-	-	(540,000)
Revenues and other financing sources over expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ -		

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, 2019

Schedule 24

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ -	\$ 3,359	\$ 3,359	\$ 3,359
	-	-	3,359	3,359	3,359
Expenditures					
General government:					
Construction	200,000	-	-	-	200,000
	200,000	-	-	-	200,000
Revenues over (under) expenditures	(200,000)	-	3,359	3,359	203,359
Other financing sources					
Transfers from:					
General Fund	200,000	-	200,000	200,000	-
	200,000	-	200,000	200,000	-
Revenues and other financing sources over expenditures	\$ -	\$ -	203,359	\$ 203,359	\$ 203,359
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ 203,359		

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, 2019

Schedule 25

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ -	\$ 427	\$ 427	\$ 427
	-	-	427	427	427
Expenditures					
General government:					
Construction	102,750	-	-	-	102,750
	102,750	-	-	-	102,750
Revenues over (under) expenditures	(102,750)	-	427	427	103,177
Other financing sources					
Transfers from:					
General Fund	102,750	-	102,750	102,750	-
	102,750	-	102,750	102,750	-
Revenues and other financing sources over expenditures	\$ -	\$ -	103,177	\$ 103,177	\$ 103,177
Fund balance, beginning of year, July 1			-		
Fund balance, end of year, June 30			\$ 103,177		

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, 2019

Schedule 26

	Project Authorization	Actual Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings	\$ -	\$ 1,880	\$ 2,479	\$ 4,359	\$ 4,359
	-	1,880	2,479	4,359	4,359
Revenues over expenditures	-	1,880	2,479	4,359	4,359
Other financing sources (uses)					
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	-
Transfers to:					
Capital Project Funds	(199,871)	-	-	-	199,871
	-	116,977	82,893	199,870	199,870
Revenues and other financing sources over expenditures	\$ -	\$ 118,857	85,372	\$ 204,229	\$ 204,229
Fund balance, beginning of year, July 1			118,857		
Fund balance, end of year, June 30			\$ 204,229		

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, 2019
With Comparative Actual Amounts for Year Ended June 30, 2018

Schedule 27

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues				
Investment earnings	\$ 12,000	\$ 1,295	\$ (10,705)	\$ 720
Sale of plots	<u>62,000</u>	<u>3,950</u>	<u>(58,050)</u>	<u>2,750</u>
Total revenues	74,000	5,245	(68,755)	3,470
Expenditures				
Reserved for future expense	<u>74,000</u>	<u>-</u>	<u>74,000</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>5,245</u>	<u>\$ 5,245</u>	3,470
Fund balance, beginning of year, July 1		<u>72,691</u>		<u>69,221</u>
Fund balance, end of year, June 30		<u>\$ 77,936</u>		<u>\$ 72,691</u>

Enterprise Fund

Town of Southern Pines, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
Year Ended June 30, 2019
With Comparative Actual Amounts for Year Ended June 30, 2018

Schedule 28
(3 pages)

	2019		2018
	Budget	Actual	Variance Favorable (Unfavorable)
			Actual
Revenues			
Operating revenues:			
Charges for services:			
Water sales		\$ 5,040,009	\$ 5,046,693
Sewer sales		2,774,161	2,647,643
Service charges		127,324	127,665
Miscellaneous operating revenue		280,159	269,668
Total operating revenues	\$ 7,430,400	8,221,653	\$ 791,253
Nonoperating revenues :			
Impact fees		154,415	701,470
Investment earnings		168,938	91,443
BAB interest rebate		9,968	14,102
	175,626	333,321	157,695
Total revenues	7,606,026	8,554,974	948,948
Expenditures			
Billings and collections:			
Salaries and employee benefits		276,461	279,612
Contracted services		19,993	20,803
Other departmental expenditures		129,485	126,937
	514,534	425,939	88,595
Water treatment:			
Contractual services		873,035	843,096
Utilities		404,842	359,664
Other departmental expenditures		88,867	97,898
Capital outlay		-	67,425
	1,540,510	1,366,744	173,766
Sewage treatment:			
Contractual services	2,000,000	1,993,421	6,579
Water extensions and maintenance:			
Salaries and employee benefits		393,048	395,642
Contractual services		26,750	19,528
Supplies		245,347	281,728
Other departmental expenditures		86,228	91,645
Capital outlay		167,025	-
	1,062,235	918,398	143,837

Town of Southern Pines, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
Year Ended June 30, 2019
With Comparative Actual Amounts for Year Ended June 30, 2018

Schedule 28
(3 pages)

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Sewer extensions and maintenance:				
Salaries and employee benefits		\$ 429,561		\$ 379,260
Contractual services		27,941		51,805
Supplies		67,573		73,317
Other departmental expenditures		231,950		175,962
Capital outlay		6,189		21,955
	<u>\$ 959,795</u>	<u>763,214</u>	<u>\$ 196,581</u>	<u>702,299</u>
Chargeout for administrative expenses	<u>1,021,577</u>	<u>1,021,577</u>	<u>-</u>	<u>986,277</u>
Total	<u>7,098,651</u>	<u>6,489,293</u>	<u>609,358</u>	<u>5,929,870</u>
Budgetary appropriations:				
Interest	45,101	44,230	871	59,973
Debt principal	546,696	546,696	-	530,976
	<u>591,797</u>	<u>590,926</u>	<u>871</u>	<u>590,949</u>
Total expenditures	<u>7,690,448</u>	<u>7,080,219</u>	<u>610,229</u>	<u>6,520,819</u>
Revenues over (under) expenditures	(84,422)	1,474,755	1,559,177	2,377,865
Other financing sources (uses)				
Transfers to:				
Water and sewer improvements	(2,069,590)	(2,069,590)	-	(1,445,000)
Sale of capital assets	-	419,674	419,674	-
	<u>(2,069,590)</u>	<u>(1,649,916)</u>	<u>419,674</u>	<u>(1,445,000)</u>
Revenues over (under) expenditures and other financing sources (uses)	(2,154,012)	(175,161)	1,978,851	932,865
Appropriated retained earnings	<u>2,154,012</u>	<u>-</u>	<u>(2,154,012)</u>	<u>-</u>
Revenues and appropriated retained earnings over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (175,161)</u>	<u>\$ (175,161)</u>	<u>\$ 932,865</u>

Town of Southern Pines, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2019
With Comparative Actual Amounts for Year Ended June 30, 2018

Schedule 28
(3 pages)

	<u>2019</u>	<u>2018</u>
Revenues and other sources over expenditures and other uses	\$ (175,161)	\$ 932,865
Reconciling items:		
Principal retirement	546,696	530,976
Capital outlay	173,214	89,380
Gain on disposal of capital assets	405,274	-
Proceeds from the sale of capital assets	(419,674)	-
Depreciation and amortization	(1,871,348)	(1,578,002)
Transfers of capital assets to other funds	(1,749)	-
Contributions to the pension plan	62,581	58,688
Pension expense	(77,595)	(63,627)
Interest earnings on water and sewer:		
Capital Projects Fund	64,509	33,166
Capital Reserve Funds	1,596	-
Water and Wastewater system development fees	265,280	-
Grant proceeds:		
Capital Projects Fund	150,000	-
Developer's contributions	161,778	181,148
Intangible contributions	20,791	353,367
Transfers to water and sewer:		
Water and sewer improvements	2,069,590	1,445,000
	<u>1,550,943</u>	<u>1,050,096</u>
Change in net position	<u>\$ 1,375,782</u>	<u>\$ 1,982,961</u>

