

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

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Patricia E. Penn, CPA
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October 28, 2013

The Board of Directors
Town of Summerfield
Summerfield, North Carolina

Council Members:

We have audited the financial statements of the Town of Summerfield for the year ended June 30, 2013 and have issued our report thereon dated October 25, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 19, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town of Summerfield. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Summerfield's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 19, 2013.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Summerfield's policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were as follows:

1. Management's estimate of the useful life of capital assets was based on past experience with the purchase of capital assets.
2. The capitalization threshold of capital assets was based on the materiality level determined by management.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

We have requested certain representations from management that are included in the management representation letter dated October 25, 2013.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior

to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Town of Summerfield and those charged with governance and management of the Town of Summerfield and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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October 25, 2013

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, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Summerfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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

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

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

Very truly yours,

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

**TOWN OF SUMMERFIELD
SUMMERFIELD, NORTH CAROLINA**

**Financial Statements
Year Ended June 30, 2013**

TOWN OF SUMMERFIELD, NORTH CAROLINA
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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
Katrina Whitt	Finance Officer
William Hill	Town Attorney
Valarie Halvorsen	Town Clerk

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Summerfield, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents..

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Audit's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Summerfield, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Summerfield, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.


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

October 25, 2013

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, 2013 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 and deferred outflows of resources of the Town of Summerfield exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,821,892 (net position).
- The government's total net position increased by \$175,718, primarily due to fixed asset transactions, 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 \$8,028,446, an increase of \$443,513 from the prior year. Approximately ninety-eight percent of this total amount, or \$7,881,855, 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 \$7,881,855, or 1,026 percent of total general fund expenditures for the fiscal year.

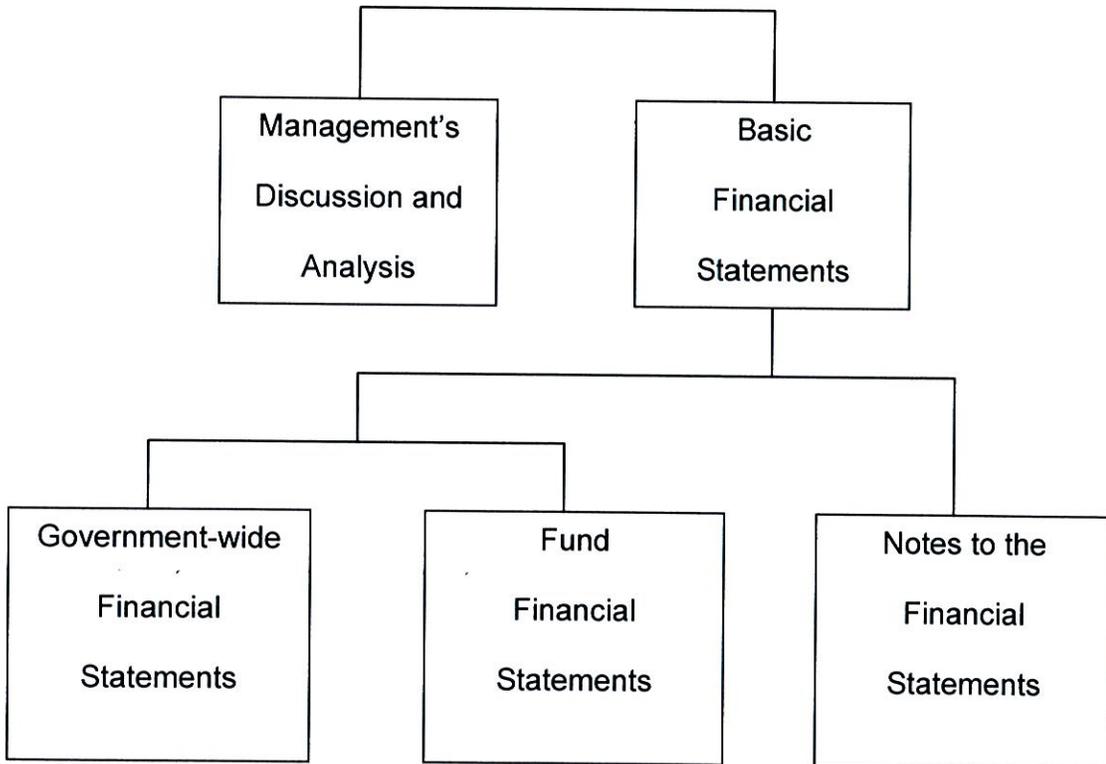
Management Discussion and Analysis
Town of Summerfield

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 position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The Statement of Net Position 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 Position", 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 Position (the "Unrestricted Net Position") is to present the net available liquid (non-capital) assets, net of liabilities, for the entire Town. Net Position is reported in three broad categories:

Net Investment in Capital Assets consists of all capital assets net of depreciation.

