

TOWN OF BUTNER, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2010

TOWN OF BUTNER, NORTH CAROLINA
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June 30, 2010

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William L. Stark and Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Board of Commissioners
Town of Butner, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Butner, North Carolina as of and for the year ended June 30, 2010, which collectively comprise the Town of Butner, North Carolina's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Butner, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Butner, North Carolina as of June 30, 2010, and the respective changes in financial position thereof, and the 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 January 7, 2011 on our consideration of the Town of Butner, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Other Postemployment Benefits' Schedule of Funding Progress and Schedule of Employer Contributions on pages 3 through 10 and 36 through 37, respectively, 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 on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Butner, North Carolina. The individual fund financial statements and budgetary are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund statements and budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

January 7, 2011

Management's Discussion and Analysis

As management of the Town of Butner, we offer readers of the Town of Butner's financial statements this narrative overview and analysis of the financial activities of the Town of Butner for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

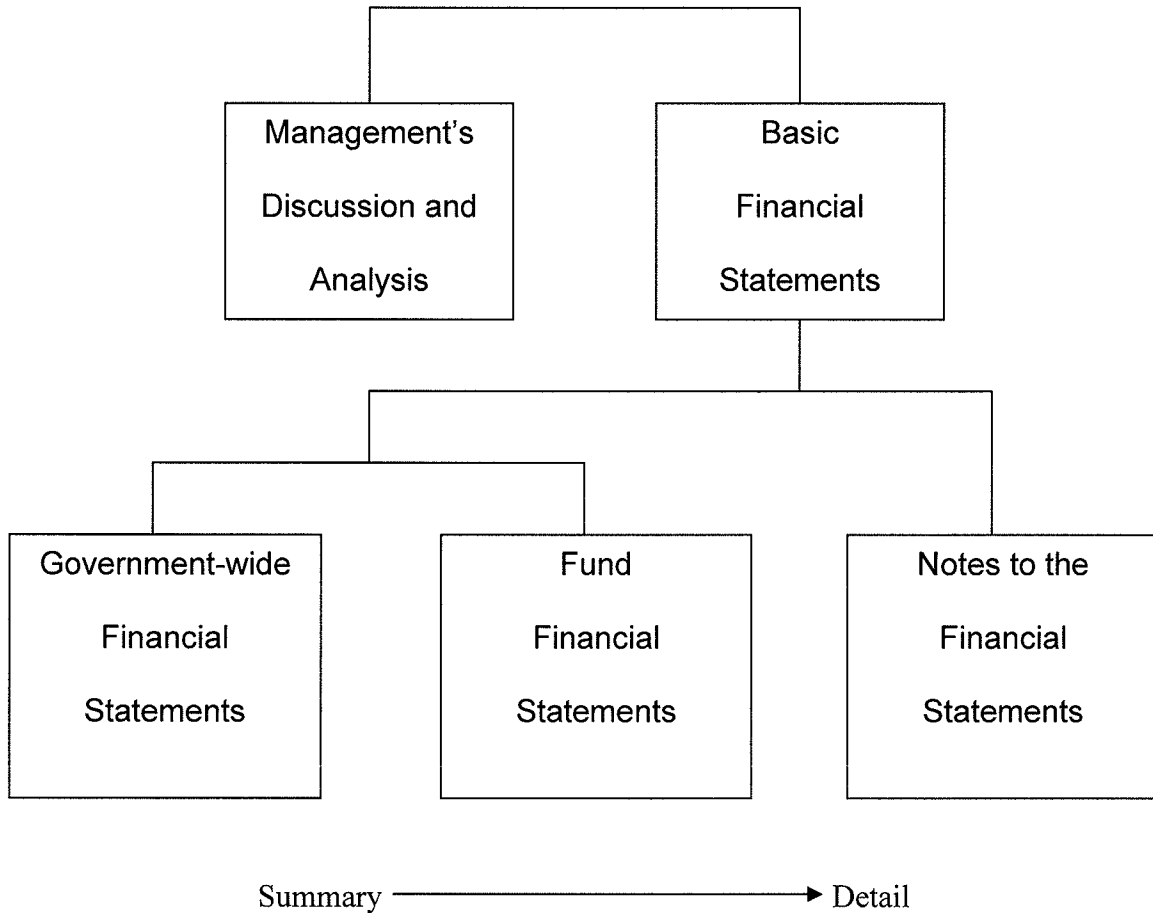
- The assets of the Town of Butner exceeded its liabilities at the close of the fiscal year by \$23,665,943 (*net assets*).
- The government's total net assets increased by \$720,239, primarily due to the increase in the governmental-type activities net assets.
- As of the close of the current fiscal year, the Town of Butner's governmental funds reported combined ending fund balances of \$7,511,737, an increase of \$80,768, in comparison with the prior year. Approximately 88.25 percent of this total amount, or \$6,629,199, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,649,587, or 176.29 percent of total general fund expenditures for the fiscal year.
- The Town of Butner had no debt at June 30, 2010.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Butner's basic financial statements. The Town's 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 Butner.

Required Components of Annual Financial Report

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 5) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison 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 in those statements. After the notes, **supplemental information** is provided to show details about the Town's

individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gage the Town's financial condition.

The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) 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 of Butner, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Butner are: governmental 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 of Butner 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 Board 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 board; 2) the final budget as amended by the board; 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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 23 of this report.

Town of Butner's Net Assets

Figure 2

	Governmental		Activities
	2009		2010
Current and other assets	\$ 7,728,974	\$	7,929,955
Capital assets	15,318,381		15,961,706
Total assets	23,047,355		23,891,661
Long-term liabilities outstanding	28,518		56,947
Other liabilities	73,133		168,771
Total liabilities	101,651		225,718
Net assets:			
Invested in capital assets, net of related debt	15,318,381		15,961,706
Restricted	719,864		598,962
Unrestricted	6,907,459		7,105,275
Total net assets	\$ 22,945,704	\$	23,665,943

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Butner exceeded liabilities by \$23,665,943 as of June 30, 2010. The Town's net assets increased by \$720,239, for the fiscal year ended June 30, 2010. However, the largest portion (67.45%) 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 of Butner uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Butner'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. Town of Butner's net assets currently have \$598,962 in resources that are subject to external restrictions on how they may be used. The balance of \$7,105,275 is unrestricted.

