

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

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Patricia E. Penn, CPA
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October 17, 2014

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, 2014, 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,

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October 17, 2014

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, 2014 and have issued our report thereon dated October 17, 2014. 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 June 19, 2014, 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 June 19, 2014.

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 2014. 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 17, 2014.

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,

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, 2014

TOWN OF SUMMERFIELD, NORTH CAROLINA
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Town of Summerfield, North Carolina

TOWN COUNCIL

Tim Sessoms	Mayor
Dena Barnes	Mayor Pro-Tem
Mike Adams	Councilperson
Alicia Flowers	Councilperson
Dianne Laughlin	Councilperson
Elizabeth McClellan	Councilperson

TOWN OFFICIALS

Tim Sessoms	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, 2014, 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, 2014, 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 17, 2014

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, 2014 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

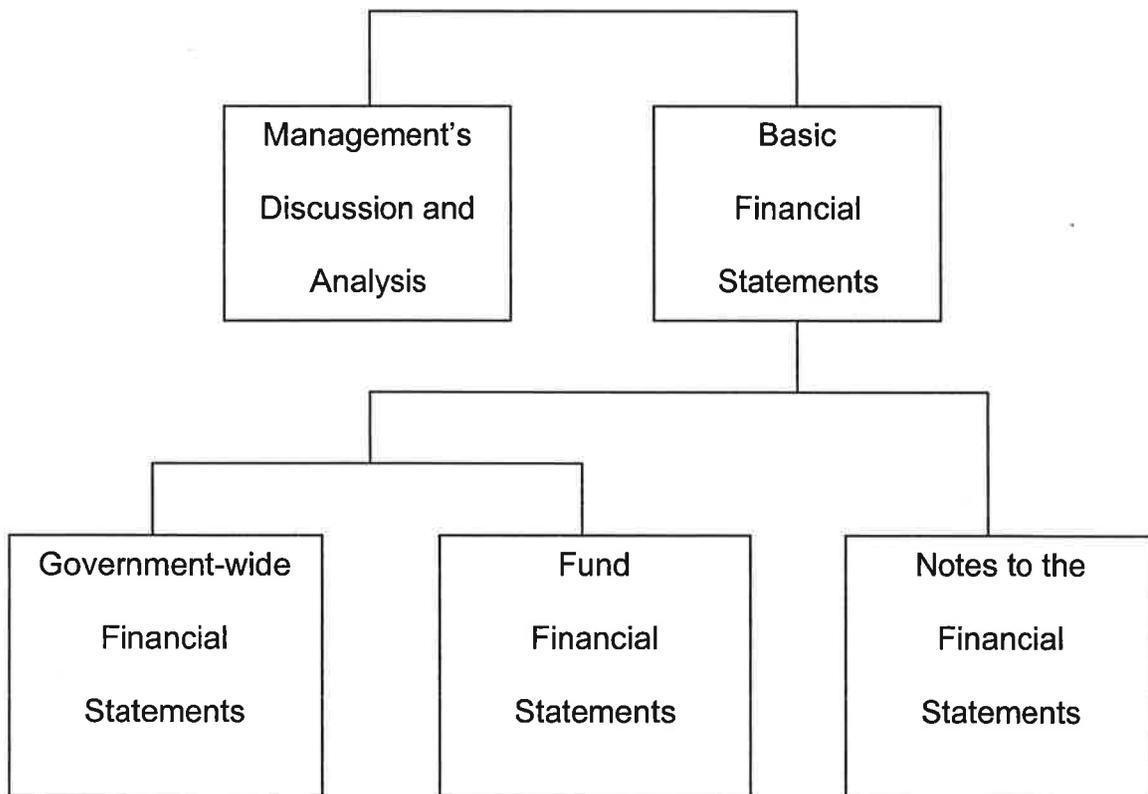
- The assets and deferred outflows of resources of the Town of Summerfield exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,869,168 (net position).
- The government's total net position increased by \$47,276, primarily due to fixed asset transactions, 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 \$8,047,206, an increase of \$18,760 from the prior year. Approximately ninety-eight percent of this total amount, or \$7,903,508, 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 \$7,903,508, or 621 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 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, 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 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 19-34 of this report.

