

Town of Red Cross, North Carolina

**Report on Audit of Financial Statements
and Supplementary Schedules**

For the Year Ended June 30, 2008

TOWN OF RED CROSS
Table of Contents
June 30, 2008

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-8
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Assets	9
2	Statement of Activities	10
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	11
4	Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Fund	12
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General and Major Special Revenue Fund	14
	Notes to Financial Statements	15-23
	Supplementary Information	
	Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual - General Fund	24-25
	Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual - Capital Projects Fund	26
	Other Schedules	
	Schedule of Ad Valorem Taxes Receivable	27
	Analysis of Current Tax Levy - City Wide Levy	28
	Compliance Section:	
	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	29-30

Sam K. Turner, Jr.

111 East Wade Street
PO Box 828
Wadesboro, NC 28170

Certified Public Accountant

Phone: 704-694-5699
Fax: 704-694-5652
sktcpa@windstream.net

INDEPENDENT AUDITORS' 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, 2008, 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 Government Auditing Standard, 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.

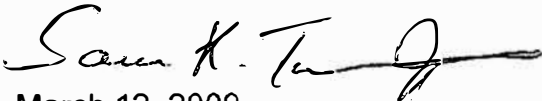
In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities (the only major fund) on the Town of Red Cross, North Carolina, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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, I have also issued my report dated March 12, 2009 on my consideration of the Town of Red Cross's internal control over financial reporting and my 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 the report in considering the results of my audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. I have applied certain limited procedure, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit this information and express no opinion on it.

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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all respects, in relation to the basic financial statements taken as a whole.



March 12, 2009

Management's Discussion and Analysis
June 30, 2008

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, 2008. 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

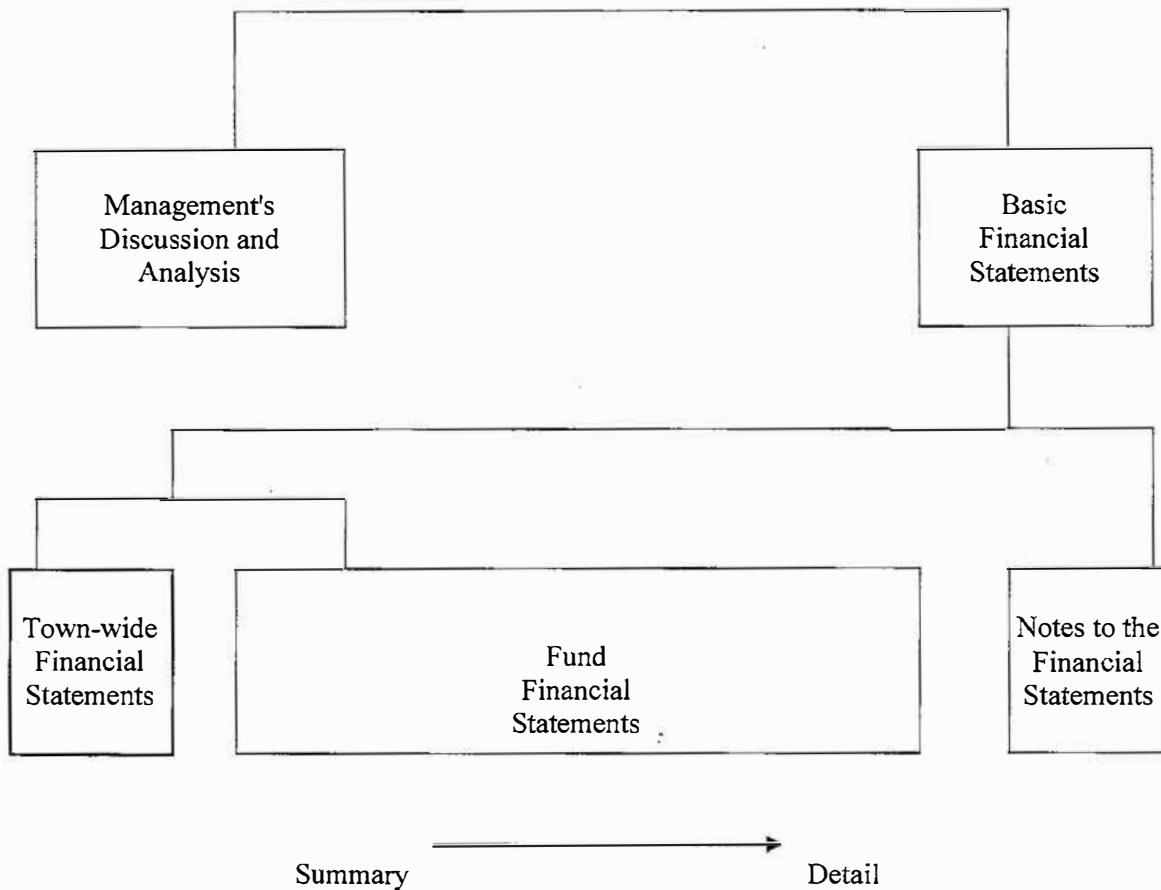
- The assets of the Town of Red Cross exceeded its liabilities at the close of the year by \$750,452 (net assets).
- As of the close of the current fiscal year, the Town of Red Cross' governmental funds reported ending fund balance of \$353,023 a decrease of \$264,304 in comparison to the prior year. Approximately 100.00 percent of this total amount is available for spending at the government's discretion (unreserved fund balance)
- During the fiscal year ending June 30, 2008, The Town of Red Cross purchased 28.39 acres and a house for \$850,000. The house was renovated and converted to a town hall facility for the town. The cost of the renovations and furniture and equipment for the office totaled approximately \$75,000.00.
- As the end of the current fiscal year, unreserved Fund was \$340,334 or three hundred and fifty-seven percent of total general fund expenditures for the fiscal year

Overview of the Financial Statements

This discussion and analysis is 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 3) notes to the financial statements. 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



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's 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 for the town also can be found in this section 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 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.

