

**TOWN OF RED CROSS  
AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**TOWN OF RED CROSS**

**2012**

Larry W. Smith  
Mayor

Dick Hatley

Barbara Carpenter

Kelley Brattain  
Council Member

Jerry Jordan  
Council Member  
Finance Officer

Aloma Whitley  
Town Administrator

**TOWN OF RED CROSS  
JUNE 30, 2012**

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# John A. Pollard CPA PLLC

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## INDEPENDENT AUDITOR'S REPORT

To the Town Board  
Town of Red Cross  
Red Cross, North Carolina

I have audited the accompanying financial statements of the governmental activities (the only major fund), budget to actual comparisons for the general fund on the Town of Red Cross, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town of Red Cross's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Red Cross, North Carolina's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit, the financial statements referred to above, present fairly, in all material respects, the financial position of the governmental activities (the only major fund) on the Town of Red Cross, North Carolina, as of June 30, 2012, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Red Cross, North Carolina basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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. In my opinion, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all respects, in relation to the basic financial statements taken as a whole

A handwritten signature in black ink, appearing to read "John A. Pollard". The signature is fluid and cursive, with the first name "John" being the most prominent part.

John A. Pollard CPA PLLC  
October 10, 2012

**TOWN OF RED CROSS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

As management of the Town of Red Cross, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Red Cross for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the town's financial statements, which follow this narrative.

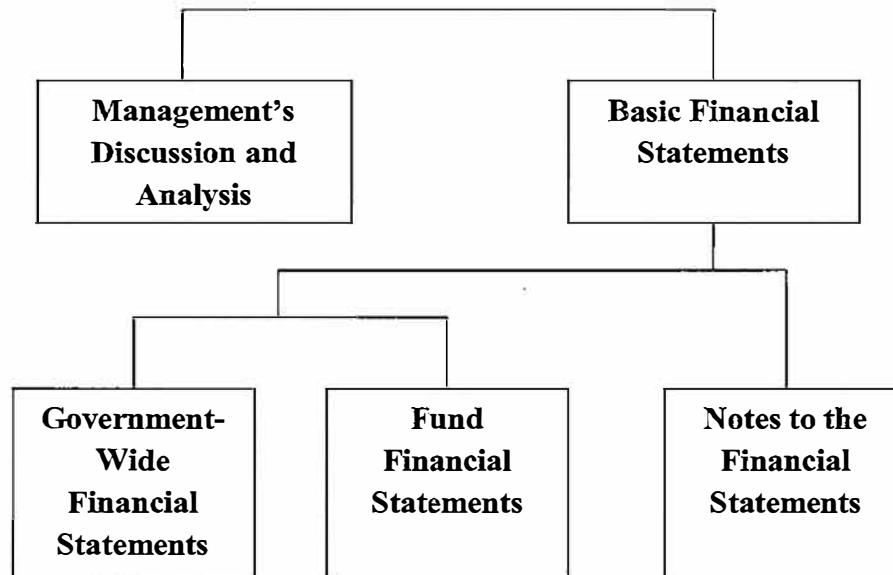
**Financial Highlights**

- The assets of the Town of Red Cross exceeded its liabilities at the close of the fiscal year by \$1,185,883.
- As of the close of the current fiscal year, the Town of Red Cross's governmental funds reported ending fund balance of \$629,432 an increase of \$25,047 in comparison to the prior year. Approximately 96.51% of this total amount is available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund was \$612,006, or 278.14 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 the Town'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 Red Cross.

**Required Components of Annual Financial Report**  
**Figure 1**



Summary----->Detail

### **Basic Financial Statements**

The first two statements 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 are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the town government. These statements provide more detail than the government-wide statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements 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 finances, similar in format to the 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 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.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next 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 him or her determine if there are more or less financial resources available to finance the town's programs. The relationship between government 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 Red Cross adopts an annual budget for its funds, although it is not required to do so 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 Board about which services to provide and how to pay for them. It also authorizes the town to obtain funds from identified sources to finance these 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.

