

**THE TOWN OF SOUTHERN PINES, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
Year ended June 30, 2010**

Sheet #1

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October 29, 2010

To the Honorable Mayor, Members of the Town Council, and the Citizens of the Town of Southern Pines:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, the Comprehensive Annual Financial Report (CAFR) of the Town of Southern Pines, North Carolina (Town) for the fiscal year ended June 30, 2010 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 PLLC, 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, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended June 30, 2010, 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, 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 2010 population of approximately 12,717 and encompasses 16.54 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 manufacturing, tourism, retirement and agriculture. Direct spending by visitors continues to be high, placing Moore County eleventh in the one hundred counties in North Carolina, while its population places it thirty second. Tourism represented a tax savings to each County household in excess of \$1,050 annually.

While the seasonally unadjusted unemployment rate in Moore County was 9.1% as of June 30, 2010, it was less than the State average of 10.2%. At the time of this writing, the unemployment rate had decreased to 8.9%.

Overall, the Town's economy is expected to remain stable. It is anticipated that the Town will benefit from the relocation of two major commands to nearby Fort Bragg resulting from the Base Realignment and Closure (BRAC). The target date for BRAC implementation is by September, 2011. Additionally, the assessed value of taxable property in the Town increased 2.0% over last year due to normal growth. In planning for the future, the Town continues to maintain a high priority on both the delivery of quality services and financial stability.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

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

The Town has several ongoing capital projects to meet the needs of the citizens. During fiscal year 2010 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 has almost been completed on the installation of water and sanitary sewer improvements to serve the Waynor Road Community. The area which contains 30+ lots, was annexed by the Town in December 2009. Partial funding for the project was a Community Development Block Grant that the Town was awarded during 2009.

During 2010, the majority of the construction of the police facility was completed. The site, which is adjacent to the existing fire station, enables the Town's public safety facilities to be located in the same central location. In addition to police services, the police facility also host a new communications center and centralized server room for the entire Town's Information Technology equipment as well as an emergency operations center.

Construction continued on several additional capital projects during 2010. The projects were the construction and improvements of various sidewalks in the Town, and the continued construction of the fiber optics infrastructure project to allow fiber optics connections between Town buildings.

A capital project fund was established during 2010 for an Enterprise Information and Document Management System. This project will allow the Town to have an integrated electronic solution for all Town departments and systems to include accounting and customer service.

Street resurfacing also continued to keep our streets among the best maintained in the State. Sewer and water line replacements and improvements also continued during 2010.

Construction is scheduled to begin during 2011 on a raw water storage reservoir project. The design is for construction of a raw water reservoir with a 140 million gallon capacity to

include fill piping from the existing Southern Pines Water Treatment Plant's raw water pump station on Drowning Creek and a reservoir pump station and piping which then would transport the stored water to the Water Treatment Plant. Land has been purchased for the project, a design has been prepared, and necessary permitting has been obtained. The Town will be seeking installment financing for a portion of the construction cost of the reservoir project. The remaining funding will be from the proprietary fund retained earnings and impact fees.

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, 2009. This was the nineteenth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

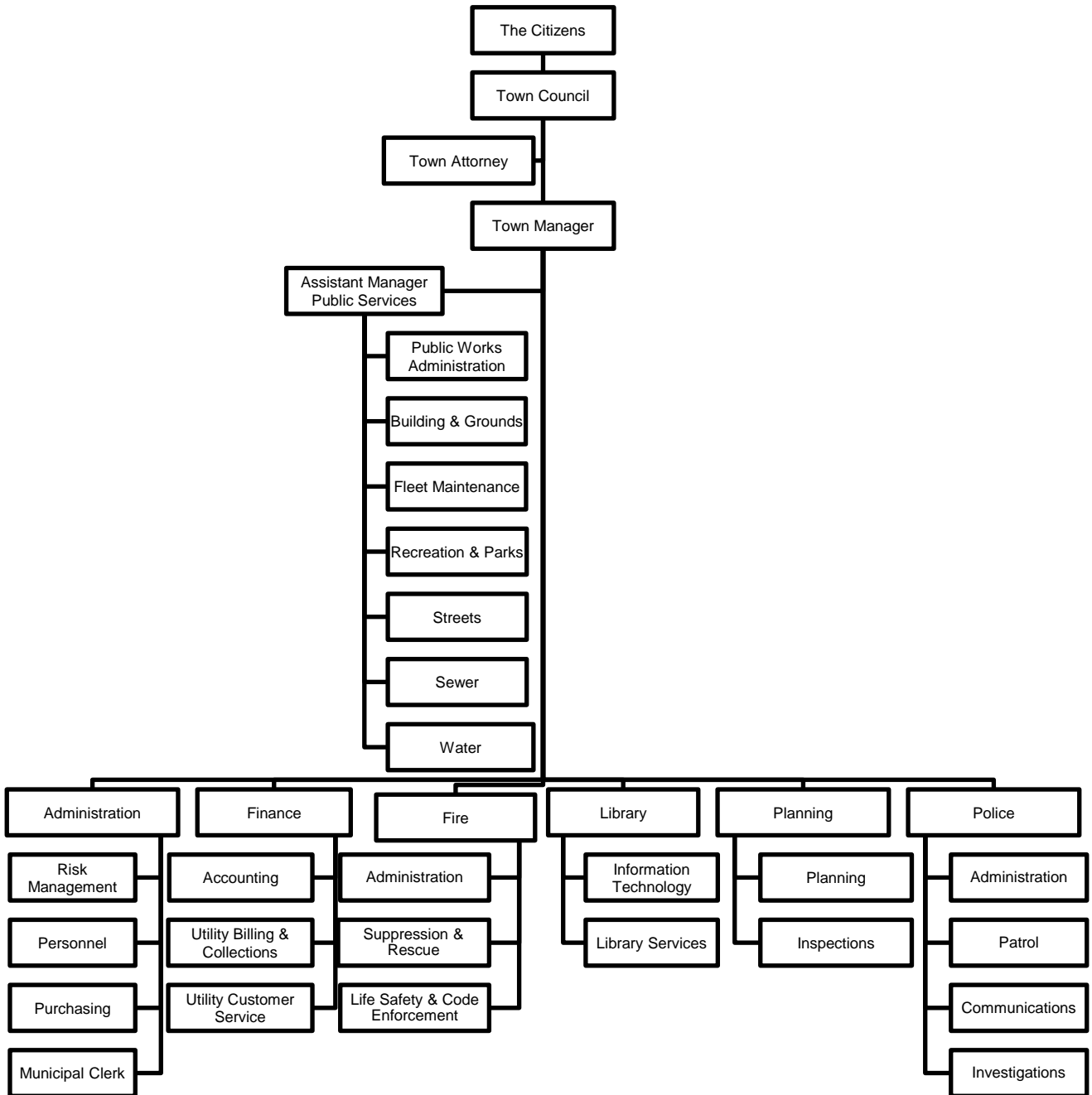
Respectfully submitted,

Reagan D. Parsons
Town Manager

Crystal J. Gabric
Director of Finance

TOWN OF SOUTHERN PINES

Organizational Chart



TOWN OF SOUTHERN PINES
LIST OF PRINCIPAL OFFICIALS
June 30, 2010

TOWN COUNCIL

Michael Haney	Mayor
Michael Fields	Mayor Pro-tem
Fred Walden	Treasurer
Christopher Smithson	Council Member
David McNeill	Council Member

TOWN OFFICIALS

Reagan D. Parsons	Town Manager
Douglas R. Gill	Town Attorney
David White	Assistant Town Manager – Director of Public Services
Eleanore M. Dreher	Director of Administrative Services
Crystal J. Gabric	Director of Finance
John Letteney	Chief of Police
Bart Nuckols	Director of Planning
Robert Reeve	Director of Recreation & Parks
Lynn Thompson	Director of Library Services & Information Technology
Hampton Williams	Fire Chief

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southern Pines, North Carolina as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Southern Pines' management. Our responsibility is to express opinions on these basic 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southern Pines, North Carolina as of June 30, 2010 and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2010 on our consideration of Town of Southern Pines' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officer's Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the basic financial statements of Town of Southern Pines, North Carolina, taken as a whole. The individual fund statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections of the Comprehensive Annual Financial Report (CAFR) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on their contents.

Dixon Hughes PLLC

October 25, 2010



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Management's Discussion and Analysis

As management of the Town of Southern Pines, we offer readers of the Town of Southern Pines' financial statements this narrative overview and analysis of the financial activities of the Town of Southern Pines (Town) for the fiscal year ended June 30, 2010. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative and the transmittal letter found in the Introductory Section.

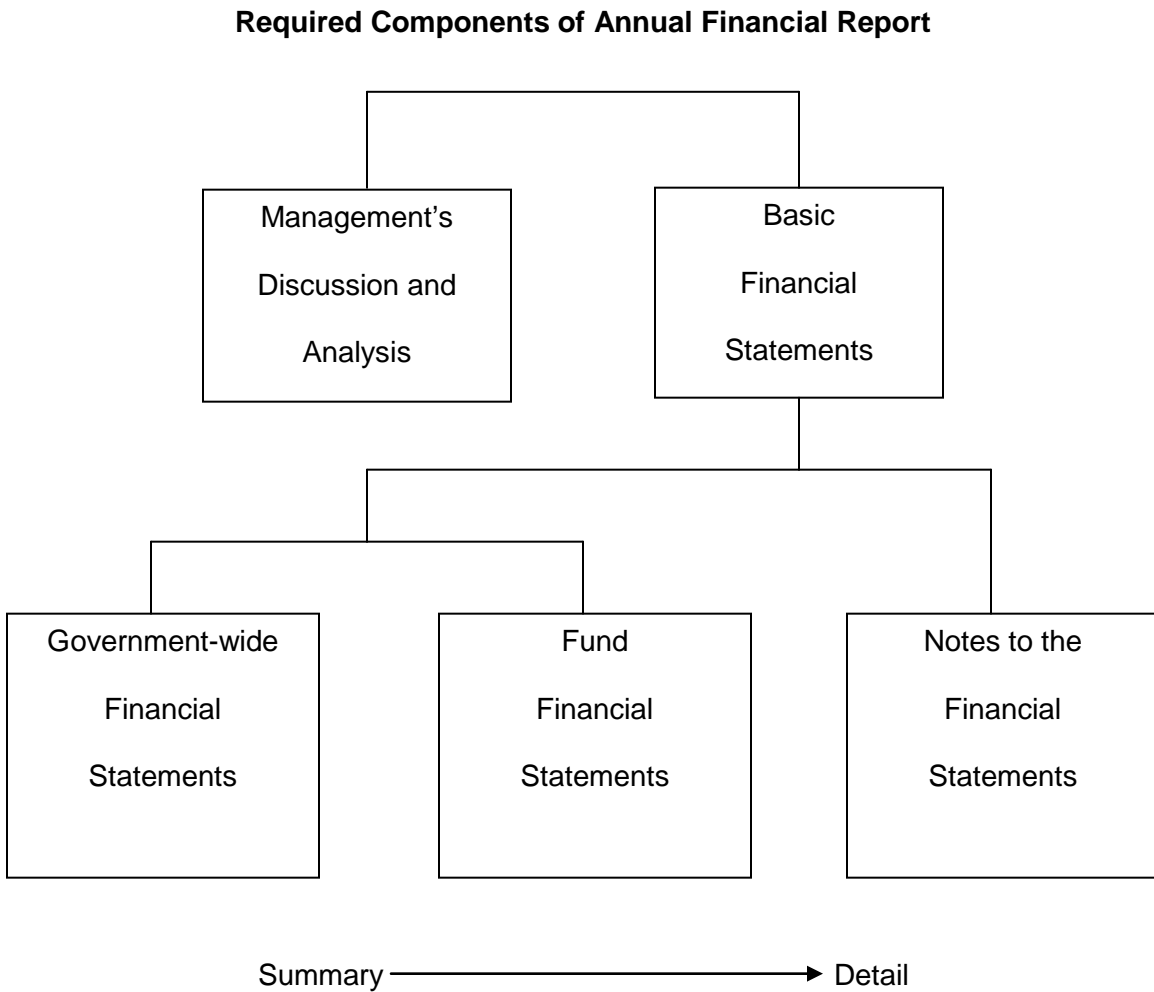
Financial Highlights

- The assets of the Town of Southern Pines exceeded its liabilities at the close of the fiscal year by \$78,240,698. The assets of the governmental activities exceeded liabilities by \$38,867,086 and the assets of the business-type activities exceeded liabilities by \$39,373,612.
- The government's total net assets increased by \$1,588,294, due to an increase in both the governmental activities and the business type net assets.
- As of the close of the current fiscal year, the Town of Southern Pines governmental funds reported combined ending fund balances of \$9,989,222, a decrease of \$2,725,421 in comparison with the prior year. Approximately 48.06 percent of this total amount, or \$4,800,914, is available for spending at the government's discretion (*unreserved undesignated fund balance*). The Town maintains a minimum of 25% of budgeted expenditures in available fund balance for cash flow and emergencies. The remainder is used for capital expenditures.
- As of the close of the current fiscal year, the Town's business-type activities reported combined ending net assets of \$39,373,612, an increase of \$1,265,561. The increase is due in part to a reduction in long-term debt.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,214,263 or 46.6 percent of total General Fund expenditures for the fiscal year.
- During fiscal year 2009, the Town experienced a bond rating increase to an AA- from an A+ by Standard and Poor's. The Town also maintained its A2 bond rating from Moody's Investors Services for the 12th consecutive year. The North Carolina Municipal Council increased the Town's rating from 84 to 85, which is comparable to a rating of A1/A+ by the national rating agencies, during fiscal year 2007.

