

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

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

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

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

November 10, 2006

Town of Summerfield
Town Council
Summerfield, North Carolina

Dear Town Council:

We have just completed our audit of the financial statements of the Town of Summerfield for the year ended June 30, 2006. In the course of the examination, we gave particular attention to accounting procedures and internal controls. On the basis of these observations, we offer the following suggestions for improvements which, in our opinion, would increase the efficiency of processing accounting data:

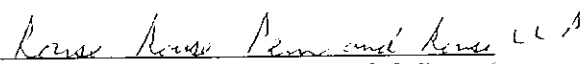
1. As is normal for all small towns that employ a very limited number of personnel it is not practical to have an adequate separation of the duties to achieve a strong internal control system. However, with the recent outsourcing of the bookkeeping duties, the internal controls have been significantly improved.

2. We were very pleased to note that the number of audit adjustments for the year ended June 30, 2006 were ten compared with twenty for the year ended June 30, 2005.

The above comments are aimed to improve the efficiency of the accounting operations and are not intended as a reflection on the integrity of any Town personnel. We wish to take this opportunity to express our appreciation for the cooperation extended us during the course of the examination.

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

Very truly yours,


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

TOWN OF SUMMERFIELD
SUMMERFIELD, NORTH CAROLINA

Financial Statements
Year Ended June 30, 2006

Town of Summerfield, North Carolina

TOWN COUNCIL

Mark Brown	Mayor
Dena Barnes	Mayor Pro-Tem
Dwayne Crawford	Councilperson
Bob Williams	Councilperson
Carolyn Collins	Councilperson
Becky Strickland	Councilperson

TOWN OFFICIALS

Mark Brown	Mayor
Dena Barnes	Mayor Pro-Tem
Michael Brandt	Town Administrator
Dana Luther	Finance Officer
William Hill	Town Attorney
Evon Rumley	Town Clerk

TOWN OF SUMMERFIELD, NORTH CAROLINA
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June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Summerfield's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of the Town of Summerfield, North Carolina, as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2006 on our consideration of Town of Summerfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Total net assets at June 30, 2005 have been restated to reflect a decrease of \$89,515. This adjustment is shown in detail in the notes to the financial statements. (Note 4)

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

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

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

November 10, 2006

Eden, North Carolina

Management's Discussion and Analysis

Management's Discussion and Analysis is designed to highlight important financial matters, provide a summary of financial activity, recognize changes in financial position, and identify individual fund issues or concerns. This narrative and analysis of the Town of Summerfield's (the Town) performance through June 30, 2006 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 directly by the voters. Council members serve four-year terms, with three members being elected every two years. In addition to the Town Council and Staff, there are many volunteer committees that serve the Town.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Summerfield exceeded its liabilities at the close of the fiscal year by \$9,423,647.
- The government's total net assets increased by \$1,413,308, primarily due to strong investment earnings, budgeted allocations of current year increases in fund balance for future parks and recreation and transportation projects, and the construction of Phase I of the Summerfield Community Park.
- As of the close of the current fiscal year, the Town of Summerfield's governmental funds reported combined ending fund balances of \$8,429,285 an increase of \$918,633 in comparison with the prior year. Approximately ninety-four percent of this total amount, or \$7,900,940, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,900,940, or 509 percent of total general fund expenditures for the fiscal year.