Management Discussion and Analysis
Town of Summerfield

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

Unrestricted Net Position consists of those assets that do not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”.

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 Position 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

Management Discussion and Analysis
Town of Summerfield

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 19-33 of this report.

Government-Wide Financial Analysis

The Town of Summerfield's Net Position

Figure 2

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 8,071,243	\$ 7,732,124
Capital assets	5,799,991	6,069,110
Total assets	<u>13,871,234</u>	<u>13,801,234</u>
Long-term liabilities outstanding	10,768	11,589
Other liabilities	36,114	140,735
Total liabilities	<u>46,882</u>	<u>152,324</u>
Deferred Inflows of Resources	<u>2,460</u>	<u>2,736</u>
Net position:		
Net Investment in capital assets	5,799,991	6,069,110
Restricted	146,591	135,196
Unrestricted	7,875,310	7,441,868
Total net position	<u>\$ 13,821,892</u>	<u>\$ 13,646,174</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Summerfield exceeded liabilities and deferred inflows by \$13,821,892 as of June 30, 2013. The Town's net position increased by \$175,718 for the fiscal year ended June 30, 2013; however, a portion (41.96%) of total net position reflects the Town's net 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 position totaling \$146,591 represents resources that

Management Discussion and Analysis
Town of Summerfield

are subject to external restrictions on how they may be used. The remaining balance of \$7,875,310 is unrestricted.

Town of Summerfield Changes in Net Position

Figure 3

	Governmental Activities 2013	Governmental Activities 2012
Revenues:		
Program revenues:		
Charges for services	45,756	35,696
Operating grants and contributions	50	900
Capital grants and contributions	-	141,000
General revenues:		
Property taxes	465,501	451,039
Intergovernmental allocations	628,461	578,646
Investment Earnings	61,564	378,144
Other	11,045	617
Total revenues	1,212,377	1,586,042
Expenditures:		
General government	421,916	406,138
Public safety	43,281	35,835
Planning and zoning	90,356	177,796
Transportation	5,100	-
Community Relations	20,254	20,232
Historical Commission	374	3,250
Culture and recreation	455,378	518,569
Interest and debt charges	-	17,494
Total expenses	1,036,659	1,179,314
Increase in net position	175,718	406,728
Net position, July 1	13,646,174	13,239,446
Net position, June 30	13,821,892	13,646,174

Governmental activities - Governmental activities increased the Town's net position by \$175,718, thereby accounting for the total growth in the net position 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, 2013, 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.

Management Discussion and Analysis
Town of Summerfield

- 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 Town received \$108,276 in the prior fiscal year in comparison to approximately \$112,213 in the current fiscal year.
- Due to historically low interest rates during the current fiscal year, and compounding interest on the high interest rate long-term certificates of deposit in the prior fiscal year, this resulted in a decrease in investment earnings from the prior year of \$316,580 or 83.72%.
- 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 decreased from \$141,000 to \$50 as the Town received little in capital grants or contributions.

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 \$7,881,855, while total fund balance was \$8,028,446, a 5.85% increase 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 1,026 percent of total General Fund expenditures while total fund balance represents 1,045 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, 2013, totals \$5,799,991 (net of accumulated depreciation). These assets include buildings, land, equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Safety netting installed at Summerfield Athletic Park (SAP) in the amount of \$ 14,200,
- Continued evaluation and monitoring of the Summerfield Athletic Park (SAP) Field House repairs in the amount of \$13,939,
- Annual depreciation expense of \$324,348.