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 and required supplemental financial data, **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 are the statement of net assets and the statement of activities. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition. Over time, increases or decreases in net assets help determine whether the Town's financial position is improving or deteriorating. The statement of activities presents information which demonstrates how the Town's net assets changed during the most recent fiscal year.

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 including the General Statutes and the Town's budget ordinance. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 48 of this report.

Government-Wide Financial Analysis of the Town of Southern Pines

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of the Town exceeded liabilities by \$78,240,698 as of June 30, 2010. The Town’s net assets increased by \$1,588,294 for the fiscal year ended June 30, 2010. However, 78.88% reflects the Town’s investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town’s net assets, 0.40%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16,205,889 is unrestricted.

The following (Figure 2) reflects condensed information on the Town’s net assets.

Figure 2:

**The Town of Southern Pines
Statement of Net Assets**

	<u>Governmental Activities</u> <u>2010</u>	<u>Governmental Activities</u> <u>2009</u>	<u>Business-Type Activities</u> <u>2010</u>	<u>Business-Type Activities</u> <u>2009</u>	<u>Total</u> <u>2010</u>	<u>Total</u> <u>2009</u>
Current and other assets	\$ 11,027,341	\$ 14,372,673	\$ 7,778,892	\$ 7,585,910	\$ 18,806,233	\$ 21,958,583
Capital assets	35,335,831	32,858,463	32,039,888	31,165,704	67,375,719	64,024,167
Total assets	<u>46,363,172</u>	<u>47,231,136</u>	<u>39,818,780</u>	<u>38,751,614</u>	<u>86,181,952</u>	<u>85,982,750</u>
Long-term liabilities	5,795,915	6,293,283	24,485	16,645	5,820,400	6,309,928
Other liabilities	1,700,171	2,393,500	420,683	626,918	2,120,854	3,020,418
Total liabilities	<u>7,496,086</u>	<u>8,686,783</u>	<u>445,168</u>	<u>643,563</u>	<u>7,941,254</u>	<u>9,330,346</u>
Net assets:						
Invested in capital assets, net of related debt	29,678,651	29,848,572	32,039,888	30,955,704	61,718,539	60,804,276
Restricted	316,270	3,543,028	-	-	316,270	3,543,028
Unrestricted	8,872,165	5,152,753	7,333,724	7,152,347	16,205,889	12,305,100
Total net assets	<u>\$ 38,867,086</u>	<u>\$ 38,544,353</u>	<u>\$ 39,373,612</u>	<u>\$ 38,108,051</u>	<u>\$ 78,240,698</u>	<u>\$ 76,652,404</u>

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.44%, which is greater than the last reported statewide average of 97.05%.
- Increased property tax revenue due to growth resulted in actual revenue exceeding the amount budgeted by \$186,026.
- Continued low cost of debt due to the Town's good bond ratings.

Changes in Net Assets

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

Figure 3:

Town of Southern Pines Changes in Net Assets

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,824,181	\$ 1,621,428	\$ 6,093,301	\$ 5,440,474	\$ 7,917,482	\$ 7,061,902
Operating grants and contributions	548,929	521,637	-	-	548,929	521,637
Capital grants and contributions	58,660	385,574	1,114,990	878,600	1,173,650	1,264,174
General revenues:						
Property taxes	7,236,466	7,065,786	-	-	7,236,466	7,065,786
Other taxes	3,220,321	3,313,178	-	-	3,220,321	3,313,178
Other	543,446	669,917	97,530	186,123	640,976	856,040
Total revenues	13,432,003	13,577,520	7,305,821	6,505,197	20,737,824	20,082,717
Expenses:						
General government	4,539,958	4,023,204	-	-	4,539,958	4,023,204
Public safety	4,751,887	4,676,145	-	-	4,751,887	4,676,145
Culture and recreation	1,587,332	1,820,968	-	-	1,587,332	1,820,968
Transportation	1,593,589	1,821,185	-	-	1,593,589	1,821,185
Economic & physical development	667,356	791,424	-	-	667,356	791,424
Interest on long-term debt	225,648	177,670	-	-	225,648	177,670
Water and sewer	-	-	5,783,760	5,214,994	5,783,760	5,214,994
Total expenses	13,365,770	13,310,596	5,783,760	5,214,994	19,149,530	18,525,590
Increase in net assets before transfers	66,233	266,924	1,522,061	1,290,203	1,588,294	1,557,127
Transfers	256,500	-	(256,500)	-	-	-
Increase in net assets	322,733	266,924	1,265,561	1,290,203	1,588,294	1,557,127
Net assets, July 1	38,544,353	38,277,429	38,108,051	36,817,848	76,652,404	75,095,277
Net assets, June 30	\$ 38,867,086	\$ 38,544,353	\$ 39,373,612	\$ 38,108,051	\$ 78,240,698	\$ 76,652,404

Governmental activities – Governmental activities increased the Town’s net assets by \$322,733, thereby accounting for 20.32% of the total growth in the net assets of the Town. Key elements of this increase are as follows:

- Current tax collections increased over the prior year due to growth.
- Charges for services increased primarily due to the first full year of an increase to customer’s accounts for the Town’s recycling program.
- Purchases of capital equipment in the prior year resulted in a decrease in transportation expenses.

Figure 4:

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

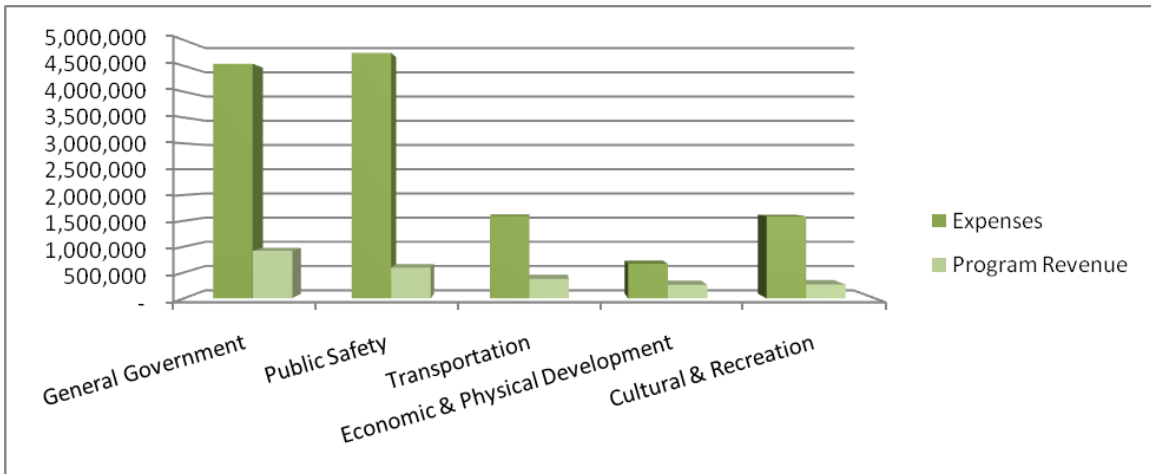
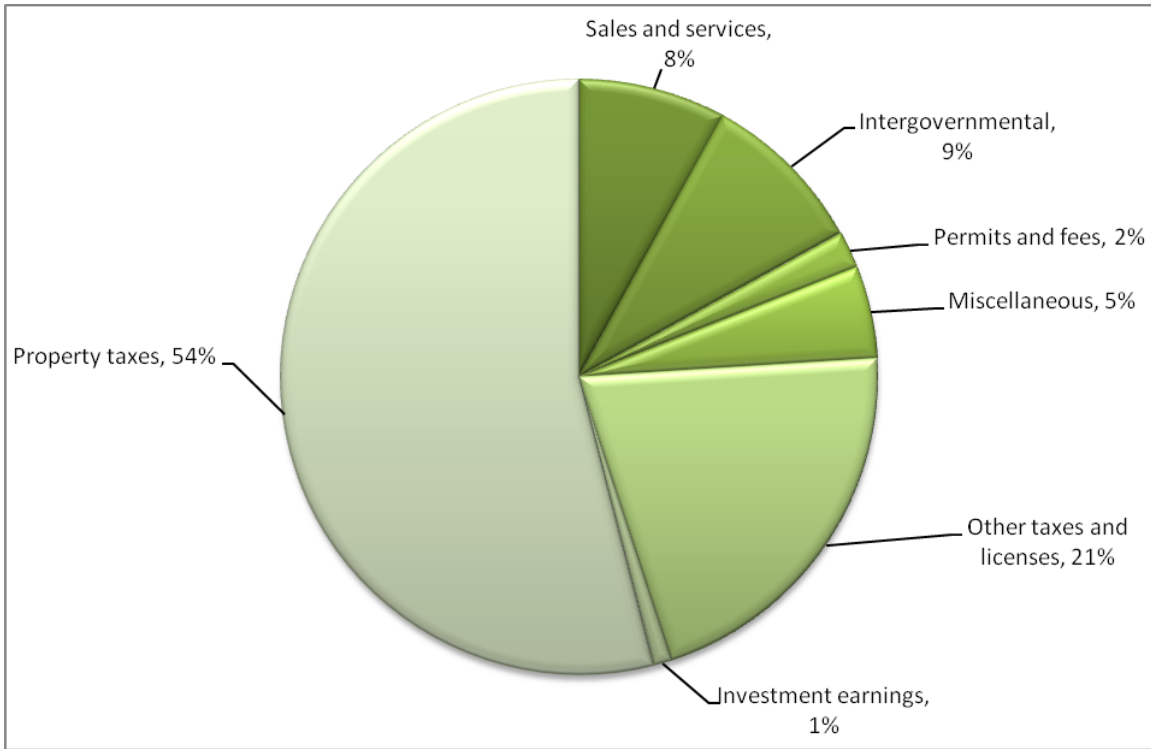


Figure 5:

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



Business-type activities: Business-type activities increased the Town's net assets by \$1,265,561 accounting for 79.68% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Capital grants and contributions in the amount of \$1,114,990 due in part to a grant from the North Carolina Rural Center for water and sewer construction at the commercial park as well as a Community Development Block Grant for water and sewer construction in the Waynor Road area.
- Liability reduction due to the retirement of general bonded debt principal.
- Impact fees remained consistent.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,989,222, a decrease of \$2,725,421 or a 21.43 percent decrease in comparison with the prior year. Of this amount, \$4,800,914 or 48.06 percent is unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,214,263 while total fund balance reached \$7,429,272. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46.58 percent of total General Fund expenditures, while total fund balance represents 55.68 percent of that same amount.

The fund balance of the Town's General Fund decreased by \$549,729 during the 2010 fiscal year. Key components of this change are as follows:

- A full year of principal and interest payments for the installment financing of the police facility in the amount of \$663,661.
- Total transfers in the amount of \$600,070 to the governmental non-major capital project funds.

The Capital Projects Funds include the Town's major fund for the construction of a Police Facility. At the end of the fiscal year, total fund balance decreased \$2,927,341 due to the nearing completion of the project and the spending of the financing proceeds.

Non-Major Capital Project Funds include Recreation, Roadways, Infrastructure and an Enterprise Information and Document Management System. At the end of the fiscal year, total fund balance increased \$751,649 due primarily to the creation of the Enterprise Information and Document Management System during 2010.

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 \$592,076 net increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$175,400 appropriation for the purchase of a 3,000 gallon fire tanker.
- \$400,000 appropriation for a transfer to the newly created Enterprise Information and Document Management System Non-Major Capital Project Fund.