Water and Sewer Capital Projects Funds

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, 2019

Schedule 29

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Grant proceeds	\$ 650,000	\$ 485,357	\$ 150,000	\$ 635,357	\$ (14,643)
Investment earnings	20,000	55,944	64,509	120,453	100,453
Developer's contributions	311,666	322,057	-	322,057	10,391
Total revenues	981,666	863,358	214,509	1,077,867	96,201
Expenditures					
Warrior Woods Lift Station	1,055,000	-	-	-	1,055,000
East Morganton Road					
Water Line Replacement	378,340	-	-	-	378,340
North Pressure Water Zone	760,000	-	-	-	760,000
Commercial park project	796,211	791,960	-	791,960	4,251
Water/sewer improvements II	4,897,300	2,069,317	646,263	2,715,580	2,181,720
Total expenditures	7,886,851	2,861,277	646,263	3,507,540	4,379,311
Revenues under expenditures	(6,905,185)	(1,997,919)	(431,754)	(2,429,673)	4,475,512
Other financing sources (uses)					
Transfer to:					
Morganton road	(57,568)	(57,568)	-	(57,568)	-
Transfers from:					
Raw water reservoir	788,580	788,580	-	788,580	-
Auto meter reading	257,812	257,812	-	257,812	-
Water/sewer improvements I	900,576	900,576	-	900,576	-
Morganton road	1,195	1,195	-	1,195	-
Water & Sewer Fund	5,014,590	2,945,000	2,069,590	5,014,590	-
Total other financing sources (uses)	6,905,185	4,835,595	2,069,590	6,905,185	-
Revenues and other financing sources (uses) over expenditures	\$ -	\$ 2,837,676	\$ 1,637,836	\$ 4,475,512	\$ 4,475,512

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, 2019

Schedule 30

	<u>Project Authorization</u>	<u>Actual</u> <u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Investment earnings	\$ -	\$ -	\$ 919	\$ 919	\$ 919
Water system development fees	135,175	-	147,132	147,132	11,957
	<u>135,175</u>	<u>-</u>	<u>148,051</u>	<u>148,051</u>	<u>12,876</u>
Revenues over expenditures	<u>135,175</u>	<u>-</u>	<u>148,051</u>	<u>148,051</u>	<u>12,876</u>
Other financing uses					
Transfers to: Capital Project Funds	(135,175)	-	-	-	135,175
	<u>(135,175)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,175</u>
Revenues and other financing uses over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>148,051</u>	<u>\$ 148,051</u>	<u>\$ 148,051</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ 148,051</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, 2019

Schedule 31

	<u>Project Authorization</u>	<u>Actual</u> <u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Investment earnings	\$ -	\$ -	\$ 677	\$ 677	\$ 677
Water system development fees	213,827	-	118,148	118,148	(95,679)
	<u>213,827</u>	<u>-</u>	<u>118,825</u>	<u>118,825</u>	<u>(95,002)</u>
Revenues over expenditures	<u>213,827</u>	<u>-</u>	<u>118,825</u>	<u>118,825</u>	<u>(95,002)</u>
Other financing uses					
Transfers to: Capital Project Funds	<u>(213,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,827</u>
	<u>(213,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,827</u>
Revenues and other financing uses over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>118,825</u>	<u>\$ 118,825</u>	<u>\$ 118,825</u>
Fund balance, beginning of year, July 1			<u>-</u>		
Fund balance, end of year, June 30			<u>\$ 118,825</u>		

Agency Fund

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

Individual fund description:

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

Town of Southern Pines, North Carolina
Statement of Changes in Assets and Liabilities
Agency Fund
Cafeteria Plan
Year Ended June 30, 2019

Schedule 32

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash and investments	\$ 52,178	\$ 453,476	\$ 451,280	\$ 54,374
Accrued interest	113	234	113	234
	<u>\$ 52,291</u>	<u>\$ 453,710</u>	<u>\$ 451,393</u>	<u>\$ 54,608</u>
LIABILITIES				
Miscellaneous liabilities	<u>\$ 52,291</u>	<u>\$ 453,710</u>	<u>\$ 451,393</u>	<u>\$ 54,608</u>

Capital Assets of Governmental Funds

Town of Southern Pines, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2019

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Other Improvements</u>	<u>Machinery and Equipment</u>
General government	\$ 10,679,548	\$ 2,330,498	\$ 2,322,710	\$ 591,142
Public safety	1,461,767	8,018,484	857,600	70,600
Transportation	-	32,385	8,265	-
Economic and physical development	43,850	71,896	-	-
Cultural and recreational	<u>120,357</u>	<u>5,843,649</u>	<u>2,781,486</u>	<u>-</u>
Total governmental funds capital assets	<u>\$ 12,305,522</u>	<u>\$ 16,296,912</u>	<u>\$ 5,970,061</u>	<u>\$ 661,742</u>

Note: Amounts presented above exclude accumulated depreciation.

<u>Vehicles and Motorized Equipment</u>	<u>Furniture, Fixtures, and Other Equipment</u>	<u>Infrastructure</u>	<u>Intangible Assets</u>	<u>Construction and Intangibles in Progress</u>	<u>Total</u>
\$ 472,855	\$ 470,775	\$ 322,814	\$ 167,285	\$ 163,609	\$ 17,521,236
4,979,294	864,202	-	-	5,209,317	21,461,264
441,165	758,213	14,361,738	-	23,700	15,625,466
129,450	-	-	-	-	245,196
186,155	29,683	49,364	-	89,292	9,099,986
<u>\$ 6,208,919</u>	<u>\$ 2,122,873</u>	<u>\$ 14,733,916</u>	<u>\$ 167,285</u>	<u>\$ 5,485,918</u>	<u>\$ 63,953,148</u>

Town of Southern Pines, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended June 30, 2019

Schedule 34

	Balance July 1, 2018	Additions and Transfers In	Disposals and Transfers Out	Balance June 30, 2019
General government	\$ 17,821,671	\$ 86,591	\$ (387,026)	\$ 17,521,236
Public safety	17,004,645	4,678,777	(222,158)	21,461,264
Transportation	15,237,503	757,913	(369,950)	15,625,466
Economic and physical development	267,056	-	(21,860)	245,196
Cultural and recreational	<u>8,776,094</u>	<u>648,862</u>	<u>(324,970)</u>	<u>9,099,986</u>
Total governmental funds capital assets	<u>\$ 59,106,969</u>	<u>\$ 6,172,143</u>	<u>\$ (1,325,964)</u>	<u>\$ 63,953,148</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, 2019

Schedule 35

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 9,965,189	\$ 9,954,525	\$ 10,664
2017-2018	18,749	-	12,609	6,140
2016-2017	5,388	-	2,078	3,310
2015-2016	3,367	-	655	2,712
2014-2015	2,973	-	452	2,521
2013-2014	4,301	-	704	3,597
2012-2013	4,462	-	783	3,679
2011-2012	4,948	-	431	4,517
2010-2011	3,710	-	496	3,214
2009-2010	4,970	-	312	4,658
2008-2009	4,325	-	4,325	-
	<u>\$ 57,193</u>	<u>\$ 9,965,189</u>	<u>\$ 9,977,370</u>	45,012
Less: allowance for uncollected taxes receivable General Fund				<u>(33,430)</u>
Ad valorem taxes receivable - net				<u>\$ 11,582</u>
Reconciliation to revenues				
Reconciling items:				
Taxes			\$ 9,989,891	
Penalties and interest			(17,599)	
Refunds			2,334	
Taxes written off			4,325	
Other adjustments			(1,581)	
			<u>\$ 9,977,370</u>	
Total collections and credits				<u>\$ 9,977,370</u>

Town of Southern Pines, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
June 30, 2019

