

TOWN OF SUMMERFIELD
SUMMERFIELD, NORTH CAROLINA

Financial Statements
Year Ended June 30, 2012

TOWN OF SUMMERFIELD, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2012

<u>Exhibit</u>		<u>Page</u>
	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	13
2	Statement of Activities	14
	Fund Financial Statements	
3	Balance Sheet - General Fund	15
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	16
4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	17
5	Statement of Revenues, Expenditures, and Changes, in Fund Balance - Budget and Actual - General Fund	18
	Notes to Financial Statements	19
	Supplementary Information	
	Individual Fund Financial Statements	
	Schedule	
1	Comparative Balance Sheets - General Fund	34
2	Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual - General Fund	35
3	Schedule of Ad Valorem Taxes Receivable	39
4	Analysis of Current Tax Levy	40

Town of Summerfield, North Carolina

TOWN COUNCIL

Mark Brown	Mayor
Dena Barnes	Mayor Pro-Tem
John Wray	Councilperson
Elizabeth McClellan	Councilperson
Alicia Flowers	Councilperson
Dianne Laughlin	Councilperson

TOWN OFFICIALS

Mark Brown	Mayor
Dena Barnes	Mayor Pro-Tem
Scott Whitaker	Town Manager
Dana Luther	Finance Officer
William Hill	Town Attorney
Valarie Halvorsen	Town Clerk

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

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Summerfield's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Summerfield, North Carolina, as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Summerfield's basic financial statements. The introductory section, individual fund statements and schedules, and other schedules listed in the table of contents are presented for purposes of additional analysis are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

October 30, 2012

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, 2012 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

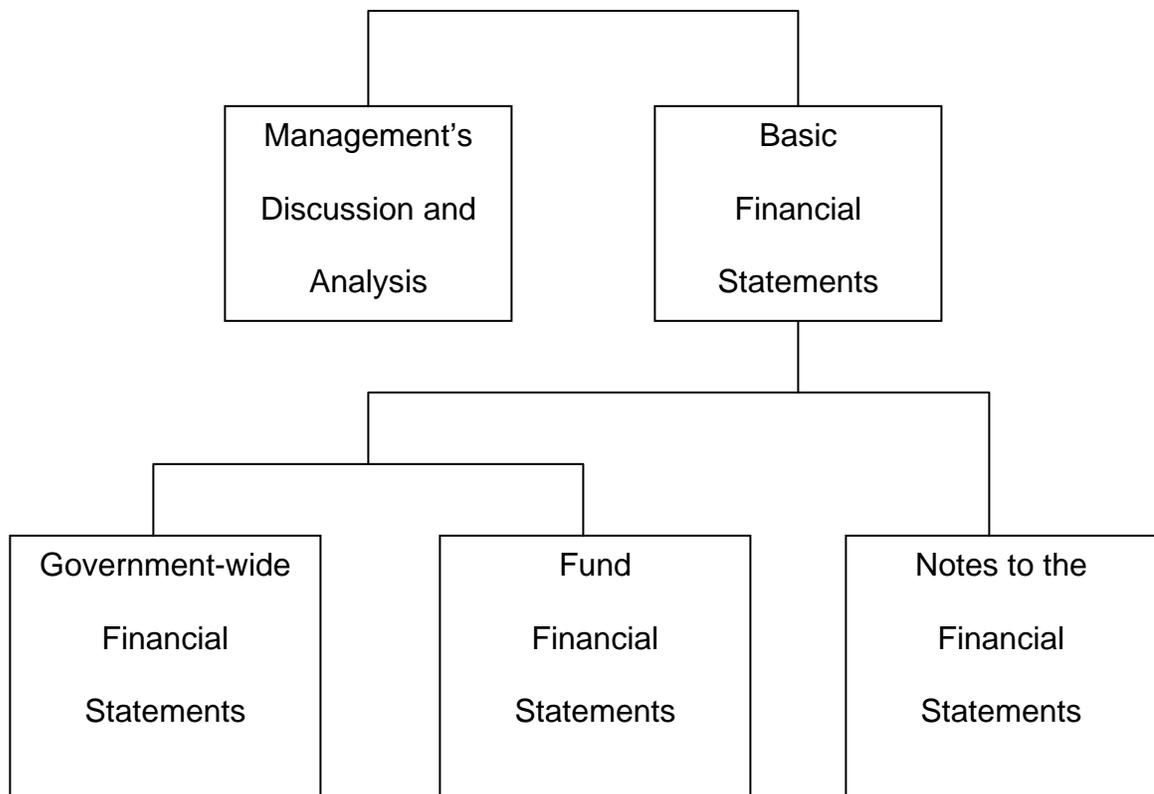
- The assets of the Town of Summerfield exceeded its liabilities at the close of the fiscal year by \$13,648,910.
- The government's total net assets increased by \$409,464, primarily due to fixed asset transactions, such as the improvements to the Summerfield Community Park dam, as general fund revenues exceeded expenditures net of capital outlays.
- As of the close of the current fiscal year, the Town of Summerfield's governmental funds reported combined ending fund balances of \$7,584,933, a decrease of \$59,630 from the prior year. Approximately ninety-eight percent of this total amount, or \$7,448,482, is available for spending at the government's discretion.
- At the end of the current fiscal year, available fund balance for the General Fund was \$7,448,482, or 479 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 → 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's financial status as a whole.