Town of Butner Changes in Net Assets
Figure 3

	<u>Governmental</u>	<u>Activities</u>
	<u>2009</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 21,046	\$ 529,893
Operating grants and contributions	765,472	210,471
Capital grants and contributions	-	49,920
General revenues:		
Property taxes	1,298,573	1,310,323
Other taxes	1,647,945	1,384,719
Grants and contributions not restricted to specific programs	-	-
Extraordinary Item	283,427	-
Investment earnings	118,111	14,210
Other	5,971	13,572
Total revenues	<u>4,140,545</u>	<u>3,513,108</u>
Expenses:		
General government	1,407,271	1,381,283
Public safety	1,233,921	1,242,148
Transportation	41,995	110,754
Culture & Recreation	124,733	58,379
Landscaping & Beautification	330	305
Total expenses	<u>2,808,250</u>	<u>2,792,869</u>
Increase in net assets	1,332,295	720,239
Net assets, July 1	<u>21,613,409</u>	<u>22,945,704</u>
Net assets, June 30	<u>\$ 22,945,704</u>	<u>\$ 23,665,943</u>

Governmental activities. Governmental activities increased the Town's net assets by \$720,239, thereby accounting for 100.00% of the total growth in the net assets of the Town of Butner.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the Town of Butner'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 of Butner'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.

The general fund is the chief operating fund of the Town of Butner. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,649,587, while total fund balance reached \$7,532,125. 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 176.29 percent of total General Fund expenditures, while total fund balance represents 199.69 percent of that same amount.

At June 30, 2010, the governmental funds of Town of Butner reported a combined fund balance of \$7,511,737, a 2.37 percent decrease from last year.

General Fund Budgetary Highlights:

During the fiscal year, the Town did revise the budget during the fiscal year. 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 recognized new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenue was less than budgeted amounts primarily because the State distributed taxes were lower than expected. Expenditures were, overall, held in check to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Town of Butner's investment in capital assets for its governmental-type activities as of June 30, 2010, totals \$15,961,706 (net of accumulated depreciation). These assets include land, land improvements, machinery and equipment and vehicles.

**Town of Butner's Capital Assets
(net of depreciation)**

Figure 4

	Governmental	Activities
	2009	2010
Land	\$ 12,347,734	\$ 11,960,734
Construction in Progress	73,630	176,297
Land Improvements	24,712	222,537
Buildings and system	2,511,355	3,213,399
Machinery and equipment	227,153	187,830
Computer software	-	105,800
Vehicles and motorized equipment	133,797	95,109
Total	\$ 15,318,381	\$ 15,961,706

Additional information on the Town's capital assets can be found in note III.A.4 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The Town of Butner is not directly affected by Economic Factors due to the majority of the Town's population being employed by the State and Federal Government Agencies located in Butner.

During the Fiscal Year 2010-2011, the Town of Butner plans to borrow approximately \$2,000,000 for improvements on the Sports Arena (Soldiers Memorial), B Street Ball Field, town sidewalks, and Powell Bill Paving.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities:

Budgeted revenues are expected to be in line with fiscal year June 30, 2010.

Budgeted expenditures in the General Fund are also expected to be in line with fiscal year June 30, 2010.

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 Town Clerk, Town of Butner, 600 Central Ave., P.O. Box 270, Butner, NC 27509-2315.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	PRIMARY GOVERNMENT	
	GOVERNMENTAL ACTIVITIES	TOTAL
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and investments	\$ 7,396,932	\$ 7,396,932
Accounts receivable	122,281	122,281
Sales tax receivable	161,295	161,295
Accrued interest receivable on taxes	47,484	47,484
Taxes receivable	201,963	201,963
Total Current Assets	<u>7,929,955</u>	<u>7,929,955</u>
CAPITAL ASSETS		
Land and construction in progress	12,137,031	12,137,031
Other capital assets, net of depreciation	<u>3,824,675</u>	<u>3,824,675</u>
Total Noncurrent Assets	<u>15,961,706</u>	<u>15,961,706</u>
Total Assets	<u>\$ 23,891,661</u>	<u>\$ 23,891,661</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accrued Liabilities	\$ 168,771	\$ 168,771
LONG-TERM LIABILITIES		
Due within one year		
Compensated absences	31,173	31,173
Due in more than one year		
Net pension obligation	<u>25,774</u>	<u>25,774</u>
Total Liabilities	<u>225,718</u>	<u>225,718</u>
NET ASSETS		
Invested in capital assets, net of related debt	15,961,706	15,961,706
Restricted for:		
Transportation (Powell Bill)	598,962	598,962
Unrestricted	<u>7,105,275</u>	<u>7,105,275</u>
Total Net Assets	<u>\$ 23,665,943</u>	<u>\$ 23,665,943</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 1,381,283	\$ 529,893	-	-	\$ (851,390)	\$ (851,390)
Public safety	1,242,148	-	-	49,920	(1,192,228)	(1,192,228)
Transportation	110,754	-	146,777	-	36,023	36,023
Landscaping and beautification	305	-	-	-	(305)	(305)
Culture and recreation	58,379	-	63,694	-	5,315	5,315
Total governmental activities	<u>\$ 2,792,869</u>	<u>\$ 529,893</u>	<u>\$ 210,471</u>	<u>\$ 49,920</u>	<u>\$ (2,002,585)</u>	<u>\$ (2,002,585)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					\$ 1,310,323	\$ 1,310,323
Other taxes					1,384,719	1,384,719
Unrestricted miscellaneous					13,572	13,572
Unrestricted investment earnings					14,210	14,210
Total general revenues, special items, transfers					<u>2,722,824</u>	<u>2,722,824</u>
Change in net assets					720,239	720,239
Net assets - beginning					22,945,704	22,945,704
Net assets - ending					<u>\$ 23,665,943</u>	<u>\$ 23,665,943</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF BUTNER, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>MAJOR FUNDS</u> <u>GENERAL FUND</u>	<u>TOTAL</u> <u>NON-MAJOR</u> <u>FUNDS</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>ASSETS</u>			
Cash and investments	\$ 7,396,932	\$ -	\$ 7,396,932
Accounts receivable	122,281	-	122,281
Sales tax receivable	161,295	-	161,295
Taxes receivable	201,963	-	201,963
Due from other funds	22,888	2,500	25,388
Total Assets	<u>\$ 7,905,359</u>	<u>\$ 2,500</u>	<u>\$ 7,907,859</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payables and accrued liabilities	\$ 168,771	\$ -	\$ 168,771
Due to other funds	2,500	22,888	25,388
Deferred revenues	201,963	-	201,963
Total Liabilities	<u>373,234</u>	<u>22,888</u>	<u>396,122</u>
<u>FUND BALANCES</u>			
Fund Balance			
Reserved by state statute	283,576	-	283,576
Reserved for streets - Powell Bill	598,962	-	598,962
Unreserved, General Fund			
Designated for subsequent year's expenditures	-	-	-
Designated for capital projects	54,000	-	54,000
Designated for grant projects	124,400	-	124,400
Undesignated	6,471,187	-	6,471,187
Unreserved, Reported in:			
Grant Projects	-	(16,228)	(16,228)
Capital Projects	-	(4,160)	(4,160)
Total Fund Balances	<u>7,532,125</u>	<u>(20,388)</u>	<u>7,511,737</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,905,359</u>	<u>\$ 2,500</u>	<u>\$ 7,907,859</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

