

Rouse, Rouse, Penn & Rouse, L.L.P.
Certified Public Accountants

R. Rex Rouse, Jr., CPA
Judy Grogan Rouse, CPA

P.O. Box 2152
Boulevard
Eden, NC 27289-2152
Phone: 336-627-1323
Fax: 336-623-8030

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

November 23, 2009

Town of Summerfield
Town Council
Summerfield, North Carolina

Councilpersons:

In planning and performing our audit of the financial statements of the Town of Summerfield as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Summerfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Summerfield's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the following deficiency to be a significant deficiency in internal control:

1. As is normal for all small towns that employ a very limited number of personnel, it is not practical to have an adequate separation of duties to achieve a strong internal control system. This normal weakness in internal control is significantly mitigated at the Town of Summerfield by outsourcing the bookkeeping duties to a competent C.P.A. knowledgeable in governmental accounting. The weakness in internal controls over disbursements is further mitigated by the budgetary controls and an independent signature check-signing requirement. The control over receipts is mitigated by the fact that most of the receipts of the Town are direct deposits by the N.C. Department of Revenue or Guilford County.

This communication is intended solely for the information and use of management, the Town Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We shall be happy to discuss with you at your convenience any questions you may have regarding the above comments.

Very truly yours,

Rouse, Rouse, Perin and Rouse, LLP
Rouse, Rouse, Perin & Rouse, LLP
Certified Public Accountants

TOWN OF SUMMERFIELD
SUMMERFIELD, NORTH CAROLINA

Financial Statements
Year Ended June 30, 2009

TOWN OF SUMMERFIELD, NORTH CAROLINA
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June 30, 2009

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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 and each major fund of the Town of Summerfield, North Carolina, as of and for the year ended June 30, 2009, 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 and the Standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

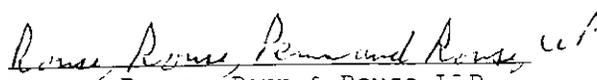
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Summerfield, North Carolina, as of June 30, 2009, and the respective changes in financial position thereof 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2009 on our consideration of Town of Summerfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis 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.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the Town of Summerfield's basic financial statements for the year ended June 30, 2008, which are not presented with the accompanying financial statements. In our report dated October 31, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund. In our opinion, the 2008 accompanying supplementary information, and individual fund financial statement is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole.


Rouse, Rouse, Penn & Rouse LLP
Certified Public Accountants

November 23, 2009

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, 2009 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 every two years directly by the voters. Council members serve four-year staggered terms. A voter referendum in 2007 changed the form of government from Mayor/Council to Council/Manager. In addition to the Town Council and staff, there are many volunteer committees that serve the Town.

FINANCIAL HIGHLIGHTS

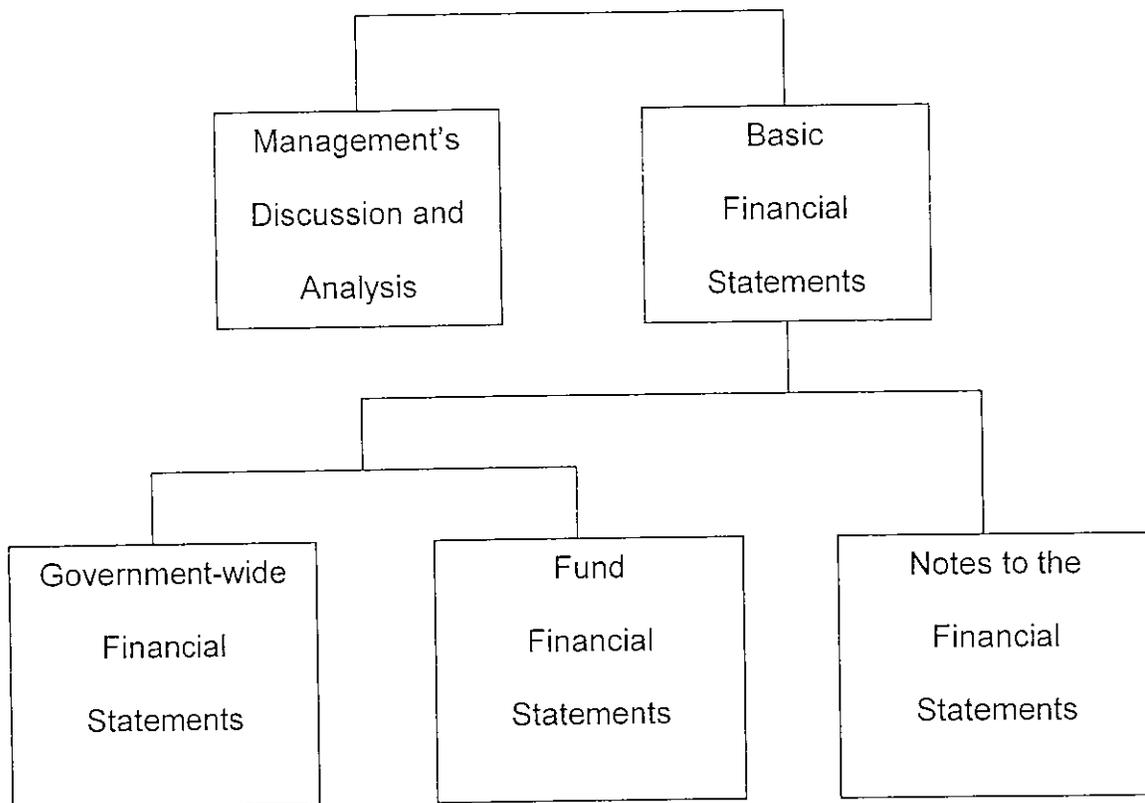
- The assets of the Town of Summerfield exceeded its liabilities at the close of the fiscal year by \$12,699,711.
- The government's total net assets increased by \$1,024,481, primarily due to strong investment earnings and the construction of Phase II of the Summerfield Community Park and active recreational facilities.
- As of the close of the current fiscal year, the Town of Summerfield's governmental funds reported combined ending fund balances of \$9,348,638, an increase of \$297,971 from the prior year. Approximately ninety-seven percent of this total amount, or \$9,097,691, 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 \$9,097,691, or 641 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 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 \longrightarrow Detail