**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 behind Exhibit 4 of this report.

## **Government-wide Financial Analysis**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to the financial statement of 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 on 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 Town of Red Cross in the government-wide statement has only governmental activities at June 30, 2012. The governmental activities include basic services such as public safety, general administration, and sanitation. Property taxes and sales and franchise tax finance most of these activities.

**The government-wide financial statements are on Exhibits 1 and 2 of this report.**

	Governmental Activities		Total	
	2012	2011	2012	2011
				\$
Current and Other Assets	\$ 633,969	\$ 520,507	\$ 633,969	520,507
Capital Assets	927,696	912,527	927,696	912,527
				\$
Total Assets	<u>\$1,561,665</u>	<u>\$1,433,034</u>	<u>\$1,561,665</u>	<u>1,433,034</u>
				\$
Long Term Liabilities				\$
Outstanding	\$ 339,115	\$ 412,499	\$ 339,115	412,499
Other Liabilities	36,667	36,667	36,667	36,667
				\$
Total Liabilities	<u>\$ 375,782</u>	<u>\$ 449,166</u>	<u>\$ 375,782</u>	<u>449,166</u>
Net Assets:				
Invested in Capital Assets,				\$
Net of Related Debt	\$ 551,914	\$ 463,361	\$ 551,914	463,361
Restricted	21,963	14,406	21,963	14,406
Unrestricted	612,006	506,101	612,006	506,101
				\$
Total Net Assets	<u>\$1,185,883</u>	<u>\$ 983,868</u>	<u>\$1,185,883</u>	<u>983,868</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 Red Cross exceeded liabilities by \$1,185,833 as of June 30, 2012. The Town's net assets increased by \$85,285 for the fiscal year ended June 30, 2012.

Several Particular aspects of the Town's financial operations influence the total restricted and unrestricted governmental net assets:

- The Town has no other particular aspects to address for this fiscal year.

## Town of Red Cross Changes in Net Assets

Figure 3

	Governmental		Total	
	Activities			
	2012	2011	2012	2011
Revenue:				
General Revenue:				
Property Taxes	\$ 81,375	\$ 79,424	\$ 81,375	\$ 79,424
Other Taxes	155,716	155,899	155,716	155,899
Restricted Revenue	-	15,400	-	15,400
Other	1,265	4,665	1,265	4,665
Total Revenue	\$ 238,356	\$ 255,388	\$ 238,356	\$ 255,388
Expenses:				
General Government	\$ 32,789	\$ 34,965	\$ 32,789	\$ 34,965
Public safety	43,518	43,724	43,518	43,724
Environmental Protection	60,455	42,161	60,455	42,161
Interest on Lt Debt	16,309	17,808	16,309	17,808
Total Expenses	\$ 153,071	\$ 138,658	\$ 153,071	\$ 138,658
Increase in Net Assets	\$ 85,285	\$ 116,730	\$ 85,285	\$ 116,730
Net Assets, July 1	1,100,598	983,868	1,100,598	983,868
Net Assets, June 30	\$ 1,185,883	\$ 1,100,598	\$ 1,185,883	\$ 1,100,598

**Governmental activities.** Governmental activities increased the Town's net assets by \$85,285. This is primarily due to tax revenues remaining steady.

### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town of Red Cross'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 Red Cross's financing requirements. Specifically, unrestricted 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 Red Cross. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$607,469 and the total fund balance is \$629,432. The \$21,963 includes amounts designed in stabilization by State Statute.

### Requests for Information

This report is designed to provide an overview of the Town'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 to the Finance Officer. Town of Red Cross, 176E Red Cross Road, Oakboro, NC 28129, Telephone 704-485-3887.