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

Management Discussion and Analysis
Town of Summerfield

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 19-33 of this report.

Government-Wide Financial Analysis

The Town of Summerfield's Net Assets

Figure 2

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 7,732,124	\$ 7,726,384
Capital assets	6,069,110	6,086,530
Total assets	<u>13,801,234</u>	<u>13,812,914</u>
Long-term liabilities outstanding	11,589	497,599
Other liabilities	140,735	75,869
Total liabilities	<u>152,324</u>	<u>573,468</u>
Net assets:		
Invested in capital assets	6,069,110	5,611,530
Restricted	135,196	125,741
Unrestricted	7,444,604	7,502,175
Total net assets	<u>\$ 13,648,910</u>	<u>\$ 13,239,446</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 \$13,648,910 as of June 30, 2012. The Town's net assets increased by \$409,464 for the fiscal year ended June 30, 2012; however, a portion (44.47%) 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. The Town's prior year investment in its capital assets is reported net of the outstanding related debt. An additional portion of the Town of Summerfield's net assets totaling \$135,196 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,444,604 is unrestricted.

Management Discussion and Analysis
Town of Summerfield

Town of Summerfield Changes in Net Assets

Figure 3

	2012	2011
Revenues:		
Program revenues:		
Charges for services	35,696	44,768
Operating grants and contributions	900	1,122
Capital grants and contributions	141,000	50,000
General revenues:		
Property taxes	453,775	437,585
Intergovernmental allocations	578,646	438,136
Other taxes and licenses	-	7,173
Investment Earnings	378,144	365,060
Other	617	79,730
Total revenues	<u>1,588,778</u>	<u>1,423,574</u>
Expenditures:		
General government	406,138	382,835
Public safety	35,835	67,767
Planning and zoning	177,796	253,505
Community Relations	20,232	29,955
Historical Commission	3,250	900
Culture and recreation	518,569	372,404
Interest and debt charges	17,494	20,478
Total expenses	<u>1,179,314</u>	<u>1,127,844</u>
Increase in net assets	409,464	295,730
Net assets, July 1	<u>13,239,446</u>	<u>12,943,716</u>
Net assets, June 30	<u>13,648,910</u>	<u>13,239,446</u>

Governmental activities - Governmental activities increased the Town's net assets by \$409,464, 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 once again levied an ad valorem property tax rate of \$.035 per \$100 of assessed value for the fiscal years ended June 30, 2012 and 2011 in comparison to none for the fiscal year ended June 30, 2010, \$.035 per \$100 of assessed value for the fiscal year ended June 30, 2009, \$.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.
- 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 elimination of a property tax levy in the fiscal year ended June 30, 2010, increases in the rates of other municipalities, and the economic downturn

Management Discussion and Analysis

Town of Summerfield

resulted in the Town receiving \$14,751 in the prior fiscal year in comparison to approximately \$108,276 in the current fiscal year.

- Despite historically low interest rates during the current fiscal year, compounding interest on the high interest rate long-term certificates of deposit resulted in an increase in investment earnings from the prior year of \$13,084 or 3.58%.
- The Town incurred low interest rate debt in the amount of \$475,000 during the fiscal year ended June 30, 2011 in an effort not to early withdraw high interest rate certificates of deposit. The loan proceeds were used to purchase lighting for completion of the construction of the Summerfield Athletic Park. The debt was retired in May 2012 with the funds from the first maturing certificate of deposit.
- Capital grants and contributions increased from \$50,000 to \$141,000 as the Town received a \$91,000 donation of 14.04 acres of land from the Wilson Farm Homeowners Association Inc.

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, available fund balance of the General Fund was \$7,448,482, while total fund balance was \$7,584,933, a .78% decrease from the prior year. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 479 percent of total General Fund expenditures while total fund balance represents 488 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.

