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

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Patricia E. Penn, CPA
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October 31, 2008

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, 2008, 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 two deficiencies in internal control 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 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 deficiencies to be significant deficiencies 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.

2. Risk Assessment and Monitoring Process

The new risk assessment standard SAS 109 requires that management develop an appropriate risk assessment and monitoring process. The fraud risk assessment could possibly identify certain fraud risks that can be mitigated. We recommend that management develop an internal control policy that appropriately assesses fraud risk and a monitoring process.

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 Penn and Rouse, LLP

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

TOWN OF SUMMERFIELD

SUMMERFIELD, NORTH CAROLINA

Financial Statements

Year Ended June 30, 2008

TOWN OF SUMMERFIELD, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2008

Exhibit		Page
	Introductory Section	
	List of Principal Officials	
	Financial Section	
	Independent Auditor's Report	1
	Management's Discussion and Analysis	3
	Basic Financial Statements	
	Government-wide Financial Statements:	
1	Statement of Net Assets	12
2	Statement of Activities	13
	Fund Financial Statements	
3	Balance Sheet - General Fund	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	15
4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	16
5	Statement of Revenues, Expenditures, and Changes, in Fund Balance - Budget and Actual - General Fund	17
	Notes to Financial Statements	18
	Supplementary Information Individual Fund Financial Statements	
Schedule		
1	Comparative Balance Sheets - General Fund	30
2	Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual -- General Fund	31
3	Schedule of Ad Valorem Taxes Receivable	36
4	Analysis of Current Tax Levy	37
	Compliance Section	
	Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit on Financial Statements Performed in Accordance With Government Auditing Standards	38

TOWN COUNCIL

Mark Brown	Mayor
Dena Barnes	Mayor Pro-Tem
John Wray	Councilperson
Bob Williams	Councilperson
Alicia Flowers	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

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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, 2008, 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, 2008, 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 October 28, 2008 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, 2007, which are not presented with the accompanying financial statements. In our report dated October 1, 2007, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund. In our opinion, the 2007 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, 2007, taken as a whole.

Rouse, Rouse, Penn and Rouse LLP

Rouse, Rouse, Penn & Rouse LLP
Certified Public Accountants

October 31, 2008

Eden, North Carolina

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, 2008 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