**TOWN OF RED CROSS, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Primary Government	
	Governmental	
	Activities	Total
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 607,469	\$ 607,469
Taxes Receivable (Net)	4,537	4,537
Accounts Receivable (Net)	21,963	21,963
Total Current Assets	<u>\$ 633,969</u>	<u>\$ 633,969</u>
Non-current Assets:		
Capital assets		
Land - Non Depreciable	\$ 714,591	\$ 714,591
Other Capital Assets, Net of Depreciation	213,105	213,105
Total Capital Assets	<u>\$ 927,696</u>	<u>\$ 927,696</u>
Total Assets	<u><u>\$ 1,561,665</u></u>	<u><u>\$ 1,561,665</u></u>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Current portion of long-term liabilities	\$ 36,667	\$ 36,667
Long term liabilities:		
Due in more than one year	<u>339,115</u>	<u>339,115</u>
Total Liabilities	<u>\$ 375,782</u>	<u>\$ 375,782</u>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets, net of related debt	\$ 551,914	\$ 551,914
Restricted by Stabilization State Statute	21,963	21,963
Unrestricted	<u>612,006</u>	<u>612,006</u>
Total Net Assets	<u><u>\$ 1,185,883</u></u>	<u><u>\$ 1,185,883</u></u>

See Auditor's Opinion

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

**TOWN OF RED CROSS, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges For Services	Capital Grants And Contributions	Governmental Activities	Total
Primary government:					
Governmental Activities					
General Government	\$ 40,717	\$ -	\$ 7,928	\$ (32,789)	\$ (32,789)
Public safety	43,518	-	-	(43,518)	(43,518)
Environmental Protection	60,455	-	-	(60,455)	(60,455)
Interest of Lt. Debt	16,309	-	-	(16,309)	(16,309)
Total Governmental Activities	<u>160,999</u>	<u>-</u>	<u>7,928</u>	<u>(153,071)</u>	<u>(153,071)</u>
Total	<u>\$ 160,999</u>	<u>\$ -</u>	<u>\$ 7,928</u>	<u>(153,071)</u>	<u>(153,071)</u>

## General Revenues:

## Taxes:

Property taxes, levied for general purpose	81,375	81,375
Grants and taxes not restricted to a specific program	155,716	155,716
Investment earnings	722	722
Other	543	543

Total General Revenues	<u>238,356</u>	<u>238,356</u>
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Change in Net Assets	85,285	85,285
Net Assets - beginning	1,100,598	1,100,598
Net Assets - ending	<u>\$ 1,185,883</u>	<u>\$ 1,185,883</u>

See Auditors Opinion

The Notes to Financial Statements are an integral part of these Statements.

**TOWN OF RED CROSS, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<u>Major Fund General</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 607,469	\$ 607,469
Receivable, (Net):		
Taxes	4,537	4,537
Due from other governments	21,963	21,963
Total Assets	<u>\$ 633,969</u>	<u>\$ 633,969</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities:		
Deferred Revenue	\$ 4,537	\$ 4,537
Total Liabilities	<u>\$ 4,537</u>	<u>\$ 4,537</u>
Fund Balances		
Reserved		
Stabilization by State Statute	\$ 21,963	\$ 21,963
Unassigned	607,469	607,469
Total Fund Balance	<u>\$ 629,432</u>	<u>\$ 629,432</u>
Total Liabilities and Fund Balance	<u>\$ 633,969</u>	

Amounts reported for governmental activities in the Statement of Net Assets  
(Exhibit 1) are different because:

Liabilities for earned but deferred revenues in fund statements		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the		
Gross capital assets at historical cost	\$ 961,172	
Accumulated depreciation	<u>(33,476)</u>	\$ 927,696
Long term liabilities are not due and payable in the current period, and therefore, not reported in the current period	-	(375,782)
Liabilities for earned but deferred in fund statements		4,537
Net assets of governmental activities		<u>\$ 1,185,883</u>

See Auditor's Opinion

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

**TOWN OF RED CROSS, NORTH CAROLINA**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Total Governmental Fund
<b><u>REVENUE:</u></b>		
Ad Valorem Taxes	\$ 80,175	\$ 80,175
Other Taxes and licenses	155,716	155,716
Restricted Intergovernmental	7,928	7,928
Investment Earnings	722	722
Miscellaneous	543	543
Total Revenue	<u>\$ 245,084</u>	<u>\$ 245,084</u>
<b><u>EXPENDITURES:</u></b>		
Current:		
General Government	\$ 33,515	\$ 33,515
Public Safety	43,518	43,518
Transportation	29,573	29,573
Environmental protection	60,455	60,455
Debt Service:		
Principal	36,667	36,667
Interest	16,309	16,309
Total Expenditures	<u>\$ 220,037</u>	<u>\$ 220,037</u>
 Net Change in Fund Balance	 \$ 25,047	 \$ 25,047
Fund Balance - Beginning	<u>604,385</u>	<u>604,385</u>
 Fund Balance - Ending	 <u>\$ 629,432</u>	 <u>\$ 629,432</u>