Management Discussion and Analysis
Town of Summerfield

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town of Summerfield’s investment in capital assets for its governmental activities as of June 30, 2012, totals \$6,069,110 (net of accumulated depreciation). These assets include buildings, land, equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Recreational land donation of \$91,000 (Wilson Farms HOA land donation for trails),
- The continuing construction of improvements and repairs to the dam at the Summerfield Community Park in the amount of \$125,965,
- The start of improvements to the Town Hall brick exterior in the amount of \$20,094,
- The purchase of a Gator utility vehicle and trailer in the amount of \$11,058,
- The continuing construction of trails in the Town of Summerfield in the amount of \$12,443,
- The continuing construction of active recreation facilities at the Summerfield Athletic Park (SAP) in the amount of \$27,741, and
- Annual depreciation expense of \$310,738.

Town of Summerfield’s Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities 2012	Governmental Activities 2011
Land	1,441,385	1,350,385
Buildings and improvements	694,450	710,933
Land improvements	3,526,018	3,760,416
Vehicles	9,247	184
Office Furniture and Equipment	95,185	108,087
Construction in progress	302,825	156,525
Total	6,069,110	6,086,530

Management Discussion and Analysis
Town of Summerfield

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

Debt Administration

As of June 30, 2011, the Town of Summerfield had long-term debt outstanding of \$475,000. The debt proceeds were used to finish construction of the Summerfield Athletic Park with the purchase of lighting, and the debt was incurred to avoid the early withdrawal of high interest rate certificates of deposit. In May of 2012, the first of the five year certificates of deposit matured, and the funds were used to retire the debt. For the fiscal year ended June 30, 2012, the Town had no remaining debt outstanding.

Additional information regarding the Town of Summerfield's long-term debt can be found in Note II of the Basic Financial Statements.

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, 2013:

- The Town will once again levy a property tax of \$.035 per \$100 of assessed value for the fiscal year ending June 30, 2013. Although a property revaluation occurred in 2012, the tax base is expected to increase by 1.64% as a result of an increase in inventory and not market value.
- The 2010 US Census lists the population as 10,252 residents. This figure is 3,214 more residents than the 2000 US Census, a 45.8% increase.
- Investment earnings are projected to decrease by approximately \$300,144 as the five year certificates of deposit that began to mature in May 2012 will all mature by December 2012.
- The Town will use a combination of revenues and fund balance to finance programs currently in place and to construct and repair Town facilities.
- Despite a budgeted use of \$232,125 of fund balance during the fiscal year ending June 30, 2013, available fund balance will remain over \$7 million and over 671% of estimated general fund expenditures excluding parks and recreation capital outlay.
- Budgeted expenditures in the General Fund are expected to decrease from \$1,554,904 to \$1,385,825 as expenditures during the fiscal year ended June 30, 2012 included the retirement of debt outstanding.

Management Discussion and Analysis
Town of Summerfield

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, Town of Summerfield, PO Box 970, Summerfield, NC 27358, by telephone at (336) 643-8655, or by e-mail at swhitaker@summerfieldgov.com.

Town of Summerfield
Statement of Net Assets
June 30, 2012

Exhibit 1

ASSETS

Governmental

Current assets:

Cash and investments-unrestricted	7,591,953
Cash and investments-restricted	1,728
Receivables:	
Taxes receivable (net)	3,720
Accounts receivable (net)	3,462
Due from other governments	130,006
Prepaid Items	1,255

Total current assets	<u>7,732,124</u>
----------------------	------------------

Capital assets:

Land and other nondepreciable assets	1,744,209
Other capital assets, net of depreciation	<u>4,324,901</u>

Total capital assets	<u>6,069,110</u>
----------------------	------------------

Total assets	<u><u>13,801,234</u></u>
--------------	--------------------------

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	140,735
--	---------

Long-term liabilities:

Compensated Absences	<u>11,589</u>
----------------------	---------------

Total liabilities	<u>152,324</u>
-------------------	----------------

NET ASSETS

Invested in capital assets	6,069,110
Restricted for:	
Stabilization by state statute	133,468
Other	1,728
Unrestricted	<u>7,444,604</u>

Total net assets	<u><u>13,648,910</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, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	406,138		36		406,102
Public safety	35,835				35,835
Planning and zoning	177,796	7,395			170,401
Community relations	20,232	3,783			16,449
Historical commission	3,250				3,250
Cultural and recreation	518,569	24,518	864	141,000	352,187
Interest and debt charges	17,494				17,494
Total Governmental Activities	1,179,314	35,696	900	141,000	1,001,718
General revenues:					
					453,775
					578,646
					378,144
					617
					1,411,182
					409,464
					13,239,446
					13,648,910