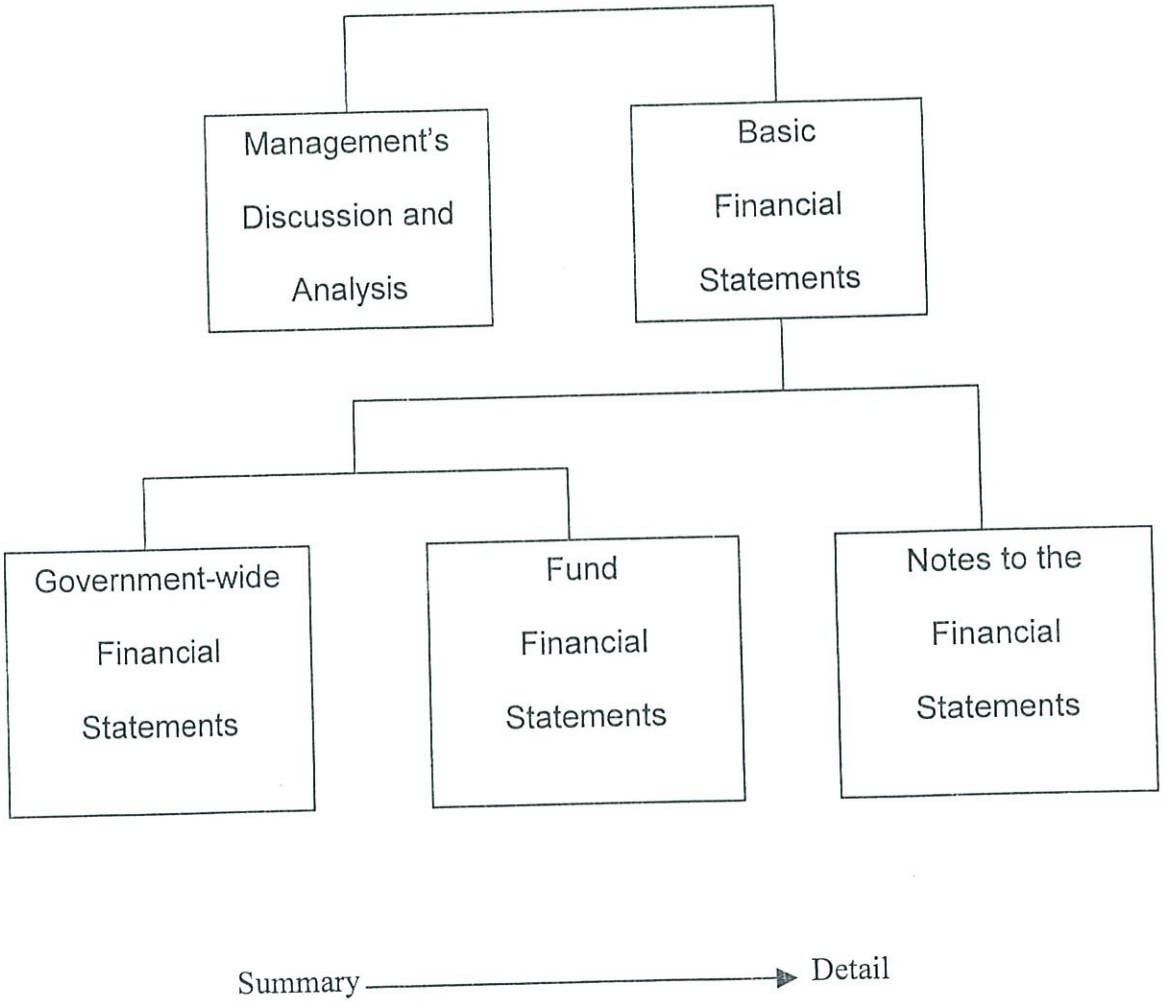
- The assets of the Town of Summerfield exceeded its liabilities at the close of the fiscal year by $11,675,230.
- The government's total net assets increased by $946,762, primarily due to strong investment earnings, the construction of Phase II of the Summerfield Community Park, the purchase of land for the construction of recreational facilities, and the planned construction for the 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 $9,050,667, a decrease of $251,906 from the prior year. Approximately ninety-seven percent of this total amount, or $8,784,722, 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 $8,784,722, or 467 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



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.

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 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 18-29 of this report.

Government-Wide Financial Analysis

The Town of Summerfield's Net Assets

Figure 2

Governmental Activities

	2008	2007
Current and other assets	$ 9,077,517	$ 9,326,101
Capital assets	2,637,640	1,431,239
Total assets	11,715,157	10,757,340
Long-term liabilities outstanding	16,290	7,621
Other liabilities	23,637	21,251
Total liabilities	39,927	28,872
Net assets:		
Invested in capital assets	2,637,640	1,431,239
Restricted	8,181	9,194
Unrestricted	9,029,409	9,288,035
Total net assets	$ 11,675,230	$ 10,728,468

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 $11,675,230 as of June 30, 2008. The Town's net assets increased by $946,762 for the fiscal year ended June 30, 2008; however, a portion (22.59%) 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 $8,181 represents resources that are subject to external restrictions on how they may be used. The remaining balance of $9,029,409 is unrestricted.

Town of Summerfield Changes in Net Assets

Figure 3

	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program revenues:		
Charges for services	23,856	32,789
Operating grants and contributions	5,512	11,279
Capital grants and contributions	195,444	372,900
General revenues:		
Property taxes	459,687	435,236
Intergovernmental allocations	517,422	441,822
Other taxes and licenses	12,948	72,490
Investment Earnings	423,050	438,890
Other	71	2,635
Total revenues	1,637,990	1,808,041
Expenses:		
General government	379,131	359,250
Public safety	15,082	24,399
Planning and zoning	138,764	26,810
Transportation	4,158	-
Community Relations	20,299	19,467
Historical Commission	781	3,405
Culture and recreation	133,013	69,889
Total expenses	691,228	503,220
Increase in net assets	946,762	1,304,821
Net assets, July 1	10,728,468	9,423,647
Net assets, June 30	11,675,230	10,728,468

Governmental activities - Governmental activities increased the Town's net assets by $946,762, 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 fourth ad valorem property tax of $.039 per $100 of assessed value for the fiscal year ended June 30, 2008 as it did in 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 and commercial construction and the corresponding increase in the tax base account for the property tax revenues increasing by 5.62%.
- 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.