Schedule 36

	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:	\$ 2,314,058,755	\$ 0.40	\$ 9,256,235	\$ 9,256,235	\$ -
Penalties	-		3,876	3,876	-
Total	2,314,058,755		9,260,111	9,260,111	-
Discoveries:					
Adjustments at current year's rate	177,388,497	0.40	707,023	107,313	599,710
Adjustments at prior year's rate	1,086,615	0.40	2,352	2,352	-
Total	2,492,533,867		9,969,486	9,369,776	599,710
Abatements:					
Current year's rate	(716,862)	0.40	(4,297)	(4,297)	-
Total property valuation	<u>\$ 2,491,817,005</u>				
Net levy			9,965,189	9,365,479	599,710
Uncollected taxes at June 30, 2019			(10,664)	(10,664)	-
Current year's taxes collected			<u>\$ 9,954,525</u>	<u>\$ 9,354,815</u>	<u>\$ 599,710</u>
Current levy collection percentage			<u>99.89%</u>	<u>99.89%</u>	<u>100.00%</u>

Town of Southern Pines, North Carolina
Schedule of Interfund Transfers
Year Ended June 30, 2019

Schedule 37

Transfers to Fund	Transfer from Fund			Total
	Major Governmental	Non-major Governmental	Major Enterprise	
	General Fund	Patrick Road	Water and Sewer Fund	
Governmental:				
General fund	\$ -	\$ -	\$ 1,749	\$ 1,749
Fire Department Substation	-	72,000		72,000
Non-major funds	1,042,750	-		1,042,750
Business-type:				
Major funds	-	-	-	-
	<u>\$ 1,042,750</u>	<u>\$ 72,000</u>	<u>\$ 1,749</u>	<u>\$ 1,116,499</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

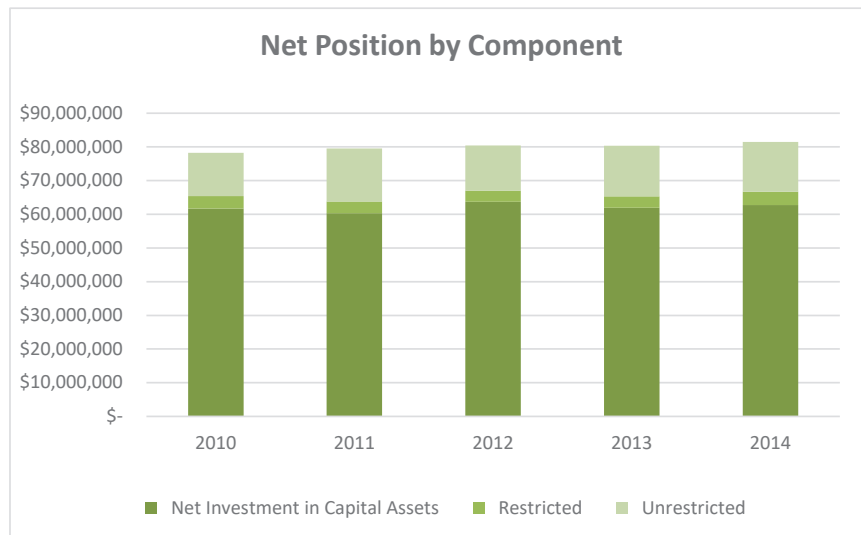
Table 1

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

Notes:

This table was prepared using the accrual basis of accounting.

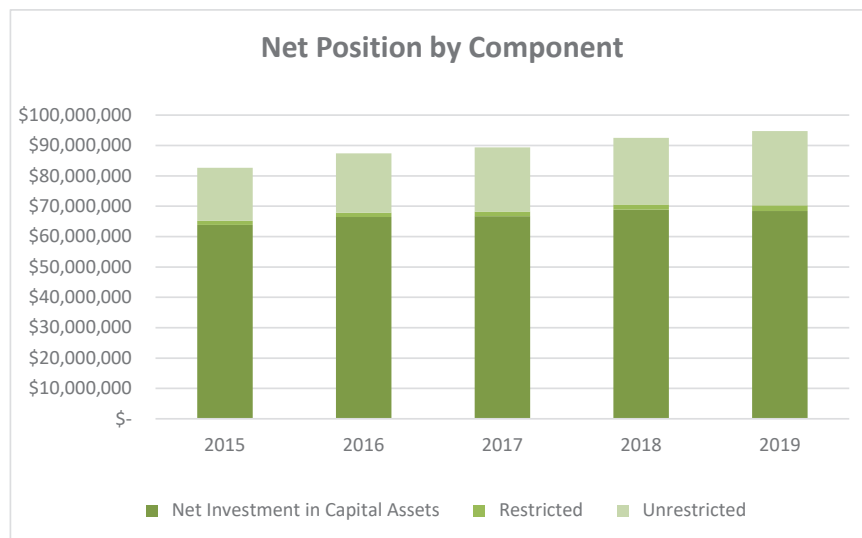
Restricted and unrestricted categories have been restated to retroactively implement GASB 54.



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

Table 1
(Continued)

	2015	2016	2017	2018	2019
Governmental Activities					
Net Investment in Capital Assets	\$ 30,965,507	\$ 32,437,390	\$ 32,711,835	\$ 34,673,136	\$ 34,528,937
Restricted	1,347,656	1,411,213	1,519,740	1,698,798	1,900,876
Unrestricted	8,398,997	9,158,392	9,024,025	8,041,802	8,872,638
Total Governmental Activities Net Position	40,712,160	43,006,995	43,255,600	44,413,736	45,302,451
Business-type Activities					
Net Investment in Capital Assets	32,916,198	34,033,968	33,991,050	34,193,906	33,892,745
Restricted	-	-	-	-	-
Unrestricted	9,068,275	10,389,970	12,130,776	13,910,881	15,587,824
Total Business-type Activities Net Position	41,984,473	44,423,938	46,121,826	48,104,787	49,480,569
Primary Government					
Net Investment in Capital Assets	63,881,705	66,471,358	66,702,885	68,867,042	68,421,682
Restricted	1,347,656	1,411,213	1,519,740	1,698,798	1,900,876
Unrestricted	17,467,272	19,548,362	21,154,801	21,952,683	24,460,462
Total primary Government Net Position	<u>\$ 82,696,633</u>	<u>\$ 87,430,933</u>	<u>\$ 89,377,426</u>	<u>\$ 92,518,523</u>	<u>\$ 94,783,020</u>