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

Total equity and other credits (Exhibit 4)	\$	7,511,737
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,961,706
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred.		47,484
Liabilities for earned but deferred revenues in fund statements.		201,963
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		(31,173)
Net pension obligation		(25,774)
		(56,947)
Net assets of governmental activities	\$	23,665,943

The accompanying notes are an integral part of the financial statements.

TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	MAJOR FUNDS GENERAL FUND	TOTAL NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Ad Valorem taxes	\$ 1,285,748	\$ -	\$ 1,285,748
Other taxes and licenses	949,521	-	949,521
Unrestricted intergovernmental revenues	435,198	-	435,198
Restricted intergovernmental revenues	257,891	2,500	260,391
Sales and services	531,423	-	531,423
Permits and fees	12,042	-	12,042
Investment earnings	14,210	-	14,210
Total Revenues	<u>3,486,033</u>	<u>2,500</u>	<u>3,488,533</u>
EXPENDITURES			
General government	1,444,035	-	1,444,035
Public safety	1,242,148	-	1,242,148
Transportation	310,349	22,888	333,237
Landscaping and beautification	305	-	305
Culture and recreation	775,040	-	775,040
Total Expenditures	<u>3,771,877</u>	<u>22,888</u>	<u>3,794,765</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(285,844)</u>	<u>(20,388)</u>	<u>(306,232)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of land	387,000	-	387,000
Total other financing sources (uses)	<u>387,000</u>	<u>-</u>	<u>387,000</u>
NET CHANGE IN FUND BALANCE	101,156	(20,388)	80,768
FUND BALANCE			
Beginning of Year - July 1	7,430,969	-	7,430,969
End of Year - June 30	<u>\$ 7,532,125</u>	<u>\$ (20,388)</u>	<u>\$ 7,511,737</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BUTNER, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

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

Net changes in fund balances - Exhibit 4	\$	80,768
Governmental funds include the proceeds from the sale of land as an increase in financial resources. In the Statement of Activities, such proceeds are reduced by the cost of the land sold.		(387,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Change in accrued interest receivable on taxes		12,714
Change in deferred revenues for taxes		11,861
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 outlay's exceeded depreciation in the current period.		1,030,325
Some items 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.		
Increase in compensated absences		(2,655)
Increase in net pension obligation		(25,774)
		(28,429)
Total changes in net assets of governmental activities	\$	720,239

The accompanying notes are an integral part of the financial statements.

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Ad Valorem taxes	\$ 1,210,889	\$ 1,230,889	\$ 1,285,748	\$ 54,859
Other taxes and licenses	1,562,878	1,136,574	949,521	(187,053)
Unrestricted intergovernmental revenues	1,000	420,904	435,198	14,294
Restricted intergovernmental revenues	304,690	736,690	257,891	(478,799)
Sales and services	18,150	10,300	12,042	1,742
Permits and fees	500,000	514,250	531,423	17,173
Investment earnings	100,000	100,000	14,210	(85,790)
Total Revenues	<u>3,697,607</u>	<u>4,149,607</u>	<u>3,486,033</u>	<u>(663,574)</u>
EXPENDITURES				
General government	1,557,983	1,884,207	1,444,035	440,172
Public safety	1,244,900	1,294,900	1,242,148	52,752
Transportation	245,000	599,000	310,349	288,651
Landscaping and beautification	7,000	7,000	305	6,695
Culture and recreation	642,724	807,914	775,040	32,874
Total Expenditures	<u>3,697,607</u>	<u>4,593,021</u>	<u>3,771,877</u>	<u>821,144</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(443,414)</u>	<u>(285,844)</u>	<u>157,570</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	<u>-</u>	<u>228,194</u>	<u>387,000</u>	<u>158,806</u>
Total other financing sources (uses)	<u>-</u>	<u>228,194</u>	<u>387,000</u>	<u>158,806</u>
Fund Balance Appropriated	-	215,220	-	(215,220)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ -</u>	101,156	<u>\$ 101,156</u>
FUND BALANCE				
Beginning of Year - July 1			7,430,969	
End of Year - June 30			<u>\$ 7,532,125</u>	

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Butner 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 Butner is a municipal corporation that is governed by an elected mayor and a six-member council. These financial statements present only the financial operations of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Town of Butner, North Carolina. The General Fund accounts 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-shared revenues, State grants, and other taxes and licenses. The primary expenditures are for streets and highways, public safety, and general governmental services. The Town maintains a separate Powell Bill fund for accounting purposes. This fund has been consolidated into the General Fund for reporting purposes.

The Town reports the following non-major governmental funds:

Grant Project Special Revenue Funds – These funds are used to account for grant funds that are restricted for use for a particular purpose.

Capital Project Fund – This fund is used to account for funds that are restricted for the use for a particular purpose.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 Fund Statements. The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

The Town of Butner 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 a 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 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, Granville 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 Butner. 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 tax for vehicles registered in Granville 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.

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

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. 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 principle 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 maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

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

2. Cash and Cash Equivalents

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

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

3. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 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, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009. As allowed by State law, the Town of Butner, North Carolina has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all categories of capital assets. 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.

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

<u>Asset Class</u>	<u>Estimate Useful Lives</u>
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

5. Compensated Absences

The vacation policy for the Town provide for the full accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide 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 is estimated in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provide 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

6. Net Assets/Fund Balances

Net Assets

Net assets in government-wide 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,

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations of fund balance represents 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, which is not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of accounts receivable and interfund, receivables which have not been offset by deferred revenues.

Reserved for Streets – Powell Bill – Portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unreserved:

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

Designated for capital projects – portion of the total fund balance available for appropriation that has been designated for adopted capital project budget ordinances.