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

**Town of Summerfield, North Carolina
Balance Sheet
Governmental Fund
June 30, 2012**

Exhibit 3

General Fund

June 30,
2012

Assets

Cash and investments-unrestricted	7,591,953
Cash and investments-restricted	1,728
Taxes receivable (net)	3,720
Accounts receivable (net)	3,462
Due from other governments	130,006
Prepaid items	<u>1,255</u>
Total Assets	<u><u>7,732,124</u></u>

Liabilities and Fund Balance

Liabilities:	
Accounts payable and accrued liabilities	140,735
Deferred/Unearned revenue	<u>6,456</u>
Total Liabilities	<u>147,191</u>

Fund Balance

Nonspendable	
Prepaid Items	1,255
Restricted for:	
Stabilization by state statute	133,468
Other	1,728
Committed to:	
Parks and recreation	100,000
Transportation	50,000
Assigned to:	
Subsequent year expenditures	232,125
Unassigned	<u>7,066,357</u>
Total Fund Balance	<u><u>7,584,933</u></u>

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.	6,069,110
Liabilities for earned but deferred revenues in fund statements.	6,456
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(11,589)</u>
Net assets of governmental activities	<u><u>13,648,910</u></u>

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

**Town of Summerfield, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Fund Types
For the Fiscal Year Ended June 30, 2012**

Exhibit 4

Governmental
Fund Types

General
Fund

June 30, 2012

Revenues

Ad valorem taxes	453,271
Unrestricted intergovernmental revenues	578,646
Fees and permits	7,395
Investment earnings	378,144
Grants	50,000
Miscellaneous	29,496
	<hr/>
Total Revenues	1,496,952
	<hr/>

Expenditures

Current operating:	
General government	423,883
Public safety	35,835
Planning and zoning	179,030
Historical commission	3,250
Community relations	20,232
Culture and recreation	400,180
Debt Service:	
Principal	475,000
Interest and other charges	17,494
	<hr/>
Total Expenditures	1,554,904
	<hr/>

Excess (Deficiency) of Revenues over Expenditures	(57,952)
	<hr/>

Other Financing Sources/(Uses)

Settlement	(2,000)
Insurance Recovery	322
	<hr/>
Total Other Financing Sources	(1,678)
	<hr/>

Net Change in Fund Balance	(59,630)
----------------------------	----------

Fund Balance, Beginning of Year	7,644,563
	<hr/>

Fund Balance, End of Year	7,584,933
	<hr/> <hr/>

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, 2012

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 (59,630)

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	202,318	
Depreciation	310,738	(108,420)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.

Donation of Land 91,000

Revenues that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred/unearned revenues 504

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but does not have any effect on net assets.

Principal payment 475,000

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	11,010	
----------------------	--------	--

Changes in net assets of governmental activities	409,464	
---	----------------	--

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, 2012

Exhibit 5

	General Fund 2012			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	450,000	450,000	453,271	3,271
Unrestricted intergovernmental revenues	496,000	496,000	578,646	82,646
Fees and permits	12,500	12,000	7,395	(4,605)
Investment earnings	360,000	360,000	378,144	18,144
Grants	50,000	50,000	50,000	0
Miscellaneous	30,050	30,550	29,496	(1,054)
Total Revenue	1,398,550	1,398,550	1,496,952	98,402
Expenditures:				
Current operating:				
General government	470,364	485,364	423,883	61,481
Public safety	41,153	41,153	35,835	5,318
Planning and zoning	225,650	230,650	179,030	51,620
Board of Adjustment	1,100	1,100	0	1,100
Community relations	30,000	30,000	20,232	9,768
Historical commission	6,100	6,100	3,250	2,850
Culture and recreation	701,000	681,000	400,180	280,820
Debt Service:				
Principal	475,000	475,000	475,000	0
Interest and other charges	11,000	20,500	17,494	3,006
Total Expenditures	1,961,367	1,970,867	1,554,904	415,963
Revenues Over (Under) Expenditures	(562,817)	(572,317)	(57,952)	514,365
Other Financing Sources (Uses):				
Settlement	0	(2,000)	(2,000)	0
Insurance Proceeds	0	0	322	322
Total Other Financing Sources (Uses)	0	(2,000)	(1,678)	322
Appropriated Fund Balance	562,817	574,317	0	(574,317)
Net Change in Fund Balance	0	0	(59,630)	(59,630)
Fund Balance - Beginning of Year			7,644,563	
Fund Balance - End of Year			7,584,933	

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, 2012

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 taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The 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, 2012

remaining governmental and enterprise funds are aggregated and reported as non-major 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 Cultural and Recreational services, Planning and Zoning and General Government.

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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year 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.