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

Table 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General Government	\$ 4,539,958	\$ 4,630,400	\$ 4,473,362	\$ 4,561,092	\$ 4,436,854	\$ 4,365,033	\$ 4,766,172	\$ 4,980,274	\$ 5,221,318	\$ 5,753,113
Public Safety	4,751,887	5,118,600	5,478,090	5,468,061	5,670,709	5,782,880	6,235,300	6,824,645	6,995,686	7,637,434
Transportation	1,593,589	1,436,648	1,441,791	1,574,115	1,338,289	1,463,609	1,575,645	1,266,454	1,694,884	1,761,568
Economic and Physical Development	667,356	956,340	722,591	690,132	649,207	653,371	701,189	563,367	604,385	657,709
Cultural and Recreation	1,587,332	1,549,640	1,542,961	1,583,940	1,543,440	1,533,579	1,583,781	1,754,646	1,824,003	1,887,163
Interest on Long Term Debt	225,648	212,328	199,536	183,766	165,401	153,216	135,625	116,880	129,304	261,591
Total Governmental Activities Expense	13,365,770	13,903,956	13,858,331	14,061,106	13,803,900	13,951,688	14,997,712	15,506,266	16,469,580	17,958,578
Total Business-Type Activity - Water and Sewer	5,783,760	6,056,432	6,390,539	6,461,289	6,747,867	6,969,806	7,083,980	7,340,631	7,483,404	8,246,671
Total primary government expenses	\$ 19,149,530	\$ 19,960,388	\$ 20,248,870	\$ 20,522,395	\$ 20,551,767	\$ 20,921,494	\$ 22,081,692	\$ 22,846,897	\$ 23,952,984	\$ 26,205,249
Program revenues										
Governmental activities:										
Charges for Services										
General Governmental	\$ 830,364	\$ 840,476	\$ 853,392	\$ 865,514	\$ 797,893	\$ 853,155	\$ 947,169	\$ 918,206	\$ 947,971	\$ 1,055,204
Public Safety	493,485	501,715	507,750	522,653	502,252	501,768	581,747	596,230	576,534	618,001
Transportation	14,531	14,138	24,493	27,628	31,815	36,146	53,711	35,677	45,234	43,690
Economic and Physical Development	263,420	258,908	292,230	351,236	324,378	403,127	372,607	412,257	409,385	384,840
Cultural and Recreation	219,856	252,066	246,731	230,503	245,508	259,213	266,735	242,589	258,979	261,607
Cemetery	2,525	1,476	3,475	1,750	2,675	3,149	5,375	3,025	2,750	3,950
Operating Grants and Contributions										
General Governmental	67,145	55,392	49,114	42,953	50,933	50,577	48,093	89,744	1,927	176,379
Public Safety	65,701	180,566	335,492	20,382	10,759	20,331	8,147	11,518	18,801	157,580
Transportation	365,427	372,100	373,770	384,761	390,633	490,905	404,887	402,027	405,234	403,744
Cultural and Recreation	50,656	63,951	10,857	10,780	11,625	11,770	34,722	8,499	17,848	8,013
Capital Grants and Contributions										
General Governmental	22,960	36,130	367,474	-	-	-	-	870	-	-
Public Safety	35,700	46,626	-	-	-	-	-	-	-	-
Economic and Physical Development	-	340,000	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	82,049	33,749	220,763	107,158	50,757	-
Cultural and Recreation	-	-	-	-	-	-	925,061	-	-	-
Total Governmental Activities Program Revenues	2,431,770	2,963,544	3,064,778	2,458,160	2,450,520	2,663,890	3,869,017	2,827,800	2,735,420	3,113,008
Business-type Activity - Water and Sewer										
Charges for Services	6,093,301	6,468,773	6,132,490	6,334,083	7,032,234	7,091,574	7,504,763	7,769,844	8,091,669	8,221,653
Capital Grants and Contributions	1,114,990	605,535	524,399	114,981	325,909	261,567	1,524,481	282,380	534,515	332,569
Total Business Activity Program Revenues	7,208,291	7,074,308	6,656,889	6,449,064	7,358,143	7,353,141	9,029,244	8,052,224	8,626,184	8,554,222
Total primary government program revenues	\$ 9,640,061	\$ 10,037,852	\$ 9,721,667	\$ 8,907,224	\$ 9,808,663	\$ 10,017,031	\$ 12,898,261	\$ 10,880,024	\$ 11,361,604	\$ 11,667,230
Net Revenue (Expense)										
Governmental activities	\$ (10,934,000)	\$ (10,940,412)	\$ (10,793,553)	\$ (11,602,946)	\$ (11,353,380)	\$ (11,287,798)	\$ (11,128,695)	\$ (12,678,466)	\$ (13,734,160)	\$ (14,845,570)
Business-type activity	1,424,531	1,017,876	266,350	(12,225)	610,276	383,335	1,945,264	711,593	1,142,780	307,551
Total primary government net expense	\$ (9,509,469)	\$ (9,922,536)	\$ (10,527,203)	\$ (11,615,171)	\$ (10,743,104)	\$ (10,904,463)	\$ (9,183,431)	\$ (11,966,873)	\$ (12,591,380)	\$ (14,538,019)

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

Table 2
(Continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Ad Valorem Taxes	\$ 7,236,466	\$ 7,334,480	\$ 7,492,189	\$ 7,686,625	\$ 7,867,525	\$ 8,415,626	\$ 8,572,570	\$ 8,852,999	\$ 9,656,725	\$ 9,982,178
Alcoholic Beverage Tax	94,236	100,423	102,767	126,165	130,144	120,790	143,195	156,789	178,188	196,226
Franchise Taxes	737,932	741,169	724,017	705,527	748,619	988,840	1,112,213	1,086,585	1,055,286	1,110,853
Unrestricted Intergovernmental	2,749,947	2,817,894	2,838,253	2,944,945	2,956,816	3,257,298	3,386,423	3,640,353	3,729,381	3,987,169
Investment Earnings	109,546	51,884	40,750	27,625	22,239	20,661	38,091	65,948	159,478	312,484
Miscellaneous Revenue	47,231	91,648	102,699	90,090	99,493	94,977	106,949	133,359	155,103	138,493
Gain (Loss) on Disposal/Transfer of Capital Assets	24,875	29,554	11,445	(35,204)	17,335	47,607	64,089	16,814	(41,865)	5,133
Transfers	256,500	-	-	-	-	-	-	-	-	1,749
Total Governmental Activities	11,256,733	11,167,052	11,312,120	11,545,773	11,842,171	12,945,799	13,423,530	13,952,847	14,892,296	15,734,285
Business Type Activity										
Investment Earnings	65,120	43,368	87,363	50,237	43,666	26,254	62,699	68,242	138,711	245,011
Miscellaneous Revenue	18,581	22,581	5,901	8,216	-	172,376	414,304	904,086	701,470	419,695
Gain (Loss) on Disposal/Transfer of Capital Assets	-	-	-	-	-	-	17,198	13,967	-	405,274
Transfers	(256,500)	-	-	-	-	-	-	-	-	(1,749)
Total Business Type Activity	(172,799)	65,949	93,264	58,453	43,666	198,630	494,201	986,295	840,181	1,068,231
Total primary government general revenues and other changes in net position	\$ 11,083,934	\$ 11,233,001	\$ 11,405,384	\$ 11,604,226	\$ 11,885,837	\$ 13,144,429	\$ 13,917,731	\$ 14,939,142	\$ 15,732,477	\$ 16,802,516
Change in Net Position										
Governmental Activities	\$ 322,733	\$ 226,640	\$ 518,567	\$ (57,173)	\$ 488,791	\$ 1,658,001	\$ 2,294,835	\$ 1,274,381	\$ 1,158,136	\$ 888,715
Business-type Activity	1,251,732	1,083,825	359,614	46,228	653,942	581,965	2,439,465	1,697,888	1,982,961	1,375,782
Total primary government change in net position	\$ 1,574,465	\$ 1,310,465	\$ 878,181	\$ (10,945)	\$ 1,142,733	\$ 2,239,966	\$ 4,734,300	\$ 2,972,269	\$ 3,141,097	\$ 2,264,497

Note:

This table was prepared using the accrual basis of accounting.