See Auditor's Opinion

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

**TOWN OF RED CROSS, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

Net changed in fund balances - total governmental funds	\$	25,047
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Governmental funds report capital outlay 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. This is the amount by which capital outlays exceeded depreciation in the current period,

Capital outlay expenditures which were capitalized	29,573	
Depreciation expense for governmental assets	(7,202)	22,371

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the current financial resources to governmental funds. Neither transaction has any affect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long term debt	36,667	36,667
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Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.

Change in deferred tax revenues		1,200
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Total changes in net assets of governmental activities	\$	85,285
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See Auditor's Opinion

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

**TOWN OF RED CROSS, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund			Variance
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
<b>Revenues:</b>				
Ad Valorem taxes	\$ 75,000	\$ 75,000	\$ 80,175	\$ 5,175
Other taxes and licenses	144,000	144,000	155,716	11,716
Restricted Intergovernmental	-	-	7,928	7,928
Investments earnings	-	-	722	722
Miscellaneous	-	-	543	543
Total revenues	<u>219,000</u>	<u>219,000</u>	<u>245,084</u>	<u>26,084</u>
<b>Expenditures:</b>				
Current:				
General government	55,700	55,700	33,515	22,185
Public safety	47,000	47,000	43,518	3,482
Transportation	-	-	29,573	(29,573)
Environmental protection	62,800	62,800	60,455	2,345
Debt Service	53,500	53,500	52,976	524
Total Expenditures	<u>219,000</u>	<u>219,000</u>	<u>220,037</u>	<u>(1,037)</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	25,047	<u>\$ 25,047</u>
Fund balances, beginning			<u>604,385</u>	
Fund balances, ending			<u>\$ 629,432</u>	



**TOWN OF RED CROSS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Red Cross 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 Red Cross is a municipal corporation which is governed by an elected mayor and a four-member council.

B. **Basis of Presentation**

*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 *governmental* and *business-type* activities (the town has no business type activities). Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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. The Town has no program revenues at this time. 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* is presented. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental fund.

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety and sanitation services.

C. **Measurement Focus and Basis of Accounting**

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

*Government-wide Financial Statements:* The government – wide financial statements are reported using the economic resources measurement focus. 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 and claims and judgments which are recognized as expenditures to the extent they have matured. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term debt is 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 a 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, Stanly 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 Red Cross. 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 Stanly County from March 2011 through February 2012 apply to fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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.

*Government-wide Financial Statements:* The government – wide financial statements are reported using the economic resources measurement focus. 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 and claims and judgments which are recognized as expenditures to the extent they have matured. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term debt is 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 a 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, Stanly 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 Red Cross. 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 Stanly County from March 2011 through February 2012 apply to fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. All amendments must be approved by the governing board. During the year there were no amendments. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed 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).

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011.

4. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost as an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, infrastructure, equipment and furniture \$200. Purchased or constructed assets are

reported at cost. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building Renovations	40
Improvements	15 – 20
Furniture & Fixtures	7
Computer Equipment & Software	7

5. Long-Term Obligations

In the government-wide financial statements, in the fund type financial statements, long-term debt is reported as liabilities in the applicable governmental activities in the fund type statement of net assets.

6. Net assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Restricted:

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

Restricted for streets – Powell Bill – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unassigned – portion of total fund balance available that has not been restricted, committed, or assigned to specific purpose on other funds.

## II. Stewardship, Compliance, and Accountability

### A. Significant Violations of Finance-Related Legal and Contractual Provisions

#### 1. Noncompliance with North Carolina General Statutes

The Powell Bills Funds were included in the general government funds under streets and highways. The Expenditures exceeded the budget as follows:

Budget	0
Expenditure	<u>29,573</u>
Excess	29,573

This is a material instance of budgetary noncompliance in the fund on the legal level of budgetary control.