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

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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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, 2012

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 project 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 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2011. 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. Prepaid Items

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

5. 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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

**Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

	<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

6. Long Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The face amount of debt issued is reported as other financing sources.

7. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

8. 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, fund balance is composed of five classifications designed to

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Other - portion of fund balance that is restricted by revenue source for historical, Town welcome sign, and Town clock expenditures.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned fund balance - portion of fund balance that the Town intends to use for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

business of the Town in such a manner that available fund balance is at least equal to or greater than 30% of General Fund budgeted expenditures.

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, 2012, the Town's deposits had a carrying amount of \$7,589,916, and a bank balance of \$7,623,424. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$6,873,424 was covered by collateral held under the Pooling Method. The Town had \$300 of petty cash on hand at June 30, 2012.

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

2. Investments

Summerfield had \$3,465 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 doubtful accounts:

General Fund:

Taxes Receivable	6,262
Code Enforcement Liens	1,625

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		17,436	17,436
Utilities and Franchise Tax		86,509	86,509
Sales Tax Refund		3,395	3,395
Ad Valorem Taxes	4,794		4,794
ABC Distribution	17,845		17,845
Motor Fuel Tax		27	27
	<u>22,639</u>	<u>107,367</u>	<u>130,006</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

5. Capital Assets

Capital Asset activity for the Town of Summerfield for the year ended June 30, 2012 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	1,350,385	91,000		1,441,385
Construction in progress	<u>156,525</u>	<u>174,093</u>	<u>27,793</u>	<u>302,825</u>
Total capital assets not being depreciated	<u>1,506,910</u>	<u>265,093</u>	<u>27,793</u>	<u>1,744,210</u>
Capital assets being depreciated:				
Buildings and improvements	794,302			794,302
Land improvements	4,083,098	39,942		4,123,040
Office furniture and equipment	228,225	5,018	3,892	229,351
Vehicles	<u>10,180</u>	<u>11,058</u>		<u>21,238</u>
Total capital assets being depreciated	<u>5,115,805</u>	<u>56,018</u>	<u>3,892</u>	<u>5,167,931</u>
Less accumulated depreciation for:				
Buildings and improvements	83,369	16,483		99,852
Land improvements	322,682	274,340		597,022
Office furniture and equipment	120,138	17,920	3,892	134,166
Vehicles	<u>9,996</u>	<u>1,995</u>		<u>11,991</u>
Total accumulated depreciation	<u>536,185</u>	<u>310,738</u>	<u>3,892</u>	<u>843,031</u>
Total capital assets being depreciated, net	<u>4,579,620</u>			<u>4,324,900</u>
Governmental activity capital assets, net	<u>6,086,530</u>			<u>6,069,110</u>

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

General Government	13,152
Planning and Zoning	1,277
Historic	0
Recreation	<u>296,309</u>
	<u>310,738</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 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 rate for the fiscal year ended June 30, 2012 was 8.14% 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 contribution requirements of members and of the Town of Summerfield are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the year ended June 30, 2012 were \$21,339, and the Town's contributions to LGERS for the years ended June 30, 2011, 2010, 2009, and 2008 were \$17,750, \$13,326, \$12,655, and \$12,418. 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.

**Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

b. Supplemental Retirement Income Plan for Full-Time Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Town matches three percent of employees' salaries. All employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$18,921 which consisted of \$7,864 from the Town and \$11,057 from the employees.

2. Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid Taxes		2,736
Taxes Receivable	<u>3,720</u>	<u> </u>
Total	<u>3,720</u>	<u>2,736</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$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

**Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

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.

4. Long- Term Obligation

The Town of Summerfield incurred debt on July 22, 2010 in the amount of \$475,000 with an interest rate of 4% and a maturity date of July 22, 2012 for improvements to the Summerfield Athletic Park. The loan terms were modified on July 21, 2011 to change the payment schedule to interest only until loan maturity. The debt was paid in full on May 17, 2012. Interest for the year-ended June 30, 2012 was \$16,994.

a. Changes in Long-Term Liabilities

	Balance July 1, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Governmental Activities:				
Compensated Absences	22,599	11,589	22,599	11,589
Debt	475,000	0	475,000	0
Total	<u>497,599</u>	<u>11,589</u>	<u>497,599</u>	<u>11,589</u>

At June 30, 2012 the Town of Summerfield had a legal debt margin of \$103,745,600.