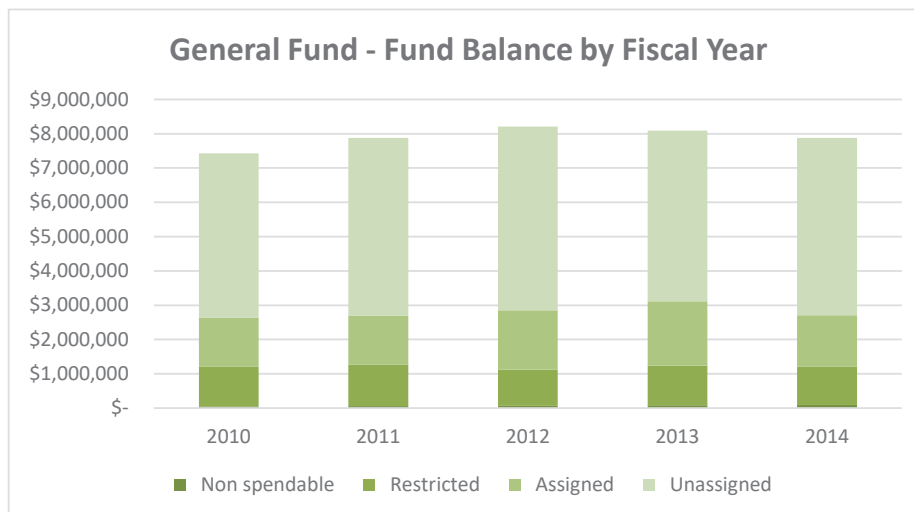
Town of Southern Pines, North Carolina
Fund Balances, Governmental Funds ^{(1), (2)}
Last Ten Fiscal Years

Table 3

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

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

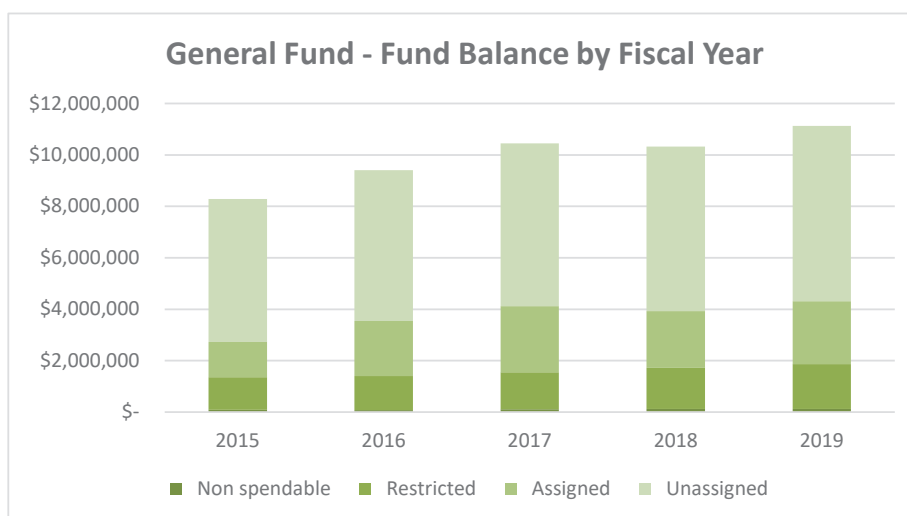
⁽²⁾ Fund balance categories have been restated to retroactively implement GASB 54.



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

Table 3
(Continued)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund					
Non spendable	\$ 87,292	\$ 79,715	\$ 112,223	\$ 123,013	\$ 127,652
Restricted	1,267,145	1,325,436	1,435,608	1,591,977	1,738,805
Assigned	1,374,933	2,136,517	2,567,470	2,214,994	2,448,943
Unassigned	5,552,329	5,863,955	6,330,949	6,398,820	6,806,882
Total General Fund	<u>\$ 8,281,699</u>	<u>\$ 9,405,623</u>	<u>\$ 10,446,250</u>	<u>\$ 10,328,804</u>	<u>\$ 11,122,282</u>
All Other Governmental Funds					
Non spendable	\$ 60,237	\$ 65,779	\$ 69,115	\$ 72,534	\$ 77,603
Restricted	20,274	19,998	15,017	34,287	84,468
Committed	2,500,431	2,135,417	2,366,822	6,621,772	2,522,442
Total All Other Governmental Funds	<u>\$ 2,580,942</u>	<u>\$ 2,221,194</u>	<u>\$ 2,450,954</u>	<u>\$ 6,728,593</u>	<u>\$ 2,684,513</u>



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

Table 4

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

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
(Continued)

	2015	2016	2017	2018	2019
Revenues					
Ad Valorem Taxes	\$ 8,428,787	\$ 8,563,591	\$ 8,887,612	\$ 9,670,483	\$ 9,989,891
Other Taxes and Licenses	230,577	191,005	215,047	245,365	258,833
Unrestricted Intergovernmental	4,228,255	4,728,619	4,731,922	4,779,476	5,098,682
Restricted Intergovernmental	417,431	415,756	411,130	424,748	706,216
Permits and Fees	469,075	549,713	548,475	535,647	583,260
Sales and Services	1,094,102	1,164,811	1,138,137	1,194,230	1,286,029
Investment Earnings	20,661	38,091	65,948	159,478	312,484
Grant Proceeds	-	-	-	50,757	-
Developers Contributions	90,000	-	107,158	-	-
Other	632,340	655,970	683,542	618,641	609,819
Total revenues	15,611,228	16,307,556	16,788,971	17,678,825	18,845,214
Expenditures					
Current:					
General Government	4,606,968	4,783,099	4,812,892	5,357,663	5,401,328
Public Safety	6,761,146	5,973,433	6,233,795	8,075,128	11,417,437
Transportation	1,576,703	1,660,533	1,378,677	1,883,429	1,741,098
Economic and Physical Development	663,143	697,899	596,360	614,067	621,021
Cultural and Recreational	1,725,896	1,793,900	1,726,338	2,167,615	1,931,550
Debt Service:					
Principal	625,361	666,541	669,113	552,196	781,876
Interest	153,941	139,174	120,439	101,675	266,335
Capital Outlay	-	-	-	-	-
Total expenditures	16,113,158	15,714,579	15,537,614	18,751,773	22,160,645
Revenues over (under) expenditures	(501,930)	592,977	1,251,357	(1,072,948)	(3,315,431)
Other financing sources (uses)					
Issuance of Debt	703,500	-	-	5,228,150	-
Sale of Capital Assets	-	171,199	19,030	4,991	64,829
Transfers From Other Funds	908,300	310,000	575,000	816,954	1,114,750
Transfers to Other funds	(908,300)	(310,000)	(575,000)	(816,954)	(1,114,750)
Total other financing sources (uses)	703,500	171,199	19,030	5,233,141	64,829
Net change in fund balance	201,570	764,176	1,270,387	4,160,193	(3,250,602)
Fund balance - beginning of year	10,661,071	10,862,641	11,626,817	12,897,204	17,057,397
Fund balance - end of year	\$ 10,862,641	\$ 11,626,817	\$ 12,897,204	\$ 17,057,397	\$ 13,806,795
Debt Service as a percentage of non-capital expenditures	5.7%	5.6%	5.5%	4.3%	6.3%

Revenue Capacity Information

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

Table 5

Fiscal Year	Assessed Value ⁽¹⁾				Property Tax Rate ⁽³⁾	Percent Increase in Value ⁽⁴⁾
	Real Property	Personal Property ⁽²⁾	Public Service Companies	Total		
2010	\$ 1,883,982,630	\$ 147,983,302	\$ 24,036,664	\$2,056,002,596	0.35	2.0%
2011	1,909,804,272	153,239,430	23,811,841	2,086,855,543	0.35	1.5%
2012	1,941,070,117	167,236,934	24,850,996	2,133,158,047	0.35	2.2%
2013	1,986,569,105	175,936,820	25,197,699	2,187,703,624	0.35	2.6%
2014	2,003,125,666	218,312,023	23,571,943	2,245,009,632	0.35	2.6%
2015	2,052,966,995	196,446,739	21,862,247	2,271,275,981	0.37	1.2%
2016	2,025,854,870	203,462,410	23,659,502	2,252,976,782	0.38	-0.8%
2017	2,096,689,403	214,258,835	23,339,069	2,334,287,307	0.38	3.6%
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%