The actual operating revenues for the General Fund were greater than the final budgeted amount by \$974,292. Ad valorem taxes were \$186,026 greater than the budgeted amount due to an actual higher than budgeted tax collection rate. Other taxes and licenses were \$506,932 greater than the conservative amount budgeted for local option sales tax. Unrestricted intergovernmental revenues were \$101,689 greater than budgeted due to the increased amount of utility franchise tax. The permits and fees revenue category was \$139,228 greater than budgeted due to conservative budgeting in the building inspections area.

The actual operating expenses for the General Fund were less than the final budgeted amount by \$948,453. General government, public safety, transportation, economic and physical development and cultural and recreational realized a savings of \$347,969, \$300,448, \$97,999, \$82,657 and \$119,378 respectively due primarily to personnel vacancies and the actual cost of capital equipment was 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 assets at the end of the fiscal year amounted to \$7,333,724. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

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, 2010, totals \$67,375,719 (net of accumulated depreciation). These assets include buildings, streets, storm drainage, sidewalks, land, machinery and equipment, park facilities, and vehicles.

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

Governmental Funds:

Additions

- Infrastructure additions of \$1,460,184.
- Various purchases of vehicles and motorized equipment totaling \$324,562.
- Various purchases of furniture, fixtures and other equipment equaling \$47,235.
- Various purchases of machinery and equipment of \$132,205.
- Construction in progress of \$2,940,718 in governmental-type activities for the construction of a road, the construction of the police department, the design and installation of storm water infrastructure, the construction of a parkway and the construction of fiber connections between Town buildings.
- Intangible assets in progress in the amount of \$109,012 for the Enterprise Information and Document Management System.

Retirements

- Disposals and surplused assets in the amount of \$186,217.
- The transfer of construction in progress to the infrastructure category in the amount of \$1,442,334.

Proprietary Funds:

Additions

- Construction in progress of \$1,212,122 for water and sewer improvements, a raw water reservoir and the commercial park project.
- Capital contributions of water and sewer lines in the amount of \$398,991.
- The addition of intangible assets consisting of water and sewer easements in the amount of \$202,064.
- Various equipment purchases of \$132,950.

Retirements

- Disposals and surplused assets in the amount of \$231,700.

Figure 6:

Town of Southern Pines Capital Assets

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2010	2009	2010	2009	2010	2009
Land	\$ 10,771,658	\$ 10,771,658	\$ 351,446	\$ 351,446	\$ 11,123,104	\$ 11,123,104
Buildings and improvements	5,856,446	6,003,578	1,279,774	1,308,266	7,136,220	7,311,844
Other improvements	2,598,922	2,679,850	-	-	2,598,922	2,679,850
Machinery and equipment	235,041	207,687	672,320	646,726	907,361	854,413
Infrastructure	4,173,131	3,090,635	-	-	4,173,131	3,090,635
Plant and distribution systems	-	-	25,973,767	26,510,871	25,973,767	26,510,871
Vehicles and motorized equipment	1,612,569	1,564,057	-	-	1,612,569	1,564,057
Furniture, Fixtures, and other equipment	546,037	606,367	-	-	546,037	606,367
Intangibles-easements	-	-	202,064	-	202,064	-
Intangibles in progress	109,012	-	-	-	109,012	-
Construction in progress	9,433,015	7,934,631	3,560,517	2,348,395	12,993,532	10,283,026
Total Capital Assets (net of accumulated depreciation)	<u>\$ 35,335,831</u>	<u>\$ 32,858,463</u>	<u>\$ 32,039,888</u>	<u>\$ 31,165,704</u>	<u>\$ 67,375,719</u>	<u>\$ 64,024,167</u>

Additional information on the Town's capital assets can be found in note 6 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2010, 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.

The Town of Southern Pines' total debt decreased by \$792,459 during the current fiscal year. Included in the category is the purchase of an aerial ladder truck during fiscal year 2006 and installment financing of the Police Facility during fiscal year 2009. The total outstanding balance of debt as of June 30, 2010 is \$5,926,451.

Figure 7:

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ -	\$ -	\$ -	\$ 210,000	\$ -	\$ 210,000
Other Debt	5,926,451	6,508,910	-	-	5,926,451	6,508,910
Total	\$ 5,926,451	\$ 6,508,910	\$ -	\$ 210,000	\$ 5,926,451	\$ 6,718,910

As mentioned in the financial highlights section of this document, the Town maintained its A2 bond rating from Moody's Investors Services for the 12th consecutive year. Also, Standard and Poor's Corporation upgraded the Town's rating to an AA- from an A+ during fiscal year 2009. 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 \$158,553,757, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information regarding the Town's long-term debt can be found in note 13 of this report.

Economic Factors and Next Year's Budget and Rates

The Town, like all municipalities both local and national, continues to face the challenges of the economy. The fiscal year ending June 30, 2011 budget is balanced and represents an overall decrease of 4.8 percent and 6.5 percent in the governmental and business type activities budget's respectively.

The unemployment rate for the county in which the Town is located was 9.1% as of June 30, 2010. The unemployment rate, which is a decrease of 1% from a year ago, is below the State average of 10.2%.

Governmental Activities: Governmental revenues will be subject to additional strain this year as a result of the local and national economy. However, the Town has not budgeted to increase taxes or fees in the 2010-2011 fiscal year. Additionally, the Town will continue to offer its citizens a high level of service and will not reduce services in the upcoming year. As stated previously, expenditures for these services will be reduced by 4.8 percent from the 2010 budgeted amount.

Business – type Activities: To slowly meet future expenses, rather than a substantial increase in one year, a 2% water and sewer rate increase will be implemented. Total expenses are budgeted to decrease 6.5 percent.

Construction is scheduled to begin on the 140 million gallon capacity raw water reservoir in fiscal year 2011. The Town will be securing installment financing for a portion of the construction cost and utilizing Town funds for the remaining 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.

**TOWN OF SOUTHERN PINES
STATEMENT OF NET ASSETS
June 30, 2010**

Exhibit 1

	2010		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,278,772	\$ 5,227,242	\$ 14,506,014
Receivables - net:			
Property taxes	79,088	-	79,088
Due from other governments	759,672	-	759,672
Accounts receivable	264,352	-	264,352
Accrued interest	22,095	15,249	37,344
Sales tax	302,121	64,793	366,914
Assessments	2,305	49,983	52,288
Customers	-	1,069,148	1,069,148
Other	-	9,141	9,141
Inventories	45,005	-	45,005
Prepays	4,660	995	5,655
Restricted cash and investments	269,271	1,337,229	1,606,500
Unamortized bond issuance costs	-	5,112	5,112
Total current assets	<u>11,027,341</u>	<u>7,778,892</u>	<u>18,806,233</u>
Noncurrent assets:			
Capital assets			
Land, non-depreciable improvements, and construction in progress	20,313,685	3,911,963	24,225,648
Intangibles - easements	-	202,064	202,064
Other capital assets, net of depreciation	15,022,146	27,925,861	42,948,007
Total capital assets	<u>35,335,831</u>	<u>32,039,888</u>	<u>67,375,719</u>
Total noncurrent assets	<u>35,335,831</u>	<u>32,039,888</u>	<u>67,375,719</u>
Total assets	<u>\$ 46,363,172</u>	<u>\$ 39,818,780</u>	<u>\$ 86,181,952</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 932,876	\$ 339,325	\$ 1,272,201
Deposits	13,539	60,048	73,587
Current maturities of long-term debt	753,756	21,310	775,066
Total current liabilities	1,700,171	420,683	2,120,854
Noncurrent liabilities:			
Noncurrent portion of long-term debt	5,795,915	24,485	5,820,400
Total liabilities	<u>7,496,086</u>	<u>445,168</u>	<u>7,941,254</u>
NET ASSETS			
Invested in capital assets, net of related debt	29,678,651	32,039,888	61,718,539
Restricted for:			
Police Station - Expendable	269,271	-	269,271
Cemetery care - Nonexpendable	46,999	-	46,999
Unrestricted	8,872,165	7,333,724	16,205,889
Total net assets	<u>\$ 38,867,086</u>	<u>\$ 39,373,612</u>	<u>\$ 78,240,698</u>

**TOWN OF SOUTHERN PINES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

Exhibit 2

Function/Programs	2010						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Government activities:							
General government	\$ 4,539,958	\$ 830,364	\$ 67,145	\$ 22,960	\$ (3,619,489)	\$ -	\$ (3,619,489)
Public safety	4,751,887	493,485	65,701	35,700	(4,157,001)	-	(4,157,001)
Transportation	1,593,589	14,531	365,427	-	(1,213,631)	-	(1,213,631)
Economic and physical development	667,356	263,420	-	-	(403,936)	-	(403,936)
Cultural and recreation	1,587,332	219,856	50,656	-	(1,316,820)	-	(1,316,820)
Cemetery	-	2,525	-	-	2,525	-	2,525
Interest on long-term debt	225,648	-	-	-	(225,648)	-	(225,648)
Total governmental activities	<u>13,365,770</u>	<u>1,824,181</u>	<u>548,929</u>	<u>58,660</u>	<u>(10,934,000)</u>	<u>-</u>	<u>(10,934,000)</u>
Business-type activities:							
Water and sewer	<u>5,783,760</u>	<u>6,093,301</u>	<u>-</u>	<u>1,114,990</u>	<u>-</u>	<u>1,424,531</u>	<u>1,424,531</u>
Total business-type activities	<u>5,783,760</u>	<u>6,093,301</u>	<u>-</u>	<u>1,114,990</u>	<u>-</u>	<u>1,424,531</u>	<u>1,424,531</u>
Total primary government	<u>\$ 19,149,530</u>	<u>\$ 7,917,482</u>	<u>\$ 548,929</u>	<u>\$ 1,173,650</u>	<u>(10,934,000)</u>	<u>1,424,531</u>	<u>(9,509,469)</u>
General revenues:							
Ad valorem taxes					7,236,466	-	7,236,466
Local option taxes					2,388,153	-	2,388,153
Alcoholic Beverage Tax					94,236	-	94,236
Franchise taxes					737,932	-	737,932
Unrestricted intergovernmental					361,794	-	361,794
Investment earnings					109,546	65,120	174,666
Miscellaneous					47,231	18,581	65,812
Gain on disposal					24,875	13,829	38,704
Total general revenues, not including transfers					<u>11,000,233</u>	<u>97,530</u>	<u>11,097,763</u>
Transfers					256,500	(256,500)	-
Total general revenues and transfers					<u>11,256,733</u>	<u>(158,970)</u>	<u>11,097,763</u>
Change in net assets					322,733	1,265,561	1,588,294
Net assets, beginning of year					<u>38,544,353</u>	<u>38,108,051</u>	<u>76,652,404</u>
Net assets, end of year					<u>\$ 38,867,086</u>	<u>\$ 39,373,612</u>	<u>\$ 78,240,698</u>

TOWN OF SOUTHERN PINES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

Exhibit 3

	2010			
	Major Funds			Total Governmental Funds
	General	Police Station Expansion Capital Project	Non Major Governmental Funds	
ASSETS AND OTHER DEBITS				
ASSETS				
Cash and investments	\$ 6,756,699	\$ 727,792	\$ 1,794,281	\$ 9,278,772
Receivables - net:				
Property taxes	79,088	-	-	79,088
Due from other government:	759,672	-	-	759,672
Accounts receivable	264,352	-	-	264,352
Accrued interest receivable	15,610	2,316	4,169	22,095
Sales tax receivable	172,818	123,428	5,875	302,121
Parking lot assessments	2,305	-	-	2,305
Inventory	45,005	-	-	45,005
Prepays	4,660	-	-	4,660
Restricted cash and investments	-	269,271	-	269,271
	<u>\$ 8,100,209</u>	<u>\$ 1,122,807</u>	<u>\$ 1,804,325</u>	<u>\$ 11,027,341</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Current liabilities				
Accounts payable	\$ 357,797	\$ 366,797	\$ 385	\$ 724,979
Accrued liabilities				
Other	171,100	-	-	171,100
Security deposits	13,539	-	-	13,539
Deferred revenues				
Taxes receivable	79,088	-	-	79,088
Parking lot assessments	2,305	-	-	2,305
Other	47,108	-	-	47,108
Total liabilities	<u>670,937</u>	<u>366,797</u>	<u>385</u>	<u>1,038,119</u>
FUND BALANCES				
Reserved				
Reserved by state statute	1,165,344	125,744	9,935	1,301,023
Reserved for inventory	45,005	-	-	45,005
Reserved for prepaids	4,660	-	-	4,660
Reserved for cemetery care	-	-	46,999	46,999
Unreserved				
Designated for subsequent year's expenditures	1,413,349	-	-	1,413,349
Designated for capital projects	-	630,266	1,747,006	2,377,272
Undesignated	4,800,914	-	-	4,800,914
Total fund balances	<u>7,429,272</u>	<u>756,010</u>	<u>1,803,940</u>	<u>9,989,222</u>
Total liabilities and fund balances	<u>\$ 8,100,209</u>	<u>\$ 1,122,807</u>	<u>\$ 1,804,325</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	35,335,831
Liabilities for earned but deferred revenues in fund statements, net	128,501
Some liabilities are not due and payable in the current period and are therefore not reported in the funds.	<u>(6,586,468)</u>
Net assets of governmental activities	<u>\$ 38,867,086</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Exhibit 4

