

TOWN OF SUMMERFIELD  
SUMMERFIELD, NORTH CAROLINA

Financial Statements  
Year Ended June 30, 2007

## Town of Summerfield, North Carolina

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### TOWN COUNCIL

|                  |               |
|------------------|---------------|
| Mark Brown       | Mayor         |
| Dena Barnes      | Mayor Pro-Tem |
| John Wray        | Councilperson |
| Bob Williams     | Councilperson |
| Carolyn Collins  | Councilperson |
| Becky Strickland | Councilperson |

### TOWN OFFICIALS

|                   |                    |
|-------------------|--------------------|
| Mark Brown        | Mayor              |
| Dena Barnes       | Mayor Pro-Tem      |
| Michael Brandt    | Town Administrator |
| Dana Luther       | Finance Officer    |
| William Hill      | Town Attorney      |
| Valorie Halvorsen | Town Clerk         |

TOWN OF SUMMERFIELD, NORTH CAROLINA  
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June 30, 2007

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**Certified Public Accountants**

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**Patricia E. Penn, CPA**  
**Victor B. Rouse, CPA**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Town Council  
Town of Summerfield, 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 Summerfield, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Summerfield's management. Our responsibility is to express an opinion 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. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of the Town of Summerfield, North Carolina, as of June 30, 2007, and the respective changes in financial position 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.

Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but are supplementary information required by 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 Town of Summerfield's basic financial statements. The introductory section, individual fund statements and

schedules, and other schedules listed in the table of contents are presented for purposes of additional analysis 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.

*Rouse, Rouse, Penn and Rouse, LLP*  
Rouse, Rouse, Penn & Rouse LLP  
Certified Public Accountants

October 1, 2007

Eden, North Carolina

## **Management's Discussion and Analysis**

Management's Discussion and Analysis is designed to highlight important financial matters, provide a summary of financial activity, recognize changes in financial position, and identify individual fund issues or concerns. This narrative and analysis of the Town of Summerfield's (the Town) performance through June 30, 2007 is provided as a supplement to the Town's fiscal year-end financial statements. Please read it in conjunction with the Town's financial statements and notes to the financial statements that follow.

### **OVERVIEW OF THE TOWN OF SUMMERFIELD**

The Town of Summerfield was incorporated in 1996. The Town is governed by an elected mayor and five-member Town Council. Effective with the November 2005 election, the mayor is elected directly by the voters. Council members serve four-year terms, with three members being elected every two years. In addition to the Town Council and Staff, there are many volunteer committees that serve the Town.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Town of Summerfield exceeded its liabilities at the close of the fiscal year by \$10,728,468.
- The government's total net assets increased by \$1,304,821, primarily due to strong investment earnings, the completion of Phase I of the Summerfield Community Park, and the planned purchase and construction of recreational facilities not occurring during the fiscal year.
- As of the close of the current fiscal year, the Town of Summerfield's governmental funds reported combined ending fund balances of \$9,302,573 an increase of \$873,288 in comparison with the prior year. Approximately eighty-six percent of this total amount, or \$8,016,360, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$8,016,360, or 1427 percent of total general fund expenditures for the fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

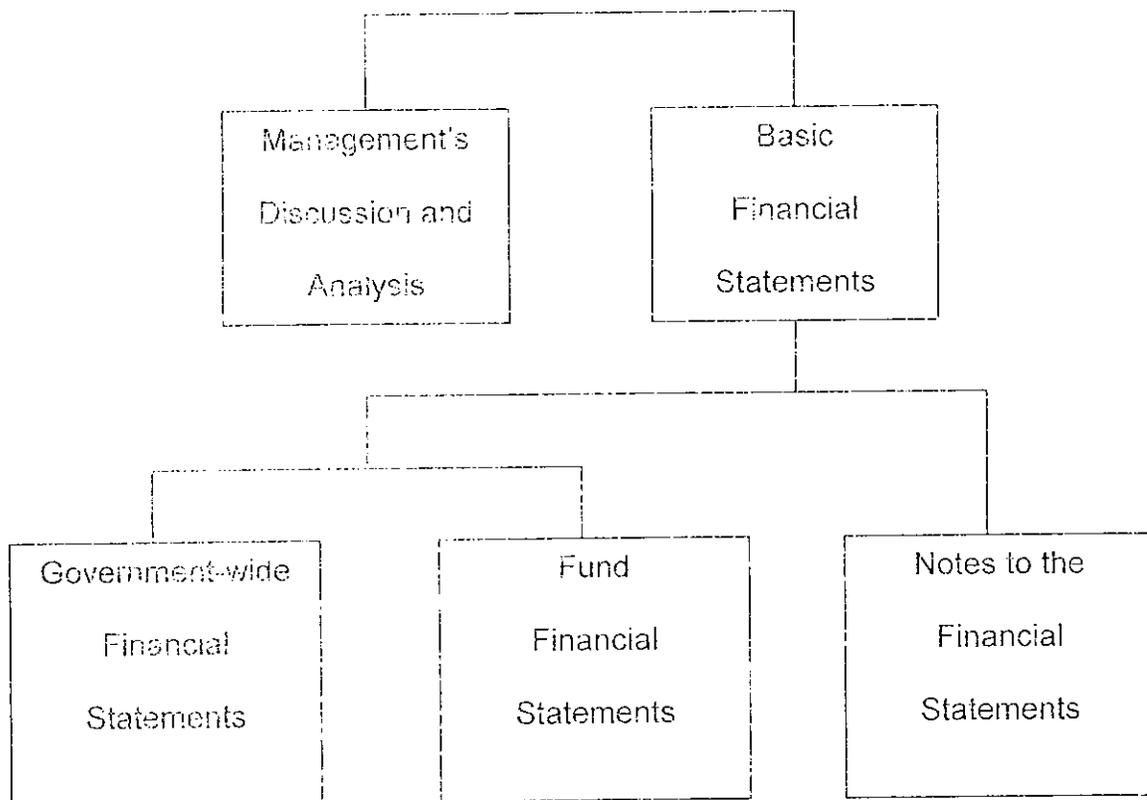
This discussion and analysis are intended to serve as an introduction to Town of Summerfield's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of

Management Discussion and Analysis  
Town of Summerfield

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 Summerfield.

**Required Components of Annual Financial Report**

**Figure 1**



Summary → Detail

**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.

Management Discussion and Analysis  
**Town of Summerfield**

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government and provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements, and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes 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 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 gauge the Town's financial condition.

The Statement of Net Assets includes all of the Town's assets and liabilities and provides information about the amounts invested in capital assets and the obligations to the Town's creditors. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. It also provides a basis of assessing the liquidity and financial flexibility of the Town. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current". The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is to present the net available liquid (non-capital) assets, net of liabilities, for the entire Town. Net Assets are reported in three broad categories:

*Net Assets, Invested in Capital Assets* consists of all capital assets net of depreciation.

*Restricted Net Assets* consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

*Unrestricted Net Assets* consists of those assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Statement of Revenues, Expenditures, and Changes in Fund Balance (comparable to an Income Statement) includes Revenues, such as ad valorem taxes and investment

## Management Discussion and Analysis Town of Summerfield

earnings, and Expenditures, such as general government and planning and zoning. The focus of this statement is the “Change in Fund Balance”, which is similar to Net Income or Loss.