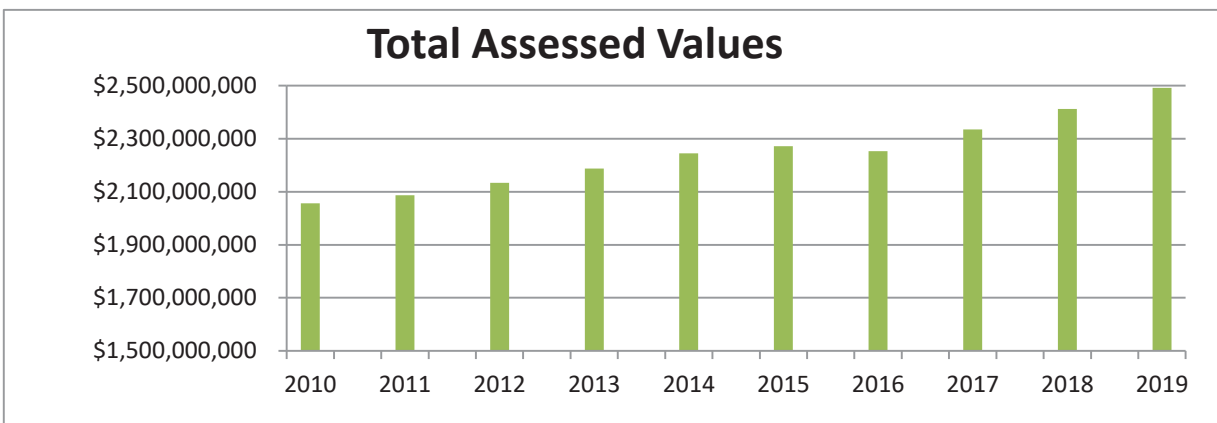
NOTES:

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

⁽²⁾ Includes vehicles.

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

⁽⁴⁾ A revaluation of all property is required at least every eight years by North Carolina General Statutes. The tax rate was adjusted during the fiscal year ended June 30, 2016 to reflect the revaluation of taxable property.



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 ⁽¹⁾
2010	2009	0.35	-	0.35	0.485
2011	2010	0.35	-	0.35	0.485
2012	2011	0.35	-	0.35	0.485
2013	2012	0.35	-	0.35	0.485
2014	2013	0.35	-	0.35	0.485
2015	2014	0.37	-	0.37	0.485
2016	2015	0.38	-	0.38	0.485
2017	2016	0.38	-	0.38	0.495
2018	2017	0.40	-	0.40	0.495
2019	2018	0.40	-	0.40	0.505

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 2015.

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

Source: Moore County Tax Office.

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

Table 7

Taxpayer	Type of Enterprise	2018			2009		
		Total Assessed Value ⁽¹⁾	Rank	Percent of Town's Assessed Valuation	Total Assessed Value	Rank	Percent of Town's Assessed Valuation
Morganton Park LLC	Residential	\$ 27,952,500	1	1.12%	(2)	-	-
Pinecrest Plaza	Retail	25,007,100	2	1.00%	24,344,970	2	1.18%
SBV Southern Pines LLC	Retail	23,801,040	3	0.96%	(2)	-	-
Colony 9, LLC	Golf Course	17,643,010	4	0.71%	(2)	-	-
Tyler's Ridge Apartment LLC	Residential	14,945,240	5	0.60%	(2)	-	-
CPGKRE Pinehurst Lowes LLC	Retail	12,322,080	6	0.49%	(2)	-	-
Duke Energy Progress	Utility	12,761,780	7	0.51%	9,828,831	7	0.48%
Ingersoll Rand	Manufacturing	12,551,785	8	0.50%	8,711,832	9	0.42%
Southern Pines Retirement	Retirement Community	10,665,160	9	0.43%	(2)	-	-
Claude Smith Enterprises	Retail/Residential	9,551,508	10	0.38%	17,482,220	5	0.85%
Forest Creek	Golf Course	(2)	-	-	50,347,034	1	2.45%
Mid Pines	Golf Course/Hotel	(2)	-	-	23,805,201	3	1.16%
National Golf Club, Inc.	Golf Course	(2)	-	-	19,001,231	4	0.92%
Talamore Golf Partners	Golf Course	(2)	-	-	11,494,875	6	0.56%
Carolina Telephone & Telegraph	Utility	(2)	-	-	8,869,721	8	0.43%
Weingarten Invesments, Inc	Real Estate Holdings	(2)	-	-	8,015,920	10	0.39%
		<u>\$ 167,201,203</u>		<u>6.70%</u>	<u>\$ 181,901,835</u>		<u>8.85%</u>

SOURCE: Moore County Tax Department

NOTES:

⁽¹⁾ 2018 Assessed value represents taxes assessed and due in the fiscal year ended June 30, 2019, and 2009 represents taxes assessed and due in the fiscal year ended June 30, 2010.

⁽²⁾ 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
2010	2009	\$ 7,211,587	\$ 7,170,862	99.44%	\$ 34,450	\$ 7,205,312	99.91%
2011	2010	7,311,009	7,257,129	99.26%	47,478	7,304,607	99.91%
2012	2011	7,465,959	7,416,155	99.33%	42,398	7,458,553	99.90%
2013	2012	7,663,758	7,620,110	99.43%	29,344	7,649,454	99.81%
2014	2013	7,859,930	7,833,116	99.66%	21,480	7,854,596	99.93%
2015	2014	8,399,348	8,380,020	99.77%	16,468	8,396,488	99.97%
2016	2015	8,545,250	8,526,671	99.78%	15,843	8,542,514	99.97%
2017	2016	8,872,587	8,854,601	99.80%	14,605	8,869,206	99.96%
2018	2017	9,642,138	9,623,389	99.81%	12,259	9,635,648	99.93%
2019	2018	9,965,189	9,954,525	99.89%	-	9,954,525	99.89%



Debt Capacity Information

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

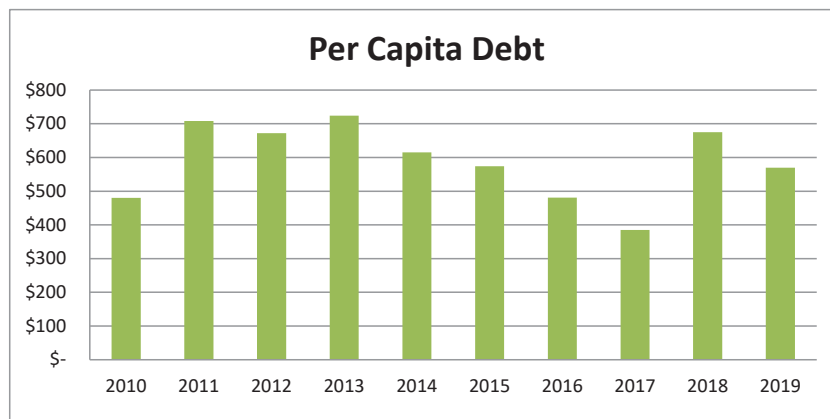
Table 9

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita ⁽²⁾
	General Obligation Bonds	Installment Financing	Capital Leases	General Obligation Bonds	Installment Financing	Capital Leases			
2010	\$ -	\$ 5,926,451	\$ -	\$ -	\$ -	\$ -	\$ 5,926,451	1.25%	480
2011	-	5,416,667	-	-	3,351,598	-	8,768,265	1.77%	708
2012	-	5,359,700	-	-	3,047,183	-	8,406,883	1.61%	672
2013	-	4,777,471	-	-	4,332,330	-	9,109,801	1.77%	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	⁽³⁾	675
2019	-	6,829,607	-	-	1,278,636	-	8,108,243	⁽³⁾	570

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

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

⁽³⁾ Information not yet available.