Designated for grant projects – portion of the total fund balance available for appropriation that has been designated for adopted grant project budget ordinances.

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

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit in Fund Balance or Net Assets of Individual Funds

For the fiscal year ended June 30, 2010, the Fund Balances for the following Nonmajor Governmental Funds were in deficit:

<u>Fund</u>	<u>Fund Balance at June 30, 2010</u>
Special Revenue Funds	
Pedestrian Planning Grant Fund	\$ (9,624)
Greenway Construction Grant Fund	(9,104)
Capital Project Funds	
Drainage Improvement Fund	(4,160)

These deficits were the result of liabilities owed to the General Fund for expenditures incurred in the initial stages of grant and capital projects. Management and the Town's governing body will ensure that funding for special revenue and capital projects are properly allocated in conjunction with incurring planned expenditures on such projects.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All 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 these units' names. 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 regard custodial credit risk for deposits.

At June 30, 2010, the Town's deposits had a carrying amount of \$ 232,434 and a bank balance of \$ 246,716. All of the bank balance was covered by federal depository insurance. At June 30, 2010, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2010, the Town of Butner had \$7,164,298 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

3. Receivables - Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>June 30, 2010</u>
General Fund:	
Accounts Receivable	
Solid Waste Tax	\$ 964
Franchise Tax	103,521
Other	17,796
Less: Allowance for Doubtful Accounts	<u>-</u>
Net Accounts Receivable	<u>122,281</u>
Sales Tax Receivable	
Local Option Sales Tax	161,295
Less: Allowance for Doubtful Accounts	<u>-</u>
Net Sales Tax Receivable	<u>161,295</u>
Taxes Receivable	
Ad Valorem Tax	201,963
Less: Allowance for Doubtful Accounts	<u>-</u>
Net Taxes Receivable	<u>201,963</u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2010 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$12,347,734	\$ -	\$ 387,000	\$ 11,960,734
Construction in Progress	<u>73,630</u>	<u>892,958</u>	<u>790,291</u>	<u>176,297</u>
Total capital assets not being depreciated	<u>12,421,364</u>	<u>892,958</u>	<u>1,177,291</u>	<u>12,137,031</u>
Capital Assets being depreciated:				
Improvements	26,556	199,595	-	226,151
Buildings	2,647,402	790,291	-	3,437,693
Equipment	283,599	-	-	283,599
Computer software	-	105,800	-	105,800
Vehicles and motorized equipment	<u>193,441</u>	<u>-</u>	<u>-</u>	<u>193,441</u>
Total capital assets being depreciated	<u>3,150,998</u>	<u>1,095,686</u>	<u>-</u>	<u>4,246,684</u>

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

Less accumulated depreciation for:				
Improvements	1,844	1,770	-	3,614
Buildings	136,047	88,247	-	224,294
Equipment	56,446	39,323	-	95,769
Computer software	-	-	-	-
Vehicles	<u>59,644</u>	<u>38,688</u>	-	<u>98,332</u>
Total accumulated depreciation	<u>253,981</u>	<u>\$ 168,028</u>	<u>\$ -</u>	<u>422,009</u>
Total capital assets being depreciated, net	<u>2,897,017</u>			<u>3,824,675</u>
Government activity capital assets, net	<u>\$15,318,381</u>			<u>\$ 15,961,706</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 168,028
Public Safety	-
Total depreciation expense	<u>\$ 168,028</u>

B. Liabilities

1. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan Description. The Town of Butner 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 Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement is 5.01 % of annual covered payroll. The contribution requirements of the members and of the Town of Butner are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$21,924, \$21,266, and \$ 6,764, respectively. The contributions made by the Town equaled the required contributions for each year.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

B. Supplemental Retirement Income Plan

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 all employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. 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. General employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010 were \$15,699, which consisted of \$4,124 from the Town and \$11,575 from the general employees.

C. Other Post-employment Benefits

Healthcare Benefits

Plan Description. By the terms of employment contracts as approved by the Town's governing body, the Town is obligated to provide postretirement health care benefits to three potential retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town at the time of retirement. The Town will pay the full cost of coverage for these benefits. Also, such retirees can purchase coverage for their dependents at the Town's group rates. This benefit is not an element of the Town's current personnel policy, and is not available for current or new hires other than the three individuals noted above.

The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town Resolution that can be amended by the Town Board. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2010, the Town's made zero contributions.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC).

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual Required Contribution	\$ 15,909
Interest on net OPEB obligation	9,865
Adjustment to annual required contribution	<u>-</u>
Annual OPEB Cost (Expense)	25,774
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	25,774
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 25,774</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$25,774	0.00%	\$25,774

Funded Status and Funding Process. As of June 30, 2010, the actuarial accrued liability for benefits was \$134,781 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was the plan was not funded. The covered payroll (annual payroll of active employees covered by the plan was \$155,956, and the ratio of the unfunded accrued liability to the covered payroll was 86.42% percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62 or the first subsequent year in which the member would qualify for benefits.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to period the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 12.00 percent initially, reduced to an ultimate rate of 6.00 percent after six years, was used.

Health insurance premiums – 2010 health insurance premiums for retired employees under the health insurance plan of which the Town is a participant were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.80 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5.50 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

Other Employment Benefits

The Town has also 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 service 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. 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

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

determine the number of eligible participants. For the fiscal year ended June 30, 2010, the Town made contributions to the State for death benefits in the amount of \$4,625. The Town's required contribution for employees not engaged in law enforcement and for law enforcement officers represented .21% and 0% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

2. Deferred / Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Ad valorem taxes receivable	<u>\$ 201,963</u>	<u>\$ -</u>
Total Deferred Revenue:	<u>\$ 201,963</u>	<u>\$ -</u>

3. 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 three 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 values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$ 500,000 and \$ 300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$ 150,000. 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.

The Town carries commercial coverage for all other risks of loss. 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.

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 surety bond is in the amount of \$50,000.

The Town has made the decision that the cost of carrying flood insurance outweighs the risk.