C. Fund Balance

Total Fund Balance - General Fund	7,584,933
Less:	
Prepaid Items	1,255
Stabilization by State Statute	133,468
Other Restricted Donations	1,728
Appropriated Fund Balance in 2013 Budget	232,125
Working Capital/ Fund Balance Policy	415,748
Remaining Fund Balance	<u>6,800,609</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Note III. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants in prior years. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Town of Summerfield, North Carolina
Comparative Balance Sheets
Governmental Fund
June 30, 2012

Schedule 1

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets		
Cash and investments	7,593,681	7,602,191
Taxes receivable	3,720	2,980
Accounts receivable	3,462	1,389
Due from other governments	130,006	118,324
Prepaid items	<u>1,255</u>	<u>1,500</u>
 Total Assets	 <u><u>7,732,124</u></u>	 <u><u>7,726,384</u></u>
 Liabilities and Fund Balance		
Liabilities:		
Accounts payable and accrued liabilities	140,735	57,766
Accrued Interest Payable	0	18,103
Deferred/Unearned revenue	<u>6,456</u>	<u>5,952</u>
	<u>147,191</u>	<u>81,821</u>
 Fund Balance		
Nonspendable:		
Prepaid Items	1,255	1,500
Restricted for:		
Stabilization by state statute	133,468	119,713
Restricted other	1,728	4,528
Committed to:		
Parks and recreation	100,000	100,000
Transportation	50,000	50,000
Assigned to:		
Subsequent year expenditures	232,125	562,817
Unassigned	<u>7,066,357</u>	<u>6,806,005</u>
 Total Fund Balance	 <u><u>7,584,933</u></u>	 <u><u>7,644,563</u></u>
	<u><u>7,732,124</u></u>	<u><u>7,726,384</u></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, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

Schedule 2

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Revenues				
Ad Valorem Taxes - Current Year	450,000	449,237	(763)	431,446
Prior Years	0	4,034	4,034	1,472
	<u>450,000</u>	<u>453,271</u>	<u>3,271</u>	<u>432,918</u>
Other taxes and licenses:				
Franchise fees	0	0	0	7,173
Unrestricted Intergovernmental Revenues:				
Local ABC revenues	10,000	51,273	41,273	25,439
Beer and wine excise tax	37,000	44,519	7,519	35,484
Local Option Sales Tax Article. 39	34,800	49,648	14,848	6,568
Local Option Sales Tax Article. 40	17,400	20,005	2,605	2,768
Local Option Sales Tax Article. 42	17,400	23,864	6,464	3,157
Local Option Sales Tax Article. 44	0	(594)	(594)	71
City Hold Harmless Sales Tax	17,400	15,353	(2,047)	2,187
Piped natural gas tax	7,600	5,858	(1,742)	7,367
Utilities franchise tax on electric	256,300	249,657	(6,643)	249,992
Telecommunications sales tax	23,100	24,243	1,143	24,645
Cable franchise tax	75,000	94,820	19,820	80,458
Total Taxes	<u>496,000</u>	<u>578,646</u>	<u>82,646</u>	<u>438,136</u>
Fees and permits:				
Planning fees	12,000	7,395	(4,605)	12,193
Investment Earnings	360,000	378,144	18,144	365,060
Grants	50,000	50,000	0	50,000
Miscellaneous:				
Donations - Parks and Recreation	3,500	864	(2,636)	388
Program Revenues - Parks and Recreation	21,000	24,518	3,518	26,231
Program Revenues - Founders Day	5,450	3,783	(1,667)	6,344
Donations - Other	100	36	(64)	734
Other	500	295	(205)	77,354
Total Miscellaneous	<u>30,550</u>	<u>29,496</u>	<u>(1,054)</u>	<u>111,051</u>
Total Revenues	<u>1,398,550</u>	<u>1,496,952</u>	<u>98,402</u>	<u>1,416,531</u>
Expenditures:				
General government				
Governing body				
Operating expenditures				
Town Council	15,500	15,084	416	15,000
FICA on Town Council	1,200	1,154	46	1,148
Workers compensation	100	88	12	87
Insurance and bonding	5,400	5,237	163	4,873
Dues and subscriptions	11,000	10,952	48	10,016
Per diem and travel	2,000	884	1,116	583
Education	2,500	815	1,685	615
Volunteer appreciation	2,500	1,632	868	1,180
Retreat	300	230	70	112
Total Expenditures	<u>40,500</u>	<u>36,076</u>	<u>4,424</u>	<u>33,614</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, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