Town of Summerfield's Capital Assets

Figure 4

	Governmental Activities 2013	Governmental Activities 2012
Land	1,441,385	1,441,385
Buildings and improvements	680,712	694,450
Land improvements	3,381,577	3,526,018
Vehicles	7,035	9,247
Office Furniture and Equipment	109,938	95,185
Construction in progress	179,344	302,825
Total	5,799,991	6,069,110

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

Management Discussion and Analysis
Town of Summerfield

Debt Administration

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 years ending June 30, 2013 and 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, 2014:

- The Town will once again levy a property tax of \$.035 per \$100 of assessed value for the fiscal year ending June 30, 2014. A property revaluation occurred in 2012. The tax base is approximately \$1.3 billion.
- 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 \$43,564 as the five year certificates of deposit all matured 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 \$1,026,839 of fund balance during the fiscal year ending June 30, 2014, available fund balance will remain at almost \$7 million and over 707% of estimated general fund expenditures excluding public property/building capital outlay and parks and recreation capital outlay.
- Budgeted expenditures in the General Fund are expected to increase from \$767,540 to \$2,169,389 as budgeted expenditures during the fiscal year ended June 30, 2014 include Capital Projects as follows: Facilities Land Acquisition/Improvements (\$600,000), Town Hall Exterior Repairs (\$250,000), Trail Development (\$250,000), Athletic Park Field House Repairs (\$50,000) and Athletic Park Entrance Roadway (\$50,000).

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 townmanager@summerfieldgov.com.

Town of Summerfield
Statement of Net Position
June 30, 2013

Exhibit 1

ASSETS

Activities

Current assets:

Cash and investments-unrestricted	7,920,429
Cash and investments-restricted	1,728
Receivables:	
Taxes receivable (net)	4,223
Accounts receivable (net)	11,350
Due from other governments	<u>133,513</u>

Total current assets	<u>8,071,243</u>
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Capital assets:

Land and other nondepreciable assets	1,620,729
Other capital assets, net of depreciation	<u>4,179,262</u>

Total capital assets	<u>5,799,991</u>
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Total assets	<u><u>13,871,234</u></u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	36,114
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Long-term liabilities:

Compensated Absences	<u>10,768</u>
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Total liabilities	<u>46,882</u>
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Deferred Inflows of Resources

Prepaid Taxes	<u>2,460</u>
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NET POSITION

Net investment in capital assets	5,799,991
Restricted for:	
Stabilization by state statute	144,863
Other	1,728
Unrestricted	<u>7,875,310</u>

Total net position	<u><u>13,821,892</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, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Expense (Revenue) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General government	421,916				421,916
Public safety	43,281				43,281
Planning and zoning	90,356	16,292			74,064
Transportation	5,100				5,100
Community relations	20,254	5,090			15,164
Historical commission	374				374
Cultural and recreation	455,378	24,374	50		430,954
Total Governmental Activities	1,036,659	45,756	50	0	990,853
General revenues:					
					465,501
					628,461
					61,564
					11,045
					1,166,571
					Change in net position
					175,718
					Net position - beginning
					13,646,174
					Net position - ending
					13,821,892

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

**Town of Summerfield, North Carolina
Balance Sheet
Governmental Fund
June 30, 2013**

Exhibit 3

General Fund

June 30,
2013

Assets

Cash and investments-unrestricted	7,920,429
Cash and investments-restricted	1,728
Taxes receivable (net)	4,223
Accounts receivable (net)	11,350
Due from other governments	133,513
	133,513

Total Assets	8,071,243
--------------	-----------

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued liabilities	36,114
	36,114

Total Liabilities	36,114
-------------------	--------

Deferred Inflows of Resources

Property tax receivable	4,223
Prepaid Taxes	2,460
	6,683

Fund Balance

Restricted for:	
Stabilization by state statute	144,863
Other	1,728

Committed to:	
Parks and recreation	100,000
Transportation	50,000

Assigned to:	
Subsequent year expenditures	1,026,839
Unassigned	6,705,016
	6,705,016

Total Fund Balance	8,028,446
--------------------	-----------

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	5,799,991
---	-----------

Liabilities for earned but deferred revenues in fund statements.	4,223
--	-------

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,768)
	(10,768)