Management Discussion and Analysis
Town of Summerfield

Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town 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.

Management Discussion and Analysis
Town of Summerfield

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 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

Management Discussion and Analysis
Town of Summerfield

charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 18-28 of this report.

Government-Wide Financial Analysis

The Town of Summerfield's Net Assets

Figure 2

Governmental Activities

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 9,476,796	\$ 9,077,517
Capital assets	3,363,558	2,637,640
Total assets	<u>12,840,354</u>	<u>11,715,157</u>
Long-term liabilities outstanding	17,404	16,290
Other liabilities	123,239	23,637
Total liabilities	<u>140,643</u>	<u>39,927</u>
Net assets:		
Invested in capital assets	3,363,558	2,637,640
Restricted	5,119	8,181
Unrestricted	9,331,034	9,029,409
Total net assets	<u>\$ 12,699,711</u>	<u>\$ 11,675,230</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 \$12,699,711 as of June 30, 2009. The Town's net assets increased by \$1,024,481 for the fiscal year ended June 30, 2009; however, a portion (26.49%) 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 \$5,119 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,331,034 is unrestricted.

Town of Summerfield Changes in Net Assets

Figure 3

	Governmental Activities 2009	Governmental Activities 2008
Revenues:		
Program revenues:		
Charges for services	16,083	23,856
Operating grants and contributions	4,955	5,512
Capital grants and contributions	370,385	195,444
General revenues:		
Property taxes	436,879	459,687
Intergovernmental allocations	520,338	517,422
Other taxes and licenses	13,210	12,948
Investment Earnings	382,213	423,050
Other	621	71
Total revenues	1,744,684	1,637,990
Expenses:		
General government	351,818	379,131
Public safety	22,392	15,082
Planning and zoning	164,823	138,764
Transportation	-	4,158
Community Relations	25,668	20,299
Historical Commission	3,810	781
Culture and recreation	151,692	133,013
Total expenses	720,203	691,228
Increase in net assets	1,024,481	946,762
Net assets, July 1	11,675,230	10,728,468
Net assets, June 30	12,699,711	11,675,230

Governmental activities - Governmental activities increased the Town's net assets by \$1,024,481, 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 fifth ad valorem property tax of \$.035 per \$100 of assessed value for the fiscal year ended June 30, 2009 in comparison to \$.039 for the fiscal years ended June 30, 2008 and 2007, \$.05 for the fiscal year ended June 30, 2006, and \$.105 for the fiscal year ended June 30, 2005. Despite a 10% decrease in the property tax rate, the continued growth in residential and commercial construction and the corresponding increase in the tax base account for the property tax revenues only decreasing by 5%.
- 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

Management Discussion and Analysis
Town of Summerfield

County and other local municipalities in the fiscal year ended June 30, 2006. Although the property tax rate remained the same for the fiscal years ended June 30, 2008 and 2007, increases in rates of other municipalities combined with the economic downturn resulted in the Town receiving \$120,249 in the current fiscal year in comparison to approximately \$134,750 in the prior fiscal year.