	2010			
	Major Funds		Non Major Governmental Funds	Totals Governmental Funds
	General	Police Station Expansion Capital Project		
REVENUES				
Ad valorem taxes	\$ 7,235,515	\$ -	\$ -	\$ 7,235,515
Other taxes and licenses	2,850,332	-	-	2,850,332
Unrestricted intergovernmental	755,689	-	-	755,689
Restricted intergovernmental	500,288	-	-	500,288
Permits and fees	309,678	-	-	309,678
Sales and services	1,034,164	-	2,525	1,036,689
Investment earnings	84,214	9,243	16,089	109,546
Developers contributions	-	-	(10,391)	(10,391)
Other	622,814	-	-	622,814
	<u>13,392,694</u>	<u>9,243</u>	<u>8,223</u>	<u>13,410,160</u>
EXPENDITURES				
Current:				
General government	4,427,325	-	176,615	4,603,940
Public safety	4,800,342	-	-	4,800,342
Transportation	1,175,728	-	175,618	1,351,346
Economic and physical development	665,165	-	-	665,165
Cultural and recreational	1,454,657	-	1,411	1,456,068
Debt service:				
Principal	582,459	-	-	582,459
Interest	236,677	-	-	236,677
Capital Outlay	-	2,696,084	-	2,696,084
	<u>13,342,353</u>	<u>2,696,084</u>	<u>353,644</u>	<u>16,392,081</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>50,341</u>	<u>(2,686,841)</u>	<u>(345,421)</u>	<u>(2,981,921)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(600,070)	(240,500)	(25,874)	(866,444)
Transfers from other funds	-	-	1,122,944	1,122,944
Total other financing sources (uses)	<u>(600,070)</u>	<u>(240,500)</u>	<u>1,097,070</u>	<u>256,500</u>
NET CHANGE IN FUND BALANCES	(549,729)	(2,927,341)	751,649	(2,725,421)
FUND BALANCE, BEGINNING OF YEAR, JULY 1	<u>7,979,001</u>	<u>3,683,351</u>	<u>1,052,291</u>	<u>12,714,643</u>
FUND BALANCE, END OF YEAR, JUNE 30	<u>\$ 7,429,272</u>	<u>\$ 756,010</u>	<u>\$ 1,803,940</u>	<u>\$ 9,989,222</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2010

Exhibit 4
(con't)

2010

Reconciliation of net change in fund balance in the statement of revenues, expenditures, and changes in fund balances - governmental funds to change in net assets - governmental activities
 Net changes in fund balances - total governmental funds \$ (2,725,421)

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 exceeded depreciation in the current period 2,446,429

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

Other	(10,048)
Taxes including interest and penalties	951
Amount of donated assets	33,351
Proceeds received from disposal/transfer of capital assets	(27,286)
Gain on disposal/transfer of capital assets	24,875

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.

Principal payments	582,459
Compensated absences	(38,735)
Net pension obligation	25,129
Interest Expense	<u>11,029</u>

Total change in net assets of governmental activities \$ 322,733

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2010

Exhibit 5

	Budget		Actual	Variance with final budget favorable (unfavorable)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 7,049,489	\$ 7,049,489	\$ 7,235,515	\$ 186,026
Other taxes and licenses	2,343,400	2,343,400	2,850,332	506,932
Unrestricted intergovernmental revenues	654,000	654,000	755,689	101,689
Restricted intergovernmental revenues	396,000	553,489	500,288	(53,201)
Permits and fees	170,750	170,450	309,678	139,228
Sales and services	967,500	967,500	1,034,164	66,664
Investment earnings	105,000	105,000	84,214	(20,786)
Other	564,596	575,074	622,814	47,740
	<u>12,250,735</u>	<u>12,418,402</u>	<u>13,392,694</u>	<u>974,292</u>
EXPENDITURES				
Current				
General government	4,765,269	4,775,294	4,427,325	347,969
Public safety	4,756,072	5,100,790	4,800,342	300,448
Transportation	1,273,727	1,273,727	1,175,728	97,999
Economic and physical development	747,822	747,822	665,165	82,657
Cultural and recreational	1,569,035	1,574,035	1,454,657	119,378
Debt service	819,138	819,138	819,136	2
	<u>13,931,063</u>	<u>14,290,806</u>	<u>13,342,353</u>	<u>948,453</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,680,328)	(1,872,404)	50,341	1,922,745
OTHER FINANCING USES				
Transfer out to Capital Project Funds	<u>(200,070)</u>	<u>(600,070)</u>	<u>(600,070)</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,880,398)	(2,472,474)	(549,729)	1,922,745
APPROPRIATED FUND BALANCE	<u>1,880,398</u>	<u>2,472,474</u>	<u>-</u>	<u>(2,472,474)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(549,729)</u>	<u>\$ (549,729)</u>
FUND BALANCES, BEGINNING OF YEAR, JULY 1			<u>7,979,001</u>	
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 7,429,272</u>	

TOWN OF SOUTHERN PINES
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2010

Exhibit 6

	2010
	Business-type Activities - Enterprise Major Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents/investments	\$ 5,227,242
Receivables - net:	
Sewer assessments	49,983
Customers	1,069,148
Accrued interest	15,249
Sales taxes	64,793
Other	9,141
Total receivables	<u>1,208,314</u>
Prepaid expenses	995
Unamortized bond issuance costs, net of accumulated amortization	<u>5,112</u>
Total current assets	<u>6,441,663</u>
Noncurrent assets:	
Temporarily restricted assets:	
Cash and investments	<u>1,337,229</u>
Capital assets	
Land, improvements, and construction in progress	3,911,963
Intangibles - easements	202,064
Other capital assets, net of depreciation	<u>27,925,861</u>
Total capital assets, net	<u>32,039,888</u>
Total unrestricted noncurrent assets	<u>32,039,888</u>
Total noncurrent assets	<u>33,377,117</u>
Total assets	<u>\$ 39,818,780</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 319,016
Compensated absences - current	21,310
Accrued liabilities	
Other	20,309
Security deposits	<u>60,048</u>
Total current liabilities	<u>420,683</u>
Noncurrent liabilities	
Compensated absences	<u>24,485</u>
Total liabilities	<u>445,168</u>
NET ASSETS	
Invested in capital assets, net of related debt	32,039,888
Unrestricted	<u>7,333,724</u>
Total net assets	<u>\$ 39,373,612</u>

TOWN OF SOUTHERN PINES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Year Ended June 30, 2010

Exhibit 7

	2010
	<u>Major Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for sales and services	\$ 5,986,287
OPERATING EXPENSES	
Billings and collection	371,381
Water treatment	986,188
Sewage treatment	1,437,550
Water extensions and maintenance	582,076
Sewer extensions and maintenance	656,857
Chargeout for administrative expenses	679,127
Depreciation and amortization	<u>1,066,556</u>
Total operating expenses	<u>5,779,735</u>
INCOME FROM OPERATIONS	<u>206,552</u>
NONOPERATING REVENUES (EXPENSES)	
Impact fees	125,595
Interest on investments	65,120
Interest expense and service charges	(4,025)
Gain on disposal of capital assets	<u>13,829</u>
Total nonoperating revenues (expenses)	<u>200,519</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	407,071
CAPITAL CONTRIBUTIONS	1,114,990
TRANSFER TO EIDMS Fund	<u>(256,500)</u>
CHANGE IN NET ASSETS	1,265,561
NET ASSETS, BEGINNING OF YEAR	<u>38,108,051</u>
NET ASSETS, END OF YEAR	<u>\$ 39,373,612</u>

TOWN OF SOUTHERN PINES
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2010

Exhibit 8

	<u>2010</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 5,764,921
Cash paid for goods and services	(3,767,499)
Cash paid to employees	(938,305)
Customer deposit refunded	(28,597)
Customer deposits received	<u>33,845</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,064,365</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,345,072)
Impact fees	125,595
Principal paid on bonds	(210,000)
Interest paid on bonds	(6,038)
Capital contributions	503,544
Developer's contributions	10,391
Proceeds from sale of capital assets	24,329
Transfer to EIDMS fund	<u>(256,500)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,153,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>71,500</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>71,500</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,886)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,582,357</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,564,471</u>

Continued on next page

TOWN OF SOUTHERN PINES
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2010

Exhibit 8
(con't)

	<u>2010</u>
	<u>Major Fund</u>
	<u>Water and</u>
	<u>Sewer</u>
**Cash and Investments per Exhibit 6	
Unrestricted	\$ 5,227,242
Restricted	<u>1,337,229</u>
 TOTAL	 <u>\$ 6,564,471</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Income from operations	\$ 206,552
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	1,066,556
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(221,366)
Prepays	(995)
Increase (decrease) in	
Accounts payable and accrued liabilities	8,370
Customer deposits	<u>5,248</u>
Total adjustments	<u>857,813</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 1,064,365</u>

Noncash investing, capital, and financing activities:

During fiscal year ended June 30, 2010, the Town received \$398,991 in water and sewer line improvements and \$202,064 of easements from various land developers and individuals. These improvements are recorded as capital contributions.

**TOWN OF SOUTHERN PINES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2010**

Exhibit 9

	Private-Purpose Trust Fund <u>Virginia Kelly Trust</u>	<u>Agency Funds Cafeteria Plan</u>
ASSETS		
Cash and investments	\$ 34,603	\$ 27,597
Accrued interest	<u>80</u>	<u>64</u>
	<u>\$ 34,683</u>	<u>\$ 27,661</u>
LIABILITIES		
Miscellaneous liabilities	<u>\$ -</u>	<u>\$ 27,661</u>
NET ASSETS		
Reserved for payment of death benefits - police	<u>\$ 34,683</u>	<u>\$ -</u>

TOWN OF SOUTHERN PINES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2010

Exhibit 10

	<u>Private-Purpose Trust Fund Virginia Kelly Trust</u>
Additions:	
Investment earnings	\$ <u>353</u>
Net Increase	353
Net assets, beginning of year, July 1	<u>34,330</u>
Net assets, end of year, June 30	<u>\$ 34,683</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Southern Pines conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Southern Pines is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town as well as any separate entity for which the Town is financially accountable. For the year ended June 30, 2010, no other entity is included in the Town's financial statements.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Police Station Expansion Capital Projects Fund - This fund is used to account for the construction and renovation of the Town's police building.

The Town reports the following non-major governmental funds:

Nicks Creek Parkway - This fund is used to account for the future construction of a road extending along Nicks Creek from NC 22 to US 15-501.

Open Space and Greenways - This fund is used to account for the purchase of open space and greenways.

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

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

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

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

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

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

Community Development Block Grant Special Revenue Fund - This fund is used to account for the construction costs of a commercial park funded by a Community Development Block Grant.

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

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.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Moore County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Southern Pines. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Moore County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenue.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

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

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

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

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. The amount held in escrow for the financing of the police station expansion facility is restricted to the acquisition of assets for the construction of the project.

4. Ad Valorem Taxes Receivable and Deferred Revenues

In accordance with state law (G.S. 105-347 and 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, no interest or penalties are assessed until the following January 6. The taxes are based on the assessed values as of January 1, 2009.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

Inventory is valued at cost which approximates market, using the first in, first out method. The inventory of the General Fund consists of expendable supplies and is recorded as an expenditure as it is consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Capital Assets (Continued)

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

Buildings and improvements	10-50 years
Other improvements	10-50 years
Infrastructure	15-30 years
Machinery and equipment	5-15 years
Vehicles	3-25 years
Furniture and office equipment	5 years
Computer software	5 years
Plant and distribution systems	10-40 years

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Compensated Absences

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

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

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under state law [G.S. 159-8(a)]. This amount is usually comprised of receivable balances that are not offset by deferred revenues.

Reserved for inventory - portion of fund balance that is not available for appropriation because it represents the year-end balance of ending inventories, which are not expendable, available resources.

Reserved for prepaids – portion of fund balance that is not available for appropriation because it represents the year-end balance of ending prepaids, which are not expendable, available resources.

Reserved for cemetery care - portion of fund balance reserved for the purpose of beautifying and maintaining the cemetery.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2010-2011 budget ordinance.