Net position of governmental activities	13,821,892
---	------------

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, 2013**

Exhibit 4

Governmental
Fund Types

General
Fund

June 30, 2013

Revenues

Ad valorem taxes	464,998
Unrestricted intergovernmental revenues	628,461
Fees and permits	16,292
Investment earnings	61,564
Miscellaneous	29,559
	<hr/>
Total Revenues	1,200,874

Expenditures

Current operating:	
General government	417,039
Public safety	43,281
Planning and zoning	96,031
Transportation	5,100
Historical commission	374
Community relations	20,254
Culture and recreation	186,282
	<hr/>
Total Expenditures	768,361

Excess (Deficiency) of Revenues over Expenditures	432,513
	<hr/>

Other Financing Sources/(Uses)

Insurance Recovery	11,000
	<hr/>
Total Other Financing Sources	11,000

Net Change in Fund Balance	443,513
----------------------------	---------

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

Fund Balance, End of Year	8,028,446
	<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, 2013

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 443,513

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	55,229	
Depreciation	324,348	
	379,577	(269,119)

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

Change in deferred/unearned revenues 503

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		821
		821

Changes in net position of governmental activities		175,718
		175,718

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, 2013

Exhibit 5

	General Fund 2013			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	462,000	462,000	464,998	2,998
Unrestricted intergovernmental revenues	585,500	585,500	628,461	42,961
Fees and permits	7,000	7,000	16,292	9,292
Investment earnings	78,000	78,000	61,564	(16,436)
Miscellaneous	21,200	21,200	29,559	8,359
Total Revenue	1,153,700	1,153,700	1,200,874	47,174
Expenditures:				
Current operating:				
General government	608,814	617,814	417,039	200,775
Public safety	50,716	50,716	43,281	7,435
Planning and zoning	117,495	146,495	96,031	50,464
Board of Adjustment	2,000	2,000	0	2,000
Transportation	0	6,000	5,100	900
Community relations	30,000	30,000	20,254	9,746
Historical commission	3,700	3,700	374	3,326
Culture and recreation	573,100	529,100	186,282	342,818
Total Expenditures	1,385,825	1,385,825	768,361	617,464
Revenues Over (Under) Expenditures	(232,125)	(232,125)	432,513	664,638
Other Financing Sources (Uses):				
Insurance Proceeds	0	0	11,000	11,000
Total Other Financing Sources (Uses)	0	0	11,000	11,000
Appropriated Fund Balance	232,125	232,125	0	(232,125)
Net Change in Fund Balance	0	0	443,513	443,513
Fund Balance - Beginning of Year			7,584,933	
Fund Balance - End of Year			8,028,446	

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, 2013

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 position 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

financial statements is on major governmental funds. All 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. 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 position 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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 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, Deferred Outflows/Inflows of Resources 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.

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2012. 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. Restricted Assets

Restricted Assets are comprised as follows:

Brittain Building Clock	1,324
Historical Committee	384
Welcome Sign	<u>20</u>
	<u>1,728</u>

4. 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.

5. 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.

6. 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

**Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

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.

	<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

7. 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 position. The face amount of debt issued is reported as other financing sources.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

9. 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

**Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

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.

10. Net Position/Fund Balances

Net position in government-wide statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents 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 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, the Town's deposits had a carrying amount of \$7,918,391, and a bank balance of \$7,949,695. Of the bank balance, \$3,000,000 was covered by federal depository insurance, and \$4,949,695 was covered by collateral held under the Pooling Method. The Town had \$300 of petty cash on hand at June 30, 2013.

2. Investments

Summerfield had \$3,467 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.

**Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

- 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 Position are net of the following allowances for doubtful accounts:

General Fund:

Taxes Receivable	7,602
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		19,938	19,938
Utilities and Franchise Tax		88,997	88,997
Sales Tax Refund		3,372	3,372
Ad Valorem Taxes	3,143		3,143
ABC Distribution	18,049		18,049
Motor Fuel Tax		14	14
	<u>21,192</u>	<u>112,321</u>	<u>133,513</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