- Despite a sharp decline in investment rates during the current fiscal year and despite a reduced fund balance, the pursuit of long-term investments without early withdrawal penalties at the start of the prior fiscal year contributed to only a 9.65% reduction in investment earnings from the prior year.
- The construction of active recreational facilities began during the current fiscal year.
- Construction of Phase II of the Summerfield Community Park was nearing completion by the end of the current fiscal year.

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 \$9,097,691, while total fund balance reached \$9,348,638, a 3.3% increase from the prior year. 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 641 percent of total General Fund expenditures while total fund balance represents 659 percent of that same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants, and 3) increases in appropriations that become necessary to maintain services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town of Summerfield's investment in capital assets for its governmental activities as of June 30, 2009, totals \$3,363,558 (net of accumulated depreciation). These assets include buildings, land, machinery, and equipment.

Major capital asset transactions during the year included the following:

- The continuation of Phase II and small project construction of the Summerfield Community Park in the amount of \$598,329,
- The construction of active recreation facilities in the amount of \$147,654,
- Donations of materials for parks and recreation of \$14,540,
- 75%/25% cost share agreement with the NC Wildlife Resources Commission for the construction of a community fishing pier within the Summerfield Community Park to include the pier, engineering, and concrete abutment with \$11,915 provided by the Commission and \$3,972 by the Town, and
- The purchase of equipment including a copier, computer, and two defibrillators in the amount of \$12,415.

Town of Summerfield's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities 2009	Governmental Activities 2008
Land	1,350,385	1,350,385
Buildings and improvements	306,514	315,760
Land improvements	497,219	507,228
vehicles	4,256	6,292
Office Furniture and Equipment	46,158	39,452
Construction in progress	1,159,026	418,523
Total	3,363,558	2,637,640

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

Management Discussion and Analysis
Town of Summerfield

Debt Administration

For the fiscal years ended June 30, 2009 and June 30, 2008, 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, 2010:

- Although growth in residential and commercial construction continues to add to the tax base, the Town did not levy a property tax for the fiscal year ending June 30, 2010.
- Investment earnings are only projected to decrease by approximately \$22,213 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 construct facilities for parks and recreation.
- Despite a budgeted use of \$1,629,277 of fund balance during the fiscal year ending June 30, 2010, fund balance will remain over \$7,719,000 and 900% of estimated general fund expenditures excluding parks and recreation capital outlay.
- 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. \$430,539 of the Trust Fund grant was previously recognized during the fiscal years ended June 30, 2008 and 2009.
- Budgeted expenditures in the General Fund are expected to increase from \$1,418,552 to \$2,698,497. The largest expenditure of \$1,841,500 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 Manager, 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.

Town of Summerfield
Statement of Net Assets
June 30, 2009

Exhibit 1

ASSETS

Activities

Current assets:	
Cash and investments	9,226,049
Receivables:	
Taxes receivable (net)	4,919
Accounts receivable (net)	3,388
Due from other governments	235,620
Prepaid Items	<u>6,820</u>
Total current assets	<u>9,476,796</u>
Capital assets:	
Land and other nondepreciable assets	2,509,410
Other capital assets, net of depreciation	<u>854,148</u>
Total capital assets	<u>3,363,558</u>
Total assets	<u><u>12,840,354</u></u>

LIABILITIES

Current liabilities:	
Accounts payable and accrued liabilities	123,239
Long-term liabilities:	
Due within one year	<u>17,404</u>
Total liabilities	<u>140,643</u>

NET ASSETS

Invested in capital assets	3,363,558
Restricted for:	
Parks and recreation	241
Other	4,878
Unrestricted	<u>9,331,034</u>
Total net assets	<u><u>12,699,711</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, 2009

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Expense (Revenue) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General government	351,818		70		351,748
Public safety	22,392				22,392
Planning and zoning	164,823	11,080			153,743
Community relations	25,668		95		25,573
Historical commission	3,810		2,290		1,520
Cultural and recreation	151,692	5,003	2,500	370,385	(226,196)
Total Governmental Activities	720,203	16,083	4,955	370,385	328,780

General revenues:	
Ad valorem taxes	436,879
Other taxes and licenses	13,210
Unrestricted intergovernmental allocations	520,338
Investment earnings, unrestricted	382,213
Miscellaneous	621
Total General Revenues	1,353,261
Change in net assets	1,024,481
Net assets - beginning	11,675,230
Net assets - ending	12,699,711

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

Town of Summerfield, North Carolina
 Balance Sheet
 Governmental Fund
 June 30, 2009