Government-Wide Financial Analysis

The Town of Summerfield's Net Assets

Figure 2

Governmental Activities

	2014	2013
Current and other assets	\$ 8,086,588	\$ 8,071,243
Capital assets	5,838,213	5,799,991
Total assets	<u>13,924,801</u>	<u>13,871,234</u>
Long-term liabilities outstanding	18,861	10,768
Other liabilities	36,692	36,114
Total liabilities	<u>55,553</u>	<u>46,882</u>
Deferred Inflows of Resources	<u>80</u>	<u>2,460</u>
Net position:		
Net Investment in capital assets	5,838,213	5,799,991
Restricted	142,185	146,591
Unrestricted	7,888,770	7,875,310
Total net position	<u>\$ 13,869,168</u>	<u>\$ 13,821,892</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 \$13,869,168 as of June 30, 2014. The Town's net position increased by \$47,276 for the fiscal year ended June 30, 2014; however, a portion (42.09%) 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 \$142,185 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 \$7,888,770 is unrestricted.

Town of Summerfield Changes in Net Position

Figure 3

	Governmental Activities	Governmental Activities
	2014	2013
Revenues:		
Program revenues:		
Charges for services	48,725	45,756
Operating grants and contributions	512	50
General revenues:		
Property taxes	481,604	465,501
Intergovernmental allocations	645,447	628,461
Investment Earnings	15,525	61,564
Other	909	11,045
Total revenues	<u>1,192,722</u>	<u>1,212,377</u>
Expenditures:		
General government	445,057	421,916
Public safety	40,706	43,281
Planning and zoning	130,698	90,356
Transportation	-	5,100
Community Relations	23,969	20,254
Historical Commission	755	374
Culture and recreation	504,261	455,378
Total expenses	<u>1,145,446</u>	<u>1,036,659</u>
Increase in net assets	47,276	175,718
Net position, July 1	<u>13,821,892</u>	<u>13,646,174</u>
Net position, June 30	<u>13,869,168</u>	<u>13,821,892</u>

Governmental activities - Governmental activities increased the Town's net position by \$47,276, 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, 2014, 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,

Management Discussion and Analysis Town of Summerfield

\$.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 Town received \$112,213 in the prior fiscal year in comparison to approximately \$119,473 in the current fiscal year.
- Due to historically low interest rates during the current fiscal year, and compounding interest on the remaining 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 \$46,039 or 74.78%.
- The Town did not receive any 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 \$7,903,508, while total fund balance was \$8,047,206, a 0.23% 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 621 percent of total General Fund expenditures while total fund balance represents 632 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, 2014, totals \$5,838,213 (net of accumulated depreciation). These assets include buildings, land, equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchase of Gordon Property for \$399,000,
- Town Hall Exterior Repairs in the amount of \$32,117,
- Repair of the Summerfield Athletic Park (SAP) Field House in the amount of \$15,757,
- Annual depreciation expense of \$349,884.

Town of Summerfield's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities 2014	Governmental Activities 2013
Land	1,679,750	1,441,385
Buildings and improvements	806,946	680,712
Land improvements	3,101,427	3,381,577
Vehicles	9,007	7,035
Office Furniture and Equipment	103,639	109,938
Construction in progress	137,444	179,344
Total	5,838,213	5,799,991

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, 2014 and June 30, 2013, 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, 2015:

- The Town will levy a property tax of \$.0275 per \$100 of assessed value for the fiscal year ending June 30, 2015. 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 45.7% increase.
- Investment earnings are projected to increase by approximately \$9,475 as the Town invested in CDARS for terms of one, two and three years.
- 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 \$423,357 of fund balance during the fiscal year ending June 30, 2015, available fund balance will be approximately \$8 million and over 826% of estimated general fund expenditures excluding parks and recreation capital outlay.
- Budgeted expenditures in the General Fund are expected to decrease from \$2,169,389 to \$1,476,607 as budgeted expenditures during the fiscal year ended June 30, 2015 include Capital Projects as follows: Gordon Property Improvements (\$50,000), Trail Development (\$250,000), and Summerfield Athletic Park Improvements (\$253,000).