5. Capital Assets

Capital Asset activity for the Town of Summerfield for the year ended June 30, 2013 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	1,441,385	0		1,441,385
Construction in progress	<u>302,825</u>	<u>22,901</u>	<u>146,382</u>	<u>179,344</u>
Total capital assets not being depreciated	<u>1,744,210</u>	<u>22,901</u>	<u>146,382</u>	<u>1,620,729</u>
Capital assets being depreciated:				
Buildings and improvements	794,302	2,830		797,132
Land improvements	4,123,040	138,010		4,261,050
Office furniture and equipment	229,351	37,870	1,432	265,789
Vehicles	<u>21,238</u>	<u>0</u>		<u>21,238</u>
Total capital assets being depreciated	<u>5,167,931</u>	<u>178,710</u>	<u>1,432</u>	<u>5,345,209</u>
Less accumulated depreciation for:				
Buildings and improvements	99,852	16,568		116,420
Land improvements	597,022	282,451		879,473
Office furniture and equipment	134,166	23,117	1,432	155,851
Vehicles	<u>11,991</u>	<u>2,212</u>		<u>14,203</u>
Total accumulated depreciation	<u>843,031</u>	<u>324,348</u>	<u>1,432</u>	<u>1,165,947</u>
Total capital assets being depreciated, net	<u>4,324,900</u>			<u>4,179,262</u>
Governmental activity capital assets, net	<u>6,069,110</u>			<u>5,799,991</u>

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

General Government	13,377
Planning and Zoning	2,996
Recreation	<u>307,975</u>
	<u>324,348</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013 was 6.74% 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, 2013 were \$15,886, and the Town's contributions to LGERS for the years ended June 30, 2012, 2011, 2010, 2009, and 2008 were \$21,339, \$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, 2013**

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, 2013 were \$16,032 which consisted of \$6,575 from the Town and \$9,457 from the employees.

2. Deferred Outflows and Inflows of Resources

The balance in deferred inflows of resources at year-end is composed of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid Taxes		2,460
Taxes Receivable	<u>4,223</u>	_____
Total	<u>4,223</u>	<u>2,460</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, 2013**

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

Governmental Activities:	Balance July 1, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2013</u>
Compensated Absences	11,589	10,768	11,589	10,768
Total	<u>11,589</u>	<u>10,768</u>	<u>11,589</u>	<u>10,768</u>

At June 30, 2013 the Town of Summerfield had a legal debt margin of \$106,446,407.

C. Fund Balance

Total Fund Balance - General Fund	8,028,446
Less:	
Stabilization by State Statute	144,863
Other Restricted Donations	1,728
Committed to Parks and Recreation	100,000
Committed to Transportation	50,000
Appropriated Fund Balance in 2014 Budget	1,026,839
Working Capital/ Fund Balance Policy	650,816
Remaining Fund Balance	<u>6,054,200</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

Note IV. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

Town of Summerfield, North Carolina
Comparative Balance Sheets
Governmental Fund
June 30, 2013

Schedule 1

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets		
Cash and investments	7,922,157	7,593,681
Taxes receivable	4,223	3,720
Accounts receivable	11,350	3,462
Due from other governments	133,513	130,006
Prepaid items	0	1,255
	<u>8,071,243</u>	<u>7,732,124</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable and accrued liabilities	<u>36,114</u>	<u>140,735</u>
Total Liabilities	<u>36,114</u>	<u>140,735</u>
Deferred Inflows of Resources		
Property tax receivable	4,223	3,720
Prepaid taxes	<u>2,460</u>	<u>2,736</u>
	<u>6,683</u>	<u>6,456</u>
Fund Balance		
Nonspendable:		
Prepaid items	0	1,255
Restricted for:		
Stabilization by state statute	144,863	133,468
Restricted donations	1,728	1,728
Committed to:		
Parks and recreation	100,000	100,000
Transportation	50,000	50,000
Assigned to:		
Subsequent year expenditures	1,026,839	232,125
Unassigned	<u>6,705,016</u>	<u>7,066,357</u>
Total Fund Balance	<u>8,028,446</u>	<u>7,584,933</u>
	<u>8,071,243</u>	<u>7,732,124</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, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 2