Exhibit 3

General Fund

June 30,
 2009

Assets

Cash and investments	9,226,049
Taxes receivable (net)	4,919
Accounts receivable (net)	3,388
Due from other governments	235,620
Prepaid items	6,820
	9,476,796
Total Assets	9,476,796

Liabilities and Fund Balance

Liabilities:	
Accounts payable and accrued liabilities	123,239
Unearned revenue	4,919
	128,158
Total Liabilities	128,158

Fund Balance

Reserved:	
Reserved by state statute	245,828
Reserved for parks and recreation	241
Reserved - other	4,878
Unreserved:	
Designated for subsequent year expenditures	1,229,277
Designated for parks and recreation	400,000
Designated for transportation	50,000
Undesignated	7,418,414
	9,348,638
Total Fund Balance	9,348,638

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	3,363,558
Liabilities for earned but deferred revenues in fund statements.	4,919
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(17,404)
	12,699,711
Net assets of governmental activities	12,699,711

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, 2009

Exhibit 4

Governmental
Fund Types

General
Fund

June 30, 2009

Revenues

Ad valorem taxes	435,173
Other taxes and licenses	13,210
Unrestricted intergovernmental revenues	520,338
Restricted intergovernmental revenues	293,930
Fees and permits	11,080
Investment earnings	382,213
Grants	50,000
Miscellaneous	<u>10,579</u>
Total Revenues	<u>1,716,523</u>

Expenditures

Current operating:	
General government	347,241
Public safety	25,319
Planning and zoning	164,568
Historical commission	2,691
Community relations	25,668
Culture and recreation	<u>853,065</u>
Total Expenditures	<u>1,418,552</u>

Net Change in Fund Balance 297,971

Fund Balance, Beginning of Year 9,050,667

Fund Balance, End of Year 9,348,638

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, 2009

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 297,971

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/Contributions	786,817	
Depreciation	<u>60,899</u>	
		725,918

Change in deferred tax revenues		1,706
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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>(1,114)</u>
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Changes in net assets of governmental activities		<u><u>1,024,481</u></u>
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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, 2009

Exhibit 5

	General Fund 2009			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	422,154	422,154	435,173	13,019
Other taxes and licenses	0	0	13,210	13,210
Unrestricted intergovernmental revenues	537,372	537,372	520,338	(17,034)
Restricted intergovernmental revenues	362,500	362,500	293,930	(68,570)
Fees and permits	25,000	25,000	11,080	(13,920)
Investment earnings	350,000	350,000	382,213	32,213
Grants	50,000	50,000	50,000	0
Miscellaneous	7,300	7,300	10,579	3,279
Total Revenue	1,754,326	1,754,326	1,716,523	(37,803)
Expenditures:				
Current operating:				
General government	418,353	426,353	347,241	79,112
Public safety	31,648	31,648	25,319	6,329
Planning and zoning	261,104	253,104	164,568	88,536
Board of Adjustment	1,400	1,400	0	1,400
Community relations	28,000	28,000	25,668	2,332
Historical commission	4,550	4,550	2,691	1,859
Culture and recreation	2,125,575	2,125,575	853,065	1,272,510
Total Expenditures	2,870,630	2,870,630	1,418,552	1,452,078
Revenues Over (Under) Expenditures	(1,116,304)	(1,116,304)	297,971	1,414,275
Appropriated Fund Balance	1,116,304	1,116,304	0	(1,116,304)
Net Change in Fund Balance	0	0	297,971	297,971
Fund Balance - Beginning of Year			9,050,667	
Fund Balance - End of Year			9,348,638	

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, 2009

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, 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, 2009

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, 2009

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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general 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, 2009

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (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, 2009

January 6th. These taxes are based on the assessed values as of January 1, 2008. 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, ad 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. Traditionally, 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.

	<u>Useful Life</u>
Land improvements, buildings, and infrastructure	15 to 50 years
Furniture, fixtures, equipment, heavy equipment, and vehicles	3 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved by State statute - portion of fund balance, 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 2009-2010 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralized public deposits under the Pooling Method.

At June 30, 2009, the Town's deposits had a carrying amount of \$9,222,271, and a bank balance of \$9,275,267. Of the bank balance, \$747,654 was covered by federal depository insurance, and \$8,527,614 was covered by collateral held under the Pooling Method. The Town had \$300 of petty cash on hand at June 30, 2009.