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, 2014

Exhibit 1

ASSETS

Activities

Current assets:

Cash and investments-unrestricted	7,940,280
Cash and investments-restricted	2,115
Receivables:	
Taxes receivable (net)	2,610
Accounts receivable (net)	1,528
Due from other governments	138,542
Prepaid Items	1,513
	<hr/>
Total current assets	8,086,588
	<hr/>

Capital assets:

Land and other nondepreciable assets	1,817,194
Other capital assets, net of depreciation	4,021,019
	<hr/>
Total capital assets	5,838,213
	<hr/>

Total assets

13,924,801

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	36,692
--	--------

Long-term liabilities:

Compensated Absences	18,861
	<hr/>

Total liabilities

55,553

Deferred Inflows of Resources

Prepaid Taxes	80
	<hr/>

NET POSITION

Net investment in capital assets	5,838,213
Restricted for:	
Stabilization by state statute	140,070
Other	2,115
Unrestricted	7,888,770
	<hr/>
Total net position	<u><u>13,869,168</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, 2014

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	445,057				445,057
Public safety	40,706				40,706
Planning and zoning	130,698	16,396			114,302
Community relations	23,969	2,943	125		20,901
Historical commission	755		387		368
Cultural and recreation	504,261	29,386	0		474,875
Total Governmental Activities	1,145,446	48,725	512	0	1,096,209
General revenues:					
					481,604
					645,447
					15,525
					909
					1,143,485
					47,276
					13,821,892
					13,869,168

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

**Town of Summerfield, North Carolina
Balance Sheet
Governmental Fund
June 30, 2014**

Exhibit 3

General Fund

June 30,
2014

Assets

Cash and investments-unrestricted	7,940,280
Cash and investments-restricted	2,115
Taxes receivable (net)	2,610
Accounts receivable (net)	1,528
Due from other governments	138,542
Prepaid items	1,513

Total Assets	8,086,588
--------------	-----------

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued liabilities	36,692
--	--------

Total Liabilities	36,692
-------------------	--------

Deferred Inflows of Resources

Property tax receivable	2,610
Prepaid taxes	80

Total Liabilities	2,690
-------------------	-------

Fund Balance

Nonspendable:	
Prepaid items	1,513
Restricted for:	
Stabilization by state statute	140,070
Other	2,115
Committed to:	
Parks and recreation	100,000
Transportation	50,000
Assigned to:	
Subsequent year expenditures	423,357
Unassigned	7,330,151

Total Fund Balance	8,047,206
--------------------	-----------

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.	5,838,213
---	-----------

Liabilities for earned but deferred revenues in fund statements.	2,610
--	-------

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(18,861)
---	----------

Net position of governmental activities	13,869,168
---	------------

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, 2014**

Exhibit 4

Governmental
Fund Types

General
Fund

June 30, 2014

Revenues

Ad valorem taxes	483,218
Unrestricted intergovernmental revenues	645,447
Fees and permits	16,396
Investment earnings	15,525
Miscellaneous	<u>33,750</u>
Total Revenues	<u>1,194,336</u>

Expenditures

Current operating:	
General government	877,207
Public safety	40,706
Planning and zoning	131,759
Historical commission	4,364
Community relations	23,969
Culture and recreation	<u>195,571</u>
Total Expenditures	<u>1,273,576</u>

Excess (Deficiency) of Revenues over Expenditures	<u>(79,240)</u>
--	-----------------

Other Financing Sources/(Uses)

Sale of Donated Property	<u>98,000</u>
Total Other Financing Sources	<u>98,000</u>

Net Change in Fund Balance	18,760
----------------------------	--------

Fund Balance, Beginning of Year	<u>8,028,446</u>
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Fund Balance, End of Year	<u><u>8,047,206</u></u>
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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, 2014