Town of Southern Pines, 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 ⁽¹⁾	Less: General Obligation Bonds authorized, not issued	Legal Debt Margin
2010	\$ 2,056,002,596	\$ 164,480,208	\$ 5,926,451	-	\$ 158,553,757
2011	2,086,855,543	166,948,443	8,768,265	-	158,180,178
2012	2,133,158,047	170,652,644	8,406,883	-	162,245,761
2013	2,187,703,624	175,016,290	9,109,801	-	165,906,489
2014	2,245,009,632	179,600,771	8,052,658	-	171,548,113
2015	2,271,275,981	181,702,078	7,644,179	-	174,057,899
2016	2,252,976,782	180,238,143	6,476,687	-	173,761,456
2017	2,334,287,307	186,742,985	5,291,840	-	181,451,145
2018	2,411,587,808	192,927,025	9,436,815	-	183,490,210
2019	2,491,817,005	199,345,360	8,108,243	-	191,237,117

⁽¹⁾ Net Bonded Debt Calculation for FY 2018

Utility General Obligation Bonds	\$ -
Installment financing	8,108,243
	<u>8,108,243</u>
Statutory Deductions:	
Bonded debt included in gross debt incurred for water	-
	<u>\$ 8,108,243</u>

Town of Southern Pines, North Carolina
Direct and Overlapping Governmental Activities Debt
June 30, 2019

Table 11

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit:			
Debt repaid with property taxes: Moore County ⁽²⁾	\$ 224,074,310	19.30%	<u>\$ 43,246,342</u>
Subtotal, overlapping debt			43,246,342
Town of Southern Pines direct debt			<u>6,829,607</u>
Total direct and overlapping debt			<u><u>\$ 50,075,949</u></u>

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

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

⁽²⁾ Information provided by Moore County Finance Department.

Demographic and Economic Information

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

Table 12

Fiscal Year	Population ⁽¹⁾	Moore County Personal Income (in millions) ⁽²⁾	Moore County Per Capita Personal Income ⁽³⁾	Median Age ⁽⁴⁾	Moore County Unemployment Rate ⁽⁵⁾
2010	12,334	\$ 3,420	\$ 38,594	44.6	9.9%
2011	12,384	3,581	40,063	45.0	9.5%
2012	12,502	3,777	41,787	47.0	8.9%
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	⁽⁶⁾	⁽⁶⁾	46.5	4.1%
2019	14,224	⁽⁶⁾	⁽⁶⁾	44.7	4.4%

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

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

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

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

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

⁽⁶⁾ Information not yet available.

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

Table 13

<u>Employer</u>	<u>2019</u>			<u>2010</u>		
	<u>Employees</u>	⁽¹⁾ <u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	⁽¹⁾ <u>Rank</u>	<u>Percentage of Total County Employment</u>
First Health Moore Regional	3,000 & over	1	N/A	1,000 & over	1	N/A
Moore County Schools	1,500 & over	2	N/A	1,000 & over	2	N/A
Pinehurst, LLC	1,000 & over	3	N/A	500 - 999	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	6	N/A
St. Joseph of the Pines	500 - 999	6	N/A	250 - 499	8	N/A
Pinehurst Medical Clinic, Inc.	250 - 499	7	N/A	250 - 499	7	N/A
Burford's Tree Service LLC	250 - 499	8	N/A	⁽²⁾	-	N/A
Lee Electrical Construction, Inc.	250 - 499	9	N/A	⁽²⁾	-	N/A
Pinehurst Surgical Clinic, PA	250 - 499	10	N/A	250 - 499	9	N/A
North Carolina Dept of Transportation	⁽²⁾	-	N/A	500 - 999	5	N/A
Wal-Mart Associates, Inc.	⁽²⁾	-	N/A	100 - 249	10	N/A
Total	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>		<u>N/A</u>

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

Note: Data cannot be segregated for Southern Pines, data above is for Moore County.

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

⁽²⁾ Not within top ten ranking.

N/A - Not Available

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

Table 14

Fiscal Year	Residential		Building Permits ⁽¹⁾ Commercial		Total		Bank Deposits ⁽²⁾
	Number	Value	Number	Value	Number	Value	
2010	53	21,244,898	17	39,392,067	70	60,636,965	1,689,796,000
2011	85	16,452,298	17	6,094,153	102	22,546,451	1,626,100,000
2012	75	18,861,231	9	7,249,000	84	26,110,231	1,699,000,000
2013	122	25,551,818	19	6,106,980	141	31,658,798	1,669,601,000
2014	115	26,339,766	12	27,396,373	127	53,736,139	1,849,016,000
2015	148	36,511,428	15	9,690,000	163	46,201,428	1,863,054,000
2016	156	33,509,123	13	10,155,861	169	43,664,984	2,022,965,000
2017	165	39,646,481	10	14,506,245	175	54,152,726	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

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

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

Operating Information

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Administration	10.5	10.5	10.5	10.5	11.0	6.0	6.0	6.0	6.0	6.0
Information Technology ⁽¹⁾	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
Financial Services ⁽²⁾	-	-	-	-	-	5.0	5.0	5.0	6.0	6.0
Public works administration	3.5	3.5	3.5	3.5	3.5	4.0	4.0	4.0	4.0	4.0
Garage	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Building & Grounds	19.0	19.0	19.0	19.0	21.0	22.0	22.0	22.0	22.0	22.0
Public safety										
Police ⁽⁴⁾	40.5	40.5	41.5	41.5	42.5	46.5	46.5	46.5	50.5	50.5
Fire ^{(3) (4)}	24.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	33.0
Transportation	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Economic and physical development	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Cultural and recreation										
Recreation ⁽⁴⁾	5.5	5.5	5.5	5.5	5.5	5.0	5.0	5.0	5.0	5.0
Library ⁽⁴⁾	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Water/Sewer (Business activity)	20.5	21.5	21.5	21.5	22.0	21.0	21.0	21.0	23.0	23.0
Total	157.0	161.0	162.0	162.0	166.0	170.0	170.0	171.0	178.0	183.5

Source: Town of Southern Pines Finance Department

⁽¹⁾ Department was created in FY 2010

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

⁽³⁾ Does not include volunteer personnel

⁽⁴⁾ Does not include seasonal temporary part-time employees

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

Table 16

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

Source: Town of Southern Pines Department Directors

⁽¹⁾ Amounts are estimated.

⁽²⁾ Information is not available.

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

Table 16
(Continued)

Function/Program	2015	2016	2017	2018	2019
Public Safety					
Police					
Number of Part 1 Crimes	500	494	466	513	371
Number of Arrests	684	664	655	581	537
Number of Citations	1,466	1,235	1,236	1,149	1,282
Fire					
Number of Fire Calls Answered	125	133	123	91	155
Number of EMS Calls Answered	653	656	671	699	753
Number of Hazard Condition Calls Answered	66	83	77	95	81
Number of Service Calls Answered	209	236	346	405	323
Number of Motor Vehicle Accidents	224	249	254	267	262
Number of Fire Alarm Calls Answered	280	350	392	371	357
Number of Weather Related Calls Answered	18	17	126	45	139
Number of Fire Inspections	2,273	2,458	2,611	2,141	2,070
Planning & Inspections					
Planning					
Conditional use Permits Issued	3	3	5	9	12
Final Plats	2	44	77	76	38
Rezoning Applications/Ordinance Amendments	4	4	-	7	6
Annexations	2	3	-	6	9
Inspections					
Building Permits Issued	163	167	175	163	144
Alteration or Addition Permits	178	185	214	402	166
Electrical Permits	90	95	162	128	169
Mechanical Permits	420	501	48	485	516
Plumbing Permits	148	165	176	96	81
Cultural and Recreational					
Recreation and Parks					
Recreational Program Hours	8,834	8,265	6,865	6,389	5,993
Enrolled Participants	23,863	21,234	19,463	17,592	21,113
Reservoir Park Visitors ⁽¹⁾	242,110	215,517	238,779	237,382	226,967
Library					
Total Circulation	120,196	127,015	128,171	126,308	130,953
Library Attendance	85,830	86,180	86,804	89,814	85,125
Library Users Registered	6,217	6,283	7,530	7,632	7,571
Total Programs Held	590	585	688	716	742
Total Attendance at Programs	14,675	16,401	15,835	16,839	18,173
Water					
Water Plant Capacity (millions of gallons per day)	11	11	11	11	11
Number of Utility Customers	8,839	9,063	9,443	9,716	9,948