**Fund Financial Statements:** The fund financial statements (see Figure 2) 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 Summerfield, 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 the Town of Summerfield can be divided into one category: governmental funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town of Summerfield’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash, and what monies are available at year-end for spending in the subsequent year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps in determining if there are more or less financial resources available to finance the Town’s programs. The relationship between governmental 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 Summerfield 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 Council about which services to provide and how to pay for those services. The budget also authorizes the Town to obtain funds from identified sources to finance 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. 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.

Management Discussion and Analysis  
**Town of Summerfield**

**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 are on pages 18-28 of this report.

**Government-Wide Financial Analysis**

**The Town of Summerfield's Net Assets**

**Figure 2**

**Governmental Activities**

|                                   | 2007                 | 2006                |
|-----------------------------------|----------------------|---------------------|
| Current and other assets          | \$ 9,326,101         | \$ 8,480,189        |
| Capital assets                    | 1,431,239            | 1,001,973           |
| Total assets                      | <u>10,757,340</u>    | <u>9,482,162</u>    |
| Long-term liabilities outstanding | 7,621                | 9,922               |
| Other liabilities                 | 21,251               | 48,593              |
| Total liabilities                 | <u>28,872</u>        | <u>58,515</u>       |
| Net assets:                       |                      |                     |
| Invested in capital assets        | 1,431,239            | 1,001,973           |
| Restricted                        | 9,194                | 14,748              |
| Unrestricted                      | 9,288,035            | 8,406,926           |
| Total net assets                  | <u>\$ 10,728,468</u> | <u>\$ 9,423,647</u> |

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 Summerfield exceeded liabilities by \$10,728,468 as of June 30, 2007. The Town's net assets increased by \$1,304,821 for the fiscal year ended June 30, 2007; however, a portion (13.34%) of total net assets reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Summerfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Summerfield's net assets totaling \$9,194 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,288,035 is unrestricted.

**Town of Summerfield Changes in Net Assets**

Figure 3

|  | Governmental<br>Activities<br>2007 | Governmental<br>Activities<br>2006 |
|--|------------------------------------|------------------------------------|
| <b>Revenues:</b>                           |                                    |                                    |
| Program revenues:                          |                                    |                                    |
| Charges for services                       | 32,789                             | 624,126                            |
| Operating grants and contributions         | 11,279                             | 7,552                              |
| Capital grants and contributions           | 372,900                            | 337,378                            |
| General revenues:                          |                                    |                                    |
| Property taxes                             | 435,236                            | 513,453                            |
| Other taxes                                | 72,490                             | 65,499                             |
| Unrestricted intergovernmental allocations | 441,822                            | 551,926                            |
| Investment Earnings                        | 438,890                            | 358,767                            |
| Other                                      | 2,635                              | 2,383                              |
| Total revenues                             | <u>1,829,041</u>                   | <u>2,471,944</u>                   |
| <b>Expenses:</b>                           |                                    |                                    |
| General government                         | 359,250                            | 373,424                            |
| Public safety                              | 24,399                             | 3,546                              |
| Planning and zoning                        | 26,810                             | 548,205                            |
| Transportation                             | -                                  | 87,901                             |
| Community Relations                        | 19,467                             | 25,162                             |
| Historical Commission                      | 3,405                              | -                                  |
| Board of Adjustment                        | -                                  | 293                                |
| Culture and recreation                     | 69,839                             | 20,165                             |
| Total expenses                             | <u>593,220</u>                     | <u>1,058,335</u>                   |
| Increase in net assets                     | 1,304,821                          | 1,413,308                          |
| Net assets, July 1                         | <u>9,423,647</u>                   | <u>8,010,339</u>                   |
| Net assets, June 30                        | <u>10,728,468</u>                  | <u>9,423,647</u>                   |

**Governmental activities** - Governmental activities increased the Town's net assets by \$1,304,821, thereby accounting for the total growth in the net assets of the Town of Summerfield. Several particular aspects of the Town's financial operations affected the growth:

- The Town of Summerfield enacted its third ad valorem property tax of \$.039 per \$100 of assessed value for the fiscal year ended June 30, 2007 in comparison to \$.05 for the fiscal year ended June 30, 2006 and \$.105 for the fiscal year ended June 30, 2005. The continued growth in residential construction and the corresponding increase in the tax base account for the property tax revenues decreasing by only 17% despite the 22% decrease in the property tax rate.
- With the enactment of a property tax in the fiscal year ended June 30, 2005, the Town was once again participating in sales tax revenue sharing with Guilford County and other local municipalities in the fiscal year ended June 30, 2006.

## Management Discussion and Analysis Town of Summerfield

The reduction in the property tax rate, however, resulted in the Town receiving approximately \$175,000 in the current fiscal year in comparison to approximately \$300,000 in the fiscal year ended June 30, 2006.

- Increased investment rates, continued investment strategies, and an increased fund balance have contributed to over \$80,000 in additional investment earnings from the fiscal year ended June 30, 2006 to the fiscal year ended June 30, 2007.
- The planned purchase of land and construction of recreational facilities for ball fields did not occur during the current fiscal year.
- Phase I of the Summerfield Community Park was completed during the fiscal year ended June 30, 2007; however, additional small projects are planned for Phase I during the fiscal year ending June 30, 2008.
- The Town of Summerfield and Guilford County established a new contract for inspection fees that flattened the fees for the inspection services provided to the Town. As a result, no inspection revenues or expenses are included for the fiscal year ended June 30, 2007.

### Financial Analysis of the Town's Funds

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

**Governmental Funds** - The focus of the Town of Summerfield'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 Summerfield'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 Summerfield. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,016,360, while total fund balance reached \$9,302,573. 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 1427 percent of total General Fund expenditures while total fund balance represents 1656 percent of that same amount.

At June 30, 2007, the governmental funds of Town of Summerfield reported a combined fund balance of \$9,302,573, a 10% percent increase over last year. This represents an increase in the fund balance in the General Fund.

**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

Management Discussion and Analysis  
**Town of Summerfield**

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.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town of Summerfield's investment in capital assets for its governmental and business-type activities as of June 30, 2007, totals \$1,431,239 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment.

Major capital asset transactions during the year include the following:

- Prior year construction in progress of \$563,070 for the Summerfield Community Park Phase I moved to the respective asset categories
- Additional Phase I park construction of \$94,261
- The start of Phase II of the Summerfield Community Park as well as the planning and engineering for the purchase and construction of ball fields
- Recreational land donations of \$328,200 (Summerfield Properties LLC land donation for 30 acre public park)
- Donations of materials for parks and recreation of \$44,700

**Town of Summerfield's Capital Assets**

**Figure 4**

(net of depreciation)

|                                | Governmental<br>Activities<br>2007 | Governmental<br>Activities<br>2006 |
|--------------------------------|------------------------------------|------------------------------------|
| Land                           | 424,992                            | 96,792                             |
| Buildings and improvements     | 276,426                            | 190,082                            |
| Land improvements              | 536,594                            | 13,617                             |
| Vehicles                       | 8,328                              | -                                  |
| Office Furniture and Equipment | 43,025                             | 14,576                             |
| Construction in progress       | 141,874                            | 686,906                            |
| <b>Total</b>                   | <b>1,431,239</b>                   | <b>1,001,973</b>                   |

Management Discussion and Analysis  
**Town of Summerfield**

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

**Debt Administration**

For the fiscal years ended June 30, 2007 and June 30, 2006, the Town of Summerfield had no debt outstanding.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following key economic indicators and budget highlights reflect the growth and prosperity of the Town of Summerfield for the fiscal year ending June 30, 2008:

- Continued growth in residential construction is adding significant tax base, therefore, allowing the Town to maintain the ad valorem rate of \$.039 per \$100 of assessed value.
- Despite no increase in the tax rate, property tax revenues are projected to increase by over \$36,000.
- Due to the reduction in the property tax rate from the fiscal year ended June 30, 2006 to the fiscal year ended June 30, 2007, the sales tax revenue for the fiscal year ending June 30, 2008 is projected to decrease by approximately 26% or \$46,000.
- Investment earnings are projected to decrease by over \$83,000 as a result of lower interest rates and a reduction in fund balance as parks and recreation construction continues.
- The Town will use a combination of revenues and fund balance to finance programs currently in place and a combination of revenues, fund balance, and grants to purchase property and construct facilities for parks and recreation.
- A NC Parks and Recreation Trust Fund grant of \$492,000 for Phase II of the Summerfield Community Park as well as other parks and recreation grants of \$50,000 have been awarded to the Town for the fiscal year.
- Budgeted expenditures in the General Fund are expected to increase from \$561,887 to \$2,972,289. The largest expenditure of \$2,089,500 is in park construction.

**REQUESTS FOR INFORMATION**

This report is designed to provide an overview of the Town of Summerfield'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 by mail to the Town Administrator, Michael Brandt, Town of Summerfield, Post Office Box 970, Summerfield, NC 27358, by telephone at (336) 643-8655, or by e-mail at [mbrandt@summerfield-nc.com](mailto:mbrandt@summerfield-nc.com).

Town of Summerfield  
Statement of Net Assets  
June 30, 2007

Exhibit 1

| <b>ASSETS</b>                             | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| Current assets:                           |                                    |
| Cash and investments                      | 8,963,112                          |
| Receivables:                              |                                    |
| Taxes receivable (net)                    | 2,277                              |
| Accounts receivable (net)                 | 3,189                              |
| Due from other governments                | 353,887                            |
| Prepaid Items                             | <u>3,636</u>                       |
| Total current assets                      | <u>9,326,101</u>                   |
| Capital assets:                           |                                    |
| Land and other nondepreciable assets      | 566,866                            |
| Other capital assets, net of depreciation | <u>864,373</u>                     |
| Total capital assets                      | <u>1,431,239</u>                   |
| Total assets                              | <u><u>10,757,340</u></u>           |
| <br><b>LIABILITIES</b>                    |                                    |
| Current liabilities:                      |                                    |
| Accounts payable and accrued liabilities  | 21,251                             |
| Long-term liabilities:                    |                                    |
| Due within one year                       | <u>7,621</u>                       |
| Total liabilities                         | <u>28,872</u>                      |
| <br><b>NET ASSETS</b>                     |                                    |
| Invested in capital assets                | 1,431,239                          |
| Restricted for:                           |                                    |
| Culture and recreation                    | 9,194                              |
| Unrestricted                              | <u>9,288,035</u>                   |
| Total net assets                          | <u><u>10,728,468</u></u>           |

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

Town of Summerfield  
Statement of Activities  
For the Year Ended June 30, 2007

Exhibit 2

| Functions/Programs                         | Expenses | Program Revenues        |  |  | Governmental<br>Activities | Net Expense<br>(Revenue) and<br>Changes in<br>Net Assets |
|--|----------|-------------------------|--|--|----------------------------|--|
|  |          | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital Grants<br>and<br>Contributions |                            |  |
| Primary Government:                        |          |                         |  |  |                            |  |
| Governmental Activities:                   |          |                         |  |  |                            |  |
| General government                         | 359,250  |                         |  |  |                            | 359,250  |
| Public safety                              | 24,399   |                         |  |  |                            | 24,399   |
| Planning and zoning                        | 26,810   | 32,789                  |  |  |                            | (5,979)  |
| Community Relations                        | 19,437   |                         | 2,305                                    |  |                            | 17,162   |
| Historical Commission                      | 3,495    |                         | 111                                      |  |                            | 3,294  |
| Cultural and recreation                    | 69,839   |                         | 2,563                                    | 372,900                                |                            | (311,874)  |
|  | 503,226  | 32,789                  | 11,279                                   | 372,900                                |                            | 86,252   |
|  |          |                         |  |  |                            |  |
| General revenues                           |          |                         |  |  |                            |  |
| Ad Valorem Taxes                           |          |                         |  |  |                            | 435,236  |
| Other Taxes and licenses                   |          |                         |  |  |                            | 72,490   |
| Unrestricted intergovernmental allocations |          |                         |  |  |                            | 441,822  |
| Investment earnings, unrestricted          |          |                         |  |  |                            | 438,890  |
| Miscellaneous                              |          |                         |  |  |                            | 2,635  |
|  |          |                         |  |  |                            | 1,391,073  |
|  |          |                         |  |  |                            |  |
|  |          |                         |  |  |                            | Change in net assets 1,304,821                           |
|  |          |                         |  |  |                            | Net assets - beginning 9,423,647                         |
|  |          |                         |  |  |                            | Net assets - ending 10,728,468                           |

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

Town of Summerfield, North Carolina  
 Balance Sheet  
 Governmental Fund  
 June 30, 2007

Exhibit 3

|   | June 30,<br>2007 |
|---|------------------|
| <b>Assets</b>   |                  |
| Cash and cash equivalents   | 8,963,112        |
| Taxes receivable (net)  | 2,277            |
| Accounts receivable (net)   | 3,189            |
| Due from other governments  | 353,887          |
| Prepaid items   | 3,636            |
| Total Assets  | 9,326,101        |
| <br><b>Liabilities and Fund Balance</b>   |                  |
| Liabilities:  |                  |
| Accounts payable and accrued liabilities  | 21,251           |
| Unearned revenue  | 2,277            |
| Total Liabilities   | 23,528           |
| <br><b>Fund Balance</b>   |                  |
| Reserved:   |                  |
| Reserved for Encumbrances   | 916,307          |
| Reserved by State Statute   | 360,712          |
| Reserved for Parks and Recreation   | 6,593            |
| Reserved - Other  | 2,601            |
| Unreserved:   |                  |
| Designated for Subsequent Years Expenditures  | 663,833          |
| Designated for Parks and Recreation   | 400,000          |
| Designated for Transportation   | 50,000           |
| Undesignated  | 6,902,527        |
| Total Fund Balance  | 9,302,573        |
| <br>Amounts reported for governmental activities in the<br>statement of net assets are different because:                 |                  |
| Capital assets used in governmental activities are not<br>financial resources and therefore not reported in the<br>funds. | 1,431,239        |
| Liabilities for earned but deferred revenues in fund statements.  | 2,277            |
| Some liabilities are not due and payable in the current<br>period and therefore are not reported in the funds.            | (7,621)          |
| Net assets of governmental activities   | 10,728,468       |

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

Town of Summerfield, North Carolina  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Governmental Fund Types  
For the Fiscal Year Ended June 30, 2007

Exhibit 4

Governmental  
Fund Types

---

General  
Fund

---

June 30, 2007

---

**Revenues**

|   |                            |
|---|----------------------------|
| Ad valorem taxes                        | 435,270                    |
| Other Taxes and licenses                | 72,490                     |
| Unrestricted intergovernmental revenues | 441,822                    |
| Fees and permits                        | 32,789                     |
| Investment earnings                     | 438,890                    |
| Miscellaneous                           | 13,914                     |
|   | <hr style="width: 100%;"/> |
| Total Revenues                          | 1,435,175                  |