	2013		Variance Favorable (Unfavorable)	2012 Actual
	Budget	Actual		
Revenues				
Ad Valorem Taxes - Current Year	462,000	461,005	(995)	449,237
Prior Years	0	3,993	3,993	4,034
	<u>462,000</u>	<u>464,998</u>	<u>2,998</u>	<u>453,271</u>
Unrestricted Intergovernmental Revenues:				
Local ABC revenues	40,000	76,559	36,559	51,273
Beer and wine excise tax	40,200	42,341	2,141	44,519
Local Option Sales Tax Article. 39	40,000	50,307	10,307	49,648
Local Option Sales Tax Article. 40	20,000	21,008	1,008	20,005
Local Option Sales Tax Article. 42	20,000	24,291	4,291	23,864
Local Option Sales Tax Article. 44	0	40	40	(594)
City Hold Harmless Sales Tax	20,000	16,568	(3,432)	15,353
Piped natural gas tax	6,900	7,698	798	5,858
Utilities franchise tax on electric	274,600	269,645	(4,955)	249,657
Telecommunications sales tax	25,800	24,988	(812)	24,243
Solid Waste Disposal Tax	0	959	959	0
Cable franchise tax	98,000	94,057	(3,943)	94,820
	<u>585,500</u>	<u>628,461</u>	<u>42,961</u>	<u>578,646</u>
Total Taxes				
Fees and permits:				
Planning fees	7,000	16,292	9,292	7,395
Investment Earnings	78,000	61,564	(16,436)	378,144
Grants	0	0	0	50,000
Miscellaneous:				
Donations - Parks and Recreation	1,500	50	(1,450)	864
Program Revenues - Parks and Recreation	15,500	24,374	8,874	24,518
Program Revenues - Founders Day	3,600	5,090	1,490	3,783
Donations - Other	100	0	(100)	36
Other	500	45	(455)	295
	<u>21,200</u>	<u>29,559</u>	<u>8,359</u>	<u>29,496</u>
Total Miscellaneous				
Total Revenues	<u>1,153,700</u>	<u>1,200,874</u>	<u>47,174</u>	<u>1,496,952</u>
Expenditures:				
General government				
Governing body				
Operating expenditures				
Town Council	15,000	15,000	0	15,084
FICA on Town Council	1,150	1,148	2	1,154
Workers compensation	100	85	15	88
Insurance and bonding	6,700	6,642	58	5,237
Dues and subscriptions	13,500	13,312	188	10,952
Per diem and travel	1,500	578	922	884
Education	1,500	329	1,171	815
Volunteer appreciation	2,500	1,217	1,283	1,632
Retreat	1,500	0	1,500	230
	<u>43,450</u>	<u>38,311</u>	<u>5,139</u>	<u>36,076</u>
Total Expenditures				

Town of Summerfield
 General Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 2

	2013		Variance Favorable (Unfavorable)	2012 Actual
	Budget	Actual		
Administration:				
Operating expenditures				
Salaries and wages	141,300	126,842	14,458	139,769
Social Security	10,600	9,646	954	12,297
Unemployment	6,400	0	6,400	0
Worker's compensation	500	452	48	408
Health, vision, dental ins.	41,600	30,324	11,276	21,881
Life insurance	900	760	140	585
Employee retirement	11,600	8,488	3,112	13,115
Employee retirement - 401(k)	4,300	3,778	522	4,833
Office supplies and materials	4,750	2,499	2,251	3,456
Dues and subscriptions	1,000	900	100	50
Copier lease/maintenance	2,500	1,979	521	1,800
Telephone	3,750	3,555	195	3,177
Postage	2,000	1,029	971	1,422
Internet expense	3,500	2,563	937	2,804
Education	3,000	1,074	1,926	1,054
Per diem and travel expense	2,500	1,998	502	941
Town newsletter	4,500	0	4,500	0
Information technology expense	6,000	4,803	1,197	4,431
Furniture and supplies	2,000	1,644	356	678
Town meeting refreshments	1,500	166	1,334	583
Insurance	7,600	7,383	217	7,302
Advertising	5,000	2,796	2,204	4,014
Records storage	1,000	600	400	639
Miscellaneous	500	444	56	140
Vehicle maintenance	5,000	1,436	3,564	3,206
Software	2,000	449	1,551	0
Capital outlay - furniture	2,500	0	2,500	0
Capital outlay - computer equip & peripherals	10,000	5,623	4,377	3,673
Capital outlay - audio visual equipment	3,000	0	3,000	0
Total Administration	290,800	221,231	69,569	232,258
Finance				
Salaries and wages	65,100	60,109	4,991	0
Social Security	4,800	4,598	202	0
Worker's compensation	200	160	40	0
Employee retirement	5,100	4,052	1,048	0
Employee retirement - 401(k)	1,900	1,307	593	0
Audit	9,000	8,950	50	8,473
Contract accounting services	1,000	600	400	44,917
Tax collection fee	2,639	2,639	0	2,639
Insurance and bonding - fidelity	625	510	115	507
Miscellaneous	1,200	542	658	178
Total Finance	91,564	83,467	8,097	56,714
Legal				
Contract legal services	70,000	56,462	13,538	53,540
Elections				
Contract election service	0	0	0	9,449
Public property/buildings				
Repairs and maintenance	5,000	2,243	2,757	2,802
Office cleaning	3,000	2,353	647	2,340
Heating and utilities	4,000	3,268	732	3,179
Rental of offices	3,000	1,770	1,230	2,100
Landscaping	7,000	4,025	2,975	5,331
Capital outlay - construction services	100,000	3,909	96,091	20,094
Total Public property/buildings	122,000	17,568	104,432	35,846
Total General Government	617,814	417,039	200,775	423,883