Designated for capital projects - portion of total fund balance available for appropriation which has been designated for the adopted project ordinances.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Reconciliation of Government-wide and Fund Financial Statements

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

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

Description

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 49,508,009
Less accumulated depreciation	<u>(14,172,178)</u>
Net capital assets	<u>35,335,831</u>
Liabilities for earned but deferred revenues in the fund financial statements:	
Deferred revenues	156,046
Less allowance for doubtful accounts receivables	<u>(27,545)</u>
Net deferred revenues	<u>128,501</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:	
Note payable	(5,926,451)
Compensated absences	(485,225)
Net pension obligation	(137,995)
Accrued interest	<u>(36,797)</u>
Liabilities	<u>(6,586,468)</u>
Total adjustment	<u>\$ 28,877,864</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

b. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balance and the government-wide financial statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment consists of several elements as follows:

Description

Capital outlay expenditures recorded in the fund financial statements but capitalized as assets in the statement of activities	\$ 3,517,226
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	(1,070,797)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Other	(10,048)
Taxes including interest and penalties	951
Amount of donated assets	33,351
Proceeds received from disposal/transfer of capital assets	(27,286)
Gain on disposal/transfer of capital assets	24,875
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Principal payments	582,459
Compensated absences	(38,735)
Net pension obligation	25,129
Interest expense	<u>11,029</u>
Total adjustment	<u>\$ 3,048,154</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures of on-behalf of payments are not considered to be violations of State statute budget requirements. (See Note 15).

NOTE 3 - DEPOSITS

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

At June 30, 2010, the Town's deposits had a carrying amount of \$10,896,238 and a bank balance of \$11,532,623. Of the bank balance \$750,000 was covered by federal depository insurance and \$10,782,623 was covered by collateral held under the Pooling Method. At June 30, 2010, the Town's petty cash fund totaled \$975.

NOTE 4 - INVESTMENTS

At June 30, 2010, the Town had \$5,277,501 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

NOTE 5 - RECEIVABLES - ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

<u>Fund</u>	<u>June 30, 2010</u>
General Fund:	
Taxes receivable	\$ 27,545
Accounts receivable	<u>306</u>
Total general fund	27,851
Enterprise Fund	<u>7,900</u>
	<u>\$ 35,751</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

Governmental Activities by Type:

	June 30, 2009	Transfers in/ Additions	Transfers out/ Disposals	June 30, 2010
Nondepreciable assets:				
Land	\$ 10,771,658	\$ -	\$ -	\$ 10,771,658
Intangible assets in progress	-	109,012	-	109,012
Construction in progress	7,934,631	2,940,718	(1,442,334)	9,433,015
	<u>18,706,289</u>	<u>3,049,730</u>	<u>(1,442,334)</u>	<u>20,313,685</u>
Depreciable assets:				
Buildings and improvements	8,653,649	-	-	8,653,649
Other improvements	3,418,569	-	-	3,418,569
Infrastructure	9,582,545	1,460,184	-	11,042,729
Machinery and equipment	538,328	132,205	(23,155)	647,378
Vehicles and motorized equipment	3,933,170	324,562	(143,521)	4,114,211
Furniture, fixtures and other equipment	1,290,094	47,235	(19,541)	1,317,788
	<u>27,416,355</u>	<u>1,964,186</u>	<u>(186,217)</u>	<u>29,194,324</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	2,650,071	147,132	-	2,797,203
Other improvements	738,719	80,928	-	819,647
Infrastructure	6,491,910	377,688	-	6,869,598
Machinery and equipment	330,641	102,439	(20,743)	412,337
Vehicles and motorized equipment	2,369,113	276,050	(143,521)	2,501,642
Furniture, fixtures and other equipment	683,727	107,565	(19,541)	771,751
	<u>13,264,181</u>	<u>1,091,802</u>	<u>(183,805)</u>	<u>14,172,178</u>
Depreciable assets - net	<u>14,152,174</u>	<u>872,384</u>	<u>(2,412)</u>	<u>15,022,146</u>
Total Governmental Activities				
Capital Assets - net	<u>\$ 32,858,463</u>	<u>\$ 3,922,114</u>	<u>\$ (1,444,746)</u>	<u>\$ 35,335,831</u>
Governmental Activities by Function:				
General government	\$ 16,374,548	\$ 578,543	\$ (63,938)	\$ 16,889,153
Public safety	10,917,397	3,015,572	(150,874)	13,782,095
Transportation	12,125,211	1,720,656	(1,511,800)	12,334,067
Economic and physical development	206,927	-	(12,125)	194,802
Cultural and recreational	6,498,561	1,413	(192,082)	6,307,892
	<u>46,122,644</u>	<u>5,316,184</u>	<u>(1,930,819)</u>	<u>49,508,009</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 6 - CAPITAL ASSETS (Continued)

Governmental Activities by Function: (Continued)

	<u>June 30,</u> <u>2009</u>	<u>Transfers in/ Additions</u>	<u>Transfers out/ Disposals</u>	<u>June 30,</u> <u>2010</u>
Less accumulated depreciation and amortization for:				
General government	\$ 1,961,727	\$ 244,146	\$ (61,526)	\$ 2,144,347
Public safety	2,266,198	270,566	(52,813)	2,483,951
Transportation	6,950,950	445,820	(69,466)	7,327,304
Economic and physical development	149,945	105	-	150,050
Cultural and recreational	<u>1,935,361</u>	<u>131,165</u>	<u>-</u>	<u>2,066,526</u>
	<u>13,264,181</u>	<u>1,091,802</u>	<u>(183,805)</u>	<u>14,172,178</u>
 Total Governmental Activities				
Capital Assets - net	<u>\$ 32,858,463</u>	<u>\$ 4,224,382</u>	<u>\$ (1,747,014)</u>	<u>\$ 35,335,831</u>
 Business Activities:				
Plant and distribution system	\$ 42,715,554	\$ 398,991	\$ -	\$ 43,114,545
Buildings	1,424,609	-	-	1,424,609
Equipment	1,955,509	132,950	(231,700)	1,856,759
Land	351,446	-	-	351,446
Intangibles – easements	-	202,064	-	202,064
Construction in progress	<u>2,348,395</u>	<u>1,212,122</u>	<u>-</u>	<u>3,560,517</u>
	<u>48,795,513</u>	<u>1,946,127</u>	<u>(231,700)</u>	<u>50,509,940</u>
 Less accumulated depreciation and amortization for:				
Plant and distribution system	16,204,683	936,095	-	17,140,778
Building	116,343	28,492	-	144,835
Equipment	<u>1,308,783</u>	<u>96,855</u>	<u>(221,199)</u>	<u>1,184,439</u>
	<u>17,629,809</u>	<u>1,061,442</u>	<u>(221,199)</u>	<u>18,470,052</u>
 Total Business Activities				
Capital Assets - net	<u>\$ 31,165,704</u>	<u>\$ 884,685</u>	<u>\$ (10,501)</u>	<u>\$ 32,039,888</u>

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010**

NOTE 6 - CAPITAL ASSETS (Continued)

Construction Commitments

The government has active construction projects as of June 30, 2010. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Police station	\$ 7,363,112	\$ 345,103
Water and sewer lines and treatment facilities	<u>931,289</u>	<u>175,244</u>
	<u>\$ 8,294,401</u>	<u>\$ 520,347</u>

NOTE 7 - PAYABLES

Payables at the government-wide level at June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Accrued interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$ 724,989	\$ 170,606	\$ 36,797	\$ 484	\$ 932,876
Total governmental activities	<u>\$ 724,989</u>	<u>\$ 170,606</u>	<u>\$ 36,797</u>	<u>\$ 484</u>	<u>\$ 932,876</u>
Business-type activities:					
Water and Sewer	\$ 319,016	\$ 20,309	\$ -	\$ -	\$ 339,325
Total business-type activities	<u>\$ 319,016</u>	<u>\$ 20,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,325</u>

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

A. Local Governmental Employees' Retirement System

Plan Description - The Town of Southern Pines contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

A. Local Governmental Employees' Retirement System (Continued)

Funding Policy - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.92% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and the Town of Southern Pines is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for years ended June 30, 2010, 2009, and 2008 were \$308,451, \$299,665, and \$269,838, respectively. The contributions made by the Town equaled the required contributions for each year.

B. Law Enforcement Officers Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but no yet receiving benefits	-
Active plan members	<u>26</u>
Total	<u>32</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

Basis of Accounting - The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. Benefit payments of \$87,841 were made during the year ended June 30, 2010.

Method Used to Value Investments - No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

**TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010**

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Contributions (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2009, actuarial valuation using the projected unit credit actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The amortization method is level percent of pay closed with a remaining amortization period of 21 years. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$ 61,162
Interest on net pension obligation	11,826
Adjustment to annual required contribution	<u>(10,276)</u>
Annual pension cost	62,712
Contributions made	<u>87,841</u>
Increase (decrease) in net pension obligation	(25,129)
Net pension obligation beginning of fiscal year	<u>163,124</u>
 Net pension obligation end of fiscal year	 <u>\$137,995</u>

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-08	57,774	101.30%	172,303
6-30-09	61,337	114.96%	163,124
6-30-10	62,712	140.07%	137,995

Funded Status and Funding Progress - As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$768,278. The covered payroll (annual payroll of active employees covered by the plan) was \$1,223,890, and the ratio of the UAAL to the covered payroll was 62.77 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 8 - PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (Continued)

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010, were \$121,185, which consisted of \$71,838 from the Town and \$49,347 from the law enforcement officers.

D. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the Town of Southern Pines, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by North Carolina General Assembly. The Town has recognized as a revenue and an expenditure \$4,840 in payments made to the Fund by the State on-behalf of the Town for the year ended June 30, 2010.

E. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, minimum of \$25,000 and not to exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the Town made contributions to the state for death benefits of \$7,807. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .12 percent and .14 percent of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 9 - DEFERRED COMPENSATION PLAN

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

All amounts of compensation deferred under the plan and all income attributable to those amounts are immediately 100% vested to the participant. The Town contributes 5% of eligible compensation to the Plan. For the year ended June 30, 2010, the Town contributed \$250,012 to the Plan.

NOTE 10 - DEFERRED REVENUES

The balance in deferred revenues at year-end is composed of the following elements:

	<u>General Fund</u>
Taxes receivable, less penalties	\$ 79,088
Parking lot assessments receivable, net	2,305
Other assessments receivable, net	<u>47,108</u>
	<u>\$ 128,501</u>

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance value of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Due to a study by the Town of Southern Pines' management, flood insurance was obtained on appropriate property as so designated in those areas by our insurance carrier.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

The Town carries commercial coverage for all other risks of loss as well as employee health coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 12 - CLAIMS AND JUDGMENTS

At June 30, 2010, the Town was a defendant to several lawsuits; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of management and the Town attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the Town's financial position.

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 13 - LONG-TERM DEBT

The Town entered into installment purchase agreements October 2005 and October 2008 for the purchase of an aerial ladder truck and the construction of a police station. Liquidations of compensated absences for governmental activities occur within the General Fund.

Long-term debt obligations of the Town at June 30, 2010, consisted of the following:

	Serviced by	
	Governmental Activities	Business-type Activities
Aerial ladder truck; \$710,000; issued 2005; due annually to 2011; interest at 3.367%	\$ 76,451	\$ -
Police Station; \$6,500,000; issued 2008; due Semiannually to 2024; interest at 3.73%	5,850,000	-
Net Pension Obligation	137,995	-
Compensated absences	<u>485,225</u>	<u>45,795</u>
Total other long-term debt	<u>6,549,671</u>	<u>45,795</u>
Total outstanding	6,549,671	45,795
Less current portion	<u>(753,756)</u>	<u>(21,310)</u>
	<u>\$ 5,795,915</u>	<u>\$ 24,485</u>

At June 30, 2010, the Town of Southern Pines had a legal debt margin of \$158,553,757.

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current portion of balance
Governmental activities:					
Aerial ladder truck	\$ 225,577	\$ -	\$ 149,126	\$ 76,451	\$ 76,451
Police station	6,283,333	-	433,333	5,850,000	433,333
Compensated absences	446,490	263,231	224,496	485,225	243,972
Net pension obligation	<u>163,124</u>	<u>-</u>	<u>25,129</u>	<u>137,995</u>	<u>-</u>
	<u>\$ 7,118,524</u>	<u>\$ 263,231</u>	<u>\$ 832,084</u>	<u>\$ 6,549,671</u>	<u>\$ 753,756</u>
Business-type activities:					
General obligation bonds	\$ 210,000	\$ -	\$ 210,000	\$ -	\$ -
Compensated absences	<u>42,018</u>	<u>23,329</u>	<u>19,552</u>	<u>45,795</u>	<u>21,310</u>
	<u>\$ 252,018</u>	<u>\$ 23,329</u>	<u>\$ 229,552</u>	<u>\$ 45,795</u>	<u>\$ 21,310</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 13 - LONG-TERM DEBT (Continued)

The following table summarizes the annual requirements to amortize all long-term debt outstanding excluding vacation pay and the net pension benefit obligation.