Schedule 2

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Administration:				
Operating expenditures				
Salaries and wages	141,300	139,769	1,531	125,306
Social Security	13,000	12,297	703	9,583
Worker's compensation	500	408	92	365
Health, vision, dental ins.	23,200	21,881	1,319	29,700
Life insurance	1,000	585	415	761
Employee retirement	13,150	13,115	35	8,547
Employee retirement - 401(k)	5,000	4,833	167	3,369
Office supplies and materials	4,000	3,456	544	3,607
Dues and subscriptions	50	50	0	731
Copier lease/maintenance	2,500	1,800	700	2,193
Telephone	3,200	3,177	23	3,022
Postage	1,800	1,422	378	1,797
Internet expense	4,000	2,804	1,196	2,653
Education	2,000	1,054	946	3,220
Per diem and travel expense	2,000	941	1,059	644
Town newsletter	4,500	0	4,500	3,575
Information technology expense	4,500	4,431	69	4,841
Furniture and supplies	1,500	678	822	0
Town meeting refreshments	600	583	17	486
Insurance	7,900	7,302	598	5,922
Advertising	6,000	4,014	1,986	7,443
Records storage	1,000	639	361	567
Miscellaneous	500	140	360	212
Vehicle maintenance	4,000	3,206	794	2,968
Capital outlay - computer equip & peripherals	5,000	3,673	1,327	3,406
Capital outlay - audio visual equipment	0	0	0	3,262
Total Administration	252,200	232,258	19,942	228,180
Finance				
Audit	9,000	8,473	527	8,025
Contract accounting services	45,000	44,917	83	41,974
Tax collection fee	2,639	2,639	0	5,062
Insurance and bonding - fidelity	525	507	18	473
Miscellaneous	1,000	178	822	815
Education	1,000	0	1,000	0
Total Finance	59,164	56,714	2,450	56,349
Legal				
Contract legal services	75,000	53,540	21,460	33,447
Elections				
Contract election service	10,000	9,449	551	0
Public property/buildings				
Repairs and maintenance	11,500	2,802	8,698	9,898
Office cleaning	3,000	2,340	660	737
Heating and utilities	3,500	3,179	321	3,050
Rental of offices	3,000	2,100	900	2,280
Landscaping	5,500	5,331	169	5,309
Capital outlay - construction services	22,000	20,094	1,906	0
Total Public property/buildings	48,500	35,846	12,654	21,274
Total General Government	485,364	423,883	61,481	372,864

Town of Summerfield
 General Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2012
 With Comparative Actual Amounts for the Year Ended June 30, 2011

Schedule 2

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Public safety				
Police and fire safety				
Community project	1,800	1,800	0	1,800
Communications	300	0	300	0
Fire inspections	4,400	1,111	3,289	3,413
Per diem and travel	50	0	50	0
Education	200	0	200	247
Municipal equipment - generator	2,000	1,801	199	810
Emergency shelter/preparedness	3,000	2,913	87	2,861
Summerfield community senior program	12,250	11,057	1,193	9,404
Animal Control	17,153	17,153	0	17,153
Animal Shelter	0	0	0	32,079
Total Public safety	41,153	35,835	5,318	67,767
Planning and zoning				
Zoning board:				
Membership and dues	800	439	361	589
Training and education	1,000	0	1,000	618
Per diem and travel	1,000	0	1,000	272
Planning library	50	15	35	0
Planning and advisory service	800	795	5	695
	<u>3,650</u>	<u>1,249</u>	<u>2,401</u>	<u>2,174</u>
Planning services:				
Salaries and wages	70,300	58,537	11,763	74,963
Social security	5,900	4,487	1,413	5,744
Worker's compensation	900	808	92	632
Health, vision, dental ins.	8,900	2,934	5,966	8,658
Life insurance	500	333	167	511
Employee retirement	6,300	4,765	1,535	5,704
Employee retirement - 401(k)	2,300	1,756	544	2,249
Dues and subscriptions	3,900	3,823	77	3,466
Office supplies	1,500	1,211	289	1,008
Vehicle reimbursement	0	0	0	42
Equipment maintenance	2,000	580	1,420	490
Education	1,500	209	1,291	665
Per diem and travel	1,500	598	902	1,039
Development Ordinance	89,000	81,342	7,658	132,809
Zoning enforcement	6,500	5,478	1,022	2,674
Lighting services contract	1,000	0	1,000	0
Town engineer contract	20,000	10,920	9,080	7,070
Capital outlay - computer equip & peripherals	5,000	0	5,000	3,430
Total Planning services	227,000	177,781	49,219	251,154
Total Planning and zoning	230,650	179,030	51,620	253,328
Board of Adjustments:				
Per diem and travel	700	0	700	0
Education	400	0	400	0
Total Board of Adjustments	1,100	0	1,100	0
Community relations				
Community events				
Special event - Founders Day	30,000	20,232	9,768	29,955
Total Community events	30,000	20,232	9,768	29,955

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012
With Comparative Actual Amounts for the Year Ended June 30, 2011