The reduction in the property tax rate for the fiscal year ended June 30, 2007, however, resulted in the Town receiving $134,750 in the current fiscal year in comparison to approximately $174,966 in the fiscal year ended June 30, 2007.

- Despite a sharp decline in investment rates of nearly 50% 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 fiscal year contributed to only a 3.61% reduction in investment earnings from the prior year.
- The planned purchase of land for recreational facilities for ball fields occurred during the current fiscal year; however, the construction of the facilities did not occur as planned.
- Construction of Phase II of the Summerfield Community Park began during 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 $8,784,722, while total fund balance reached $9,050,667, a 2.7% decrease 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 467 percent of total General Fund expenditures while total fund balance represents 482 percent of that same amount.

At June 30, 2008, the governmental funds of Town of Summerfield reported a combined fund balance of $9,050,667, a 2.71% percent change from the prior year. This represents a decrease in the fund balance in the General Fund for the current fiscal year.

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, 2008, totals $2,637,640 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment.

Major capital asset transactions during the year included the following:

- Additional Phase I park construction of $13,152 for a playground shade structure
- The continuation of Phase II and small project construction of the Summerfield Community Park in the amount of $312,179
- Purchase of land for the construction of ball fields for a total of $925,392 including $5,975 from prior year construction in progress
- Donations of materials for parks and recreation of $9,375

Town of Summerfield's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities 2008	Governmental Activities 2007
Land	1,350,385	424,992
Buildings and improvements	315,760	276,426
Land improvements	507,228	536,594
Vehicles	6,292	8,328
Office Furniture and Equipment	39,452	43,025
Construction in progress	418,523	141,874
Total	2,637,640	1,431,239

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

Debt Administration

Debt Administration

For the fiscal years ended June 30, 2008 and June 30, 2007, 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, 2009:

- Continued growth in residential and commercial construction is adding tax base, therefore, contributing to the Town's reduction of the ad valorem rate to $.035 per $100 of assessed value.
- Despite a 10% decrease in the property tax rate, property tax revenues are projected to decrease by only 8% due to the continued growth in tax base.
- As a result of the steady property tax rate from the fiscal year ended June 30, 2007 to the fiscal year ended June 30, 2008 despite the increases of the other municipalities in the region, the sales tax revenue for the fiscal year ending June 30, 2009 is projected to decrease by approximately 3%.
- Investment earnings are projected to decrease by over $73,000 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 construct facilities for parks and recreation.
- Despite a budgeted use of $1,116,304 of fund balance during the fiscal year ended June 30, 2009, fund balance will remain over $7,934,000 and 887% 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. $136,609 of the Trust Fund grant was previously recognized during the fiscal year ended June 30, 2008.
- Budgeted expenditures in the General Fund are expected to increase from $1,879,585 to $2,870,630. The largest expenditure of $1,976,000 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, 2008

Exhibit 1

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	8,816,540
Receivables:	
Taxes receivable (net)	3,213
Accounts receivable (net)	4,524
Due from other governments	245,260
Prepaid Items	7,980
Total current assets	9,077,517
Capital assets:	
Land and other nondepreciable assets	1,768,908
Other capital assets, net of depreciation	868,732
Total capital assets	2,637,640
Total assets	11,715,157
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	23,637
Long-term liabilities:	
Due within one year	16,290
Total liabilities	39,927
NET ASSETS	
Invested in capital assets	2,637,640
Restricted for:	
Parks and recreation	5,542
Other	2,639
Unrestricted	9,029,409
Total net assets	11,675,230

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, 2008

Exhibit 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Expense (Revenue) and Changes in Net Assets: Governmental Activities
Primary Government:					
Governmental Activities:					
General government	379,131				379,131
Public safety	15,082		25		15,057
Planning and zoning	138,764	23,856			114,908
Transportation	4,158				4,158
Community Relations	20,299		96		20,203
Historical Commission	781		173		608
Cultural and recreation	133,013		5,218	195,444	(67,649)
Total governmental activities	691,228	23,856	5,512	195,444	466,416