	<u>Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental Activities		
2011	\$ 509,784	\$ 215,451
2012	433,333	198,000
2013	433,333	181,838
2014	433,333	165,674
2015	433,333	149,511
2016-2020	2,166,667	505,104
2021-2024	<u>1,516,668</u>	<u>113,143</u>
	<u>\$5,926,451</u>	<u>\$1,528,721</u>

NOTE 14 - INTERFUND BALANCES AND ACTIVITY

Transfers to/from other funds at June 30, 2010, consist of the following:

Governmental:

From the General Fund to the Sidewalk Construction Capital Project Fund for capital project expenditures	\$ 200,070
From the General Fund to EIDMS Fund for capital project expenditures	400,000
From the Special Revenue Fund to Road Construction Fund for capital project expenditures	25,874
From the Police Station Fund to EIDMS Fund for capital project expenditures	<u>240,500</u>
Total Governmental	<u>866,444</u>
Business-Type	
From the Water and Sewer Fund to EIDMS Fund for capital project expenditures	256,500
From the Water and Sewer Fund to the Water and Sewer Improvements II Fund for capital project expenditures	<u>350,000</u>
Total Business-Type	<u>606,500</u>
Total Transfers	<u>\$ 1,472,944</u>

TOWN OF SOUTHERN PINES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE 15 - REVENUES, EXPENDITURES AND EXPENSES

On-behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2010, the Town of Southern Pines has recognized on-behalf of payments for pension contributions made by the State as a revenue and an expenditure of \$4,840 for the 10 volunteer firemen and 7 employed firemen (17 total in 2010) who perform firefighting duties for the town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

NOTE 16 - RELATED ORGANIZATION

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

NOTE 17 - 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 principals.

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

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

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

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

Schedule 1

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)- Proj Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll for Year Ending on Val Date (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12-31-00*	\$ -	\$288,386	\$ 288,386	0.00%	\$ 796,673	36.20%
12-31-01	-	311,092	311,092	0.00%	876,867	35.48%
12-31-02	-	334,162	334,162	0.00%	964,259	34.65%
12-31-03	-	474,192	474,192	0.00%	1,002,688	47.29%
12-31-04	-	523,014	523,014	0.00%	1,176,866	44.44%
12-31-05	-	534,827	534,827	0.00%	1,134,118	47.16%
12-31-06	-	553,846	553,846	0.00%	1,227,927	45.10%
12-31-07	-	656,739	656,739	0.00%	1,270,758	51.68%
12-31-08	-	648,104	648,104	0.00%	1,308,188	49.54%
12-31-09	-	768,278	768,278	0.00%	1,223,890	62.77%

*Reflects changes in actuarial assumptions

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

Schedule 2

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
2001	\$26,834	75.1%
2002	29,786	67.7%
2003	33,499	60.2%
2004	37,328	77.0%
2005	48,622	65.0%
2006	56,110	90.3%
2007	52,911	71.8%
2008	55,862	104.8%
2009	59,379	118.8%
2010	61,162	143.6%

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

Schedule 3

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

Valuation date	12-31-09
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.5 – 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

THE GENERAL FUND

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

**TOWN OF SOUTHERN PINES
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2010 and June 30, 2009**

ASSETS	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 6,756,699	\$ 7,377,330
Receivables, net		
Property taxes	79,088	78,136
Due from other governments	759,672	802,469
Accounts receivable	264,352	243,090
Accrued interest receivable	15,610	24,622
Sales tax receivable	172,818	95,489
Parking lot assessments receivable	2,305	2,305
Inventory	45,005	42,936
Prepays	4,660	5,495
	<u>\$ 8,100,209</u>	<u>\$ 8,671,872</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 357,797	\$ 347,988
Accrued liabilities		
Other	171,100	193,747
Security deposits	13,539	13,539
Deferred revenues		
Taxes receivable	79,088	78,136
Parking lot assessments	2,305	2,305
Other	47,108	57,156
Total liabilities	<u>670,937</u>	<u>692,871</u>
 FUND BALANCE		
Reserved by state statute	1,165,344	1,108,514
Reserved for inventory	45,005	42,936
Reserved for prepays	4,660	5,495
Unreserved:		
Designated for subsequent year's expenditures - operating	1,413,349	1,880,398
Undesignated	4,800,914	4,941,658
Total fund balances	<u>7,429,272</u>	<u>7,979,001</u>
	<u>\$ 8,100,209</u>	<u>\$ 8,671,872</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

Page 1 of 5

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	2010		Variance favorable (unfavorable)	2009
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year		\$ 7,170,862		\$ 7,006,217
Prior years		36,748		27,953
Penalties and interest		27,905		27,256
	<u>\$ 7,049,489</u>	<u>7,235,515</u>	<u>\$ 186,026</u>	<u>7,061,426</u>
Other taxes and licenses				
ABC mixed beverage		94,236		103,214
Local option sales tax		2,480,400		2,496,329
Solid waste disposal tax		8,601		3,677
Video programming tax		183,955		183,988
Privilege licenses		37,373		25,392
Cablevision franchise fee		28,305		24,285
Lease vehicles		17,462		19,168
	<u>2,343,400</u>	<u>2,850,332</u>	<u>506,932</u>	<u>2,856,053</u>
Unrestricted intergovernmental revenues				
Franchise tax		737,932		739,237
Beer and wine		17,757		54,866
	<u>654,000</u>	<u>755,689</u>	<u>101,689</u>	<u>794,103</u>
Restricted intergovernmental revenues				
State Aid - Library Grant		7,863		7,950
Powell Bill allocation		365,427		408,346
Fire grant		-		33,345
American Recovery and Reinvestment Act Grant		35,700		-
B&G Grants		4,227		-
Recreation Grants		38,168		1,000
On-behalf of payments - Fire		4,840		3,809
Police grants		44,063		2,818
	<u>553,489</u>	<u>500,288</u>	<u>(53,201)</u>	<u>457,268</u>
Permits and fees				
Building permits and inspection fees		262,619		199,729
Fire and Police Dept. fees		17,143		22,707
Public works fees		15,385		10,631
Street department fees		14,531		8,775
	<u>170,450</u>	<u>309,678</u>	<u>139,228</u>	<u>241,842</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	2010		Variance	2009
	Budget	Actual	favorable (unfavorable)	Actual
REVENUES (Continued)				
Sales and services				
Rents		\$ 297,339		\$ 255,570
Court facilities fees		254		276
County disposal fee		516,715		406,104
Recreation department fees		169,432		152,431
Library fees		46,124		47,893
Reservoir park usage fees		4,300		4,200
	<u>\$ 967,500</u>	<u>1,034,164</u>	<u>\$ 66,664</u>	<u>866,474</u>
Investment earnings	<u>105,000</u>	<u>84,214</u>	<u>(20,786)</u>	<u>187,442</u>
Other				
Cemetery		925		1,525
Fire department donations		13,310		2,984
Fire district revenue		471,290		480,466
Court costs		4,798		6,257
Demolition liens		3,900		5,439
County contribution - fire		52,426		54,389
Miscellaneous		76,165		88,105
	<u>575,074</u>	<u>622,814</u>	<u>47,740</u>	<u>639,165</u>
TOTAL REVENUES	<u>12,418,402</u>	<u>13,392,694</u>	<u>974,292</u>	<u>13,103,773</u>
EXPENDITURES				
General government				
Governing body				
Salaries and employee benefits		28,268		28,895
Operating expenditures		75,114		90,485
Professional services		66,437		66,047
Membership dues		12,679		12,091
	<u>236,795</u>	<u>182,498</u>	<u>54,297</u>	<u>197,518</u>
Administration				
Salaries and employee benefits		726,348		690,566
Operating expenditures		318,151		345,054
	<u>1,130,130</u>	<u>1,044,499</u>	<u>85,631</u>	<u>1,035,620</u>
Information Technology				
Salaries and employee benefits		79,089		-
Contract Services		279,961		-
Operating expenditures		125,082		-
Capital outlay		100,704		-
	<u>652,726</u>	<u>584,836</u>	<u>67,890</u>	<u>-</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	2010		Variance favorable (unfavorable)	2009
	Budget	Actual		Actual
EXPENDITURES (Continued)				
General government (Continued)				
Water and Sewer Fund				
Administrative chargeback	\$ (679,127)	\$ (679,127)	\$ -	\$ (658,785)
Public works				
Salaries and employee benefits		279,255		266,815
Operating expenditures		32,143		77,150
Contract services		1,491,077		1,435,000
	<u>1,844,313</u>	<u>1,802,475</u>	<u>41,838</u>	<u>1,778,965</u>
Building and grounds				
Salaries and employee benefits		838,040		828,035
Vehicle maintenance		3,006		5,588
Contract Services		119,884		119,713
Operating expenditures		254,865		267,987
Capital outlay		22,092		168,675
	<u>1,329,923</u>	<u>1,237,887</u>	<u>92,036</u>	<u>1,389,998</u>
Garage				
Salaries and employee benefits		200,801		190,464
Operating expenditures		53,456		81,229
	<u>260,534</u>	<u>254,257</u>	<u>6,277</u>	<u>271,693</u>
Total general government	<u>4,775,294</u>	<u>4,427,325</u>	<u>347,969</u>	<u>4,015,009</u>
Public safety				
Police				
Salaries and employee benefits		2,380,380		2,349,140
Operating expenditures		546,120		477,700
Capital outlay		130,728		218,076
	<u>3,338,476</u>	<u>3,057,228</u>	<u>281,248</u>	<u>3,044,916</u>
Fire				
Salaries and employee benefits		1,299,214		1,254,782
Operating expenditures		255,300		317,884
Capital outlay		183,760		73,994
	<u>1,762,314</u>	<u>1,738,274</u>	<u>24,040</u>	<u>1,646,660</u>

TOWN OF SOUTHERN PINES

GENERAL FUND

Page 4 of 5

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	2010		Variance favorable (unfavorable)	2009
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Public safety (Continued)				
Fire and rescue workers pension fund	\$ -	\$ 4,840	\$ (4,840)	\$ 3,809
Total public safety	5,100,790	4,800,342	300,448	4,695,385
Transportation				
Street maintenance				
Salaries and employee benefits		465,929		463,786
Operating expenditures		311,529		301,982
Construction		58,809		306,534
Capital Outlay		30,214		247,741
Paving		292,626		292,743
Contract services		16,621		33,122
	1,273,727	1,175,728	97,999	1,645,908
Total transportation	1,273,727	1,175,728	97,999	1,645,908
Economic and physical development				
Planning and development				
Salaries and employee benefits		562,064		541,612
Contract services		7,483		19,688
Operating expenditures		95,618		224,103
	747,822	665,165	82,657	785,403
Total economic and physical development	747,822	665,165	82,657	785,403
Cultural and recreational				
Recreation				
Salaries and employee benefits		427,709		418,996
Contract services		32,630		41,152
Operating expenditures		223,410		191,339
Capital Outlay		-		52,921
	765,988	683,749	82,239	704,408

TOWN OF SOUTHERN PINES

GENERAL FUND

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	2010		Variance favorable (unfavorable)	2009
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Cultural and recreational (Continued)				
Libraries				
Salaries and employee benefits		\$ 556,315		\$ 610,258
Contract services		24,112		168,973
Operating expenditures		86,754		128,842
Books and periodicals		103,727		100,176
Capital outlay		-		55,751
	<u>\$ 808,047</u>	<u>770,908</u>	<u>\$ 37,139</u>	<u>1,064,000</u>
Total cultural and recreational	<u>1,574,035</u>	<u>1,454,657</u>	<u>119,378</u>	<u>1,768,408</u>
Debt Service				
Principal retirement		582,459		360,897
Interest		236,677		132,472
	<u>819,138</u>	<u>819,136</u>	<u>2</u>	<u>493,369</u>
Total debt service	<u>819,138</u>	<u>819,136</u>	<u>2</u>	<u>493,369</u>
TOTAL EXPENDITURES	<u>14,290,806</u>	<u>13,342,353</u>	<u>948,453</u>	<u>13,403,482</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,872,404)</u>	<u>50,341</u>	<u>1,922,745</u>	<u>(299,709)</u>
OTHER FINANCING USES:				
Transfers to other funds:				
Capital Projects Funds	<u>(600,070)</u>	<u>(600,070)</u>	<u>-</u>	<u>(194,045)</u>
Total other financing uses	<u>(600,070)</u>	<u>(600,070)</u>	<u>-</u>	<u>(194,045)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(2,472,474)</u>	<u>(549,729)</u>	<u>1,922,745</u>	<u>(493,754)</u>
FUND BALANCE APPROPRIATED	<u>2,472,474</u>	<u>-</u>	<u>(2,472,474)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(549,729)</u>	<u>\$ (549,729)</u>	<u>(493,754)</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1		<u>7,979,001</u>		<u>8,472,755</u>
FUND BALANCE, END OF YEAR, JUNE 30		<u>\$ 7,429,272</u>		<u>\$ 7,979,001</u>

POLICE STATION EXPANSION CAPITAL PROJECT FUND

Police Station Expansion Fund -- accounts for funds used in the construction and renovation of the Town's police facility.