Name of Contact Person: Aloma Whitley, Town Administrator

Corrective Action: The administrator will review all budgetary items over expenditures before authorizing the approval for payment and make sure that the expenditures do not exceed budget. If there is an excess, the budget will be amended by the board at the next meeting before payment of funds.

Proposed Completion Date: This will be implemented immediately.

#### 2. Contractual Violation

There are no known contractual violations.

### B. Excess of Expenditures Over Appropriations

Transportation expenditures exceeded budget by \$29,573.

Budget	0
Expenditures	<u>29,573</u>
Excess	29,573

Name of Contact Person: Aloma Whitley, Town Administrator

Corrective Action: The administrator will review all budgetary items over expenditures before authorizing the approval for payment and make sure that the expenditures do not exceed budget. If there is an excess, the budget will be amended by the board at the next meeting before payment of funds.

### III. Detail Notes on Unassigned Funds

#### A. Assets

##### 1. Deposits

All the 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 agents in these units' names. 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 these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for the interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their information with the Town or the escrow agent. Because of the inability to measure the exact amount 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 collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit needs for deposits but relies on the State Treasurer to enforce standards in minimum capitalization in all pooling method financial institutions and to monitor them for compliance. The Town complies with provisions of G.S. 159-31 when designated official depositories and verifying that deposits are properly secured.

At June 30, 2012, the Town's deposits had a carrying amount of \$607,469 and a bank balance of \$593,369. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

## 2 Capital Assets

Capital assets for the Primary Government for the year ended for the year June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<b>Capital assets not depreciated</b>				
Land	\$ 714,591	\$ -	\$ -	\$ 714,591
Total not being depreciated	\$ 714,591	\$ -	\$ -	\$ 714,591
<b>Capital assets begin depreciated</b>				
Buildings	\$ 150,000	\$ -	\$ -	\$ 150,000
Renovations	51,929	29,573	-	81,502
Furniture and equipment	15,079	-	-	15,079
Total assets being depreciated	\$ 217,008	\$ 29,573	\$ -	\$ 246,581
<b>Less accumulated depreciation</b>				
Buildings	\$ 14,063	\$ 3,750	\$ -	\$ 17,813
Renovations	4,808	1,298	-	6,106
Furniture and equipment	7,403	2,154	-	9,557
Total accumulated depreciation	\$ 26,274	\$ 7,202	\$ -	\$ 33,476
Total capital assets bring depreciated, net	190,734			\$ 213,105
<b>Governmental activity capital assets, net</b>	<u>\$ 905,325</u>			<u>\$ 927,696</u>

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

General government	\$ 7,202
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## B. Liabilities

### 1. Deferred Revenues

Deferred Revenues at June 30, 2012 consist of the following:

Taxes receivable	\$4,537
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### 2. Long-Term Obligations

The Town has entered into a financing agreement with Branch Banking & Trust for the purchase of 28.79 acres and buildings. The financing agreement requires quarterly principal payments of \$9,166.67 plus annual interest at 4.09% on the unpaid principal. The first payment was due December 8, 2007.



Annual debt service requirements to maturity of this mortgage, including interest are as follows:

Year Ending June 30	Principal	Interest
2013	36,667	13,310
2014	36,667	11,810
2015	36,667	10,310
2016	36,667	8,810
2017 - 2023	229,114	38,462
Total	375,782	82,702

	Balances			Balances	Current
Governmental activities	June 30, 2011	Increases	Decreases	June 30, 2012	Portion
Mortgage	\$ 412,449	\$ -	\$ 36,667	\$ 375,782	\$ 36,667
Governmental activity long-term liabilities	\$ 412,449	\$ -	\$ 36,667	\$ 375,782	\$ 36,667

#### Changes in Long-Term Liabilities

At June 30, 2012, the Town of Red Cross had a legal debt margin of \$ 3,690,118.

### 3. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<b>Total fund balance -- General fund</b>	\$ 629,432
Less:	
Stabilization by State Statute	21,963
<b>Remaining Fund Balance</b>	<b>\$ 607,469</b>

The Town of Red Cross has adopted no minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town.