General revenues:	
Ad Valorem Taxes	459,687
Other Taxes and licenses	12,948
Unrestricted intergovernmental allocations	517,422
Investment earnings, unrestricted	423,050
Miscellaneous	71
Total general revenues	1,413,178
Change in net assets	946,762
Net assets - beginning	10,728,468
Net assets - ending	11,675,230

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

Town of Summerfield, North Carolina
Balance Sheet
Governmental Fund
June 30, 2008

Exhibit 3

General Fund

	June 30, 2008
Assets	
Cash and investments	8,816,540
Taxes receivable (net)	3,213
Accounts receivable (net)	4,524
Due from other governments	245,260
Prepaid items	7,980
Total Assets	9,077,517
Liabilities and Fund Balance	
Liabilities:	
Accounts payable and accrued liabilities	23,637
Unearned revenue	3,213
Total Liabilities	26,850
Fund Balance:	
Reserved:	
Reserved by State Statute	257,764
Reserved for Parks and Recreation	5,542
Reserved - Other	2,639
Unreserved:	
Designated for Subsequent Years Expenditures	716,304
Designated for Parks and Recreation	400,000
Designated for Transportation	50,000
Undesignated	7,618,418
Total Fund Balance	9,050,667
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.	2,637,640
Liabilities for earned but deferred revenues in fund statements.	3,213
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(16,290)
Net assets of governmental activities	11,675,230

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, 2008

Exhibit 4

	Governmental Fund Types General Fund June 30, 2008
Revenues	
Ad valorem taxes	458,751
Other Taxes and licenses	12,948
Unrestricted intergovernmental revenues	517,422
Restricted intergovernmental revenues	136,069
Fees and permits	23,856
Investment earnings	423,050
Grants	50,000
Miscellaneous	5,583
Total Revenues	1,627,679
Expenditures	
Current operating:	
General government	366,248
Public safety	15,082
Planning and zoning	136,645
Transportation	4,158
Historical Commission	3,850
Community relations	20,299
Culture and recreation	1,333,303
Total Expenditures	1,879,585
Net Change in Fund Balance	(251,906)
Fund Balance, Beginning of Year	9,302,573
Fund Balance, End of Year	9,050,667

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, 2008

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		(251,906)
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	1,265,143	
Depreciation	58,742	
		1,206,401
Change in deferred tax revenues		936
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		(8,669)
Changes in net assets of governmental activities		946,762

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, 2008

Exhibit 5

		General Fund 2008		
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	471,927	471,927	458,751	(13,176)
Other taxes and licenses	0	0	12,948	12,948
Unrestricted intergovernmental revenues	481,529	481,529	517,422	35,893
Restricted intergovernmental revenues	492,000	492,000	136,069	(355,931)
Fees and permits	32,000	32,000	23,856	(8,144)
Investment earnings	350,000	350,000	423,050	73,050
Grants	50,000	50,000	50,000	0
Miscellaneous	12,000	12,000	5,583	(6,417)
Total Revenue	1,889,456	1,889,456	1,627,679	(261,777)
Expenditures:				
Current operating:				
General government	430,902	434,902	366,248	68,654
Public safety	25,412	25,412	15,082	10,330
Planning and zoning	238,704	234,704	136,645	98,059
Board of Adjustment	1,400	1,400	0	1,400
Transportation	20,100	20,100	4,158	15,942
Community relations	26,250	26,250	20,299	5,951
Historical commission	11,270	11,270	3,850	7,420
Culture and recreation	2,218,251	3,134,558	1,333,303	1,801,255
Total Expenditures	2,972,289	3,888,596	1,879,585	2,009,011
Revenues Over (Under) Expenditures	(1,082,833)	(1,999,140)	(251,906)	1,747,234
Appropriated Fund Balance	1,082,833	1,999,140	0	(1,999,140)
Net Change in Fund Balance	0	0	(251,906)	(251,906)
Fund Balance - Beginning of Year			9,302,573	
Fund Balance - End of Year			9,050,667	

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

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 Summmerfield 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

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

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. 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 31st each year with taxes due by May 1st 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.