2. Investments

Summerfield had \$3,452 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, 2009

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	<u>6,301</u>
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4. Due from Governmental Agencies

Amounts due from governmental agencies consist of the following:

	<u>Local</u>	<u>State</u>	<u>Total</u>
Sales Tax Distribution		18,494	18,494
Utilities and Franchise Tax		72,353	72,353
Sales Tax Refund		7,494	7,494
Ad Valorem Taxes	3,318		3,318
ABC Distribution	7,190		7,190
Part F Grant		126,689	126,689
Motor Fuel Tax	<u> </u>	<u>82</u>	<u>82</u>
	<u>10,508</u>	<u>225,112</u>	<u>235,620</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

5. Capital Assets

Capital Asset activity for the Town of Summerfield for the year ended June 30, 2009 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	1,350,385			1,350,385
Construction in progress	418,523	741,253	750	1,159,026
Total capital assets not being depreciated	1,768,908	741,253	750	2,509,411
 Capital assets being depreciated:				
Buildings and improvements	360,078	1,400		361,478
Land improvements	582,477	28,999		611,476
Office furniture and equipment	125,010	15,915		140,925
Vehicles	10,180			10,180
Total capital assets being depreciated	1,077,745	46,314	0	1,124,059
 Less accumulated depreciation for:				
Buildings and improvements	44,318	10,645		54,963
Land improvements	75,249	39,009		114,258
Office furniture and equipment	85,558	9,209		94,767
Vehicles	3,888	2,036		5,924
Total accumulated depreciation	209,013	60,899	0	269,912
Total capital assets being depreciated, net	868,732			854,147
 Governmental activity capital assets, net	 2,637,640			 3,363,558

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

General Government	13,312
Planning and Zoning	1,086
Historic	1,119
Recreation	45,382
	60,899

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

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, 2009 were \$12,655 and the Town's contributions to LGERS for the years ended June 30, 2008, 2007, 2006, and 2005 were \$12,418, \$7,736, \$9,346 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

employees' salaries. All employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$17,395 which consisted of \$6,265 from the Town and \$11,130 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 an employee dishonesty policy for \$10,000.

3. Changes in Long-Term Liabilities

	Balance July 1, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2009</u>	Current Portion of <u>Balance</u>
Governmental Activities: Compensated absences	<u>16,290</u>	<u>17,403</u>	<u>16,290</u>	<u>17,403</u>	<u>17,403</u>

Town of Summerfield, North Carolina
 Comparative Balance Sheets
 Governmental Fund
 June 30, 2009

Schedule 1

	June 30, 2009	June 30, 2008
Assets		
Cash and investments	9,226,049	8,816,540
Taxes receivable	4,919	3,213
Accounts receivable	3,388	4,524
Due from other governments	235,620	245,260
Prepaid items	6,820	7,980
Total Assets	9,476,796	9,077,517
 Liabilities and Fund Balance		
Liabilities:		
Accounts payable and accrued liabilities	123,239	23,637
Unearned revenue	4,919	3,213
	128,158	26,850
 Fund Balance		
Reserved:		
Reserved by state statute	245,828	257,764
Reserved for parks and recreation	241	5,542
Reserved - other	4,878	2,639
Unreserved:		
Designated for subsequent year expenditures	1,229,277	716,304
Designated for parks and recreation	400,000	400,000
Designated for transportation	50,000	50,000
Undesignated	7,418,414	7,618,418
Total Fund Balance	9,348,638	9,050,667
	9,476,796	9,077,517