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 18,760

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	486,106	
Depreciation	(349,884)	
Sale of donated land	<u>(98,000)</u>	
		38,222

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

Change in deferred/unearned revenues (1,613)

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

Compensated absences (8,093)

Changes in net position of governmental activities 47,276

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, 2014

Exhibit 5

	General Fund 2014			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	458,600	458,600	483,218	24,618
Unrestricted intergovernmental revenues	619,000	619,000	645,447	26,447
Fees and permits	17,100	17,100	16,396	(704)
Investment earnings	18,000	18,000	15,525	(2,475)
Miscellaneous	29,850	29,850	33,750	3,900
Total Revenue	1,142,550	1,142,550	1,194,336	51,786
Expenditures:				
Current operating:				
General government	1,369,664	1,319,864	877,207	442,657
Public safety	47,050	47,050	40,706	6,344
Planning and zoning	143,200	192,700	131,759	60,941
Board of Adjustment	2,000	2,000	0	2,000
Trails and Open Space	2,000	2,000	0	2,000
Community relations	30,000	30,000	23,969	6,031
Historical commission	6,325	6,325	4,364	1,961
Culture and recreation	569,150	569,450	195,571	373,879
Total Expenditures	2,169,389	2,169,389	1,273,576	895,813
Revenues Over (Under) Expenditures	(1,026,839)	(1,026,839)	(79,240)	947,599
Other Financing Sources (Uses):				
Proceeds from Sale of Donated Property	0	0	98,000	98,000
Total Other Financing Sources (Uses)	0	0	98,000	98,000
Appropriated Fund Balance	1,026,839	1,026,839	0	(1,026,839)
Net Change in Fund Balance	0	0	18,760	18,760
Fund Balance - Beginning of Year			8,028,446	
Fund Balance - End of Year			8,047,206	

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, 2014**

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, 2014**

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, 2014

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 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. 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.

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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

2. Restricted Assets

Restricted Assets are comprised as follows:

Brittain Building Clock	1,324
Historical Committee	771
Welcome Sign	20
	<u>2,115</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

3. 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.

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 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, 2014

	<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. 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.

8. 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.

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 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, the Town's deposits had a carrying amount of \$7,938,627, and a bank balance of \$7,986,796. Of the bank balance, \$3,000,000 was covered by federal depository insurance, and \$4,986,796 was covered by collateral held under the Pooling Method. The Town had \$300 of petty cash on hand at June 30, 2014.

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, 2014**

- 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	6,012
Code Enforcement Liens	<u>1,625</u>
	<u>7,637</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

4. Due from Governmental Agencies

Amounts due from governmental agencies consist of the following:

	<u>Local</u>	<u>State</u>	<u>Total</u>
Sales Tax Distribution		18,635	18,635
Utilities and Franchise Tax		91,423	91,423
Sales Tax Refund		3,480	3,480
Ad Valorem Taxes	5,235		5,235
ABC Distribution	19,749		19,749
Motor Fuel Tax		21	21
	<u>24,984</u>	<u>113,559</u>	<u>138,543</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

5. Capital Assets

Capital Asset activity for the Town of Summerfield for the year ended June 30, 2014 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	336,365	98,000	1,679,750
Construction in progress	179,344	0	41,900	137,444
Total capital assets not being depreciated	<u>1,620,729</u>	<u>336,365</u>	<u>139,900</u>	<u>1,817,194</u>
Capital assets being depreciated:				
Buildings and improvements	797,132	164,773		961,905
Land improvements	4,261,050	4,023		4,265,073
Office furniture and equipment	265,789	17,845	6,517	277,117
Vehicles	21,238	5,000		26,238
Total capital assets being depreciated	<u>5,345,209</u>	<u>191,641</u>	<u>6,517</u>	<u>5,530,333</u>
Less accumulated depreciation for:				
Buildings and improvements	116,420	38,539		154,959
Land improvements	879,473	284,173		1,163,646
Office furniture and equipment	155,851	24,144	6,517	173,478
Vehicles	14,203	3,028		17,231
Total accumulated depreciation	<u>1,165,947</u>	<u>349,884</u>	<u>6,517</u>	<u>1,509,314</u>
Total capital assets being depreciated, net	<u>4,179,262</u>			<u>4,021,019</u>
Governmental activity capital assets, net	<u>5,799,991</u>			<u>5,838,213</u>