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

January 6th. These taxes are based on the assessed values as of January 1, 2007. 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. 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	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 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 2008-2009 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 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, 2008, the Town's deposits had a carrying amount of $7,364,251, and a bank balance of $7,476,148. Of the bank balance, $223,295 was covered by federal depository insurance, and $7,252,853 was covered by collateral held under the Pooling Method. The Town had $300 of petty cash on hand at June 30, 2008.

2. Investments

Summerfield had $1,451,989 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.

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	4,380

4. Due from Governmental Agencies

Amounts due from governmental agencies consist of the following:

	Local	State	Total
Sales Tax Distribution		23,118	23,118
Utilities and Franchise Tax		69,418	69,418
Sales Tax Refund		5,517	5,517
Ad Valorem Taxes	3,280		3,280
ABC Distribution	7,837		7,837
Part F Grant		136,069	136,069
Motor Fuel Tax		21	21
	11,117	234,143	245,260

5. Capital Assets

Capital Asset activity for the Town of Summerfield for the year ended June 30, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	424,992	925,393		1,350,385
Construction in progress	141,874	282,624	5,975	418,523
Total capital assets not being depreciated	566,866	1,208,017	5,975	1,768,908
Capital assets being depreciated:				
Buildings and improvements	310,931	49,147		360,078
Land improvements	573,547	8,930		582,477
Office furniture and equipment	119,986	5,024		125,010
Vehicles	10,180			10,180
Total capital assets being depreciated	1,014,644	63,101	0	1,077,745
Less accumulated depreciation for:				
Buildings and improvements	34,505	9,813		44,318
Land improvements	36,953	38,296		75,249
Office furniture and equipment	76,961	8,597		85,558
Vehicles	1,852	2,036		3,888
Total accumulated depreciation	150,271	58,742	0	209,013
Total capital assets being depreciated, net	864,373			868,732
Governmental activity capital assets, net	1,431,239			2,637,640

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

General Government	14,786
Historic	288
Recreation	43,668
	58,742

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, 2008 were $12,418 and the Town's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were $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

employee's salaries. All employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were $12,768 which consisted of $6,147 from the Town and $6,621 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, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion of Balance
Governmental Activities:					
Compensated absences	7,621	16,290	7,621	16,290	16,290

Town of Summerfield, North Carolina
Balance Sheet
Governmental Fund
General Fund
June 30, 2008

Schedule 1

	June 30, 2008	June 30, 2007
Assets		
Cash and investments	8,816,540	8,963,112
Taxes Receivable	3,213	2,277
Accounts Receivable	4,524	3,189
Due from other governments	245,260	353,887
Prepaid items	7,980	3,636
Total Assets	9,077,517	9,326,101
Liabilities and Fund Balance		
Liabilities:		
Accounts payable and accrued liabilities	23,637	21,251
Unearned revenue	3,213	2,277
	26,850	23,528
Fund Balance		
Reserved:		
Reserve for Encumbrances	0	916,307
Reserved by state statute	257,764	360,712
Reserved for Parks and Recreation	5,542	6,593
Reserved - Other	2,639	2,601
Unreserved:		
Designated for Subsequent Years Expenditures	716,304	663,833
Designated for Parks and Recreation	400,000	400,000
Designated for Transportation	50,000	50,000
Undesignated	7,618,418	6,902,527
Total Fund Balance	9,050,667	9,302,573
	9,077,517	9,326,101