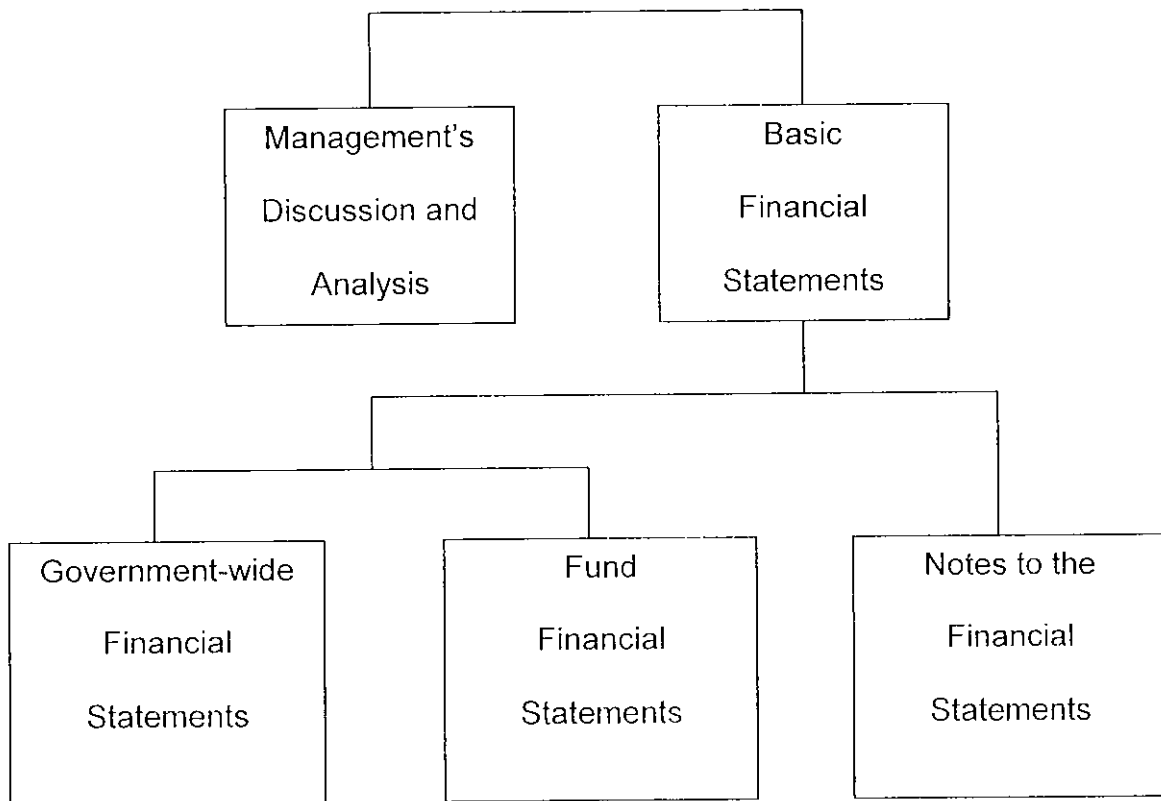
OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management Discussion and Analysis
Town of Summerfield

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

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.

Management Discussion and Analysis
Town of Summerfield

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government and provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements, and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements: The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town financial status as a whole.

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

The Statement of Net Assets includes all of the Town's assets and liabilities and provides information about the amounts invested in capital assets and the obligations to the Town's creditors. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. It also provides a basis of assessing the liquidity and financial flexibility of the Town. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current". The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is to present the net available liquid (non-capital) assets, net of liabilities, for the entire Town. Net Assets are reported in three broad categories:

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

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

Unrestricted Net Assets consists of those assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Statement of Revenues, Expenditures, and Changes in Fund Balance (comparable to an Income Statement) includes Revenues, such as ad valorem taxes and investment

Management Discussion and Analysis
Town of Summerfield

earnings, and Expenditures, such as general government and planning and zoning. The focus of this statement is the “Change in Fund Balance”, which is similar to Net Income or Loss.

Fund Financial Statements: The fund financial statements (see Figure 2) provide a more detailed look at the Town’s most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Summerfield, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town’s budget ordinance. All of the funds of the Town of Summerfield can be divided into one category: governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town of Summerfield’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash, and what monies are available at year-end for spending in the subsequent year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps in determining if there are more or less financial resources available to finance the Town’s programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Summerfield adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for those services. The budget also authorizes the Town to obtain funds from identified sources to finance current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Management Discussion and Analysis
Town of Summerfield

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 18-27 of this report.

Government-Wide Financial Analysis

The Town of Summerfield's Net Assets

Figure 2

Governmental Activities

	<u>2006</u>	<u>Restated 2005</u>
Current and other assets	\$ 8,480,189	\$ 7,528,293
Capital assets	1,001,973	507,207
Total assets	<u>9,482,162</u>	<u>8,035,500</u>
Long-term liabilities outstanding	9,922	10,076
Other liabilities	48,593	15,086
Total liabilities	<u>58,515</u>	<u>25,162</u>
Net assets:		
Invested in capital assets	1,001,973	507,207
Restricted	14,748	12,472
Unrestricted	8,406,926	7,490,660
Total net assets	<u>\$ 9,423,647</u>	<u>\$ 8,010,339</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Summerfield exceeded liabilities by \$9,423,647 as of June 30, 2006. The Town's net assets increased by \$1,413,308 for the fiscal year ended June 30, 2006; however, a portion (10.63%) of total net assets reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Summerfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Summerfield's net assets totaling \$14,748 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,406,926 is unrestricted.