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

General Government	14,165
Planning and Zoning	2,818
Historic	133
Recreation	<u>332,768</u>
	<u>349,884</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014 was 7.07% 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, 2014 were \$17,221, and the Town's contributions to LGERS for the years ended June 30, 2013, 2012, 2011, 2010, 2009, and 2008 were \$15,886, \$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, 2014**

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, 2014 were \$12,071 which consisted of \$5,257 from the Town and \$6,814 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		80
Taxes Receivable	2,610	<u> </u>
Total	<u>2,610</u>	<u>80</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, 2014**

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>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2014</u>
Governmental Activities:				
Compensated Absences	<u>10,768</u>	<u>18,861</u>	<u>10,768</u>	<u>18,861</u>
Total	<u>10,768</u>	<u>18,861</u>	<u>10,768</u>	<u>18,861</u>

At June 30, 2014 the Town of Summerfield had a legal debt margin of \$109,396,789.

C. Fund Balance

Total Fund Balance - General Fund	8,047,206
Less:	
Stabilization by State Statute	140,070
Other Restricted Donations	2,115
Appropriated Fund Balance in 2015 Budget	423,357
Working Capital/ Fund Balance Policy	442,982
Remaining Fund Balance	<u>7,038,682</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014

Schedule 1

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Cash and investments	7,942,395	7,922,157
Taxes receivable	2,610	4,223
Accounts receivable	1,528	11,350
Due from other governments	138,542	133,513
Prepaid items	<u>1,513</u>	<u>0</u>
Total Assets	<u><u>8,086,588</u></u>	<u><u>8,071,243</u></u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable and accrued liabilities	<u>36,692</u>	<u>36,114</u>
	<u>36,692</u>	<u>36,114</u>
Deferred Inflows of Resources		
Property tax receivable	2,610	4,223
Prepaid Taxes	<u>80</u>	<u>2,460</u>
	<u>2,690</u>	<u>6,683</u>
Fund Balance		
Nonspendable:		
Prepaid items	1,513	0
Restricted for:		
Stabilization by state statute	140,070	144,863
Restricted donations	2,115	1,728
Committed to:		
Parks and recreation	100,000	100,000
Transportation	50,000	50,000
Assigned to:		
Subsequent year expenditures	423,357	1,026,839
Unassigned	<u>7,330,151</u>	<u>6,705,016</u>
Total Fund Balance	<u>8,047,206</u>	<u>8,028,446</u>
	<u><u>8,086,588</u></u>	<u><u>8,071,243</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, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