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

Schedule 2

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Revenues				
Ad Valorem Taxes - Current Year	471,927	456,231	-15,696	432,533
Prior Years	0	2,520	2,520	2,737
	471,927	458,751	-13,176	435,270
Other Taxes and Licenses:				
Franchise Fees	0	12,948	12,948	72,490
Unrestricted intergovernmental revenues:				
Local ABC revenues	10,000	25,660	15,660	0
Beer and wine excise tax	33,782	34,709	927	33,303
Local Option Sales Tax Article. 39	51,600	61,612	10,012	80,780
Local Option Sales Tax Article. 40	25,800	24,419	-1,381	31,253
Local Option Sales Tax Article. 42	25,800	24,145	-1,655	30,898
Local Option Sales Tax Article. 44	25,800	24,574	-1,226	32,035
Piped natural gas tax	6,439	6,712	273	6,862
Utilities franchise tax	207,364	217,569	10,205	204,425
Telecommunications sales tax	24,298	24,962	664	22,266
Cable Franchise Tax	70,646	73,060	2,414	
Total Taxes	481,529	517,422	35,893	441,822
Restricted intergovernmental revenues:				
PARTF Grant	492,000	136,069	-355,931	0
Total Restricted intergovernmental revenues:	492,000	136,069	-355,931	0
Fees and permits:				
Planning fees	32,000	23,856	-8,144	32,789
Total Fees and permits	32,000	23,856	-8,144	32,789
Investment earnings	350,000	423,050	73,050	438,890
Grants	50,000	50,000	0	0
Miscellaneous:				
Donations - Parks and Recreation	5,000	5,218	218	8,863
Donations - Founders Day	5,000	96	-4,904	2,305
Donations - other	0	198	198	360
Other	2,000	71	-1,929	2,386
Total Miscellaneous	12,000	5,583	-6,417	13,914
Total Revenues	1,889,456	1,627,679	-261,777	1,435,175
Expenditures:				
General government				
Governing body				
Operating expenditures				
Town Council	15,000	15,000	0	11,250
FICA on Town Council	1,148	1,148	0	861
Workers Compensation	108	99	9	104
Insurance and Bonding	6,100	4,943	1,157	523

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

Schedule 2

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Dues and Subscriptions	12,200	8,945	3,255	8,134
Per Diem and Travel	1,000	856	144	701
Education	2,000	1,121	879	650
Volunteer Appreciation	4,000	2,083	1,917	2,179
Retreat	400	0	400	0
Total Expenditures	41,956	34,195	7,761	24,402
Administration:				
Operating expenditures				
Salaries and Wages	107,650	102,982	4,668	143,427
Social Security	7,922	7,873	49	10,985
Unemployment	1,800	1,796	4	0
Worker's Compensation	347	330	17	1,666
Health, Vision, Dental Ins.	21,013	20,667	346	18,639
Life Insurance	679	679	0	681
Employee Retirement	6,275	6,238	37	7,736
Employee Retirement - 401(K)	3,107	3,088	19	3,088
Office Supplies and Materials	4,750	4,741	9	5,296
Dues and Subscriptions	675	343	332	592
Copier Lease	5,100	4,509	591	4,779
Telephone	3,500	2,848	652	3,115
Postage	3,200	2,259	941	2,088
Internet Expense	6,109	5,664	445	7,594
Education	700	573	127	1,428
Per Diem and Travel Expense	2,000	621	1,379	555
Town Newsletter	5,700	4,461	1,239	2,399
Information Technology Expense	5,000	4,730	270	3,185
Furniture and Supplies	1,500	1,480	20	1,436
Town Meeting Refreshments	500	496	4	233
Insurance	5,400	2,789	2,611	6,534
Advertising	7,000	6,408	592	3,942
Records Storage	750	618	132	0
Miscellaneous	500	24	476	0
Vehicle Maintenance	2,500	2,494	6	0
Capital Outlay - Audio Visual Equipment	25,700	1,668	24,032	3,209
Total Administration	229,377	190,379	38,998	232,607
Finance				
Audit	7,800	7,800	0	7,450
Contract Accounting Services	36,000	35,978	22	30,751
Tax Collection Fee	4,719	4,577	142	4,306
Insurance and Bonding - Fidelity	500	480	20	0
Miscellaneous	750	694	56	
Education	500	79	421	
Total Finance	50,269	49,608	661	42,507
Legal				
Contract Legal Services	60,000	51,816	8,184	33,338