Town of Summerfield Changes in Net Assets

Figure 3

	Governmental Activities 2006	Restated Governmental Activities 2005
Revenues:		
Program revenues:		
Charges for services	624,126	723,207
Operating grants and contributions	7,552	-
Capital grants and contributions	337,078	9,965
General revenues:		
Property taxes	525,483	914,698
Other taxes	616,555	233,625
Investment Earnings	358,767	240,390
Other	2,383	2,914
Total revenues	2,471,944	2,124,799
Expenses:		
General government	373,424	299,377
Public safety	3,546	2,855
Planning and zoning	548,205	458,240
Transportation	87,901	85,616
Community Relations	25,162	22,610
Historical Commission	-	655
Board of Adjustment	233	-
Culture and recreation	20,165	2,418
Conservation	-	283
Economic Development	-	1,681
Total expenses	1,058,636	873,735
Increase in net assets	1,413,308	1,251,064
Net assets, July 1	8,010,339	6,759,275
Net assets, June 30	9,423,647	8,010,339

Governmental activities - Governmental activities increased the Town's net assets by \$1,413,308, thereby accounting for the total growth in the net assets of the Town of Summerfield. Several particular aspects of the Town's financial operations positively influenced the growth:

- The Town of Summerfield enacted its second ad valorem property tax of \$.05 per \$100 of assessed value for the fiscal year ended June 30, 2006 in comparison to \$.105 for the fiscal year ended June 30, 2005. The continued growth in residential construction and the corresponding increase in the tax

Management Discussion and Analysis
Town of Summerfield

base account for the property tax revenues decreasing by only 42% despite the 52% decrease in the property tax rate.

- With the enactment of a property tax in the fiscal year ended June 30, 2005, the Town is 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 approximately \$300,000 in the current fiscal year and approximately \$80,000 more than was budgeted in comparison to no sales tax revenue in the prior fiscal year.
- Increased investment rates, continued investment strategies, and an increased fund balance have contributed to over \$118,000 in additional investment earnings from the fiscal year ended June 30, 2005 to the fiscal year ended June 30, 2006.
- The Town began collecting franchise fees for cable services in the fiscal year ended June 30, 2006 resulting in approximately \$65,000 of additional revenue from the prior fiscal year.
- Phase I of the Summerfield Community Park was nearing completion at June 30, 2006.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Summerfield uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town of Summerfield's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Summerfield's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Summerfield. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$7,900,940, while total fund balance reached \$8,429,285. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 509 percent of total General Fund expenditures while total fund balance represents 543 percent of that same amount.

At June 30, 2006, the governmental funds of Town of Summerfield reported a combined fund balance of \$8,429,285, a 12% percent increase over last year. This represents an increase in the fund balance in the General Fund.

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

Management Discussion and Analysis

Town of Summerfield

ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants, and 3) increases in appropriations that become necessary to maintain services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town of Summerfield's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totals \$1,001,973 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment.

Major capital asset transactions during the year include the following:

- Construction in progress of \$500,492 in governmental-type activities for the Summerfield Community Park Phase I
- Restatement of prior year capital assets of \$89,515 to reflect a change in the Town's capitalization threshold and to reflect expenditures related to assets to be operated and maintained by the NC Department of Transportation

Town of Summerfield's Capital Assets

Figure 4

	Governmental Activities 2006	Restated Governmental Activities 2005
Land	96,792	96,792
Buildings and improvements	190,082	190,256
Land improvements	13,617	14,953
Equipment	3,409	9,104
Office Furniture and Equipment	11,167	9,688
Construction in progress	686,906	186,414
Total	<u>1,001,973</u>	<u>507,207</u>

Additional information on the Town's capital assets can be found in note 4 of the Basic Financial Statements.

Management Discussion and Analysis
Town of Summerfield

Debt Administration

For the fiscal years ended June 30, 2006 and June 30, 2005, the Town of Summerfield had no debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following key economic indicators and budget highlights reflect the growth and prosperity of the Town of Summerfield for the fiscal year ending June 30, 2007:

- Continued growth in residential construction is adding significant tax base, therefore, allowing the Town to decrease the ad valorem rate to \$.039 per \$100 of assessed value.
- Continued investment strategies are expected to yield approximately \$47,000 more in investment earnings.
- The Town will use a combination of revenues and fund balance to finance programs currently in place and to purchase property and construct facilities for parks and recreation.
- Budgeted expenditures in the General Fund are expected to increase from \$1,553,556 to \$1,966,825. The largest expenditure of \$1,134,500 is in park construction.
- The Town of Summerfield and Guilford County established a new contract for inspection fees that flattens the fees for the inspection services provided to the Town. As a result, no inspection revenues or expenses are included in the budget for the fiscal year ending June 30, 2007.