4. Claims, Judgments and Contingent Liabilities

During the year ended June 30, 2010, the Town consulted attorneys on various legal matters. In the opinion of the Town's management and the Town's Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

**TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

5. Long-Term Obligations

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Compensated Absences	\$ 28,518	\$ 2,655	\$ -	\$ 31,173	\$ 31,173
Other Postemployment Benefits	-	25,774	-	25,774	-
Governmental Activity Long-term Liabilities	<u>\$ 28,518</u>	<u>\$ 28,429</u>	<u>\$ -</u>	<u>\$ 56,947</u>	<u>\$ 31,173</u>

Interfund Balances Activity

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

Due to the Grant Project Special Revenue Fund – Lake Holt Tourism General Fund	<u>\$ 2,500</u>
Due to the General Fund	
Grant Project Special Revenue Funds:	
Pedestrian Planning	\$ 9,624
Greenway Construction	9,104
Capital Project Fund – Drainage Improvement	<u>4,160</u>
Total Due to General Fund	<u>22,888</u>

Due to/from activities are used to move unrestricted revenues and restricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreement. 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 monies.

Commitments and Contingencies

An agreement was entered between the Town of Butner and the State of North Carolina Department of Crime Control and Public Safety, whereas, the Butner Public Safety, Department of Crime Control and Public Safety, is to provide fire and police protection to the residents of the Town of Butner. The Town of Butner shall pay to the State Treasurer, on or before May 1 of each year, for deposit in the General Fund an amount equal to the amount that actually would have been collected from real and personal property ad valorem taxes due January 5, 2009, in the area incorporated as the Town of Butner effective July 1, 2007, assuming a tax of twenty-five cents per one hundred

TOWN OF BUTNER, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

dollars valuation of all real and personal property in said area increased effective July 1 of each year by increase in the percentage change in the Consumer Price Index for the previous year ended December 31st. If additional areas are added to the incorporated limits of the Town of Butner, the payments due under the contract shall be increased by an equal to the amount that actually would have been collected from real and person property ad valorem taxed due January 5 of the year of incorporation of such are if said area incorporation occurs on or before May 1 of the then current year assuming a tax of twenty-five cents per one hundred dollars valuation of all real and personal property in said area and increased yearly as set out above. The amount expended to the Butner Public Safety for the year ended June 30, 2010, was \$1,242,148.

With Senate Bill 491, of the 2005-06 Legislative Session entitled "AN ACT TO TRANSFER THE ASSETS OF THE BUTNER WATER AND SEWER SYSTEM TO THE SOUTH GRANVILLE WATER AND SEWER AUTHORITY, AND TO PROVIDE THAT BUTNER PUBLIC SAFETY SHALL BE CONSIDERED THE EQUIVALENT OF A MUNICIPAL POLICE DEPARTMENT FOR PURPOSES OF THE LAWS PROVIDING FOR COOPERATION BETWEEN LAW ENFORCEMETN AGENCIES AND ASSISTANCE TO THE STATE LAW ENFORCEMENT AGENCIES", the General Assembly of North Carolina enacted that South Granville Water and Sewer Authority shall pay to the Department of Health and Human Services a monthly sum to be used by the Department to support the operations of the Butner Reservation. If the majority of the functions of the Butner Reservation are assumed by a municipal corporation (Town of Butner) organized pursuant to the laws of the State of North Carolina, SGWASA shall pay to such municipal corporation (Town of Butner) the sum of forty-one thousand six hundred sixty-six dollars and sixty-seven cents (\$41,666.67) per month for a period of 240 months from the date of said incorporation. The amount received by the Town of Butner for the year ended in June 30, 2010 was \$500,000.

IV. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

The Town has evaluated events and transactions that occurred between June 30, 2010 and January 7, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Only July 1, 2010, the Town Council approved a budget ordinance for the construction of a new City Hall. The ordinance approves expenditures of \$ 3,015,000 for such construction, to be financed by a loan from RBC Bank under the federal Build America Bonds Program.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF BUTNER, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
06/30/2010	\$ -	\$ 134,781	\$ 134,781	0.00%	\$ 155,956	86.42%

**TOWN OF BUTNER, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2010	\$ 25,774	0.00%

Notes to the Required Schedules:

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	06/30/10
Actuarial cost method	Unit Credit Cost Method
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.50%
Projected salary increases	3.80%
Medical cost trend	12.00 – 6.00%
* Includes inflation at	3.80%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
With Comparative Totals for the Year Ended June 30, 2009

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
REVENUES				
Ad Valorem Taxes				
Current year	\$ 1,230,889	\$ 1,285,676	\$ 54,787	1,264,166
Penalties, Interest and Discount	-	72	72	(1,729)
Total	<u>1,230,889</u>	<u>1,285,748</u>	<u>54,859</u>	<u>1,262,437</u>
Other Taxes and Licenses				
Local option sales tax	1,136,574	949,521	(187,053)	1,171,802
Total	<u>1,136,574</u>	<u>949,521</u>	<u>(187,053)</u>	<u>1,171,802</u>
Unrestricted Intergovernmental Revenues				
Franchise tax	396,904	421,827	24,923	433,756
Solid Waste tax	4,000	4,323	323	3,510
Beer and wine tax	20,000	9,048	(10,952)	33,871
Total	<u>420,904</u>	<u>435,198</u>	<u>14,294</u>	<u>471,137</u>
Restricted Intergovernmental Revenues				
Granville Co. Recreation Funding	54,190	61,194	7,004	29,000
Clean Water Grant	-	-	-	25,000
Lake Holt Conservation Project	-	-	-	18,575
Pedestrian Planning Grant	24,000	-	(24,000)	-
Homeland Security Grant	50,000	49,920	(80)	-
"State Street Aid" grant	608,500	146,777	(461,723)	192,897
Total	<u>736,690</u>	<u>257,891</u>	<u>(478,799)</u>	<u>265,472</u>
Permit and Fees				
Cable Vision	5,400	-	(5,400)	5,007
Special Use Permits	4,900	12,042	7,142	5,762
Total	<u>10,300</u>	<u>12,042</u>	<u>1,742</u>	<u>10,769</u>
Sales and Services				
Contract for SGWASA	500,000	500,000	-	500,000
Rentals	13,250	17,851	4,601	15,284
Miscellaneous	1,000	13,572	12,572	5,971
Total	<u>514,250</u>	<u>531,423</u>	<u>17,173</u>	<u>521,255</u>
Investment Earnings				
General Fund	100,000	14,210	(85,790)	107,908
Powell Bill interest	-	-	-	10,203
Total	<u>100,000</u>	<u>14,210</u>	<u>(85,790)</u>	<u>118,111</u>
Total Revenues	<u>\$ 4,149,607</u>	<u>\$ 3,486,033</u>	<u>\$ (663,574)</u>	<u>\$ 3,820,983</u>

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
With Comparative Totals for the Year Ended June 30, 2009