Schedule 2

	2012		Variance Favorable (Unfavorable)	2011 Actual
	Budget	Actual		
Historical commission				
Communications	100	0	100	0
Services - Per Diem and Travel	100	23	77	0
Services - Town Hall and rotating exhibits	400	0	400	7
Services - Special Events	200	166	34	62
Services - Summerfield town history project	5,300	3,061	2,239	0
Total Historical commission	6,100	3,250	2,850	69
Cultural and recreation				
Parks and recreation				
Salaries and wages	48,100	42,493	5,607	45,970
Social security	3,700	3,241	459	3,499
Worker's compensation	1,400	1,301	99	1,261
Health, vision, dental ins.	8,900	8,802	98	8,658
Life insurance	200	128	72	185
Employee retirement	4,000	3,459	541	3,498
Employee retirement - 401(k)	1,500	1,275	225	1,379
Dues & subscriptions	200	0	200	68
Communications	500	0	500	0
Trail maintenance	2,500	0	2,500	5,550
Summerfield Community Park:				
Park landscape maintenance	20,000	19,515	485	21,654
Park janitorial service	11,000	8,152	2,848	8,536
Maintenance and contracts	17,000	16,553	447	14,085
Tools & supplies	2,000	1,126	874	1,546
Trail maintenance	1,000	0	1,000	0
Summerfield Athletic Park:				
Park landscape maintenance	26,000	22,732	3,268	13,925
Park janitorial service	8,500	5,762	2,738	4,069
Maintenance and contracts	42,500	38,749	3,751	21,409
Tools & supplies	4,500	3,432	1,068	3,756
Field maintenance	30,000	27,486	2,514	12,748
Services - education	2,000	395	1,605	460
Services - per diem and travel	1,000	51	949	343
Parks and recreation programs	23,000	15,850	7,150	22,602
Operating expenses - Summerfield Elm track	1,500	1,127	373	222
Capital outlay - Multi-Use Vehicle	13,000	11,058	1,942	0
Capital outlay - S.C. Park Phase II non-PARTF	134,000	125,965	8,035	16,930
Capital outlay - Land Acq/Dev for ball fields	163,000	29,085	133,915	588,452
Capital outlay - Armfield Park	20,000	0	20,000	7,984
Capital outlay - Trail Construction	90,000	12,443	77,557	15,350
Total Cultural and recreation	681,000	400,180	280,820	824,139
Debt Service				
Principal	475,000	475,000	0	0
Interest and other charges	20,500	17,494	3,006	20,478
Total Debt Service	495,500	492,494	3,006	20,478
Total Expenditures	1,970,867	1,554,904	415,963	1,568,600
Revenues Over (Under) Expenditures	(572,317)	(57,952)	514,365	(152,069)
Other Financing Sources (Uses)				
Debt Proceeds	0	0	0	475,000
Settlements	(2,000)	(2,000)	0	0
Insurance Recovery	0	322	322	2,376
Total other financing sources	(2,000)	(1,678)	322	477,376
Appropriated Fund Balance	574,317	0	(574,317)	0
Revenues and Appropriated Fund Balance Over Expenditures	0	(59,630)	(59,630)	325,307
Fund Balance, Beginning of Year		7,644,563		7,319,256
Fund Balance, End of Year		7,584,933		7,644,563

Town of Summerfield
Schedule of Ad Valorem Taxes Receivable
June 30, 2012

Schedule 3

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Credits	Collections	Uncollected Balance June 30, 2012
2011-2012	0	457,688	3,801	448,458	5,429
2010-2011	4,896	0	55	2,895	1,946
2009-2010	212	0		58	154
2008-2009	913	0	38	235	640
2007-2008	613	0	12	70	531
2006-2007	510	0		55	455
2005-2006	590	0		66	524
2004-2005	435	0		132	303
	<u>8,169</u>	<u>457,688</u>	<u>3,906</u>	<u>451,969</u>	<u>9,982</u>
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable					<u>6,262</u>
Ad Valorem Taxes Receivable - Net					<u>3,720</u>
Reconciliation with Revenues:					
Ad Valorem Taxes - General Fund					453,271
Interest Collected					(1,302)
Discounts, Releases, and Write-offs					<u>3,906</u>
Total collections and credits					<u>455,875</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, 2012

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	1,307,680,000	0.035	457,688	418,454	39,234
Abatements and Discounts	10,860,000	0.035	3,801	3,801	0
Total property valuation	1,296,820,000	0.035	453,887	414,653	39,234
Uncollected Taxes at June 30, 2012			5,429	3,389	2,040
Current Year's Taxes Collected			448,458	411,264	37,194
Current Levy Collection Percentage			98.80%	99.18%	94.80%