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 Administrator, Michael Brandt, Town of Summerfield, Post Office Box 970, Summerfield, NC 27358, by telephone at (336) 643-8655, or by e-mail at mbrandt@summerfield-nc.com.

Town of Summerfield
Statement of Net Assets
June 30, 2006

Exhibit 1

ASSETS	Governmental Activities
Current assets:	
Cash and investments	8,020,971
Receivables:	
Taxes receivable (net)	2,311
Accounts receivable (net)	17,288
Due from other governments	437,925
Prepays	1,694
Total current assets	8,480,189
Capital assets:	
Land and other nondepreciable assets	783,698
Other capital assets, net of depreciation	218,275
Total capital assets	1,001,973
Total assets	9,482,162
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	44,827
Unearned revenue	3,766
Long-term liabilities:	
Due within one year	9,922
Total liabilities	58,515
 NET ASSETS	
Invested in capital assets	1,001,973
Restricted for:	
Culture and recreation	14,748
Unrestricted	8,406,926
Total net assets	9,423,647

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, 2006

Exhibit 2

Net Expense
(Revenue) and
Changes in
Net Assets

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	373,424		1,098		372,326
Public safety	3,546				3,546
Planning and zoning	548,205	624,126			(75,921)
Transportation	87,901				87,901
Community Relations	25,162		6,454		18,708
Board of Adjustments	233				233
Cultural and recreation	20,165			337,078	(316,913)
Total governmental activities	1,058,636	624,126	7,552	337,078	89,880

General revenues:	
Ad Valorem Taxes	525,483
Other Taxes and licenses	65,499
Unrestricted intergovernmental allocations	551,056
Investment earnings, unrestricted	358,767
Miscellaneous	2,383
Total general revenues	1,503,188
Change in net assets	1,413,308
Net assets - beginning	8,010,339
Net assets - ending	9,423,647

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

Town of Summerfield, North Carolina
 Balance Sheet
 Governmental Fund
 June 30, 2006

Exhibit 3

June 30,
 2006

Assets

Cash and cash equivalents	8,020,971
Taxes receivable (net)	2,311
Accounts receivable (net)	17,288
Due from other governments	437,925
Prepaid items	1,694
Total Assets	8,480,189

Liabilities and Fund Balance

Liabilities:	
Accounts payable and accrued liabilities	44,827
Unearned revenue	6,077
Total Liabilities	50,904

Fund Balance

Reserved:	
Reserved for Encumbrances	56,690
Reserved by State Statute	456,907
Reserved for Parks and Recreation	12,371
Reserved - Other	2,377
Unreserved:	
Designated for Parks and Recreation	413,240
Designated for Transportation	50,000
Undesignated	7,437,700
Total Fund Balance	8,429,285

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	1,001,973
Liabilities for earned but deferred revenues in fund statements.	2,311
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,922)
Net assets of governmental activities	9,423,647

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, 2006

Exhibit 4

Governmental
Fund Types

General
Fund

June 30, 2006

Revenues

Ad valorem taxes	525,728
Other Taxes and licenses	65,499
Unrestricted intergovernmental revenues	551,056
Restricted intergovernmental revenues	337,078
Fees and permits	624,126
Investment earnings	358,767
Miscellaneous	9,935

Total Revenues	2,472,189

Expenditures

Current operating:	
General government	363,960
Public safety	3,546
Planning and zoning	552,097
Transportation	87,901
Board of Adjustments	233
Community relations	25,162
Culture and recreation	520,657

Total Expenditures	1,553,556

Net Change in Fund Balance	918,633
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Fund Balance, Beginning of Year	7,510,652

Fund Balance, End of Year	8,429,285

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, 2006

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	918,633
--	---------

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	511,210	
Depreciation	(16,444)	
		494,766
Change in deferred revenues for tax revenues		(245)

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	154
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Changes in net assets of governmental activities	1,413,308
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The notes to the financial statements are an integral part of this statement.