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

Schedule 2

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
Revenues				
Ad Valorem Taxes - Current Year	422,154	430,440	8,286	456,231
Prior Years	0	4,733	4,733	2,520
	<u>422,154</u>	<u>435,173</u>	<u>13,019</u>	<u>458,751</u>
Other taxes and licenses:				
Franchise fees	0	13,210	13,210	12,948
Unrestricted Intergovernmental Revenues:				
Local ABC revenues	23,216	29,542	6,326	25,660
Beer and wine excise tax	35,589	34,962	(627)	34,709
Local Option Sales Tax Article 39	52,212	55,185	2,973	61,612
Local Option Sales Tax Article 40	26,106	22,097	(4,009)	24,419
Local Option Sales Tax Article 42	26,106	21,812	(4,294)	24,145
Local Option Sales Tax Article 44	26,106	15,072	(11,034)	24,574
City Hold Harmless Sales Tax	0	6,083	6,083	0
Piped natural gas tax	6,404	7,295	891	6,712
Utilities franchise tax on electric	232,693	219,721	(12,972)	217,569
Telecommunications sales tax	25,320	27,455	2,135	24,962
Cable franchise tax	83,820	81,114	(2,506)	73,060
Total Taxes	<u>537,372</u>	<u>520,338</u>	<u>(17,034)</u>	<u>517,422</u>
Restricted intergovernmental revenues				
PARTF grant	362,500	293,930	(68,570)	136,069
Total Restricted intergovernmental revenues	<u>362,500</u>	<u>293,930</u>	<u>(68,570)</u>	<u>136,069</u>
Fees and permits				
Planning fees	25,000	11,080	(13,920)	23,856
Total Fees and permits	<u>25,000</u>	<u>11,080</u>	<u>(13,920)</u>	<u>23,856</u>
Investment Earnings	350,000	382,213	32,213	423,050
Grants	50,000	50,000	0	50,000
Miscellaneous				
Donations - Parks and Recreation	2,500	2,500	0	5,216
Donations - Founders Day	2,500	95	(2,405)	96
Program Revenues - Founders Day	0	5,003	5,003	0
Donations - Other	0	2,360	2,360	198
Other	2,300	621	(1,679)	71
Total Miscellaneous	<u>7,300</u>	<u>10,579</u>	<u>3,279</u>	<u>5,583</u>
Total Revenues	<u>1,754,326</u>	<u>1,716,523</u>	<u>(37,803)</u>	<u>1,627,679</u>
Expenditures				
General government				
Governing body				
Operating expenditures				
Town Council	15,000	15,000	0	15,000
FICA on Town Council	1,148	1,148	0	1,148
Workers compensation	108	93	15	99
Insurance and bonding	5,100	4,944	156	4,943
Dues and subscriptions	9,536	9,301	235	8,945
Per diem and travel	1,200	847	353	856
Education	1,500	320	1,180	1,121
Volunteer appreciation	4,000	547	3,453	2,083
Retreat	300	0	300	0
Total Expenditures	<u>37,892</u>	<u>32,200</u>	<u>5,692</u>	<u>34,195</u>

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

Schedule 2

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
Administration:				
Operating expenditures				
Salaries and wages	109,850	109,089	761	102,982
Social Security	8,345	8,342	3	7,873
Unemployment	0	0	0	1,796
Worker's compensation	360	344	16	330
Health, vision, dental ins	24,089	24,089	0	20,667
Life insurance	719	718	1	679
Employee retirement:				
Employee retirement - 401(k)	6,608	6,564	44	6,238
Office supplies and materials	3,272	3,249	23	3,088
Dues and subscriptions	5,000	4,066	934	4,741
Copier lease/maintenance	446	445	1	343
Telephone	5,500	3,145	2,355	4,509
Postage	3,200	2,938	262	2,848
Internet expense	3,000	1,448	1,552	2,259
Education	6,000	4,973	1,027	5,664
Per diem and travel expense	2,000	501	1,499	573
Town newsletter	2,000	802	1,198	621
Information technology expense	6,000	4,330	3,670	4,461
Furniture and supplies	12,000	5,534	6,466	4,730
Town meeting refreshments	500	390	110	1,480
Codification of ordinances	600	291	309	496
Insurance	7,500	0	7,500	0
Advertising	4,500	3,013	1,487	2,789
Records storage	6,000	4,179	1,821	6,408
Miscellaneous	1,000	599	401	618
Vehicle maintenance	500	114	386	24
Capital outlay - copier	4,300	2,528	1,772	2,494
Capital outlay - computer equip & peripherals	8,000	7,995	5	0
Capital outlay - audio visual equipment	5,000	1,493	3,507	0
	0	0	0	1,668
Total Administration	<u>238,289</u>	<u>201,179</u>	<u>37,110</u>	<u>190,379</u>
Finance				
Audit	8,200	7,190	1,010	7,800
Contract accounting services	37,500	37,475	25	35,978
Tax collection fee	5,022	4,341	681	4,577
Insurance and bonding - fidelity	500	444	56	480
Miscellaneous	500	417	83	694
Education	200	0	200	79
Total Finance	<u>51,922</u>	<u>49,867</u>	<u>2,055</u>	<u>49,608</u>
Legal				
Contract legal services	65,000	35,342	29,658	51,816
Elections				
Contract election service	0	0	0	8,602
Public property/buildings				
Repairs and maintenance	16,000	14,020	1,980	12,187
Office cleaning	3,000	2,340	660	2,351
Heating and utilities	4,500	3,309	1,191	3,625
Trash disposal	250	89	161	175
Rental of offices	3,000	2,775	225	2,550
Landscaping	6,500	6,120	380	5,875
Capital outlay - construction services	0	0	0	4,885
Total Public property/buildings	<u>33,250</u>	<u>28,653</u>	<u>4,597</u>	<u>31,648</u>
Total General Government	<u>426,353</u>	<u>347,241</u>	<u>79,112</u>	<u>366,248</u>