Schedule 2

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
Revenues				
Ad Valorem Taxes - Current Year	458,600	476,394	17,794	461,005
Prior Years	0	6,824	6,824	3,993
	<u>458,600</u>	<u>483,218</u>	<u>24,618</u>	<u>464,998</u>
Unrestricted Intergovernmental Revenues:				
Local ABC revenues	70,000	73,226	3,226	76,559
Beer and wine excise tax	45,000	46,617	1,617	42,341
Local Option Sales Tax Article. 39	45,000	53,945	8,945	50,307
Local Option Sales Tax Article. 40	22,000	22,184	184	21,008
Local Option Sales Tax Article. 42	22,000	26,108	4,108	24,291
Local Option Sales Tax Article. 44	0	(8)	(8)	40
City Hold Harmless Sales Tax	18,000	17,244	(756)	16,568
Piped natural gas tax	7,000	8,699	1,699	7,698
Utilities franchise tax on electric	278,000	275,427	(2,573)	269,645
Telecommunications sales tax	22,000	21,603	(397)	24,988
Solid Waste Disposal Tax	0	6,511	6,511	959
Cable franchise tax	90,000	93,891	3,891	94,057
	<u>619,000</u>	<u>645,447</u>	<u>26,447</u>	<u>628,461</u>
Fees and permits:				
Planning fees	17,100	16,396	(704)	16,292
	<u>18,000</u>	<u>15,525</u>	<u>(2,475)</u>	<u>61,564</u>
Investment Earnings	<u>18,000</u>	<u>15,525</u>	<u>(2,475)</u>	<u>61,564</u>
Miscellaneous:				
Donations - Parks and Recreation	0	0	0	50
Program Revenues - Parks and Recreation	24,750	29,386	4,636	24,374
Program Revenues - Founders Day	5,000	2,943	(2,057)	5,090
Donations - Other	0	512	512	0
Other	100	909	809	45
	<u>29,850</u>	<u>33,750</u>	<u>3,900</u>	<u>29,559</u>
Total Revenues	<u>1,142,550</u>	<u>1,194,336</u>	<u>51,786</u>	<u>1,200,874</u>
Expenditures:				
General government				
Governing body				
Operating expenditures				
Town Council	15,000	15,000	0	15,000
FICA on Town Council	1,150	1,147	3	1,148
Workers compensation	100	78	22	85
Insurance and bonding	8,500	6,285	2,215	6,642
Dues and subscriptions	14,500	14,231	269	13,312
Per diem and travel	1,200	861	339	578
Education	1,200	950	250	329
Volunteer appreciation	1,500	945	555	1,217
Retreat	500	0	500	0
	<u>43,650</u>	<u>39,497</u>	<u>4,153</u>	<u>38,311</u>
Total Expenditures	<u>43,650</u>	<u>39,497</u>	<u>4,153</u>	<u>38,311</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, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

Schedule 2

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
Administration:				
Operating expenditures				
Salaries and wages	140,000	131,410	8,590	126,842
Social Security	10,800	10,068	732	9,646
Unemployment	5,000	4,676	324	0
Worker's compensation	500	272	228	452
Health, vision, dental ins.	45,000	35,988	9,012	30,324
Life insurance	900	802	98	760
Employee retirement	11,500	9,291	2,209	8,488
Employee retirement - 401(k)	4,200	3,695	505	3,778
Office supplies and materials	5,000	4,916	84	2,499
Dues and subscriptions	1,000	942	58	900
Copier lease/maintenance	2,500	2,485	15	1,979
Telephone	3,500	2,410	1,090	3,555
Postage	1,700	795	905	1,029
Internet expense	3,300	2,555	745	2,563
Education	2,000	1,390	610	1,074
Per diem and travel expense	4,000	3,975	25	1,998
Website Redesign	8,000	0	8,000	0
Branding	10,000	2,805	7,195	0
Information technology expense	5,500	5,243	257	4,803
Furniture and supplies	2,000	1,746	254	1,644
Town meeting refreshments	800	361	439	166
Insurance	8,500	7,686	814	7,383
Advertising	4,500	2,123	2,377	2,796
Records storage	900	810	90	600
Miscellaneous	850	685	165	444
Vehicle maintenance	4,000	2,208	1,792	1,436
Software	1,600	0	1,600	449
Capital outlay - furniture	2,000	0	2,000	0
Capital outlay - computer equip & peripherals	11,400	10,603	797	5,623
Total Administration	300,950	249,940	51,010	221,231
Finance				
Salaries and wages	53,350	51,014	2,336	60,109
Social Security	4,000	3,902	98	4,598
Unemployment	300	257	43	0
Worker's compensation	200	134	66	160
Employee retirement	3,650	3,607	43	4,052
Employee retirement - 401(k)	0	0	0	1,307
Dues & Subscriptions	400	270	130	0
Training/Education	2,000	1,190	810	0
Per Diem & Travel	1,000	0	1,000	0
Audit	10,000	9,450	550	8,950
Contract accounting services	1,000	0	1,000	600
Tax collection fee	2,639	2,639	0	2,639
Insurance and bonding - fidelity	625	474	151	510
Miscellaneous	1,000	787	213	542
Total Finance	80,164	73,724	6,440	83,467
Legal				
Contract legal services	65,000	45,931	19,069	56,462
Elections				
Contract election service	9,000	6,972	2,028	0
Public property/buildings				
Repairs and maintenance	10,700	3,546	7,154	2,243
Office cleaning	2,700	2,391	309	2,353
Heating and utilities	4,100	4,028	72	3,268
Rental of offices	2,500	1,560	940	1,770
Landscaping	6,200	6,136	64	4,025
Capital outlay - land acquisition expense	600,000	411,365	188,635	0
Capital outlay - construction services	194,900	32,117	162,783	3,909
Total Public property/buildings	821,100	461,143	359,957	17,568
Total General Government	1,319,864	877,207	442,657	417,039