Town of Summerfield, North Carolina
 General Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2006

Exhibit 5

	General Fund 2006			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	427,800	427,800	525,728	97,928
Other taxes and licenses	69,000	69,000	65,499	(3,501)
Unrestricted intergovernmental revenues	448,700	448,700	551,056	102,356
Restricted intergovernmental revenues	350,000	350,000	337,078	(12,922)
Fees and permits	576,912	576,912	624,126	47,214
Investment earnings	184,000	184,000	358,767	174,767
Miscellaneous	3,000	9,400	9,935	535
Total Revenue	2,059,412	2,065,812	2,472,189	406,377
Expenditures:				
Current operating:				
General government	394,875	401,775	363,960	37,815
Public safety	12,965	8,350	3,546	4,804
Planning and zoning	589,700	589,700	552,097	37,603
Board of Adjustment	3,600	3,600	233	3,367
Transportation	403,100	89,975	87,901	2,074
Community relations	16,300	29,115	25,162	3,953
Water Resources	2,000	2,000	0	2,000
Historical commission	12,550	12,550	0	12,550
Culture and recreation	796,400	612,700	520,657	92,043
Capital Fund Allocation	250,000	450,000	0	450,000
Total Expenditures	2,481,490	2,199,765	1,553,556	646,209
Revenues Over (Under) Expenditures	(422,078)	(133,953)	918,633	1,052,586
Appropriated Fund Balance	422,078	133,953		133,953
Net Change in Fund Balance	0	0	918,633	918,633
Fund Balance - Beginning of Year			7,510,652	
Fund Balance - End of Year			8,429,285	

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, 2006

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, account groups, agencies, boards, commissions, and authorities which are controlled by or are financially dependent upon the Town.

B. Basis of Presentation - Fund Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town of Summerfield has no business type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental fund:

General Fund. The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for general government services.

C. Measurement focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-Wide and Proprietary Fund Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

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 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues.

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for multi-year funds. The Town Administrator is authorized to transfer appropriations between functional areas within a fund; however, any revisions that alter the total expenditures of any fund or that change functional appropriations must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

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.

	Useful Life
Land improvements, buildings, and infrastructure	20 to 50 years
Furniture, fixtures, equipment, heavy equipment, And vehicles	5 to 10 years
Computer equipment and software	3 to 5 years

Net Assets/Fund Balances

Net assets in government-wide statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law {G.S.159-13(b)(16)} restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved by State statute - portion of fund balance, which is not available for appropriation under state law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2006-2007 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at the year-end.

Note II. Detail Notes on All Funds

A. Assets

1. Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the Adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, 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, 2006, the Town's deposits had a carrying amount of \$8,020,671, and a bank balance of \$8,047,212. Of the bank balance, \$211,203 was covered by federal depository insurance, and \$7,308,073 was covered by collateral held under the Pooling Method. The Town had \$300 of petty cash on hand at June 30, 2006. Summerfield had \$527,936 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 no policy regarding credit risk.

2. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for accounts:

General Fund:

Taxes Receivable	<u>2,597</u>
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Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

3. Due from Governmental Agencies

Amounts due from governmental agencies consist of the following:

	<u>ABC Board</u>	<u>County</u>	<u>State</u>	<u>Total</u>
Sales Tax Distribution			39,298	39,298
Utilities Franchise and Telecommunications Tax			49,245	49,245
ABC Distribution	939			939
Hold Harmless Distribution			2,129	2,129
Sales Tax Refund			6,001	6,001
Ad valorem Taxes		3,235		3,235
Part F Grant			250,000	250,000
Guilford County Park Grant	_____	<u>87,078</u>	_____	<u>87,078</u>
	<u>939</u>	<u>90,313</u>	<u>346,673</u>	<u>437,925</u>

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

4. Capital Assets

Capital Asset activity for the Town of Summerfield for the year ended June 30, 2006 was as follows:

	Beginning Balances	Adjustment to Beginning Balances	Beginning Balances as Restricted	Increases	Decreases	Ending Balances
Governmental activities:						
Capital assets not being depreciated:						
Land	96,792		96,792			96,792
Construction in progress	193,190	(6,776)	186,414	500,492		686,906
Total capital assets not being depreciated	289,982	(6,776)	283,206	500,492	0	783,698
Capital assets being depreciated:						
Buildings and improvements	211,361		211,361	5,395		216,756
Land improvements	106,821	(86,780)	20,041			20,041
Equipment	53,405		53,405			53,405
Office furniture and equipment	28,454	(6,494)	21,960	5,323		27,283
Total capital assets being depreciated	400,041	(93,274)	306,767	10,718	0	317,485
Less accumulated depreciation for:						
Buildings and improvements	26,359	(5,254)	21,105	5,569		26,674
Land improvements	9,471	(4,383)	5,088	1,336		6,424
Equipment	41,736	2,565	44,301	5,695		49,996
Office furniture and equipment	15,735	(3,463)	12,272	3,844		16,116
Total accumulated depreciation	93,301	(10,535)	82,766	16,444	0	99,210
Total capital assets being depreciated, net	306,740	(82,739)	224,001			218,275
Governmental activity capital assets, net	596,722	(89,515)	507,207			1,001,973

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

General Government	16,444
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Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Summerfield contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate is 6.06% of annual covered payroll. The Town does not have any employees engaged in law enforcement for which a different contribution rate would be required. The Town's contributions to LGERS for the year ended June 30, 2006 was \$9,346 and the Town's contributions to LGERS for the year ended June 30, 2005 was \$6,019. The year ended June 30, 2005 was the first year that the Town participated in LGERS.