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (POLICE STATION EXPANSION)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 463,000	\$ 465,636	\$ 9,243	\$ 474,879	\$ 11,879
EXPENDITURES					
Public safety					
Construction	9,316,000	5,875,785	2,696,084	8,571,869	744,131
REVENUES OVER (UNDER) EXPENDITURES	(8,853,000)	(5,410,149)	(2,686,841)	(8,096,990)	756,010
OTHER FINANCING SOURCES (USES)					
Issuance of debt	6,500,000	6,500,000	-	6,500,000	-
Transfers from:					
General Fund	2,966,500	2,966,500	-	2,966,500	-
Transfers to:					
Capital Projects Fund-					
Fiber Optics	(373,000)	(373,000)	-	(373,000)	-
Capital Projects Fund-					
EIDMS	(240,500)	-	(240,500)	(240,500)	-
	8,853,000	9,093,500	(240,500)	8,853,000	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$3,683,351	(2,927,341)	\$ 756,010	\$ 756,010
FUND BALANCE, BEGINNING OF YEAR, JULY 1			3,683,351		
FUND BALANCE, END OF YEAR, JUNE 30			\$ 756,010		

TOWN OF SOUTHERN PINES
COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUNDS
June 30, 2010
With Comparative Totals for June 30, 2009

	Non-Major Capital Project Funds	Non-Major Special Revenue Fund	Non-Major Permanent Fund	Totals	
				2010	2009
ASSETS					
Cash and investments	\$ 1,747,391	\$ -	\$ 46,890	\$ 1,794,281	\$ 1,128,038
Accounts receivable	-	-	-	-	3
Accrued interest	4,060	-	109	4,169	3,141
Sales tax receivable	5,875	-	-	5,875	6,049
	<u>\$ 1,757,326</u>	<u>\$ -</u>	<u>\$ 46,999</u>	<u>\$ 1,804,325</u>	<u>\$ 1,137,231</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 385	\$ -	\$ -	\$ 385	\$ 84,940
Total liabilities	<u>385</u>	<u>-</u>	<u>-</u>	<u>385</u>	<u>84,940</u>
FUND BALANCE					
Reserved					
Reserved by state statute	9,935	-	-	9,935	9,049
Reserved for cemetery care	-	-	46,999	46,999	44,009
Unreserved					
Designated for capital projects	1,747,006	-	-	1,747,006	999,233
	<u>1,756,941</u>	<u>-</u>	<u>46,999</u>	<u>1,803,940</u>	<u>1,052,291</u>
	<u>\$ 1,757,326</u>	<u>\$ -</u>	<u>\$ 46,999</u>	<u>\$ 1,804,325</u>	<u>\$ 1,137,231</u>

TOWN OF SOUTHERN PINES
NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010
With Comparative Totals for the Year Ended June 30, 2009

	Non-Major Capital Project Funds	Non-Major Special Revenue Fund	Non-Major Permanent Fund	Totals	
				2010	2009
REVENUES					
Investment earnings	\$ 15,624	\$ -	\$ 465	\$ 16,089	\$ 25,639
Developers Contributions	-	(10,391)	-	(10,391)	1,478,599
Sales and services	-	-	2,525	2,525	3,425
	<u>15,624</u>	<u>(10,391)</u>	<u>2,990</u>	<u>8,223</u>	<u>1,507,663</u>
EXPENDITURES					
General government	121,976	54,639	-	176,615	1,447,266
Transportation	175,618	-	-	175,618	200,043
Cultural and recreational	1,411	-	-	1,411	82,844
	<u>299,005</u>	<u>54,639</u>	<u>-</u>	<u>353,644</u>	<u>1,730,153</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(283,381)</u>	<u>(65,030)</u>	<u>2,990</u>	<u>(345,421)</u>	<u>(222,490)</u>
Transfers from:					
General Fund	600,070	-	-	600,070	194,045
Capital Project Funds	497,000	-	-	497,000	-
Special Revenue Fund	25,874	-	-	25,874	-
Transfers to:					
Capital Project Funds	-	(25,874)	-	(25,874)	-
	<u>1,122,944</u>	<u>(25,874)</u>	<u>-</u>	<u>1,097,070</u>	<u>194,045</u>
NET CHANGE IN FUND BALANCE	<u>839,563</u>	<u>(90,904)</u>	<u>2,990</u>	<u>751,649</u>	<u>(28,445)</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1	<u>917,378</u>	<u>90,904</u>	<u>44,009</u>	<u>1,052,291</u>	<u>1,080,736</u>
FUND BALANCE, END OF YEAR, JUNE 30	<u>\$ 1,756,941</u>	<u>\$ -</u>	<u>\$ 46,999</u>	<u>\$ 1,803,940</u>	<u>\$ 1,052,291</u>

**TOWN OF SOUTHERN PINES
SPECIAL REVENUE FUND (COMMUNITY DEVELOPMENT BLOCK GRANT)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the year Ended June 30, 2010**

	Project Authorization	Actual		Total to Date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Grant Proceeds	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
Developers Contributions	1,478,599	1,478,599	(10,391)	1,468,208	(10,391)
	<u>2,228,599</u>	<u>1,478,599</u>	<u>(10,391)</u>	<u>1,468,208</u>	<u>(760,391)</u>
EXPENDITURES					
General Government					
Road Construction	2,202,725	1,387,695	54,639	1,442,334	760,391
	<u>2,202,725</u>	<u>1,387,695</u>	<u>54,639</u>	<u>1,442,334</u>	<u>760,391</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>25,874</u>	<u>90,904</u>	<u>(65,030)</u>	<u>25,874</u>	<u>-</u>
OTHER FINANCING USES					
Transfer to:					
Capital Projects Fund-					
Road Construction	(25,874)	-	(25,874)	(25,874)	-
	<u>(25,874)</u>	<u>-</u>	<u>(25,874)</u>	<u>(25,874)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 90,904</u>	<u>(90,904)</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>90,904</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ -</u>		

**TOWN OF SOUTHERN PINES
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - NON MAJOR CAPITAL PROJECT FUNDS
June 30, 2010
With Comparative Totals for June 30, 2009**

	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics	Storm Water Improvements	Road Construction	EIDMS	Patrick Road	Totals	
									2010	2009
ASSETS										
Cash and investments	\$ 70,337	\$ 50,237	\$ 25,755	\$ 64,836	\$ 267,199	\$ 25,822	\$ 791,029	\$ 452,176	\$ 1,747,391	\$ 912,148
Accounts Receivable	-	-	-	-	-	-	-	-	-	3
Accrued Interest	163	117	60	151	621	60	1,838	1,050	4,060	2,997
Sales tax receivable	-	-	5,816	59	-	-	-	-	5,875	2,230
	<u>\$ 70,500</u>	<u>\$ 50,354</u>	<u>\$ 31,631</u>	<u>\$ 65,046</u>	<u>\$ 267,820</u>	<u>\$ 25,882</u>	<u>\$ 792,867</u>	<u>\$ 453,226</u>	<u>\$ 1,757,326</u>	<u>\$ 917,378</u>
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385	\$ -	\$ 385	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385</u>	<u>-</u>	<u>385</u>	<u>-</u>
FUND BALANCE										
Reserved by state statute	163	117	5,876	210	621	60	1,838	1,050	9,935	5,230
Unreserved										
Designated - Capital										
Projects	70,337	50,237	25,755	64,836	267,199	25,822	790,644	452,176	1,747,006	912,148
Total fund balance	<u>70,500</u>	<u>50,354</u>	<u>31,631</u>	<u>65,046</u>	<u>267,820</u>	<u>25,882</u>	<u>792,482</u>	<u>453,226</u>	<u>1,756,941</u>	<u>917,378</u>
	<u>\$ 70,500</u>	<u>\$ 50,354</u>	<u>\$ 31,631</u>	<u>\$ 65,046</u>	<u>\$ 267,820</u>	<u>\$ 25,882</u>	<u>\$ 792,867</u>	<u>\$ 453,226</u>	<u>\$ 1,757,326</u>	<u>\$ 917,378</u>

TOWN OF SOUTHERN PINES
NON MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NON MAJOR CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2010
With Comparative Totals for the Year Ended June 30, 2009

	Nicks Creek Parkway	Open Space and Greenways	Sidewalk Construction	Fiber Optics	Storm Water Improvements	Road Construction	EIDMS	Patrick Road	Totals	
									2010	2009
REVENUES										
Investment earnings	\$ 717	\$ 515	\$ 1,818	\$ 728	\$ 2,728	\$ 8	\$ 4,494	\$ 4,616	\$ 15,624	\$ 24,736
EXPENDITURES										
General Government	-	-	-	12,964	-	-	109,012	-	121,976	59,571
Transportation	-	-	175,618	-	-	-	-	-	175,618	200,043
Cultural and recreational	-	1,411	-	-	-	-	-	-	1,411	82,844
	-	1,411	175,618	12,964	-	-	109,012	-	299,005	342,458
REVENUES OVER (UNDER)										
EXPENDITURES	717	(896)	(173,800)	(12,236)	2,728	8	(104,518)	4,616	(283,381)	(317,722)
OTHER FINANCING SOURCES (USES)										
Transfers from:										
General Fund	-	-	200,070	-	-	-	400,000	-	600,070	194,045
Capital Project Funds	-	-	-	-	-	-	497,000	-	497,000	-
Special Revenue Fund	-	-	-	-	-	25,874	-	-	25,874	-
	-	-	200,070	-	-	25,874	897,000	-	1,122,944	194,045
NET CHANGE IN FUND BALANCE	717	(896)	26,270	(12,236)	2,728	25,882	792,482	4,616	839,563	(123,677)
FUND BALANCE, BEGINNING OF YEAR, JULY 1	69,783	51,250	5,361	77,282	265,092	-	-	448,610	917,378	1,041,055
FUND BALANCE, END OF YEAR, JUNE 30	\$ 70,500	\$ 50,354	\$ 31,631	\$ 65,046	\$ 267,820	\$ 25,882	\$ 792,482	\$ 453,226	\$ 1,756,941	\$ 917,378

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (NICKS CREEK PARKWAY)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 13,500	\$ 12,783	\$ 717	\$ 13,500	\$ -
	<u>13,500</u>	<u>12,783</u>	<u>717</u>	<u>13,500</u>	<u>-</u>
EXPENDITURES					
Transportation					
Construction	70,500	-	-	-	70,500
	<u>70,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,500</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(57,000)</u>	<u>12,783</u>	<u>717</u>	<u>13,500</u>	<u>70,500</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>\$ 69,783</u>	<u>717</u>	<u>\$ 70,500</u>	<u>\$ 70,500</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>69,783</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 70,500</u>		