**Expenditures**

|                        |                            |
|------------------------|----------------------------|
| Current operating:     |                            |
| General government     | 365,043                    |
| Public safety          | 32,727                     |
| Planning and zoning    | 26,810                     |
| Historical Commission  | 3,405                      |
| Community relations    | 19,467                     |
| Culture and recreation | 114,435                    |
|                        | <hr style="width: 100%;"/> |
| Total Expenditures     | 561,887                    |

|                            |         |
|----------------------------|---------|
| Net Change in Fund Balance | 873,288 |
|----------------------------|---------|

|                                 |                                      |
|---------------------------------|--------------------------------------|
| Fund Balance, Beginning of Year | <hr style="width: 100%;"/> 6,429,285 |
|---------------------------------|--------------------------------------|

|                           |   |
|---------------------------|---|
| Fund Balance, End of Year | <hr style="width: 100%;"/> <u>7,302,573</u> |
|---------------------------|---|

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

Town of Summerfield, North Carolina  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Governmental Fund Types  
For the Fiscal Year Ended June 30, 2007

Exhibit 4  
(Continued)

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balance to the Statement of  
Activities:**

**Total net change in fund balance - governmental funds** 873,288

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

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.

|                 |               |         |
|-----------------|---------------|---------|
| Capital Outlays | 480,327       |         |
| Depreciation    | <u>51,061</u> | 429,266 |

Change in deferred revenues for tax revenues (34)

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

|                      |  |              |
|----------------------|--|--------------|
| Compensated absences |  | <u>2,301</u> |
|----------------------|--|--------------|

**Changes in net assets of governmental activities** 1,304,821

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

Town of Summerfield, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2007

Exhibit 5

|   | General Fund<br>2007 |                  |                  | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------------|------------------|------------------|---|
|   | Original<br>Budget   | Final<br>Budget  | Actual           |   |
| <b>Revenues:</b>                              |                      |                  |                  |   |
| Ad valorem taxes                              | 412,400              | 412,400          | 435,270          | 22,870  |
| Other taxes and licenses                      | 65,000               | 65,000           | 72,490           | 7,490   |
| Unrestricted intergovernmental revenues       | 441,300              | 441,300          | 441,822          | 522   |
| Fees and permits                              | 39,000               | 39,000           | 32,789           | (6,211)   |
| Investment earnings                           | 416,000              | 416,000          | 438,890          | 22,890  |
| Miscellaneous                                 | 8,300                | 10,300           | 13,914           | 3,614   |
| <b>Total Revenue</b>                          | <b>1,382,000</b>     | <b>1,384,000</b> | <b>1,435,175</b> | <b>51,175</b>   |
| <b>Expenditures:</b>                          |                      |                  |                  |   |
| <b>Current operating:</b>                     |                      |                  |                  |   |
| General government                            | 471,125              | 471,125          | 365,043          | 106,082   |
| Public safety                                 | 52,900               | 45,100           | 32,727           | 12,373  |
| Planning and zoning                           | 65,300               | 77,300           | 26,810           | 50,490  |
| Board of Adjustment                           | 1,700                | 1,700            | 0                | 1,700   |
| Transportation                                | 6,100                | 6,100            | 0                | 6,100   |
| Community relations                           | 19,000               | 21,000           | 19,467           | 1,533   |
| Historical commission                         | 9,050                | 12,050           | 3,405            | 8,645   |
| Culture and recreation                        | 1,216,650            | 1,279,450        | 114,435          | 1,165,015   |
| Capital Fund Allocation                       | 125,000              | 125,000          | 0                | 125,000   |
| <b>Total Expenditures</b>                     | <b>1,966,825</b>     | <b>2,038,825</b> | <b>561,887</b>   | <b>1,476,938</b>  |
| <b>Revenues Over<br/>(Under) Expenditures</b> | <b>(584,825)</b>     | <b>(654,825)</b> | <b>873,288</b>   | <b>1,528,113</b>  |
| <b>Appropriated Fund Balance</b>              | <b>584,825</b>       | <b>654,825</b>   | <b>0</b>         | <b>(654,825)</b>  |
| <b>Net Change in Fund Balance</b>             | <b>0</b>             | <b>0</b>         | <b>873,288</b>   | <b>873,288</b>  |
| <br>  |                      |                  |                  |   |
| <b>Fund Balance - Beginning of Year</b>       |                      |                  | <b>8,429,285</b> |   |
| <br>  |                      |                  |                  |   |
| <b>Fund Balance - End of Year</b>             |                      |                  | <b>9,302,573</b> |   |

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

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

Note I. Summary of Significant Accounting Policies

The accounting policies of the Town of Summerfield 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 Summerfield is an incorporated Town which is governed by an elected mayor and a five-member Town Council. For financial reporting purposes, the Town of Summerfield includes all funds, account groups, agencies, boards, commissions, and authorities which are controlled by or are financially dependent upon the Town.

B. Basis of Presentation - Fund Accounting

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town of Summerfield has no business type activities.

The statement of activities presents a comparison between direct expenses and program revenues 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. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental funds. All

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental fund:

**General Fund.** The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for general government services.

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 and Proprietary Fund Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus and 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. Nonexchange 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 for which the taxes are levied. Revenue from grants and donations 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 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

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

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, Guilford 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 Summerfield. 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 Guilford County from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31<sup>st</sup> each year with taxes due by May 1<sup>st</sup> of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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 unearned revenues.

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

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

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 multi-year funds. The Finance Officer is authorized to transfer appropriations between functional areas within a fund; however, any revisions that alter the total expenditures of any fund or that change functional appropriations must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The NCCMT-Term Portfolio's securities are valued at fair value.

2. 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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2006. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, as valorem tax revenues are reported net of such discounts.

3. 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.

4. Capital Assets

As a part of the implementation of GASB Statement 34, the Town is permitted to forgo the retroactive reporting of governmental infrastructure networks. The Town has chosen to do so.

A capitalization threshold has been established for furniture and equipment of \$1,000. A capitalization threshold has not been established for other capital assets. Capital assets are depreciated using the straight line method over the following estimated useful lives.

|  | Useful Life    |
|--|----------------|
| Land improvements, buildings, and infrastructure                 | 20 to 50 years |
| Furniture, fixtures, equipment, heavy equipment,<br>and vehicles | 5 to 10 years  |
| Computer equipment and software                                  | 3 to 5 years   |

5. Net Assets/Fund Balances

Net assets in government-wide 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

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

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, 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.

**Unreserved:**

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2007-2008 budget ordinance.

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

**Note II. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All 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 agent in the Town'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, the deposits are considered to be held by the Town's agent in the Town's name. 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

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

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 collateralized public deposits under the Pooling Method.

At June 30, 2007, the Town's deposits had a carrying amount of \$8,854,749, and a bank balance of \$8,885,608. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$8,385,608 was covered by collateral held under the Pooling Method. The Town had \$300 of petty cash on hand at June 30, 2007.

2. Investments

Summerfield had \$108,063 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 a credit risk policy which limits its investments to the following:

- A. Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- B. Obligations of the State of North Carolina.
- C. Savings Certificates issued by any savings and loan association having its principal office in North Carolina; provided that any principal amount of such certificate in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Commissioner of Banks of the Department of Commerce of the State of North Carolina, be fully collateralized.
- D. Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest (A1, P1, F1) by any nationally recognized rating service which rates the particular obligation.
- E. Participating shares in a mutual fund for local government investment (such as the N.C. Cash Management Trust), which is certified by the N.C. Local Government Commission.