2. Risk Management

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

Town of Summerfield, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

3. Changes in Long-Term Liabilities

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Current Portion of Balance
Governmental Activities: Compensated absences	<u>10,076</u>	<u>9,922</u>	<u>10,076</u>	<u>9,922</u>	<u>9,922</u>

Town of Summerfield, North Carolina
 Balance Sheet
 Governmental Fund
 June 30, 2006

Schedule 1

	June 30, 2006	June 30, 2005
Assets		
Cash and cash equivalents	8,020,971	7,471,181
Taxes Receivable	2,311	2,556
Accounts Receivable	17,288	0
Due from other governments	437,925	49,527
Prepaid items	1,694	5,029
 Total Assets	 8,480,189	 7,528,293
 Liabilities and Fund Balance		
Liabilities:		
Accounts payable and accrued liabilities	44,827	8,375
Unearned revenue	6,077	9,266
	50,904	17,641
 Fund Balance		
Reserved:		
Reserve for Encumbrances	56,690	0
Reserved by state statute	456,907	54,556
Reserved for Parks and Recreation	12,371	11,167
Reserved - Other	2,377	1,305
Unreserved:		
Designated for Parks and Recreation	413,240	0
Designated for Transportation	50,000	0
Undesignated	7,437,700	7,443,624
 Total Fund Balance	 8,429,285	 7,510,652
	8,480,189	7,528,293

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

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006
With Comparative Actual Amounts for the Year Ended June 30, 2005

Schedule 2

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Revenues				
Ad Valorem Taxes - Current Year	427,800	522,105	94,305	912,142
Prior Years		3,623	3,623	0
	427,800	525,728	97,928	912,142
Other Taxes and Licenses:				
Franchise Fees	69,000	65,499	(3,501)	0
Unrestricted intergovernmental revenues:				
Local ABC revenues	5,000	5,191	191	5,053
Beer and wine excise tax	31,700	31,921	221	32,126
Sales Tax Revenue	0	0	0	1,346
Local Option Sales Tax Article. 39	110,000	143,520	33,520	0
Local Option Sales Tax Article. 40	55,000	50,667	(4,333)	0
Local Option Sales Tax Article. 42	55,000	50,177	(4,823)	0
Local Option Sales Tax Article. 44	0	55,497	55,497	0
Piped natural gas tax	0	6,506	6,506	0
Utilities franchise tax	192,000	184,512	(7,488)	175,163
Telecommunications sales tax	0	23,065	23,065	19,937
Total Taxes	448,700	551,056	102,356	233,625
Restricted intergovernmental revenues:				
PARTF Grant	250,000	250,000	0	0
G.C. Park Cost Share	100,000	87,078	(12,922)	0
Total Restricted intergovernmental revenues:	350,000	337,078	(12,922)	0
Fees and permits:				
Planning fees	30,000	28,352	(1,648)	63,883
Inspection fees	546,912	595,774	48,862	659,324
Total Fees and permits	576,912	624,126	47,214	723,207
Investment earnings	184,000	358,767	174,767	240,390
Miscellaneous:				
Donations - Founders Day	6,400	6,454	54	3,051
Donations - other	0	1,098	1,098	6,914
Other	3,000	2,383	(617)	2,914
Total Miscellaneous	9,400	9,935	535	12,879
Total Revenues	2,065,812	2,472,189	406,377	2,122,243
Expenditures:				
General government				
Governing body				
Operating expenditures				
Workers Compensation	400	92	308	300
Insurance and Bonding	7,500	6,770	730	40
Piedmont Triad Council of Governments	0	0	0	1,508
Other Dues and Subscriptions	8,000	7,863	137	5,385
Legal Advertising	5,000	4,096	904	5,209
Per Diem and Travel	700	603	97	637
Education	3,600	1,271	2,329	434
Volunteer Appreciation	1,200	1,115	85	451
Retreat	400	0	400	13
Total Expenditures	26,800	21,810	4,990	13,977

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

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006
With Comparative Actual Amounts for the Year Ended June 30, 2005