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

Schedule 2

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Elections				
Contract Election Service	8,700	8,602	98	0
Public Property/Buildings				
Repairs and Maintenance	22,000	12,187	9,813	3,128
Office Cleaning	3,500	2,351	1,149	2,790
Heating and Utilities	4,200	3,625	575	3,962
Trash Disposal	200	175	25	181
Rental of Offices	3,200	2,550	650	1,605
Landscaping	6,500	5,875	625	5,461
Capital Outlay - Construction Services	5,000	4,885	115	15,062
Total Public Property/Buildings	44,600	31,648	12,952	32,189
Total General Government	434,902	366,248	68,654	365,043
Public safety				
Police and fire safety	1,800	1,800	0	1,800
Community Project	1,300	0	1,300	0
Communications	0	0	0	2,346
Vehicle Maintenance	4,000	1,471	2,529	631
Fire Inspections	50	0	50	0
Per Diem and Travel	750	0	750	0
Education	5,026	206	4,820	2,089
Municipal Equipment - Generator	2,000	1,980	20	0
Emergency Shelter/Preparedness	10,486	9,625	861	9,370
Summerfield Community Senior Program	0	0	0	6,311
Site Wiring for Emergency Generator				
Capital Outlay:				
Town Utility Truck	0	0	0	10,180
Total public safety	25,412	15,082	10,330	32,727
Planning and zoning				
Zoning Board:				
Membership and Dues	744	610	134	700
Training and Education	1,600	405	1,195	30
Per Diem and Travel	1,400	0	1,400	64
Planning Library	250	0	250	0
Planning and Advisory Service	800	0	800	695
	4,794	1,015	3,779	1,489
Planning Services:				
Salaries and Wages	66,156	61,763	4,393	0
Social Security	5,367	4,730	637	0
Worker's Compensation	1,828	984	844	0
Health, Vision, Dental Ins.	11,964	4,934	7,030	0
Life Insurance	289	200	89	0
Employee Retirement	4,251	3,745	506	0
Employee Retirement - 401(K)	2,105	1,854	251	0
Dues and Subscriptions	2,800	2,453	347	75
Office Supplies	2,500	903	1,597	2,469

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

Schedule 2

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Vehicle Reimbursement	500	192	308	57
Equipment Maintenance	1,000	693	307	0
Education	3,000	655	2,345	205
Per Diem and Travel	2,000	0	2,000	8
Comprehensive Plan	87,150	29,583	57,567	8,293
Zoning Enforcement	8,000	6,990	1,010	0
Lighting Services Contract	1,000	75	925	0
Town Engineer Contract	30,000	15,875	14,125	14,214
Total Planning Services	229,910	135,629	94,281	25,321
Total Planning and Zoning	234,704	136,644	98,060	26,810
Transportation (Thoroughfare Committee)				
Education	600	0	600	0
Thoroughfare Comm - Per Diem & Travel	500	0	500	0
NC 150 Realignment Study	5,000	4,158	842	0
Greenlawn Updates	14,000	0	14,000	0
Total Transportation	20,100	4,158	15,942	0
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				
Community Project - Community Relations	500	0	500	0
Special Event - Founders Day	25,000	19,588	5,412	19,077
Special Event - Tree Lighting	750	711	39	390
Total community events	26,250	20,299	5,951	19,467
Historical Commission				
Membership and Dues	120	0	120	0
Communications	250	0	250	15
Per Diem and Travel	250	0	250	122
Services - Town Hall and Rotating Exhibits	400	384	16	338
Services - Founders Day	300	18	282	0
Services - Summerfield Town History Project	3,950	91	3,859	0
Historic District Property Markers	0	0	0	2,930
Capital Outlay - Banners	6,000	3,357	2,643	0
Total Historical commission	11,270	3,850	7,420	3,405
Cultural and Recreation				
Parks and Recreation				
Salaries and Wages	51,805	40,183	11,622	0
Social Security	3,963	2,544	1,419	0
Worker's Compensation	1,593	1,237	356	0
Health, Vision, Dental Ins.	6,966	6,322	644	0

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008
With Comparative Actual Amounts for the Year Ended June 30, 2007