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES				
General Government				
Governing Body				
Salaries and Wages	\$ 52,300	\$ 53,468	\$ (1,168)	\$ 52,533
Outside Auditor	20,000	17,950	2,050	20,450
City Attorney	143,000	129,686	13,314	92,442
Survey	60,000	60,619	(619)	38,608
Pay and Classification	8,000	-	8,000	4,306
Cable TV Consultant	6,000	-	6,000	-
Contract Labor	11,230	6,611	4,619	5,000
Computer Hosting Service	4,500	-	4,500	-
Supplies	3,000	1,872	1,128	2,874
Signs and Supplies	10,000	4,183	5,817	-
Dues and Subscriptions	15,000	6,598	8,402	18,732
Electricity - Entrance Sign	250	-	250	-
Postage and Shipping	600	18	582	181
Public Relations	2,000	1,345	655	292
Travel and Meetings	7,500	1,162	6,338	1,602
Web Site Design	2,200	3,390	(1,190)	500
Logo Development	1,000	-	1,000	750
Digital Recording System	550	550	-	6,355
General Statutes	2,500	-	2,500	-
Appraisals	-	-	-	2,000
Off Site Storage	2,300	576	1,724	2,304
Anniversary Expenses	-	-	-	261
Employee Lunch	700	146	554	536
Bad Debt	100	-	100	10
Legal Advertising	1,500	2,951	(1,451)	1,139
Waste Removal	4,600	5,928	(1,328)	5,615
Utilities	-	275	(275)	228
Bank Service Charges	2,100	1,804	296	1,862
Sales Tax	37,500	24,778	12,722	11,117
Ad Valorem Collection Fee	20,000	19,290	710	18,950
Granville EDC	50,000	33,333	16,667	-
Elections	-	8,620	(8,620)	-
Miscellaneous	-	55	(55)	6,033
Trophies for Pig Pickin'	2,100	2,102	(2)	1,909
Fireworks	5,000	4,772	228	5,000
Total Governing Body	475,530	392,082	83,448	301,589

TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
With Comparative Totals for the Year Ended June 30, 2009

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
Executive Department				
Salaries and Wages	\$ 350,754	\$ 296,284	\$ 54,470	\$ 314,064
Human Resources Consultation	5,000	2,473	2,527	-
Contract Labor	4,135	4,853	(718)	4,163
Repairs and Maintenance	4,500	3,831	669	9,521
Dues and Subscriptions	3,250	2,967	283	1,540
Utilities	9,900	6,771	3,129	9,000
Supplies	7,100	4,554	2,546	6,816
Purchased Services	3,610	3,335	275	2,138
Auto Allowance	8,000	2,275	5,725	4,225
Contracts	4,160	4,120	40	3,522
Legal Advertising	1,800	519	1,281	1,664
Schools and Training	2,500	3,765	(1,265)	1,856
Travel	4,000	4,419	(419)	2,630
Printing	1,000	76	924	354
Postage	1,000	1,409	(409)	769
Waste Removal	225	678	(453)	208
Total Executive Dept.	410,934	342,329	68,605	362,470
Planning Department				
Salaries	72,016	68,079	3,937	33,169
Zoning Attorney	5,000	-	5,000	-
Contract Labor	5,000	1,637	3,363	114,386
Purchased Services	15,250	250	15,000	-
Dues and Subscriptions	300	285	15	210
Legal Advertising	4,000	2,123	1,877	4,991
Postage	900	131	769	293
Supplies	5,050	2,476	2,574	2,691
Utilities	1,200	429	771	319
Vehicle Expense	1,200	-	1,200	80
Schools and Training	1,600	1,345	255	360
Grant Planning	66,000	-	66,000	-
Travel	1,000	1,037	(37)	539
Census Survey	1,000	-	1,000	1,013
Total Planning Dept	179,516	77,792	101,724	158,051

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
With Comparative Totals for the Year Ended June 30, 2009**

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
Public Works Facility				
Salaries	\$ 282,027	\$ 242,399	\$ 39,628	\$ 274,490
Contract Labor	-	211	(211)	900
Contracts	-	-	-	81
Purchased Services	-	158	(158)	-
Repairs and Maintenance	12,400	9,953	2,447	17,732
Utilities	7,600	5,619	1,981	3,383
Supplies	4,800	7,561	(2,761)	7,148
Postage	100	-	100	-
Storage	-	-	-	7,126
Vehicle Maintenance	31,000	14,715	16,285	22,520
Capital Outlay	-	-	-	20,163
Uniform Allowance	3,500	3,705	(205)	3,709
Equipment Rental	2,000	2,875	(875)	406
Security and Safety	2,000	1,475	525	1,865
Street Signs	2,000	1,380	620	-
Recycling Center Costs	-	-	-	5,336
Travel	-	307	(307)	-
Landfill Fees	5,000	937	4,063	6
Total Public Works	352,427	291,295	61,132	364,865
EMS Building				
Utilities	2,800	1,066	1,734	1,400
Grounds Maintenance	2,500	-	2,500	-
Total EMS Building	5,300	1,066	4,234	1,400
Christmas Decorations				
Contract Labor	2,000	480	1,520	-
Decorations	18,000	12,927	5,073	4,598
Utilities	500	850	(350)	372
Total Christmas Decorations	20,500	14,257	6,243	4,970
Non-Departmental				
Insurance	58,700	57,150	1,550	36,443
Capital outlay, depreciable	181,300	105,800	75,500	-
Capital outlay, non-depreciable	-	1,879	(1,879)	-
Miscellaneous	-	2	(2)	-
Total Non-Departmental	240,000	164,831	75,169	36,443

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
With Comparative Totals for the Year Ended June 30, 2009**