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

Schedule 2

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
Public Safety:				
Police and fire safety				
Community project	1,800	1,800	0	1,800
Fire inspections	3,000	1,693	1,307	3,203
Per diem and travel	50	0	50	0
Education	1,000	0	1,000	145
Municipal equipment - generator	1,700	635	1,065	635
Emergency shelter/preparedness	1,000	0	1,000	240
Summerfield community senior program	12,500	11,861	639	11,441
Animal Control	26,000	24,717	1,283	25,817
Total Public safety	47,050	40,706	6,344	43,281
Planning and zoning				
Zoning board:				
Membership and dues	500	400	100	400
Training and education	1,000	40	960	0
Per diem and travel	1,000	0	1,000	0
Planning library	200	34	166	0
Planning and advisory service	850	795	55	795
	<u>3,550</u>	<u>1,269</u>	<u>2,281</u>	<u>1,195</u>
Planning services:				
Salaries and wages	39,500	12,027	27,473	17,370
Social security	3,800	872	2,928	1,331
Unemployment compensation	7,500	6,862	638	0
Worker's compensation	850	242	608	667
Health, vision, dental ins.	10,700	2,051	8,649	2,946
Life insurance	350	58	292	131
Employee retirement	4,200	850	3,350	1,171
Employee retirement - 401(k)	1,500	89	1,411	521
Dues and subscriptions	4,500	4,055	445	4,415
Office supplies	1,500	621	879	903
Equipment maintenance	1,000	800	200	0
Education	1,500	0	1,500	140
Per diem and travel	1,000	51	949	0
Planning Services	52,000	50,213	1,787	29,436
Development Ordinance	25,000	24,100	900	3,380
Zoning enforcement	14,000	12,299	1,701	11,556
Lighting services contract	250	100	150	0
Town engineer contract	15,000	11,700	3,300	12,274
Capital outlay - computer equip & peripherals	5,000	3,500	1,500	8,595
Total Planning services	189,150	130,490	58,660	94,836
Total Planning and zoning	192,700	131,759	60,941	96,031
Transportation (Thoroughfare Committee)				
Kimley-Horn Contract-US 220 Study	0	0	0	5,100
Total Transportation	0	0	0	5,100
Trails & Open Space Committee:				
Trails & Open Space Expenses	2,000	0	2,000	0
Total Trails & Open Space Committee	2,000	0	2,000	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	23,969	6,031	20,254
Total Community events	30,000	23,969	6,031	20,254

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014
With Comparative Actual Amounts for the Year Ended June 30, 2013