Schedule 2

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Administration:				
Operating expenditures				
Salaries and Wages	158,500	153,804	4,696	121,146
Social Security	12,800	11,779	1,021	9,262
Worker's Compensation	2,700	2,634	66	175
Health, Vision, Dental Ins.	33,800	23,867	9,933	20,390
Life Insurance	1,000	829	171	639
Employee Retirement	10,000	9,346	654	6,019
Office Supplies and Materials	5,000	4,916	84	4,619
Dues and Subscriptions	1,000	383	617	385
Copier Lease	3,900	3,756	144	2,136
Personnel Policy	3,000	3,000	0	0
Telephone	2,700	2,146	554	2,512
Postage	2,500	2,418	82	1,730
Internet Expense	4,700	4,490	210	1,536
Education	2,400	1,900	500	936
Per Diem and Travel Expense	2,750	2,428	322	930
Town Newsletter	7,450	7,320	130	0
Information Technology Expense	2,550	2,505	45	2,400
Furniture and Supplies	2,610	2,603	7	68
Town Meeting Refreshments	400	397	3	408
Other Repairs and Maintenance	0	0	0	512
Insurance and Bonding - Fidelity	0	0	0	6,195
Miscellaneous	0	0	0	12
Capital Outlay - Computers	1,625	1,431	194	2,823
Total Administration	261,385	241,952	19,433	184,833
Finance				
Audit	7,062	7,062	0	5,675
Contract Accounting Services	19,438	19,400	38	2,599
Tax Collection Fee	5,500	5,219	281	9,183
Insurance and Bonding - Fidelity	200	0	200	0
Total Finance	32,200	31,681	519	17,457
Legal				
Legal	0	0	0	500
Contract Legal Services	43,615	38,381	5,234	43,288
Total Legal	43,615	38,381	5,234	43,788
Elections				
Contract Election Service	5,800	5,755	45	0
Town Hall				
Repairs and Maintenance	10,205	5,237	4,968	726
Office Cleaning	3,500	2,421	1,079	3,380
Heating and Utilities	4,000	3,887	113	2,804
Trash Disposal	275	165	110	160
Rental of Offices	1,560	1,560	0	630
Service and Maintenance Contracts	2,340	898	1,442	1,643
Landscaping	5,300	4,818	482	4,252
Construction Services	4,795	5,395	(600)	0
Total Town Hall	31,975	24,381	7,594	13,595
Total General Government	401,775	363,960	37,815	273,650

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

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006
With Comparative Actual Amounts for the Year Ended June 30, 2005

Schedule 2

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Public safety				
Police and fire safety				
Community Project	1,800	1,800	0	1,800
Fire Inspections	4,000	1,593	2,407	1,055
Per Diem and Travel	50	0	50	0
Municipal Equipment - Red Cross Generator	2,500	153	2,347	0
Capital Outlay: Municipal Building:				
Architectural Services	0	0	0	93,925
Construction Services	0	0	0	15,715
Total public safety	8,350	3,546	4,804	112,495
Planning and zoning				
Zoning Services:				
Membership and Dues	1,000	155	845	750
Training and Education	1,600	598	1,002	635
Per Diem and Travel	1,400	29	1,371	307
Planning Library	250	220	30	102
Planning and Advisory Service	700	695	5	0
	4,950	1,697	3,253	1,794
Planning Services:				
Dues and Subscriptions	1,000	215	785	341
Office Supplies	2,500	2,122	378	1,207
Vehicle Reimbursement	2,000	522	1,478	338
Education	2,000	1,440	560	790
Per Diem and Travel	3,000	16	2,984	278
Planning Services	0	0	0	76,661
Inspection Services	556,750	538,807	17,943	375,116
Zoning Enforcement	0	0	0	1,218
Lighting Services Contract	1,500	0	1,500	187
Town Engineer Contract	10,000	3,386	6,614	0
Capital Outlay:				
Computer Equipment and Peripherals	6,000	3,892	2,108	3,987
Total Planning Services	584,750	550,400	34,350	460,123
Total Planning and Zoning	589,700	552,097	37,603	461,917
Transportation (Thoroughfare Committee)				
Education	600	0	600	90
Thoroughfare Comm - Per Diem & Travel	500	31	469	283
Kimley- Horne Contract	0	0	0	4,950
Road Paving - Dubach Road	0	0	0	75,000
Road Paving - Strader	11,375	11,375	0	0
Road Paving Millbrook	71,500	71,500	0	0
Thoroughfare Comm - Curb/Gutter Project	6,000	4,995	1,005	13,000
Total Transportation	89,975	87,901	2,074	93,323