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

Table 17

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	27	27	27	23	27
Fire					
Stations	1	1	1	1	1
Fire Suppression Vehicles	6	6	6	6	6
Rescue Vehicles	2	2	2	2	2
Cultural and Recreational					
Recreation and Parks					
Number of Parks	14	14	14	14	14
Number of Tennis Courts	8	8	8	8	8
Number of Athletic Fields Maintained	10		10	10	10
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	-	-	-	-	-
Public Works and Utilities					
Streets					
Miles of Paved Streets	78.65	78.76	78.92	78.92	78.96
Miles of Unpaved Streets	1.41	1.34	1.34	1.34	1.30
Water					
Number of Hydrants ⁽¹⁾	1,302	1,345	1,352	1,420	1,311
Water Mains (miles)	245	248	249.0	223.0	223.0
Number of Utility Customers (accounts)	8,192	8,139	8,158	8,342	8,690

Source: Town of Southern Pines Department Directors

⁽¹⁾ Amounts are estimated.

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

Table 17
(Continued)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Function/Program					
Public Safety					
Police					
Police Stations	1	1	1	1	1
Patrol Units	30	29	34	35	33
Fire					
Stations	1	1	1	1	1
Fire Suppression Vehicles	6	6	6	6	7
Rescue Vehicles	2	2	2	2	2
Cultural and Recreational					
Recreation and Parks					
Number of Parks	14	14	14	14	14
Number of Tennis Courts	8	8	8	8	8
Number of Athletic Fields Maintained	10	10	10	10	10
Number of Swimming Pools	1	1	1	1	1
Number of Lakes	1	1	1	1	1
Number of Picnic Shelters	7	7	7	7	7
Number of Performance Stages	-	1	1	1	1
Public Works and Utilities					
Streets					
Miles of Paved Streets	80.30	80.43	80.56	80.73	80.44
Miles of Unpaved Streets	1.24	1.11	0.98	0.74	0.60
Water					
Number of Hydrants ⁽¹⁾	1,433	1,473	1,485	1,519	1,535
Water Mains (miles)	228.0	233.6	235.3	235.6	238.7
Number of Utility Customers (accounts)	8,839	9,063	9,443	9,716	9,948

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

Source: Town of Southern Pines Risk Management Department

Town of Southern Pines, North Carolina
Insurance in Force ⁽¹⁾
July 1, 2018 - June 30, 2019

Table 18
(Continued)

Type of Coverage	Details of Coverage	
Computer Equipment/Media	\$ 1,395,889	Limits of Coverage
	500	Deductible
Impounded Auto/Comp	100,000	Limits of Coverage
	500/1,000	Deductible
Impounded Auto/Collision	100,000	Limits of Coverage
	500/1,000	Deductible

⁽¹⁾ Represents insurance in force on July 1, 2018. Insurance was renewed on July 1, 2019 for the fiscal year ended June 30, 2020.

Town of Southern Pines, North Carolina
Utility Rate Information
Fiscal Year 2019 Approved Operating Budget Ordinance

Table 19

WATER RATES

Minimum Charge

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

Volume Charge per 1,000 Gallons

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

SEWER RATES

Minimum Charge

<u>Meter Size</u>	<u>Inside Town</u>	<u>Outside Town</u>
3/4"	\$ 4.89	\$ 9.78
1"	6.38	12.76
1 1/2"	10.52	21.04
2"	16.38	32.76
3"	33.04	66.08
4"	56.35	112.70
6"	123.04	246.08
8"	216.39	432.78

Volume Charge per 1,000 Gallons

<u>Inside Town</u>	<u>Outside Town</u>
\$ 5.72	\$ 11.44

Compliance Section



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southern Pines, North Carolina ("Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated November 21, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Dixon Hughes Goodman LLP

**High Point, North Carolina
November 21, 2019**

Independent Auditors' Report on Compliance for the Major State Program and on Internal Control over Compliance in Accordance with Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

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

Report on Compliance for the Major State Program

We have audited the Town of Southern Pines, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on its major state program for the year ended June 30, 2019. The Town of Southern Pines' major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Town of Southern Pines' major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the Audit Manual for Governmental Auditors in North Carolina and the State Single Audit Implementation Act. Those standards, applicable sections of the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Southern Pines' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination on the Town of Southern Pines' compliance.

Opinion on the Major State Program

In our opinion, the Town of Southern Pines complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town of Southern Pines is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Southern Pines' internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Southern Pines' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on applicable sections of Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**High Point, North Carolina
November 21, 2019**

Schedule of Findings and Questioned Costs

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

State Awards

Internal control over major state programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses ☐ Yes ☒ None reported
- Noncompliance material to state award ☐ Yes ☒ No

Type of auditors' report issued on compliance for major state program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

☐ Yes ☒ No

Identification of major state program:

DOT-4 Powell Bill

II. Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2019.

III. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2019.

Town of Southern Pines, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019

Schedule 39

Grantor/Program Title	Federal CFDA/ State Number	Grant Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
Federal grants:					
<u>U.S. Department of Justice</u>					
Direct Payments:					
Office of Justice Programs					
Bulletproof Vest Partnership Program	16.607	2016BUBX16083491	\$ 2,189	\$ -	\$ 2,189
Bulletproof Vest Partnership Program	16.607	2017BUBX17086979	4,957	-	4,957
Bulletproof Vest Partnership Program	16.607	2018BUBX18091579	989	-	989
Total Bulletproof Vest Partnership Program			8,135	-	8,135
Total U.S. Department of Justice			8,135	-	8,135
<u>U.S. Department of Homeland Security</u>					
Direct Payments:					
Federal Emergency Management Agency					
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2009-FH-00169	102,839	-	34,280
Total Staffing for Adequate Fire and Emergency Response (SAFER)			102,839	-	34,280
Passed through N.C. Department of Public Safety-Emergency Management					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4393-DR-NC	131,165	43,722	-
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			131,165	43,722	-
Total U.S. Department of Homeland Security			234,004	43,722	34,280
Total assistance - federal programs			242,139	43,722	42,415
State grants:					
<u>NC Department of Natural and Cultural Resources</u>					
Direct Programs					
Aid to Public Libraries Fund	DNCR-4	N/A	-	6,138	-
Arts in Communities/Grassroots Arts Program	N/A	FY18-89983	-	1,350	-
Total NC Department of Natural and Cultural Resources			-	7,488	-
<u>NC Department of Environmental Quality</u>					
Direct Programs					
Asset Inventory and Assessment Grant	N/A	E-AIA-W-17-0056	-	150,000	30,000
Total NC Department of Environmental Quality			-	150,000	30,000
<u>NC Department of Transportation</u>					
Direct Programs					
Powell Bill	DOT-4	2000026836	-	408,082	-
Total NC Department of Transportation			-	408,082	-
Total assistance - state programs			-	565,570	30,000
Total assistance			\$ 242,139	\$ 609,292	\$ 72,415

Notes to Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Southern Pines under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Southern Pines has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