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (OPEN SPACE AND GREENWAYS)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 9,700	\$ 8,094	\$ 515	\$ 8,609	\$ (1,091)
	<u>9,700</u>	<u>8,094</u>	<u>515</u>	<u>8,609</u>	<u>(1,091)</u>
EXPENDITURES					
Cultural and Recreational Construction	135,700	82,844	1,411	84,255	51,445
	<u>135,700</u>	<u>82,844</u>	<u>1,411</u>	<u>84,255</u>	<u>51,445</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(126,000)</u>	<u>(74,750)</u>	<u>(896)</u>	<u>(75,646)</u>	<u>50,354</u>
OTHER FINANCING SOURCES					
Transfers from: Capital Projects Fund - Road Construction	126,000	126,000	-	126,000	-
	<u>126,000</u>	<u>126,000</u>	<u>-</u>	<u>126,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 51,250</u>	<u>(896)</u>	<u>\$ 50,354</u>	<u>\$ 50,354</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>51,250</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 50,354</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (SIDEWALK CONSTRUCTION)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 5,600	\$ 3,359	\$ 1,818	\$ 5,177	\$ (423)
	<u>5,600</u>	<u>3,359</u>	<u>1,818</u>	<u>5,177</u>	<u>(423)</u>
EXPENDITURES					
Transportation Construction	399,715	192,043	175,618	367,661	32,054
	<u>399,715</u>	<u>192,043</u>	<u>175,618</u>	<u>367,661</u>	<u>32,054</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(394,115)</u>	<u>(188,684)</u>	<u>(173,800)</u>	<u>(362,484)</u>	<u>31,631</u>
OTHER FINANCING SOURCES					
Transfers from: General Fund	394,115	194,045	200,070	394,115	-
	<u>394,115</u>	<u>194,045</u>	<u>200,070</u>	<u>394,115</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 5,361</u>	26,270	<u>\$ 31,631</u>	<u>\$ 31,631</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>5,361</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 31,631</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (FIBER OPTICS)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 16,000	\$ 15,548	\$ 728	\$ 16,276	\$ 276
	<u>16,000</u>	<u>15,548</u>	<u>728</u>	<u>16,276</u>	<u>276</u>
EXPENDITURES					
General Government Construction	439,000	361,266	12,964	374,230	64,770
	<u>439,000</u>	<u>361,266</u>	<u>12,964</u>	<u>374,230</u>	<u>64,770</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(423,000)</u>	<u>(345,718)</u>	<u>(12,236)</u>	<u>(357,954)</u>	<u>65,046</u>
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	50,000	50,000	-	50,000	-
Capital Projects Fund - Police Station	373,000	373,000	-	373,000	-
	<u>423,000</u>	<u>423,000</u>	<u>-</u>	<u>423,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 77,282</u>	<u>(12,236)</u>	<u>\$ 65,046</u>	<u>\$ 65,046</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>77,282</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 65,046</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (STORM WATER IMPROVEMENTS)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 18,500	\$ 16,092	\$ 2,728	\$ 18,820	\$ 320
	<u>18,500</u>	<u>16,092</u>	<u>2,728</u>	<u>18,820</u>	<u>320</u>
EXPENDITURES					
Cultural and Recreational Construction	267,500	-	-	-	267,500
	<u>267,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,500</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(249,000)</u>	<u>16,092</u>	<u>2,728</u>	<u>18,820</u>	<u>267,820</u>
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	249,000	249,000	-	249,000	-
	<u>249,000</u>	<u>249,000</u>	<u>-</u>	<u>249,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 265,092</u>	<u>2,728</u>	<u>\$ 267,820</u>	<u>\$ 267,820</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>265,092</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 267,820</u>		

**TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (ROAD CONSTRUCTION)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010**

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ -	\$ -	\$ 8	\$ 8	\$ 8
	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>	<u>8</u>
EXPENDITURES					
Transportation Construction	25,874	-	-	-	25,874
	<u>25,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,874</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(25,874)</u>	<u>-</u>	<u>8</u>	<u>8</u>	<u>25,882</u>
OTHER FINANCING SOURCES					
Transfers from:					
Special Revenue Fund - Community Development Block Grant	25,874	-	25,874	25,874	-
	<u>25,874</u>	<u>-</u>	<u>25,874</u>	<u>25,874</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>25,882</u>	<u>\$ 25,882</u>	<u>\$ 25,882</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>-</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 25,882</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (ENTERPRISE INFORMATION AND DOCUMENT MANAGEMENT SYSTEM)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 3,000	\$ -	\$ 4,494	\$ 4,494	\$ 1,494
	<u>3,000</u>	<u>-</u>	<u>4,494</u>	<u>4,494</u>	<u>1,494</u>
EXPENDITURES					
General government					
Enterprise Resource Planning	900,000	-	109,012	109,012	790,988
	<u>900,000</u>	<u>-</u>	<u>109,012</u>	<u>109,012</u>	<u>790,988</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(897,000)</u>	<u>-</u>	<u>(104,518)</u>	<u>(104,518)</u>	<u>792,482</u>
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	400,000	-	400,000	400,000	-
Capital Projects Fund- Police Station	240,500	-	240,500	240,500	-
Capital Projects Fund- Utility Fund	256,500	-	256,500	256,500	-
	<u>897,000</u>	<u>-</u>	<u>897,000</u>	<u>897,000</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	792,482	<u>\$ 792,482</u>	<u>\$ 792,482</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>-</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 792,482</u>		

TOWN OF SOUTHERN PINES
CAPITAL PROJECTS FUND (PATRICK ROAD)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2010

	Project Authorization	Actual		Total to date	Variance favorable (unfavorable)
		Prior years	Current year		
REVENUES					
Investment earnings	\$ 30,800	\$ 27,619	\$ 4,616	\$ 32,235	\$ 1,435
	<u>30,800</u>	<u>27,619</u>	<u>4,616</u>	<u>32,235</u>	<u>1,435</u>
EXPENDITURES					
Transportation Construction	486,791	35,000	-	35,000	451,791
	<u>486,791</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>451,791</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(455,991)</u>	<u>(7,381)</u>	<u>4,616</u>	<u>(2,765)</u>	<u>453,226</u>
OTHER FINANCING SOURCES					
Transfers from:					
Capital Projects Fund- Road Construction	455,991	455,991	-	455,991	-
	<u>455,991</u>	<u>455,991</u>	<u>-</u>	<u>455,991</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 448,610</u>	<u>4,616</u>	<u>\$ 453,226</u>	<u>\$ 453,226</u>
FUND BALANCE, BEGINNING OF YEAR, JULY 1			<u>448,610</u>		
FUND BALANCE, END OF YEAR, JUNE 30			<u>\$ 453,226</u>		

**TOWN OF SOUTHERN PINES
PERMANENT FUND (CEMETERY PERPETUAL CARE FUND)
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010
With Comparative Actual Amounts for Year Ended June 30, 2009**

	2010		Variance favorable (unfavorable)	2009
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 9,600	\$ 465	\$ (9,135)	\$ 903
Sale of plots	35,240	2,525	(32,715)	3,425
Total revenues	44,840	2,990	(41,850)	4,328
EXPENDITURES				
Reserved for future expense	44,840	-	44,840	-
REVENUES OVER EXPENDITURES	\$ -	2,990	\$ 2,990	4,328
FUND BALANCE, BEGINNING OF YEAR, JULY 1		44,009		39,681
FUND BALANCE, END OF YEAR, JUNE 30		\$ 46,999		\$ 44,009

ENTERPRISE FUND

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

Individual Fund Descriptions:

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

TOWN OF SOUTHERN PINES
WATER AND SEWER FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2010
With Comparative Actual Amounts for Year Ended June 30, 2009

	2010		Variance favorable (unfavorable)	2009
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Charges for services				
Water sales		\$ 3,741,490		\$ 3,555,728
Sewer sales		2,011,507		1,561,896
Service charges		119,213		114,298
Miscellaneous operating revenue		114,077		118,645
Total operating revenues	\$ 5,426,000	5,986,287	\$ 560,287	5,350,567
Nonoperating revenues				
Impact fees		125,595		131,802
Investment earnings		45,054		89,362
Gain on disposal of capital assets		13,829		5,205
	45,000	184,478	139,478	226,369
Total revenues	5,471,000	6,170,765	699,765	5,576,936
EXPENDITURES				
Billings and collections				
Salaries and employee benefits		246,642		238,834
Contracted services		24,475		36,306
Other departmental expenditures		100,264		96,111
	391,097	371,381	19,716	371,251
Water treatment				
Contractual services		632,397		609,846
Utilities		277,954		287,747
Other departmental expenditures		75,837		27,663
	1,011,721	986,188	25,533	925,256
Sewage treatment				
Contractual services	1,475,000	1,437,550	37,450	1,065,273
Water extensions and maintenance				
Salaries and employee benefits		328,877		321,363
Contractual services		20,489		13,789
Supplies		145,118		126,078
Other departmental expenditures		87,592		59,000
	674,518	582,076	92,442	520,230

**TOWN OF SOUTHERN PINES
WATER AND SEWER FUND
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2010
With Comparative Actual Amounts for Year Ended June 30, 2009**

	2010		Variance favorable (unfavorable)	2009
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Sewer extensions and maintenance				
Salaries and employee benefits		\$ 362,786		\$ 355,909
Contractual services		79,690		49,874
Supplies		77,764		67,622
Other departmental expenditures		136,617		138,445
	<u>\$ 749,417</u>	<u>656,857</u>	<u>\$ 92,560</u>	<u>611,850</u>
Chargeout for administrative expenses	<u>679,127</u>	<u>679,127</u>	<u>-</u>	<u>658,785</u>
Total	<u>4,980,880</u>	<u>4,713,179</u>	<u>267,701</u>	<u>4,152,645</u>
Budgetary appropriations				
Interest	6,038	4,025	2,013	10,788
Debt principal	210,000	210,000	-	285,000
Capital outlay	205,000	132,950	72,050	401,224
	<u>421,038</u>	<u>346,975</u>	<u>74,063</u>	<u>697,012</u>
Total expenditures	<u>5,401,918</u>	<u>5,060,154</u>	<u>341,764</u>	<u>4,849,657</u>
REVENUES OVER EXPENDITURES	69,082	1,110,611	1,041,529	727,279
OTHER FINANCING USES				
Transfers to:				
EIDMS Fund	(256,500)	(256,500)	-	-
Water and Sewer Capital Projects Fund	(350,000)	(350,000)	-	(682,000)
	<u>(606,500)</u>	<u>(606,500)</u>	<u>-</u>	<u>(682,000)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(537,418)	504,111	1,041,529	45,279
APPROPRIATED RETAINED EARNINGS	<u>537,418</u>	<u>-</u>	<u>(537,418)</u>	<u>-</u>
REVENUES AND APPROPRIATED RETAINED EARNINGS OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ 504,111</u>	<u>\$ 504,111</u>	<u>\$ 45,279</u>

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

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

For the Year Ended June 30, 2010

With Comparative Actual Amounts for Year Ended June 30, 2009

	<u>2010</u>	<u>2009</u>
REVENUES OVER EXPENDITURES	\$ 504,111	\$ 45,279
RECONCILING ITEMS:		
Principal retirement	210,000	285,000
Capital outlay	132,950	401,224
Depreciation and amortization	(1,066,556)	(1,051,561)
Interest earnings on Water and Sewer		
Capital Projects Fund	20,066	49,661
Developer's contributions	409,382	398,600
Intangible contributions	202,064	-
Capital contributions	503,544	480,000
Transfers to Water and Sewer		
Capital Projects Fund	350,000	682,000
	<u>761,450</u>	<u>1,244,924</u>
CHANGE IN NET ASSETS	<u>\$ 1,265,561</u>	<u>\$ 1,290,203</u>

**TOWN OF SOUTHERN PINES
WATER AND SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
From Inception and for the Year Ended June 30, 2010**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance favorable (unfavorable)
REVENUES					
Grant Proceeds	\$ 1,250,000	\$ 480,000	\$ 503,544	\$ 983,544	\$ (266,456)
Investment earnings	253,000	250,252	20,066	270,318	17,318
Developers contributions	311,666	311,666	10,391	322,057	10,391
TOTAL REVENUES	1,814,666	1,041,918	534,001	1,575,919	(238,747)
EXPENDITURES					
Water/sewer improvements II	2,875,500	1,118,301	247,225	1,365,526	1,509,974
Waynor road project	1,000,000	121,065	644,815	765,880	234,120
Commercial park project	811,666	697,193	94,767	791,960	19,706
Raw water reservoir	753,500	411,837	225,315	637,152	116,348
TOTAL EXPENDITURES	5,440,666	2,348,396	1,212,122	3,560,518	1,880,148
REVENUES OVER (UNDER) EXPENDITURES	(3,626,000)	(1,306,478)	(678,121)	(1,984,599)	1,641,401
OTHER FINANCING SOURCES					
Transfers from:					
Water & Sewer Fund	3,626,000	3,276,000	350,000	3,626,000	-
Total other financing sources	3,626,000	3,276,000	350,000	3,626,000	-
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ -	\$ 1,969,522	\$ (328,121)	\$ 1,641,401	\$ 1,641,401

AGENCY FUND

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

Individual Fund Descriptions:

Agency Fund:

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

TOWN OF SOUTHERN PINES
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Cafeteria Plan				
ASSETS				
Cash and investments	\$ 31,326	\$ 255,669	\$ 259,398	\$ 27,597
Accrued interest	103	64	103	64
	<u>\$ 31,429</u>	<u>\$ 255,733</u>	<u>\$ 259,501</u>	<u>\$ 27,661</u>
LIABILITIES				
Miscellaneous liabilities	<u>\$ 31,429</u>	<u>\$ 255,733</u>	<u>\$ 259,501</u>	<u>\$ 27,661</u>