Schedule 2

	2008			
	Budget	Actual	Variance Favorable (Unfavorable)	2007 Actual
Life Insurance	259	140	119	0
Employee Retirement	2,485	2,435	50	0
Employee Retirement - 401(K)	1,230	1,205	25	0
Dues & Subscriptions	500	0	500	0
Communications	2,000	83	1,917	629
Trail Maintenance	1,000	810	190	0
Summerfield Community Park:			0	0
Park Landscape Maintenance	16,500	14,611	1,889	14,394
Park Janitorial Service	2,700	2,563	137	1,212
Maintenance and Contracts	22,117	10,740	11,377	11,545
Tools & Supplies	1,650	1,545	105	0
Trail Maintenance	1,000	774	226	0
Services - Education	600	20	580	0
Services - Per Diem and Travel	300	155	145	109
Services - SC Park Ground Breaking/Opening	0	0	0	606
Land Acquisition - Search Expense	0	0	0	1,350
Special Event - Founders Day	500	0	500	370
Parks and Recreation Programs	3,550	956	2,594	0
Parks and Recreaton Grant Writing	2,500	0	2,500	5,245
Operating Expenses - Summerfield Elm Track	1,500	1,123	377	0
Capital Outlay - SC Park Phase I	13,500	13,152	348	49,561
Capital Outlay - S.C. Park Phase II non-PARTF	33,500	33,105	395	11,563
Capital Outlay - S.C. Park Phase II PARTF	985,000	272,138	712,862	0
Capital Outlay - Trail Construction	4,500	0	4,500	0
Capital Outlay - Greenway Trail Public Access	75,000	750	74,250	0
Capital Outlay - Land Acq/Dev for Ball Fields	1,887,340	919,778	967,562	6,475
Capital Outlay - S.C. Park - Brick Walkway	11,000	6,935	4,065	11,376
Total Cultural and Recreation	3,134,558	1,333,304	1,801,254	114,435
Total Expenditures	3,888,596	1,879,585	2,009,011	561,887
Revenues Over (Under) Expenditures	-1,999,140	-251,906	1,747,234	873,288
Appropriated Fund Balance	1,999,140		-1,999,140	0
Revenues and Appropriated Fund Balance Over Expenditures	0	-251,906	-251,906	873,288
Fund Balance, Beginning of Year		9,302,573		8,429,285
Fund Balance, End of Year		9,050,667		9,302,573

Town of Summerfield
Schedule of Ad Valorem Taxes Receivable
June 30, 2008

Schedule 3

Fiscal Year	Uncollected Balance June 30, 2007	Additions	Collections And Credits	Uncollected Balance June 30, 2008
2007-2008		459,513	454,753	4,760
2006-2007	2,985		2,084	901
2005-2006	1,124		262	862
2004-2005	1,115		45	1,070
	5,224	459,513	457,144	7,593
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable				4,380
Ad Valorem Taxes Receivable - Net				3,213

Reconcilement with Revenues:	
Ad Valorem Taxes - General Fund	458,751
Payments -Other Charges	(989)
Discounts and Releases:	3,953
Abatements	(4,571)
Total collections and credits	457,144

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, 2008

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	1,189,960,109	0.039	464,084	418,558	45,526
Abatements and Discounts	11,719,639	0.039	4,570	3,995	575
Total property valuation	1,178,240,470	0.039	459,514	414,563	44,951
Uncollected Taxes at June 30, 2008			4,760	3,203	1,557
Current Year's Taxes Collected			454,754	411,360	43,394
Current Levy Collection Percentage			98.96%	99.23%	96.54%

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

Rouse, Rouse, Penn & Rouse, L.L.P.
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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, 2008, which collectively comprises the Town of Summerfield's basic financial statements, and have issued our report thereon dated October 31, 2008. 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 deficiencies described in 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies 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 deficiencies described above are 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 October 31, 2008.

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 and Rouse LLP

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

Eden, North Carolina
October 31, 2008

Significant Deficiencies

2008 – 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.

2008 – 2 Risk Assessment and Monitoring Process

Criteria: The new risk assessment standard SAS-109 requires that management develop an appropriate risk assessment and monitoring process.

Condition: *The Town* has not yet developed an appropriate fraud risk assessment and monitoring process.

Effect: *The Town* is not in compliance with SAS-109 risk assessment standard.

Recommendation: We recommend that management develop an appropriate fraud risk assessment and monitoring process.

View of responsible officials and planned corrective actions: We agree with this finding. We are in the process of developing an appropriate internal control policy that will address risk assessment.