### 4. 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 carries commercial insurance for all risks of loss.

The Town does not carry flood insurance because they are not in a flood zone and the extra expense is unnecessary.

The Town's finance officer is bonded under a \$ 50,000 bond.

**TOWN OF RED CROSS, NORTH CAROLINA**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	2012		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad-valorem Taxes:			
Taxes	\$ -	\$ 79,756	\$ -
Interest	-	419	-
Total Taxes	<u>\$ 75,000</u>	<u>\$ 80,175</u>	<u>\$ 5,175</u>
Unrestricted Intergovernmental:			
Local option sales tax	\$ -	\$ 120,170	\$ -
Telecommunications tax	-	11,755	-
Utility franchise tax	-	23,275	-
Solid Waste Tax	-	516	-
Total	<u>\$ 144,000</u>	<u>\$ 155,716</u>	<u>\$ 11,716</u>
Restricted Intergovernmental:			
DENR Grant	\$ -	\$ 7,875	\$ -
Powell	-	40	-
Interest Powell	-	13	-
Total Restricted	-	7,928	7,928
Investment Earnings	\$ -	\$ 722	\$ 722
Miscellaneous	\$ -	\$ 543	\$ 543
Total Revenues	<u>\$ 219,000</u>	<u>\$ 245,084</u>	<u>\$ 26,084</u>
Expenditures:			
General Government:			
Professional services	\$ -	\$ 3,350	\$ -
Election Expense	-	2,239	-
Other operating expenditures	-	6,399	-
Zoning and planning	-	4,939	-
Administrative expenses	-	6,701	-
Insurance	-	1,629	-
Maintenance	-	8,258	-
Total General Government	<u>\$ 55,700</u>	<u>\$ 33,515</u>	<u>\$ 22,185</u>

**TOWN OF RED CROSS, NORTH CAROLINA**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

## Expenditures: (Continued)

## Public Safety:

## Police:

Contracted services	\$ -	\$ 16,881	\$ -
Total	\$ 20,000	\$ 16,881	\$ 3,119

## Fire:

Contracted services	-	26,637	-
Total	\$ 27,000	\$ 26,637	\$ 363
Total public safety	\$ 47,000	\$ 43,518	\$ 3,482

## Transportation:

Capital Outlay	\$ -	\$ 29,573	\$ (29,573)
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## Environmental protection:

Contracted services	\$ -	\$ 60,455	\$ -
Total	\$ 62,800	\$ 60,455	\$ 2,345
Total environmental protection	\$ 62,800	\$ 60,455	\$ 2,345

## Debt service:

Principal	\$ 37,000	\$ 36,667	\$ 333
Interest	16,500	16,309	191
Total debt service	\$ 53,500	\$ 52,976	\$ 524
Total Expenditures	\$ 219,000	\$ 220,037	\$ (1,037)

Net Change in Fund Balance	\$ -	\$ 25,047	\$ 25,047
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Fund Balance, Beginning	604,385
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Fund Balance, Ending	\$ 629,432
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**TOWN OF RED CROSS, NORTH CAROLINA  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011 - 2012	\$ -	\$ 81,318 (a)	\$ 78,651 (b)	\$ 2,667 (c)
2010 - 2011	1,883	-	\$ 1,282	601
2009 - 2010	650	-	111	539
2008 - 2009	527	-	114	413
2007 - 2008	79	-	1	78
2006 - 2007	45	-	-	45
2005 - 2006	56	-	-	56
2004 - 2005	50	-	-	50
2002 - 2003	88	-	-	88
2001 - 2002	8	-	8	-
	<u>\$ 3,386</u>	<u>\$ 81,318</u>	<u>\$ 80,167 (d)</u>	<u>\$ 4,537</u>

Reconcilement with Revenues:

Ad valorem taxes - General Fund

\$ 79,756

Reconciling items:

Interest collected

419

Write Off

(8)

Subtotal

411

Total collections and credits

\$ 80,167 (d)