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 2

	2013		Variance Favorable (Unfavorable)	2012 Actual
	Budget	Actual		
Public Safety:				
Police and fire safety				
Community project	1,800	1,800	0	1,800
Fire inspections	5,000	3,203	1,797	1,111
Per diem and travel	99	0	99	0
Education	1,000	145	855	0
Municipal equipment - generator	1,500	635	865	1,801
Emergency shelter/preparedness	2,000	240	1,760	2,913
Summerfield community senior program	13,500	11,441	2,059	11,057
Animal Control	25,817	25,817	0	17,153
Total Public safety	50,716	43,281	7,435	35,835
Planning and zoning				
Zoning board:				
Membership and dues	500	400	100	439
Training and education	1,000	0	1,000	0
Per diem and travel	1,000	0	1,000	0
Planning library	300	0	300	15
Planning and advisory service	795	795	0	795
	3,595	1,195	2,400	1,249
Planning services:				
Salaries and wages	37,000	17,370	19,630	58,537
Social security	3,100	1,331	1,769	4,487
Unemployment compensation	10,000	0	10,000	0
Worker's compensation	700	667	33	808
Health, vision, dental ins.	3,100	2,946	154	2,934
Life insurance	200	131	69	333
Employee retirement	3,300	1,171	2,129	4,765
Employee retirement - 401(k)	1,200	521	679	1,756
Dues and subscriptions	4,500	4,415	85	3,823
Office supplies	1,500	903	597	1,211
Equipment maintenance	1,000	0	1,000	580
Education	1,500	140	1,360	209
Per diem and travel	1,500	0	1,500	598
Planning Services	30,000	29,436	564	0
Development Ordinance	5,300	3,380	1,920	81,342
Zoning enforcement	13,500	11,556	1,944	5,478
Lighting services contract	1,000	0	1,000	0
Town engineer contract	15,000	12,274	2,726	10,920
Capital outlay - computer equip & peripherals	9,500	8,595	905	0
Total Planning services	142,900	94,836	48,064	177,781
Total Planning and zoning	146,495	96,031	50,464	179,030
Transportation (Thoroughfare Committee)				
Kimley-Horn Contract-US 220 Study	6,000	5,100	900	0
Total Transportation	6,000	5,100	900	0
Board of Adjustments:				
Per diem and travel	1,000	0	1,000	0
Education	1,000	0	1,000	0
Total Board of Adjustments	2,000	0	2,000	0
Community relations				
Community events				
Special event - Founders Day	30,000	20,254	9,746	20,232
Total Community events	30,000	20,254	9,746	20,232

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013
With Comparative Actual Amounts for the Year Ended June 30, 2012