Town of Summerfield
 General Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2009
 With Comparative Actual Amounts for the Year Ended June 30, 2008

Schedule 2

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
Public safety				
Police and fire safety				
Community project	2,000	1,200	800	1,800
Communications	750	65	685	0
Fire inspections	5,000	5,000	0	1,471
Per diem and travel	50	0	50	0
Education:	200	0	200	0
Municipal equipment - generator	4,714	1,745	2,969	206
Emergency shelter/preparedness	3,500	3,278	222	1,980
Summerfield community senior program	12,334	11,104	1,230	9,625
Capital outlay:				
Auto external defib machines	3,100	2,927	173	0
Total Public safety	31,648	25,319	6,329	15,082
Planning and zoning				
Zoning board:				
Membership and dues	750	711	39	610
Training and education	1,600	40	1,560	405
Per diem and travel	1,400	0	1,400	0
Planning library	100	70	30	0
Planning and advisory service	800	695	105	0
	4,650	1,516	3,134	1,015
Planning services:				
Salaries and wages	61,917	55,616	6,301	61,762
Social security	5,961	4,258	1,703	4,730
Worker's compensation	1,502	794	708	984
Health, vision, dental ins	7,026	3,161	3,865	4,934
Life insurance	514	333	181	200
Employee retirement:	4,722	3,370	1,352	3,745
Employee retirement - 401(k)	2,337	1,669	668	1,854
Dues and subscriptions	3,475	3,264	211	2,453
Office supplies	3,500	2,125	1,375	903
Vehicle reimbursement	500	212	288	192
Equipment maintenance	1,000	400	600	693
Education	2,000	185	1,815	655
Per diem and travel	1,500	207	1,293	0
Comprehensive plan	112,500	71,295	41,205	29,583
Zoning enforcement	9,000	3,567	5,433	6,990
Lighting services contract	1,000	0	1,000	75
Town engineer contract	30,000	12,596	17,404	15,875
Total Planning services	246,454	163,052	85,402	135,629
Total Planning and zoning	253,104	164,568	88,536	136,644
Transportation (Thoroughfare Committee)				
NC 150 realignment study	0	0	0	4,158
Total Transportation	0	0	0	4,158
Board of Adjustments				
Per diem and travel	500	0	500	0
Membership and dues	300	0	300	0
Education	600	0	600	0
Total Board of Adjustments	1,400	0	1,400	0
Community relations				
Community events				
Special event - Founders Day	28,000	25,668	2,332	19,588
Special Event - Tree Lighting	0	0	0	711
Total Community events	28,000	25,668	2,332	20,299

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009
With Comparative Actual Amounts for the Year Ended June 30, 2008

Schedule 2

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
Historical commission				
Membership and dues	150	0	150	0
Communications	600	140	460	0
Per diem and travel	100	0	100	0
Services - Town Hall and rotating exhibits	400	163	237	384
Services - Founders Day	100	20	80	18
Services - Summerfield town history project	3,200	2,368	832	91
Capital outlay - banners	0	0	0	3,357
Total Historical commission	<u>4,550</u>	<u>2,691</u>	<u>1,859</u>	<u>3,850</u>
Cultural and recreation				
Parks and recreation				
Salaries and wages	46,092	44,899	1,193	40,163
Social security	3,134	3,134	0	2,544
Worker's compensation	1,317	1,316	1	1,237
Health, vision, dental ins	7,014	7,014	0	6,322
Life insurance	178	178	0	140
Employee retirement	2,743	2,721	22	2,435
Employee retirement - 401(k)	1,375	1,347	28	1,205
Dues & subscriptions	222	222	0	0
Communications	1,000	0	1,000	83
Trail maintenance	5,650	5,650	0	810
Summerfield Community Park				
Park landscape maintenance	30,000	15,901	14,099	14,611
Park janitorial service	8,000	4,691	3,309	2,563
Maintenance and contracts	20,000	5,578	14,422	10,740
Tools & supplies	5,500	2,429	3,071	1,545
Trail maintenance	2,000	0	2,000	774
Services - education	1,500	220	1,280	20
Services - per diem and travel	1,000	35	965	155
Special event - Founders Day	500	400	100	0
Parks and recreation programs	10,000	3,648	6,352	956
Parks and recreation grant writing	5,500	4,985	515	0
Operating expenses - Summerfield Elm track	1,500	0	1,500	1,123
Capital outlay - S.C. Park Phase I	0	0	0	13,152
Capital outlay - S.C. Park Phase II non-PART F	10,500	10,470	30	33,105
Capital outlay - S.C. Park Phase II PART F	720,500	587,859	132,641	272,138
Capital outlay - Greenway Trail Public Access	70,350	0	70,350	750
Capital outlay - Land Acq/Dev for ball fields	1,150,000	147,654	1,002,346	919,776
Capital outlay - Armfield Park	15,000	0	15,000	0
Capital outlay - Town Hall Park	3,000	2,714	286	0
Capital outlay - S.C. Park brick walkway	2,000	0	2,000	6,935
Total Cultural and recreation	<u>2,125,575</u>	<u>853,065</u>	<u>1,272,510</u>	<u>1,333,304</u>
Total Expenditures	<u>2,670,630</u>	<u>1,416,552</u>	<u>1,452,078</u>	<u>1,879,585</u>
Revenues Over (Under) Expenditures	(1,116,304)	297,971	1,414,275	(251,906)
Appropriated Fund Balance	<u>1,116,304</u>	<u>0</u>	<u>(1,116,304)</u>	<u>0</u>
Revenues and Appropriated Fund Balance Over Expenditures	<u>0</u>	297,971	<u>297,971</u>	(251,906)
Fund Balance, Beginning of Year		<u>9,050,667</u>		<u>9,302,573</u>
Fund Balance, End of Year		<u>9,348,638</u>		<u>9,050,667</u>