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

It is recognized that the Town may want to diversify its investments further by allowing other legally recognized investments to be utilized. The decision to add investment vehicle options to this policy shall be based on a recommendation from the Finance Officer and Finance Committee to the Town Council.

- The combined total investment in commercial paper shall not exceed fifteen percent (15%) of the total portfolio and the investment in commercial paper of a single issuer shall not exceed the lesser of three hundred thousand dollars (\$300,000) or seven percent (7%) of the total portfolio at the time of investment.
- No investment shall be made in any security with maturity greater than five (5) years from the date of purchase. No more than twenty-five percent (25%) of the total portfolio at the time of investment can be in any security with maturity greater than four (4) years.

3. 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 accounts:

General Fund:

|                  |       |  |
|------------------|-------|--|
| Taxes Receivable | 2,948 |  |
|------------------|-------|--|

4. Due from Governmental Agencies

Amounts due from governmental agencies consist of the following:

|                             | <u>County</u> | <u>State</u>   | <u>Total</u>   |
|-----------------------------|---------------|----------------|----------------|
| Sales Tax Distribution      |               | 26,533         | 26,533         |
| Utilities and Franchise Tax |               | 69,305         | 69,305         |
| Hold Harmless Distribution  |               | 2,129          | 2,129          |
| Sales Tax Refund            |               | 3,391          | 3,391          |
| Ad valorem Taxes            | 2,480         |                | 2,480          |
| Part F Grant                |               | 250,000        | 250,000        |
| Motor Fuel Tax              |               | 49             | 49             |
|                             | <u>2,480</u>  | <u>351,407</u> | <u>353,887</u> |

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

5. Capital Assets

Capital Asset activity for the Town of Summerfield for the year ended June 30, 2007 was as follows:

|  | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances   |
|--|-----------------------|-----------|-----------|----------------------|
| <b>Governmental activities:</b>                      |                       |           |           |                      |
| <b>Capital assets not being depreciated:</b>         |                       |           |           |                      |
| Land   | 96,792                | 328,200   |           | 424,992              |
| Construction in progress                             | 686,906               | 112,299   | 657,331   | 141,874              |
| Total capital assets not being depreciated           | 783,698               | 440,499   | 657,331   | 566,866              |
| <br><b>Capital assets being depreciated:</b>         |                       |           |           |                      |
| Buildings and improvements                           | 216,753               | 94,175    |           | 310,928              |
| Land improvements                                    | 20,041                | 553,506   |           | 573,547              |
| Office furniture and equipment                       | 80,688                | 39,298    |           | 119,986              |
| Vehicles   | 0                     | 10,180    |           | 10,180               |
| Total capital assets being depreciated               | 317,485               | 697,159   | 0         | 1,014,644            |
| <br><b>Less accumulated depreciation for:</b>        |                       |           |           |                      |
| Buildings and improvements                           | 23,674                | 7,831     |           | 31,505               |
| Land improvements                                    | 6,424                 | 30,529    |           | 36,953               |
| Office furniture and equipment                       | 56,112                | 10,849    |           | 66,961               |
| Vehicles   |                       | 1,852     |           | 1,852                |
| Total accumulated depreciation                       | 99,210                | 51,061    | 0         | 150,271              |
| Total capital assets being depreciated, net          | 218,275               |           |           | 864,373              |
| <br><b>Governmental activity capital assets, net</b> | <br><u>1,001,973</u>  |           |           | <br><u>1,431,239</u> |

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

|                    |               |
|--------------------|---------------|
| General Government | 14,780        |
| Public Safety      | 1,852         |
| Recreation         | 34,429        |
|                    | <u>51,061</u> |

6. Purchase Commitment

At June 30, 2007 the Town was committed to purchase a 28.6 acre track of land for athletic fields located at 5200 US Highway 220 North at a cost of \$912,340.

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Summerfield 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.

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 is 6.06% of annual covered payroll. The Town does not have any employees engaged in law enforcement for which a different contribution rate would be required. The Town's contributions to LGERS for the year ended June 30, 2007 was \$7,736 and the Town's contributions to LGERS for the years ended June 30, 2006 and June 30, 2005 were \$9,345 and \$6,019. The year ended June 30, 2005 was the first year that the Town participated in LGERS. The contributions made by the Town equaled the required contributions for the year.

b. Supplemental Retirement Income Plan for Full-Time Employees

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 Town matches three percent of employees salaries. All employees may make

Town of Summerfield, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007

voluntary contributions to the plan. Contributions for the year ended June 30, 2007 were \$6,176 which consisted of \$3,088 from the Town and \$3,088 from the employees.

2. 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 \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. 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. Claims incurred have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the Interlocal Risk Financial Fund of North Carolina. The Town is in an area of the State that has been mapped and designated an "X". The "X" flood rate zone is outside the 1% annual charge flood plain. The policy carries a coverage limit of \$5,000,000 and a \$50,000 deductible clause.

In accordance with G.S.159-29, the finance officer is bonded for \$50,000. The remaining employees are covered under employee dishonesty policy for \$10,000.

3. Changes in Long-Term Liabilities

|                             | Balance<br>July 1,<br>2006 | <u>Increases</u> | <u>Decreases</u> | Balance<br>June 30,<br>2007 | Current<br>Portion<br>of<br>Balance |
|-----------------------------|----------------------------|------------------|------------------|-----------------------------|-------------------------------------|
| Governmental<br>Activities: |                            |                  |                  |                             |                                     |
| Compensated<br>absences     | 9,922                      | 7,621            | 9,922            | 7,621                       | 7,621                               |

Town of Summerfield, North Carolina  
Balance Sheet  
Governmental Fund  
June 30, 2007

Schedule 1

|  | <u>June 30,</u><br><u>2007</u> | <u>June 30,</u><br><u>2006</u> |
|--|--------------------------------|--------------------------------|
| <b>Assets</b>                                |                                |                                |
| Cash and cash equivalents                    | 8,963,112                      | 8,020,971                      |
| Taxes Receivable                             | 2,277                          | 2,311                          |
| Accounts Receivable                          | 3,189                          | 17,288                         |
| Due from other governments                   | 353,887                        | 437,925                        |
| Prepaid items                                | <u>3,636</u>                   | <u>1,694</u>                   |
| <br>Total Assets                             | <br><u><u>9,326,101</u></u>    | <br><u><u>8,480,189</u></u>    |
| <br><b>Liabilities and Fund Balance</b>      |                                |                                |
| Liabilities:                                 |                                |                                |
| Accounts payable and accrued liabilities     | 21,251                         | 44,827                         |
| Unearned revenue                             | <u>2,277</u>                   | <u>6,077</u>                   |
|  | <u><u>23,528</u></u>           | <u><u>50,904</u></u>           |
| <br>Fund Balance                             |                                |                                |
| Reserved:                                    |                                |                                |
| Reserve for Encumbrances                     | 916,307                        | 56,690                         |
| Reserved by state statute                    | 360,712                        | 456,907                        |
| Reserved for Parks and Recreation            | 6,593                          | 12,371                         |
| Reserved - Other                             | 2,601                          | 2,377                          |
| Unreserved:                                  |                                |                                |
| Designated for Subsequent Years Expenditures | 663,833                        | 579,825                        |
| Designated for Parks and Recreation          | 400,000                        | 413,240                        |
| Designated for Transportation                | 50,000                         | 50,000                         |
| Undesignated                                 | <u>6,902,527</u>               | <u>6,857,875</u>               |
| <br>Total Fund Balance                       | <br><u><u>9,302,573</u></u>    | <br><u><u>8,429,285</u></u>    |
|  | <u><u>9,326,101</u></u>        | <u><u>8,480,189</u></u>        |