**TOWN OF RED CROSS, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	City-Wide			Total Levy	
	Property Valuation	Rate	Total	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxes at					
Current Year's Rate	\$ 44,670,000	0.16%	\$ 71,472	\$ 71,472	\$ -
Registered motor vehicles taxed at prior year's rate	<u>6,153,750</u>	0.16%	<u>9,846</u>	<u>-</u>	<u>9,846</u>
Total Property Valuation	<u>\$ 50,823,750</u>				
Net Levy			<u>\$ 81,318 (a)</u>	<u>\$ 71,472</u>	<u>\$ 9,846</u>
Uncollected Taxed at June 30, 2012			<u>2,667 (c)</u>	<u>1,851</u>	<u>816</u>
Current Year's Taxes Collected			<u>\$ 78,651 (b)</u>	<u>\$ 68,621</u>	<u>\$ 9,030</u>
Current levy collection percentage			<u>96.7%</u>	<u>97.4%</u>	<u>91.7%</u>

# John A. Pollard CPA PLLC

Post Office Box 1618 Tarboro, NC 27886 • Phone (252) 823-1040 • Fax (252) 823-1479

## Communication of Significant Deficiencies

To Town Commissioners and Mayor Larry W. Smith  
of the Town of Red Cross

In planning and performing my audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Red Cross as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered Town of Red Cross's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Red Cross's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Red Cross's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

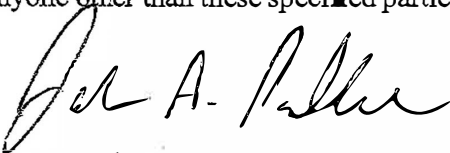
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiencies in Town of Red Cross's internal control to be significant deficiencies:

The Town is small, and the number of personnel is limited, resulting in a lack in the segregation of duties among the Town personnel. Transactions could be mishandled and reporting would not be correct, therefore, duties should be segregated to provide reasonable assurance that transactions are handled appropriately. The duties should be separated, as much as possible and alternative controls should be used to compensate for the lack of separation. The Town Administrator and the Board of Commissioners will review all the policies concerning the segregation of duties and determine appropriate steps. The effective date will be November 30, 2012.

Transportation expenses were not budgeted leading to a noncompliance with North Carolina General Statutes. Transportation exceeded budget by \$29,573. The Town had a change in personnel of Town Administrator, Mayor, and several Board members so therefore, the need for an amendment was overlooked. All items expensed in the future should be budgeted. The Town Administrator and Board of Commissioners will adhere to the policies and general statutes effective immediately.

The finance department staff is competent and performs daily and monthly functions very well. Their expertise is limited, however, in the area of financial statement preparation in accordance with generally accepted accounting principles, specifically with full accrual basis statements now required by GASB 34. The Town of Red Cross' governing board feels that there are limited financial resources at this time for training the finance department staff in GAAP and that it is not cost beneficial to obtain additional assistance in this area. The Town of Red Cross' governing board will review the draft financial statements for material errors and reasonableness in amounts.

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

A handwritten signature in black ink, appearing to read "John A. Pollard". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Pollard".

John A. Pollard CPA PLLC  
Tarboro, NC  
October 10, 2012

# John A. Pollard CPA PLLC

Post Office Box 1618 Tarboro, NC 27886 • Phone (252) 823-1040 • Fax (252) 823-1479

## Communication with Those Charged with Governance

October 10, 2012

To the Board of Commissioners  
Town of Red Cross

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Red Cross for the year ended June 30, 2012. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 10, 2012. Professional standards also require that I communicate to you the following information related to my audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Red Cross are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011-2012. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimate affecting the Town of Red Cross's financial statements was:

Management's estimate of the Depreciation life is based on Internal Revenue Guidelines. I evaluated the key factors and assumptions used to develop the depreciation life in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The disclosure of certain notes the financial statements are sensitive in nature. However, there were no sensitive disclosures affecting the financial statements. The financial statement disclosures are neutral, consistent, and clear.



### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing the audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly 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 each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated October 10, 2012.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

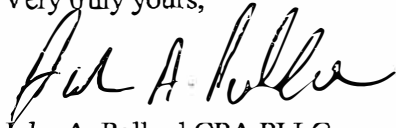
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Commissioners and management of Town of Red Cross and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "John A. Pollard".

John A. Pollard CPA PLLC