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
New City Hall				
Salary and Wages	\$ -	\$ -	\$ -	\$ 2,457
Architect fees, depreciable	200,000	153,409	46,591	-
Architect fees, non-depreciable	-	6,974	(6,974)	-
Total New City Hall	<u>200,000</u>	<u>160,383</u>	<u>39,617</u>	<u>2,457</u>
Total General Government	<u>1,884,207</u>	<u>1,444,035</u>	<u>440,172</u>	<u>1,232,245</u>
Public Safety				
Fire and Police	<u>1,294,900</u>	<u>1,242,148</u>	<u>52,752</u>	<u>1,233,921</u>
Total Public Safety	<u>1,294,900</u>	<u>1,242,148</u>	<u>52,752</u>	<u>1,233,921</u>
Transportation				
Street Lights	20,500	20,277	223	15,314
Powell bill, depreciable	578,500	199,595	378,905	-
Powell bill, non-depreciable	-	90,477	(90,477)	26,681
Total Transportation	<u>599,000</u>	<u>310,349</u>	<u>288,651</u>	<u>41,995</u>
Landscaping and Beautification				
Contract Labor	<u>7,000</u>	<u>305</u>	<u>6,695</u>	<u>330</u>
Total Landscaping and Beautification	<u>7,000</u>	<u>305</u>	<u>6,695</u>	<u>330</u>
Culture and Recreation:				
Gazebo and Park				
Capital outlay, depreciable	61,720	59,869	1,851	22,175
Capital outlay, non-depreciable	-	4,000	(4,000)	-
Repairs and Maintenance	7,000	4,991	2,009	48,277
Utilities	<u>2,600</u>	<u>1,907</u>	<u>693</u>	<u>1,625</u>
Total Gazebo and Park	<u>71,320</u>	<u>70,767</u>	<u>553</u>	<u>72,077</u>
Sports Arena				
Contract labor, depreciable	681,044	656,792	24,252	73,630
Contract labor, non-depreciable	-	8,162	(8,162)	760
Supplies	14,400	14,272	128	1,324
Repair and Maintenance	5,000	3,831	1,169	3,448
Utilities	23,050	14,592	8,458	17,472
Scoreboards	-	-	-	8,718
Total Sports Arena	<u>723,494</u>	<u>697,649</u>	<u>25,845</u>	<u>105,352</u>

**TOWN OF BUTNER, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
With Comparative Totals for the Year Ended June 30, 2009**

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES cont.				
Lake Holt				
Purchased Services	200	-	200	137
Utilities	2,200	1,770	430	2,455
Repair and Maintenance	5,000	1,887	3,113	5,241
Total Lake Holt	<u>7,400</u>	<u>3,657</u>	<u>3,743</u>	<u>7,833</u>
B Street Ball Field				
Contract Labor	\$ -	\$ -	\$ -	\$ 8,472
Postage	-	-	-	3,341
Repair and Maintenance	1,000	-	1,000	-
Other Operating Expenditures	-	-	-	492
Vehicle Maintenance	-	-	-	18,247
Total B Street Ball Field	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>30,552</u>
D Street Ball Field				
Utilities	2,700	2,618	82	1,461
Repair and Maintenance	2,000	349	1,651	3,263
Total D Street Ball Field	<u>4,700</u>	<u>2,967</u>	<u>1,733</u>	<u>4,724</u>
Total Culture and Recreation	<u>807,914</u>	<u>775,040</u>	<u>32,874</u>	<u>220,538</u>
TOTAL EXPENDITURES	<u>4,593,021</u>	<u>3,771,877</u>	<u>821,144</u>	<u>2,729,029</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(443,414)</u>	<u>(285,844)</u>	<u>157,570</u>	<u>1,091,954</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of land	228,194	387,000	158,806	-
Transfer In (State of NC)	-	-	-	283,427
Total Other Financing Sources	<u>228,194</u>	<u>387,000</u>	<u>158,806</u>	<u>283,427</u>
Fund Balance Appropriated	215,220	-	(215,220)	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>101,156</u>	<u>\$ 101,156</u>	<u>\$ 1,375,381</u>
FUND BALANCE:				
Beginning of year, July 1		7,430,969		6,055,588
End of year, June 30		<u>\$ 7,532,125</u>		<u>\$ 7,430,969</u>

TOWN OF BUTNER, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	PEDESTRIAN PLANNING GRANT FUND	GREENWAY CONSTRUCTION GRANT FUND	SAFE ROUTES TO SCHOOL SIDEWALK GRANT FUND	LAKE HOLT TOURISM FUND	DRAINAGE IMPROVEMENT CAPITAL PROJECT	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS						
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-	-	-	-
Due From Other Funds	-	-	-	2,500	-	2,500
Total Assets	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ 2,500
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Other Funds						
General Fund	\$ 9,624	\$ 9,104	\$ -	\$ -	\$ 4,160	\$ 22,888
Total Liabilities	9,624	9,104	-	-	4,160	22,888
FUND BALANCES						
Grant Projects	(9,624)	(9,104)	-	2,500	-	(16,228)
Capital Projects	-	-	-	-	(4,160)	(4,160)
Total Fund Balances	(9,624)	(9,104)	-	2,500	(4,160)	(20,388)
TOTAL LIABILITIES AND FUND BALANCES						
	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ 2,500

**TOWN OF BUTNER, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	PEDESTRIAN PLANNING GRANT FUND	GREENWAY CONSTRUCTION GRANT FUND	SAFE ROUTES TO SCHOOL SIDEWALK GRANT FUND	LAKE HOLT TOURISM FUND	DRAINAGE IMPROVEMENT CAPITAL PROJECT	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES						
Restricted Intergovernmental	\$ -	\$ -	\$ -	\$ 2,500	\$ -	\$ 2,500
Sales and Services	-	-	-	-	-	-
Investment Earnings	-	-	-	-	-	-
Total Revenues	-	-	-	2,500	-	2,500
EXPENDITURES						
Transportation	9,624	9,104	-	-	4,160	22,888
Total Expenditures	9,624	9,104	-	-	4,160	22,888
REVENUES OVER EXPENDITURES	(9,624)	(9,104)	-	2,500	(4,160)	(20,388)
OTHER FINANCING SOURCES						
Transfers from Other Funds:						
General Fund	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(9,624)	(9,104)	-	2,500	(4,160)	(20,388)
FUND BALANCE						
Beginning	-	-	-	-	-	-
Ending	(9,624)	(9,104)	-	2,500	(4,160)	(20,388)

**TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS – GRANT PROJECT – PEDESTRIAN PLANNING
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental :					
Pedestrian Planning Grant	\$ 24,000	-	\$ -	\$ -	\$ (24,000)
Total Revenues	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,000)</u>
EXPENDITURES					
Transportation	30,000	-	9,624	9,624	20,376
Total Expenditures	<u>30,000</u>	<u>-</u>	<u>9,624</u>	<u>9,624</u>	<u>20,376</u>
REVENUES UNDER EXPENDITURES	<u>(6,000)</u>	<u>-</u>	<u>(9,624)</u>	<u>(9,624)</u>	<u>(3,624)</u>
OTHER FINANCING SOURCES					
Pedestrian Planning From General Fund	6,000	-	-	-	(6,000)
Total Other Financing Sources	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(9,624)</u>	<u>\$ (9,624)</u>	<u>\$ (9,624)</u>
FUND BALANCE					
Beginning			-		
Ending			<u>\$ (9,624)</u>		

**TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS - GRANT PROJECT - GREENWAY CONSTRUCTION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	PROJECT AUTHORIZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Restricted Intergovernmental :					
Greenway Construction CMAQ Grant	\$ 393,600	-	\$ -	\$ -	\$ (393,600)
Total Revenues	<u>393,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(393,600)</u>
EXPENDITURES					
Transportation	492,000	-	9,104	9,104	482,896
Total Expenditures	<u>492,000</u>	<u>-</u>	<u>9,104</u>	<u>9,104</u>	<u>482,896</u>
REVENUES OVER EXPENDITURES	<u>(98,400)</u>	<u>-</u>	<u>(9,104)</u>	<u>(9,104)</u>	<u>89,296</u>
OTHER FINANCING SOURCES					
Greenway Construction from General Fund	98,400	-	-	-	(98,400)
Total Other Financing Sources	<u>98,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,400)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(9,104)</u>	<u>\$ (9,104)</u>	<u>\$ (9,104)</u>
FUND BALANCE					
Beginning			-		
Ending			<u>\$ (9,104)</u>		

**TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS - GRANT PROJECT- SAFE ROUTES TO SCHOOL SIDEWALK
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	PROJECT AUTHORIZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Restricted Intergovernmental :					
Safe Routes to School Sidewalk Grant	\$ 300,000	-	\$ -	\$ -	\$ (300,000)
Total Revenues	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
EXPENDITURES					
Transportation	320,000	-	-	-	320,000
Total Expenditures	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,000</u>
REVENUES OVER EXPENDITURES	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
OTHER FINANCING SOURCES					
Safe Routes to School from General Fund	20,000	-	-	-	(20,000)
Total Other Financing Sources	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE					
Beginning			-		
Ending			<u>\$ -</u>		

**TOWN OF BUTNER, NORTH CAROLINA
SPECIAL REVENUE FUNDS – GRANT PROJECT – LAKE HOLT TOURISM
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>PROJECT AUTHORIZATION</u>	<u>PRIOR YEARS</u>	<u>ACTUAL CURRENT YEAR</u>	<u>TOTAL TO DATE</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES					
Restricted Intergovernmental :					
Lake Holt Tourism Project	\$ 2,500	\$ -	\$ 2,500	\$ 2,500	\$ -
Total Revenues	2,500	-	2,500	2,500	-
EXPENDITURES					
Culture & Recreational	2,500	-	-	-	2,500
Total Expenditures	2,500	-	-	-	2,500
REVENUES OVER EXPENDITURES	-	-	2,500	2,500	2,500
FUND BALANCE					
Beginning			-		
Ending			\$ 2,500		

**TOWN OF BUTNER, NORTH CAROLINA
CAPITAL PROJECTS FUND - DRAINAGE IMPROVEMENT
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	PROJECT AUTHORIZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Drainage Improvement Project	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-
EXPENDITURES					
Planning & Construction Costs	54,000	-	4,160	4,160	49,840
Total Expenditures	54,000	-	4,160	4,160	49,840
REVENUES OVER EXPENDITURES	(54,000)	-	(4,160)	(4,160)	49,840
OTHER FINANCING SOURCES					
Drainage Improvement Project from General Fund - Powell Bill Fund Balance	54,000	-	-	-	(54,000)
Total Other Financing Sources	54,000	-	-	-	(54,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(4,160)	(4,160)	\$ (4,160)
FUND BALANCE					
Beginning	-	-	-	-	-
Ending	\$ -	(4,160)			\$ (4,160)

OTHER SCHEDULES

TOWN OF BUTNER, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2010

<u>YEAR</u>	<u>UNCOLLECTED BALANCE June 30, 2009</u>	<u>ADDITIONS</u>	<u>COLLECTIONS AND CREDITS</u>	<u>UNCOLLECTED BALANCE June 30, 2010</u>
2009-2010	\$ -	\$ 1,299,051	\$ 1,251,972	\$ 47,079
2008-2009	52,669	-	28,205	24,464
2007-2008	55,621	-	4,027	51,594
2006-2007	68,610	-	734	67,876
2005-2006	2,567	-	367	2,201
2004-2005	2,203	-	310	1,894
2003-2004	2,014	-	119	1,895
2002-2003	2,128	-	138	1,990
2001-2002	1,849	-	79	1,770
2000-2001	1,223	-	22	1,201
1999-2000	1,218	-	1,218	-
	<u>\$ 190,102</u>	<u>\$ 1,299,051</u>	<u>\$ 1,287,190</u>	<u>\$ 201,963</u>

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	1,285,748
Tax Discounts	9,261
Tax Penalties & Interest	(9,334)
Taxes Written off	1,515
Total Collections & Credits	<u>\$ 1,287,190</u>

TOWN OF BUTNER, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES
JUNE 30, 2010

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at Current Year Rate	\$ 483,486,620	0.25	\$ 1,208,717	\$ 1,208,717	\$ -
Registered motor vehicles taxed at prior year's rate	<u>38,394,180</u>	0.25	<u>95,985</u>	<u>-</u>	<u>95,985</u>
Total Levy	521,880,800		1,304,702	1,208,717	95,985
Discoveries	4,095,840		10,240	5,699	4,541
Abatements	<u>(6,356,400)</u>		<u>(15,891)</u>	<u>(479)</u>	<u>(15,412)</u>
Total Property Valuation	<u>\$ 519,620,240</u>				
Net Levy			1,299,051	1,213,937	85,114
Less: Uncollected Tax at June 30, 2010			<u>(47,079)</u>	<u>(32,096)</u>	<u>(14,983)</u>
Current Year Taxes Collected			<u>\$ 1,251,972</u>	<u>\$ 1,181,841</u>	<u>\$ 70,131</u>
Current Levy Collection %			<u>96.38%</u>	<u>97.36%</u>	<u>82.40%</u>

COMPLIANCE SECTION



William L. Stark and Company
Certified Public Accountants

**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

To the Honorable Mayor
and Board of Commissioners
Town of Butner, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, of the Town of Butner, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises the Town of Butner, North Carolina's basic financial statements, and have issued our report thereon dated January 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Butner, North Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Butner, North Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Butner, in a separate letter dated January 7, 2011.

This report is intended solely for the information and use of management, others within the entity, members of Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

January 7, 2011