Town of Summerfield
Schedule of Ad Valorem Taxes Receivable
June 30, 2009

Schedule 3

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Credits	Collections	Uncollected Balance June 30, 2009
2008-2009		440,949	3,496	429,547	7,906
2007-2008	4,760		60	3,280	1,420
2006-2007	901		2	197	702
2005-2006	862			176	686
2004-2005	1,070			564	506
	<u>7,593</u>	<u>440,949</u>	<u>3,558</u>	<u>433,764</u>	<u>11,220</u>
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable					<u>6,301</u>
Ad Valorem Taxes Receivable - Net					<u>4,919</u>
Reconciliation with Revenues:					
Ad Valorem Taxes - General Fund					435,173
Payments -Other Charges					(1,409)
Discounts, Releases, and Write-offs					<u>3,558</u>
Total collections and credits					<u>437,322</u>

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, 2009

Schedule 4

	City-Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy Property taxed at current year's rate	1,259,855,381	0.035	440,949	400,796	40,153
Abatements and Discounts	<u>9,988,640</u>	0.035	<u>3,496</u>	<u>3,126</u>	<u>370</u>
Total property valuation	<u>1,249,866,740</u>	0.035	<u>437,453</u>	<u>397,670</u>	<u>39,783</u>
Uncollected Taxes at June 30, 2009			<u>7,906</u>	<u>6,239</u>	<u>1,667</u>
Current Year's Taxes Collected			<u>429,547</u>	<u>391,431</u>	<u>38,116</u>
Current Levy Collection Percentage			<u>98.19%</u>	<u>96.43%</u>	<u>95.81%</u>

Rouse, Rouse, Penn & Rouse, L.L.P.

Certified Public Accountants

R. Rex Rouse, Jr., CPA
Judy Grogan Rouse, CPA

P.O. Box 2152
Boulevard
Eden, NC 27289-2152
Phone: 336-627-1323
Fax: 336-623-8030

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

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

To the Honorable Mayor and
Members of the Town Council
Town of Summerfield, North Carolina

We have audited the accompanying financial statements of the governmental activities of the Town of Summerfield, North Carolina, as of and for the year ended June 30, 2009, which collectively comprises the Town of Summerfield's basic financial statements, and have issued our report thereon dated November 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

Town's financial statements that are more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiency described in 2009-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

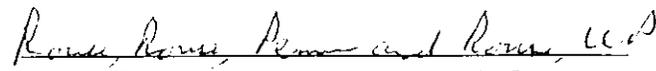
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Summerfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of the Town of Summerfield, in a separate letter dated November 23, 2009.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly we express no opinion on it.

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



Rouse, Rouse, Penn & Rouse, L.L.P.

Certified Public Accountants

Eden, North Carolina
November 23, 2009

TOWN OF SUMMERFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2009

Significant Deficiencies

2009 – 1 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town of Summerfield personnel.

Effect: Transactions could be mishandled.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation.

View of responsible officials and planned corrective actions: The Town is aware of the potential deficiency in internal control due to the limited number of employees. Contracting for accounting services is an attempt to minimize this weakness and ensure that fiduciary responsibilities are executed with appropriate checks for internal control. Furthermore, the Town requires multiple signatures from officers for all financial transactions.