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

Town of Summerfield  
General Fund  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

Schedule 2

|  | 2007             |                  | Variance<br>Favorable<br>(Unfavorable) | 2006<br>Actual   |
|--|------------------|------------------|--|------------------|
|  | Budget           | Actual           |  |                  |
| <b>Revenues</b>                              |                  |                  |  |                  |
| Ad Valorem Taxes - Current Year              |                  | 402,833          |  | 522,105          |
| Prior Years                                  |                  | 6,937            |  | 3,623            |
|  | 412,400          | 409,770          | 22,870                                 | 525,728          |
| Other Taxes and Licenses:                    |                  |                  |  |                  |
| Franchise Fees                               | 65,000           | 7,490            | 7,490                                  | 65,499           |
| Unrestricted intergovernmental revenues:     |                  |                  |  |                  |
| Local ABC revenues                           | 28,000           | 0                | (28,000)                               | 5,191            |
| Beer and wine excise tax                     | 34,000           | 33,763           | (697)                                  | 31,921           |
| Local Option Sales Tax Article. 39           | 65,720           | 61,780           | 15,060                                 | 143,520          |
| Local Option Sales Tax Article. 40           | 32,860           | 31,253           | (1,607)                                | 50,357           |
| Local Option Sales Tax Article. 42           | 32,860           | 31,833           | (1,962)                                | 50,177           |
| Local Option Sales Tax Article. 44           | 32,860           | 31,035           | (825)                                  | 55,497           |
| Piped natural gas tax                        | 8,000            | 6,532            | (1,138)                                | 6,500            |
| Utilities franchise tax                      | 190,000          | 204,425          | 14,425                                 | 184,512          |
| Telecommunications sales tax                 | 17,000           | 22,265           | 5,266                                  | 23,063           |
| Total Taxes                                  | 441,300          | 441,322          | 522                                    | 551,052          |
| Restricted intergovernmental revenues:       |                  |                  |  |                  |
| PARTF Grant                                  | 0                | 0                | 0                                      | 250,000          |
| G.C. Park Cost Share                         | 0                | 0                | 0                                      | 87,078           |
| Total Restricted intergovernmental revenues: | 0                | 0                | 0                                      | 337,078          |
| Fees and permits:                            |                  |                  |  |                  |
| Planning fees                                | 39,000           | 32,739           | (6,211)                                | 28,352           |
| Inspection fees                              | 0                | 0                | 0                                      | 595,774          |
| Total Fees and permits                       | 39,000           | 32,739           | (6,211)                                | 624,126          |
| Investment earnings                          | 416,000          | 430,630          | 22,890                                 | 358,767          |
| Miscellaneous:                               |                  |                  |  |                  |
| Donations - Parks and Recreation             | 0                | 8,863            | 8,863                                  |                  |
| Donations - Founders Day                     | 2,000            | 2,395            | 305                                    | 6,454            |
| Donations - other                            | 0                | 360              | 360                                    | 1,098            |
| Other  | 8,300            | 2,393            | (5,914)                                | 2,393            |
| Total Miscellaneous                          | 10,300           | 13,914           | 3,614                                  | 9,935            |
| <b>Total Revenues</b>                        | <b>1,384,000</b> | <b>1,435,175</b> | <b>51,175</b>                          | <b>2,472,189</b> |
| <b>Expenditures:</b>                         |                  |                  |  |                  |
| <b>General government</b>                    |                  |                  |  |                  |
| <b>Governing body</b>                        |                  |                  |  |                  |
| <b>Operating expenditures</b>                |                  |                  |  |                  |
| Town Council                                 | 11,400           | 11,250           | 150                                    | 0                |
| FICA on Town Council                         | 900              | 881              | 39                                     | 0                |
| Workers Compensation                         | 250              | 194              | 146                                    | 92               |
| Insurance and Bonding                        | 1,000            | 523              | 477                                    | 6,770            |
| Dues and Subscriptions                       | 8,150            | 8,124            | 16                                     | 7,863            |
| Legal Advertising                            | 0                | 0                | 0                                      | 4,093            |
| Per Diem and Travel                          | 1,000            | 731              | 299                                    | 603              |
| Education                                    | 2,000            | 600              | 1,350                                  | 1,271            |
| Volunteer Appreciation                       | 3,000            | 2,179            | 821                                    | 1,115            |
| Retreat                                      | 400              | 0                | 400                                    | 0                |
| Total Expenditures                           | 28,100           | 24,402           | 3,698                                  | 21,810           |

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

Town of Summerfield  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2007  
 With Comparative Actual Amounts for the Year Ended June 30, 2006

Schedule 2

|  | 2007           |                | Variance<br>Favorable<br>(Unfavorable) | 2006<br>Actual |
|--|----------------|----------------|--|----------------|
|  | Budget         | Actual         |  |                |
| Administration:                        |                |                |  |                |
| Operating expenditures                 |                |                |  |                |
| Salaries and Wages                     | 157,000        | 143,427        | 13,573                                 | 153,804        |
| Social Security                        | 13,000         | 10,955         | 2,045                                  | 11,779         |
| Worker's Compensation                  | 3,000          | 1,663          | 1,334                                  | 2,634          |
| Health, Vision, Dental Ins.            | 24,000         | 18,659         | 5,361                                  | 23,857         |
| Life Insurance                         | 1,000          | 621            | 379                                    | 829            |
| Employee Retirement                    | 10,500         | 7,736          | 2,764                                  | 9,346          |
| Employee Retirement - 401(K)           | 5,000          | 3,088          | 1,912                                  | 0              |
| Office Supplies and Materials          | 6,000          | 5,256          | 704                                    | 4,916          |
| Dues and Subscriptions                 | 1,000          | 592            | 408                                    | 383            |
| Copier Lease                           | 5,300          | 4,779          | 521                                    | 3,756          |
| Personnel Policy                       | 0              | 0              | 0                                      | 3,000          |
| Telephone                              | 3,500          | 3,115          | 385                                    | 2,146          |
| Postage                                | 2,200          | 2,088          | 112                                    | 2,418          |
| Internet Expense                       | 8,000          | 7,594          | 406                                    | 4,490          |
| Education                              | 2,500          | 1,428          | 1,072                                  | 1,900          |
| Per Diem and Travel Expense            | 1,000          | 555            | 445                                    | 2,428          |
| Town Newsletter                        | 8,500          | 2,369          | 6,101                                  | 7,320          |
| Information Technology Expense         | 3,500          | 3,185          | 315                                    | 2,505          |
| Furniture and Supplies                 | 1,500          | 1,436          | 64                                     | 2,603          |
| Town Meeting Refreshments              | 500            | 253            | 267                                    | 397            |
| Software                               | 1,200          | 0              | 1,200                                  | 0              |
| Insurance                              | 6,600          | 6,534          | 66                                     | 0              |
| Advertising                            | 5,000          | 3,942          | 1,058                                  | 0              |
| Audio Visual Equipment                 | 25,700         | 3,222          | 22,491                                 | 0              |
| Capital Outlay - Computers             | 3,250          | 0              | 3,250                                  | 1,431          |
| <b>Total Administration</b>            | <b>298,750</b> | <b>232,607</b> | <b>66,143</b>                          | <b>241,952</b> |
| Finance                                |                |                |  |                |
| Audit                                  | 7,450          | 7,450          | 0                                      | 7,062          |
| Contract Accounting Services           | 32,000         | 30,751         | 1,249                                  | 19,400         |
| Tax Collection Fee                     | 4,350          | 4,306          | 44                                     | 5,219          |
| Insurance and Bonding - Fidelity       | 200            | 0              | 200                                    | 0              |
| <b>Total Finance</b>                   | <b>44,000</b>  | <b>42,507</b>  | <b>1,493</b>                           | <b>31,681</b>  |
| Legal                                  |                |                |  |                |
| Contract Legal Services                | 50,000         | 33,338         | 16,662                                 | 38,381         |
| Elections                              |                |                |  |                |
| Contract Election Service              | 0              | 0              | 0                                      | 5,755          |
| Public Property/Buildings              |                |                |  |                |
| Repairs and Maintenance                | 14,800         | 3,128          | 11,672                                 | 5,237          |
| Office Cleaning                        | 2,800          | 2,790          | 10                                     | 2,421          |
| Heating and Utilities                  | 4,000          | 3,962          | 38                                     | 3,887          |
| Trash Disposal                         | 275            | 181            | 94                                     | 165            |
| Rental of Offices                      | 1,700          | 1,665          | 95                                     | 1,560          |
| Service and Maintenance Contracts      | 0              | 0              | 0                                      | 898            |
| Landscaping                            | 6,700          | 5,451          | 1,239                                  | 4,818          |
| Construction Services                  | 20,000         | 15,062         | 4,938                                  | 5,395          |
| <b>Total Public Property/Buildings</b> | <b>50,275</b>  | <b>32,189</b>  | <b>18,086</b>                          | <b>24,381</b>  |
| <b>Total General Government</b>        | <b>471,125</b> | <b>365,043</b> | <b>106,082</b>                         | <b>363,960</b> |