Schedule 2

	2014		Variance Favorable (Unfavorable)	2013 Actual
	Budget	Actual		
Historical commission				
Services - Per Diem and Travel	100	0	100	0
Services - Town Hall and rotating exhibits	400	0	400	0
Services - Special Events	325	162	163	374
Services - Historic District Property Markers	500	460	40	0
Capital Outlay - Historic District Banners	5,000	3,742	1,258	0
Total Historical commission	6,325	4,364	1,961	374
Cultural and recreation				
Parks and recreation				
Salaries and wages	57,200	55,221	1,979	31,375
Social security	4,500	4,227	273	2,457
Worker's compensation	1,900	767	1,133	0
Unemployment	300	275	25	1,073
Health, vision, dental ins.	0	0	0	737
Life insurance	350	292	58	153
Employee retirement	4,200	3,473	727	2,175
Employee retirement - 401(k)	1,550	1,474	76	968
Dues & subscriptions	200	0	200	0
Trail maintenance	0	0	0	9
Summerfield Community Park:			0	
Park landscape maintenance	25,000	16,353	8,647	20,122
Park janitorial service	3,000	2,676	324	6,552
Maintenance and contracts	13,000	8,745	4,255	8,289
Tools & supplies	1,500	1,408	92	1,214
Trail maintenance	1,000	0	1,000	0
Summerfield Athletic Park:				
Park landscape maintenance	24,000	22,115	1,885	22,246
Park janitorial service	3,500	2,425	1,075	5,616
Maintenance and contracts	35,000	33,463	1,537	23,325
Tools & supplies	3,800	2,562	1,238	3,350
Field maintenance	20,000	8,441	11,559	16,656
Services - education	1,500	30	1,470	30
Services - per diem and travel	1,000	0	1,000	0
Parks and recreation programs	7,700	6,844	856	2,228
Operating expenses - Summerfield Elm track	1,250	0	1,250	605
Capital outlay - Grounds Equipment	8,000	5,000	3,000	0
Capital outlay - S.C. Park Phase II non-PARTF	0	0	0	5,996
Capital outlay - SAP Field House Repairs	45,000	15,757	29,243	0
Capital outlay - SAP Entrance Development	50,000	0	50,000	0
Capital outlay - SAP Grounds Improvement	5,000	4,023	977	31,106
Capital outlay - Trail Construction	250,000	0	250,000	0
Total Cultural and recreation	569,450	195,571	373,879	186,282
Total Expenditures	2,169,389	1,273,576	895,813	768,361
Revenues Over (Under) Expenditures	(1,026,839)	(79,240)	947,599	432,513
Other Financing Sources (Uses)				
Proceeds from Sale of Donated Property	0	98,000	98,000	0
Insurance Recovery	0	0	0	11,000
Total other financing sources	0	98,000	98,000	11,000
Appropriated Fund Balance	1,026,839	0	(1,026,839)	0
Revenues and Appropriated Fund Balance Over Expenditures	0	18,760	18,760	443,513
Fund Balance, Beginning of Year		8,028,446		7,584,933
Fund Balance, End of Year		8,047,206		8,028,446

Town of Summerfield
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

Schedule 3

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Credits	Collections	Uncollected Balance June 30, 2014
2013-2014		483,344	4,733	475,670	2,941
2012-2013	5,534		106	3,888	1,540
2011-2012	2,358		13	1,101	1,244
2010-2011	1,417		10	727	680
2009-2010	145			1	144
2008-2009	587			44	543
2007-2008	520			99	421
2006-2007	437			56	381
2005-2006	524			64	460
2004-2005	303			35	268
	11,825	483,344	4,862	481,685	8,622
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable					6,012
Ad Valorem Taxes Receivable - Net					2,610
Reconciliation with Revenues:					
Ad Valorem Taxes - General Fund					483,218
Interest Collected					(1,533)
Discounts, Releases, and Write-offs					4,862
Total collections and credits					486,547

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, 2014

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	1,380,982,714	0.035	483,344	459,767	23,577
Abatements and Discounts	<u>13,522,857</u>	0.035	<u>4,733</u>	<u>4,733</u>	<u>0</u>
Total property valuation	<u>1,367,459,857</u>	0.035	<u>478,611</u>	<u>455,034</u>	<u>23,577</u>
Uncollected Taxes at June 30, 2014			<u>2,941</u>	<u>2,199</u>	<u>742</u>
Current Year's Taxes Collected			<u>475,670</u>	<u>452,835</u>	<u>22,835</u>
Current Levy Collection Percentage			<u>99.39%</u>	<u>99.52%</u>	<u>96.85%</u>