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

Town of Summerfield
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2006
With Comparative Actual Amounts for the Year Ended June 30, 2005

Schedule 2

	2006	Variance	2005
Budget	Actual	Favorable (Unfavorable)	Actual
Board of Adjustments:			
Per Diem and travel	1,500	0	0
Membership and Dues	600	0	0
Education	1,500	233	0
Total Board of Adjustments	3,600	233	0
Community relations			
Community events			
Capital Outlay - Historic District Property Marker		0	2,500
Summerfield Comm. Senior Program	6,415	6,139	5,678
Special Event - Founders Day	22,400	18,818	14,201
Special Event - Tree Lighting	300	205	231
Total community events	29,115	25,162	22,610
Water Resources			
Communications	500	0	0
Training and Education	1,000	0	0
Per Diem and Travel	500	0	0
Total Water resources	2,000	0	0
Historical Commission			
Membership and Dues	200	0	0
Communications	1,000	0	0
Education	500	0	0
Per Diem and Travel	250	0	0
Services - Town Hall and Rotating Exhibits	500	0	287
Services - Founders Day	300	0	274
Services - Summerfield Town History Project	300	0	94
Capital Outlay - Historic District Property Marker	3,000	0	0
Capital Outlay - Historic District Entrance Sign	6,000	0	0
Capital Outlay - Historic District Nomination	500	0	0
Total Historical commission	12,550	0	655
Cultural and recreation			
Parks and recreation			
Services - Education	600	0	42
Services - Per Diem and Travel	600	392	76
Services - SC Park Ground Breaking	500	0	356
Summ. Comm. - Park Landscape Maint.	2,700	2,686	0
Summ. Comm. - Park Janitorial Service	1,800	75	0
Communications	2,000	0	0
Special Event - Founders Day	500	0	0
Recreation Master Plan	15,000	10,512	0
Services -Other	0	0	444
SRA Grant	5,000	5,000	0
Operating Expenses - Summerfield Elm Track	1,500	1,500	1,500
Capital Outlay - SC Park Phase I	575,000	500,492	6,985
Trail Construction	7,500	0	1,221
Total cultural and recreation	612,700	520,657	10,624

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

Town of Summerfield
 General Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2006
 With Comparative Actual Amounts for the Year Ended June 30, 2005

Schedule 2

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Conservation				
GIS Contract	0	0	0	283
Economic Development				
Attache Magazine Promotion	0	0	0	1,681
Capital Fund Allocation:				
Parks and Recreation Fund	400,000	0	400,000	0
Transportation Improvement Fund	50,000	0	50,000	0
	450,000	0	450,000	0
Total Expenditures	2,199,765	1,553,556	646,209	977,238
Revenues Over (Under) Expenditures	(133,953)	918,633	1,052,586	1,145,005
Appropriated Fund Balance	133,953		(133,953)	
Revenues and Appropriated Fund Balance Over Expenditures	0	918,633	918,633	1,145,005
Fund Balance, Beginning of Year		7,510,652		6,365,647
Fund Balance, End of Year		8,429,285		7,510,652

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

Town of Summerfield
Schedule of Ad Valorem Taxes Receivable
June 30, 2006

Schedule 3

Fiscal Year	Uncollected Balance June 30, 2005	Additions	Collections And Credits	Uncollected Balance June 30, 2006
2005-2006		526,913	523,431	3,482
2004-2005	5,111		3,685	1,426
	5,111	526,913	527,116	4,908
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable				2,597
Ad Valorem Taxes Receivable - Net				2,311
Reconciliation with Revenues:				
Ad Valorem Taxes - General Fund				525,728
Payments -Other Charges				(1,339)
Discounts and Releases:				5,671
Prepaid Vehicle Tax				(2,944)
Total collections and credits				527,116

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, 2006

Schedule 4

	City-Wide		Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate		
Original levy:				
Property taxed at current year's rate	1,053,826,000	0.05	526,913	72,852
Abatelements and Discounts	10,644,000		5,322	935
Total property valuation	1,043,182,000		521,591	71,917
Uncollected Taxes at June 30, 2006			3,482	1,277
Current Year's Taxes Collected			518,109	70,640
Current Levy Collection Percentage			99.33%	98.22%

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

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

Certified Public Accountants

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

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

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregated remaining fund information of the Town of Summerfield, North Carolina, as of and for the year ended June 30, 2006, which collectively comprises the Town of Summerfield's basic financial statements, and have issued our report thereon dated November 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered the Town of Summerfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Summerfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the Town of Summerfield, in a separate letter dated November 10, 2006.

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


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

November 10, 2006