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

Town of Summerfield  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2007  
 With Comparative Actual Amounts for the Year Ended June 30, 2006

Schedule 2

|   | 2007          |               | Variance<br>Favorable<br>(Unfavorable) | 2006<br>Actual |
|---|---------------|---------------|--|----------------|
| Budget  | Actual        |               |  |                |
| <b>Public safety</b>                            |               |               |  |                |
| <b>Police and fire safety</b>                   |               |               |  |                |
| Community Project                               | 1,800         | 1,800         | 0                                      | 1,800          |
| Vehicle Maintenance                             | 2,500         | 2,346         | 154                                    | 0              |
| Fire Inspections                                | 4,000         | 631           | 3,369                                  | 1,593          |
| Per Diem and Travel                             | 50            | 0             | 50                                     | 0              |
| Education                                       | 150           | 0             | 150                                    | 0              |
| Municipal Equipment - Generator                 | 7,000         | 2,089         | 4,911                                  | 153            |
| Summerfield Community Senior Program            | 9,400         | 9,370         | 30                                     | 0              |
| Site Wiring for Emergency Generator             | 7,500         | 6,311         | 1,189                                  | 0              |
| <b>Capital Outlay:</b>                          |               |               |  |                |
| Town Utility Truck                              | 10,200        | 10,180        | 20                                     | 0              |
| Auto External Defib. Machine                    | 2,500         | 0             | 2,500                                  | 0              |
| <b>Total public safety</b>                      | <b>45,100</b> | <b>32,727</b> | <b>12,373</b>                          | <b>3,546</b>   |
| <b>Planning and zoning</b>                      |               |               |  |                |
| <b>Zoning Board:</b>                            |               |               |  |                |
| Membership and Dues                             | 1,000         | 700           | 300                                    | 155            |
| Training and Education                          | 1,600         | 30            | 1,570                                  | 598            |
| Per Diem and Travel                             | 1,400         | 64            | 1,336                                  | 29             |
| Planning Library                                | 250           | 0             | 250                                    | 220            |
| Planning and Advisory Service                   | 800           | 695           | 105                                    | 695            |
|   | <u>5,050</u>  | <u>1,489</u>  | <u>3,561</u>                           | <u>1,697</u>   |
| <b>Planning Services:</b>                       |               |               |  |                |
| Dues and Subscriptions                          | 1,000         | 75            | 925                                    | 215            |
| Office Supplies                                 | 2,500         | 2,469         | 31                                     | 2,122          |
| Vehicle Reimbursement                           | 1,500         | 57            | 1,443                                  | 522            |
| Education                                       | 2,000         | 205           | 1,795                                  | 1,440          |
| Per Diem and Travel                             | 1,500         | 8             | 1,492                                  | 16             |
| Comprehensive Plan                              | 40,000        | 8,293         | 31,707                                 | 0              |
| Inspection Services                             | 0             | 0             | 0                                      | 538,807        |
| Lighting Services Contract                      | 1,500         | 0             | 1,500                                  | 0              |
| Town Engineer Contract                          | 22,000        | 14,214        | 7,786                                  | 3,386          |
| <b>Capital Outlay:</b>                          |               |               |  |                |
| Computer Equipment and Peripherals              | 250           | 0             | 250                                    | 3,892          |
| <b>Total Planning Services</b>                  | <b>72,250</b> | <b>25,321</b> | <b>46,929</b>                          | <b>550,400</b> |
| <b>Total Planning and Zoning</b>                | <b>77,300</b> | <b>26,810</b> | <b>50,490</b>                          | <b>532,097</b> |
| <b>Transportation (Thoroughfare Committees)</b> |               |               |  |                |
| Education                                       | 600           | 0             | 600                                    | 0              |
| Thoroughfare Comm - Per Diem & Travel           | 500           | 0             | 500                                    | 31             |
| NC 150 Realignment Study                        | 5,000         | 0             | 5,000                                  | 0              |
| Road Paving - Strader                           | 0             | 0             | 0                                      | 11,375         |
| Road Paving Millbrook                           | 0             | 0             | 0                                      | 71,500         |
| Thoroughfare Comm - Curb/Gutter Project         | 0             | 0             | 0                                      | 4,995          |
| <b>Total Transportation</b>                     | <b>6,100</b>  | <b>0</b>      | <b>6,100</b>                           | <b>87,901</b>  |

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

Town of Summerfield  
General Fund  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