Schedule 2

	2013		Variance Favorable (Unfavorable)	2012 Actual
	Budget	Actual		
Historical commission				
Communications	100	0	100	0
Services - Per Diem and Travel	100	0	100	23
Services - Town Hall and rotating exhibits	400	0	400	0
Services - Special Events	600	374	226	166
Services - Summerfield town history project	2,500	0	2,500	3,061
Total Historical commission	3,700	374	3,326	3,250
Cultural and recreation				
Parks and recreation				
Salaries and wages	48,200	31,375	16,825	42,493
Social security	3,700	2,457	1,243	3,241
Worker's compensation	1,300	1,073	227	1,301
Health, vision, dental ins.	8,900	737	8,163	8,802
Life insurance	200	153	47	128
Employee retirement	4,000	2,175	1,825	3,459
Employee retirement - 401(k)	1,500	968	532	1,275
Dues & subscriptions	200	0	200	0
Trail maintenance	5,000	9	4,991	0
Summerfield Community Park:				
Park landscape maintenance	30,000	20,122	9,878	19,515
Park janitorial service	10,000	6,552	3,448	8,152
Maintenance and contracts	17,000	8,289	8,711	16,553
Tools & supplies	2,000	1,214	786	1,126
Trail maintenance	1,000	0	1,000	0
Summerfield Athletic Park:				
Park landscape maintenance	27,000	22,246	4,754	22,732
Park janitorial service	8,500	5,616	2,884	5,762
Maintenance and contracts	42,500	23,325	19,175	38,749
Tools & supplies	4,500	3,350	1,150	3,432
Field maintenance	30,000	16,656	13,344	27,486
Services - education	1,500	30	1,470	395
Services - per diem and travel	1,000	0	1,000	51
Parks and recreation programs	12,600	2,228	10,372	15,850
Operating expenses - Summerfield Elm track	1,500	605	895	1,127
Capital outlay - Multi-Use Vehicle	0	0	0	11,058
Capital outlay - S.C. Park Phase II non-PARTF	86,000	5,996	80,004	125,965
Capital outlay - Land Acq/Dev for ball fields	81,000	31,106	49,894	29,085
Capital outlay - Trail Construction	100,000	0	100,000	12,443
Total Cultural and recreation	529,100	186,282	342,818	400,180
Debt Service				
Principal	0	0	0	475,000
Interest and other charges	0	0	0	17,494
Total Debt Service	0	0	0	492,494
Total Expenditures	1,385,825	768,361	617,464	1,554,904
Revenues Over (Under) Expenditures	(232,125)	432,513	664,638	(57,952)
Other Financing Sources (Uses)				
Settlements	0	0	0	(2,000)
Insurance Recovery	0	11,000	11,000	322
Total other financing sources	0	11,000	11,000	(1,678)
Appropriated Fund Balance	232,125	0	(232,125)	0
Revenues and Appropriated Fund Balance Over Expenditures	0	443,513	443,513	(59,630)
Fund Balance, Beginning of Year		7,584,933		7,644,563
Fund Balance, End of Year		8,028,446		7,584,933

Town of Summerfield
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Schedule 3

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Credits	Collections	Uncollected Balance June 30, 2013
2012-2013		469,770	4,067	460,169	5,534
2011-2012	5,429	-	62	3,009	2,358
2010-2011	1,946	-	15	514	1,417
2009-2010	154	-		9	145
2008-2009	640	-		53	587
2007-2008	531	-		11	520
2006-2007	455	-		18	437
2005-2006	524	-		-	524
2004-2005	303	-		-	303
	<u>9,982</u>	<u>469,770</u>	<u>4,144</u>	<u>463,783</u>	<u>11,825</u>
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable					<u>7,602</u>
Ad Valorem Taxes Receivable - Net					<u>4,223</u>
Reconciliation with Revenues:					
Ad Valorem Taxes - General Fund					464,998
Interest Collected					(1,215)
Discounts, Releases, and Write-offs					<u>4,144</u>
Total collections and credits					<u>467,927</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, 2013

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	1,342,200,086	0.035	469,770	429,073	40,697
Abatements and Discounts	11,620,000	0.035	4,067	4,067	0
Total property valuation	1,330,580,086	0.035	465,703	425,006	40,697
Uncollected Taxes at June 30, 2013			5,534	3,327	2,207
Current Year's Taxes Collected			460,169	421,679	38,490
Current Levy Collection Percentage			98.81%	99.22%	94.58%