Schedule 2

|  | 2007             |                | Variance<br>Favorable<br>(Unfavorable) | 2006<br>Actual |
|--|------------------|----------------|--|----------------|
|  | Budget           | Actual         |  |                |
| Board of Adjustments:                              |                  |                |  |                |
| Per Diem and travel                                | 500              | 0              | 500                                    | 0              |
| Membership and Dues                                | 600              | 0              | 600                                    | 0              |
| Education  | 600              | 0              | 600                                    | 233            |
| <b>Total Board of Adjustments</b>                  | <b>1,700</b>     | <b>0</b>       | <b>1,700</b>                           | <b>233</b>     |
| Community Relations                                |                  |                |  |                |
| Community Events                                   |                  |                |  |                |
| Community Project - Community Relations            | 500              | 0              | 500                                    | 0              |
| Summerfield Comm. Senior Program                   | 0                | 0              | 0                                      | 6,199          |
| Special Event - Founders Day                       | 20,000           | 19,077         | 923                                    | 18,512         |
| Special Event - Tree Lighting                      | 500              | 390            | 110                                    | 205            |
| <b>Total community events</b>                      | <b>21,000</b>    | <b>19,467</b>  | <b>1,533</b>                           | <b>25,152</b>  |
| Historical Commission                              |                  |                |  |                |
| Membership and Dues                                | 200              | 0              | 200                                    | 0              |
| Communications                                     | 1,000            | 15             | 985                                    | 0              |
| Education  | 500              | 0              | 500                                    | 0              |
| Per Diem and Travel                                | 250              | 122            | 128                                    | 0              |
| Services - Town Hall and Rotating Exhibits         | 500              | 338            | 162                                    | 0              |
| Services - Founders Day                            | 300              | 0              | 300                                    | 0              |
| Services - Summerfield Town History Project        | 300              | 0              | 300                                    | 0              |
| Capital Outlay - Historic District Property Marker | 3,000            | 2,930          | 70                                     | 0              |
| Capital Outlay - Historic District Entrance Sign   | 6,000            | 0              | 6,000                                  | 0              |
| <b>Total Historical commission</b>                 | <b>12,050</b>    | <b>3,405</b>   | <b>8,645</b>                           | <b>0</b>       |
| Cultural and Recreation                            |                  |                |  |                |
| Parks and Recreation                               |                  |                |  |                |
| Summerfield Community Park:                        |                  |                |  |                |
| Maintenance and Contracts                          | 12,500           | 11,545         | 955                                    | 0              |
| Land Acquisition - Search Expense                  | 2,000            | 1,350          | 650                                    | 0              |
| Services - Education                               | 600              | 0              | 600                                    | 0              |
| Services - Per Diem and Travel                     | 300              | 109            | 191                                    | 351            |
| Services - SC Park Ground Breaking/Opening         | 750              | 606            | 144                                    | 0              |
| Summ. Comm. - Park Landscape Maint.                | 17,500           | 14,394         | 3,106                                  | 2,688          |
| Summ. Comm. - Park Janitorial Service              | 4,500            | 1,212          | 3,288                                  | 75             |
| Communications                                     | 2,000            | 629            | 1,371                                  | 0              |
| Special Event - Founders Day                       | 500              | 370            | 130                                    | 0              |
| Recreation Master Plan                             | 0                | 0              | 0                                      | 19,512         |
| Parks and Recreation Programs                      | 2,500            | 0              | 2,500                                  | 0              |
| SRA Grant  | 32,000           | 0              | 32,000                                 | 5,000          |
| Parks and Recreation Grant Writing                 | 5,275            | 5,245          | 30                                     | 0              |
| Operating Expenses - Summerfield Elm Track         | 1,500            | 0              | 1,500                                  | 1,500          |
| Capital Outlay - SC Park Phase I                   | 55,025           | 49,551         | 5,464                                  | 509,492        |
| S.C. Park Phase II non-PARTF                       | 11,600           | 11,563         | 37                                     | 0              |
| Trail Construction                                 | 5,900            | 0              | 5,900                                  | 0              |
| Land Acquisition for Ball Fields                   | 1,113,000        | 6,475          | 1,106,525                              | 0              |
| S.C. Park - Brick Walkway                          | 12,000           | 11,376         | 624                                    | 0              |
| <b>Total Cultural and Recreation</b>               | <b>1,279,450</b> | <b>114,435</b> | <b>1,165,015</b>                       | <b>520,657</b> |

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

Town of Summerfield  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2007  
 With Comparative Actual Amounts for the Year Ended June 30, 2006

Schedule 2

|   | 2007             |                  | Variance<br>Favorable<br>(Unfavorable) | 2006<br>Actual   |
|---|------------------|------------------|--|------------------|
|   | Budget           | Actual           |  |                  |
| Capital Fund Allocation:                                    |                  |                  |  |                  |
| Parks and Recreation Fund                                   | 100,000          | 0                | 100,000                                | 0                |
| Transportation Improvement Fund                             | 25,000           | 0                | 25,000                                 | 0                |
|   | <u>125,000</u>   | <u>0</u>         | <u>125,000</u>                         | <u>0</u>         |
| Total Expenditures  | <u>2,038,825</u> | <u>561,887</u>   | <u>1,476,938</u>                       | <u>1,553,553</u> |
| Revenues Over<br>(Under) Expenditures                       | (654,825)        | 873,288          | 1,528,113                              | 918,633          |
| Appropriated Fund Balance                                   | <u>654,825</u>   | <u>0</u>         | <u>(654,825)</u>                       |                  |
| Revenues and Appropriated Fund<br>Balance Over Expenditures | <u>0</u>         | <u>873,288</u>   | <u>873,288</u>                         | <u>918,633</u>   |
| Fund Balance, Beginning of Year                             |                  | <u>8,429,285</u> |  | <u>7,510,612</u> |
| Fund Balance, End of Year                                   |                  | <u>9,302,573</u> |  | <u>8,429,265</u> |

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

Town of Summerfield  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2007

Schedule 3

| Fiscal<br>Year   | Uncollected<br>Balance<br>June 30, 2006 | Additions | Collections<br>And<br>Credits | Uncollected<br>Balance<br>June 30, 2007 |
|--|---|-----------|-------------------------------|---|
| 2006-2007  |   | 430,973   | 427,988                       | 2,985                                   |
| 2005-2006  | 3,482                                   |           | 2,358                         | 1,124                                   |
| 2004-2005  | 1,426                                   |           | 311                           | 1,115                                   |
|  | 4,908                                   | 430,973   | 430,657                       | 5,224                                   |
| Less: Allowance for Uncollectible<br>Ad Valorem Taxes Receivable |   |           |                               | 2,947                                   |
| Ad Valorem Taxes Receivable - Net                                |   |           |                               | 2,277                                   |
| Reconciliation with Revenues:                                    |   |           |                               |   |
| Ad Valorem Taxes - General Fund                                  |   |           |                               | 435,270                                 |
| Payments - Other Charges   |   |           |                               | (993)                                   |
| Discounts and Releases:  |   |           |                               | (3,620)                                 |
| Total collections and credits                                    |   |           |                               | 430,657                                 |

NOTE: The Town of Summerfield did not levy a property tax until the year ended June 30, 2005.

Town of Summerfield, North Carolina  
 Analysis of Current Tax Levy  
 For the Fiscal Year Ended June 30, 2007

Schedule 4

|  | Property<br>Valuation | City-Wide<br>Rate | Total<br>Levy | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
|--|-----------------------|-------------------|---------------|--|---------------------------------|
| Original levy:<br>Property taxed at current<br>year's rate | 1,114,141,025         | 0.039             | 434,515       | 386,795  | 47,720                          |
| Abatements and Discounts                                   | 9,084,615             | 0.039             | 3,543         | 2,897  | 646                             |
| Total property valuation                                   | 1,105,056,410         | 0.039             | 430,972       | 383,898  | 47,074                          |
| Uncollected Taxes at June 30, 2007                         |                       |                   | 2,985         | 1,831  | 1,154                           |
| Current Year's Taxes Collected                             |                       |                   | 427,987       | 382,067  | 45,920                          |
| Current Levy Collection Percentage                         |                       |                   | 99.31%        | 99.52%   | 97.55%                          |

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