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 the assets can readily be converted into cash flow in and out, what monies are left at year-end that will be available for spending 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 if there are more or less financial resources available to finance the Town's programs. The relationship between the government activities (reported on in the Statement of Net Assets and the Statement of Activities) and Town's funds is described in reconciliation that is a part of the financial statements.

The Town of Red Cross adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the management and the Board of Directors of the Town in determining what activities will be pursued and what services will be provided by the Town during the year. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the Town has complied with the budget ordinance and whether or not the Town has 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 begin on page 16 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, 2006. 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	
	2007	2008	2007	2008
Current and other assets	\$ 620,432	\$ 356,791	\$ 620,432	\$ 356,791
Capital assets	-	919,927	-	919,927
Total assets	<u>620,432</u>	<u>1,276,718</u>	<u>620,432</u>	<u>1,276,718</u>
Long-term liabilities outstanding	-	485,833	-	485,833
Other liabilities	-	40,435	-	40,435
Total liabilities	<u>-</u>	<u>526,268</u>	<u>-</u>	<u>526,268</u>
Net Assets:				
Invested in capital assets	-	-	-	-
net of realated debt	-	397,429	-	397,429
Contributed capital	-	-	-	-
Restricted	-	-	-	-
Unrestricted	<u>620,432</u>	<u>353,023</u>	<u>620,432</u>	<u>353,023</u>
Total net assets	<u>\$ 620,432</u>	<u>\$ 750,452</u>	<u>\$ 620,432</u>	<u>\$ 750,452</u>

As noted earlier, net assets may serve over time as one of the useful indicators of a government's financial condition. The assets of the Town of Red Cross exceeded liabilities by \$353,023 as of June 30, 2008. The Town's net assets increased by \$264,304 for the fiscal year ended June 30, 2008.

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

Town of Red Cross
Management's Discussion and Analysis
June 30, 2008

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

Town of Red Cross Changes in Net Assets
Figure 3

	Governmental Activities		Total	
	2008	2007	2008	2007
Revenues:				
General revenues:				
Property taxes	\$ 74,782	\$ 74,835	\$ 74,782	\$ 74,835
Other taxes	171,180	163,341	171,180	163,341
Other	9,450	17,213	9,450	17,213
Total revenues	<u>\$ 255,412</u>	<u>\$ 255,389</u>	<u>\$ 255,412</u>	<u>\$ 255,389</u>
Expenses:				
General government	\$ 44,813	\$ 20,547	\$ 44,813	\$ 20,547
Public safety	39,573	36,907	39,573	36,907
Sanitation	41,006	37,815	41,006	37,815
Miscellaneous	-	-	-	-
Water and sewer	-	-	-	-
Electric	-	-	-	-
Total expenses	<u>\$ 125,392</u>	<u>\$ 95,269</u>	<u>\$ 125,392</u>	<u>\$ 95,269</u>
Increase in net assets before transfers	<u>\$ 130,020</u>	<u>\$ 160,120</u>	<u>\$ 130,020</u>	<u>\$ 160,120</u>
Increase in net assets	\$ 130,020	\$ 160,120	\$ 130,020	\$ 160,120
Net assets, July 1	<u>620,432</u>	<u>460,312</u>	<u>620,432</u>	<u>460,312</u>
Net assets, June 30	<u>\$ 750,452</u>	<u>\$ 620,432</u>	<u>\$ 750,452</u>	<u>\$ 620,432</u>

Governmental activities Governmental activities Increase the Town's net assets by \$130,020. 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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of a fiscal year.

The general fund is the chief operating fund of the Town of Red Cross. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$340,334 and the total fund balance is \$353,023. The \$353,023 includes amounts designed by State Statute of \$12,689.

Request 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, 2008

Exhibit 1

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 340,332	\$ 340,332
Taxes receivables (net)	3,770	3,770
Due from other governments	12,689	12,689
Total current assets	<u>356,791</u>	<u>356,791</u>
Non-current assets:		
Capital assets		
Land, non-depreciable	714,591	714,591
Other capital assets, net of depreciation	205,336	205,336
Total capital assets	<u>919,927</u>	<u>919,927</u>
Total assets	<u>\$ 1,276,718</u>	<u>\$ 1,276,718</u>
LIABILITIES		
Current liabilities:		
Unearned revenue	\$ 3,770	\$ 3,770
Current portion of long-term liabilities	36,665	36,665
Long term liabilities:		
Due in more than one year	485,833	485,833
Total liabilities	<u>526,268</u>	<u>526,268</u>
NET ASSETS		
Invested in capital assets, net of related debt	397,429	397,429
Unrestricted	353,023	353,023
Total net assets	<u>\$ 750,452</u>	<u>\$ 750,452</u>

TOWN OF RED CROSS, NORTH CAROLINA
STATEMENT OF ACTIVITIES
JUNE 30, 2008

Exhibit 2

Functions/Programs	Program Services		Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charge for Services	Capital Grants and Contributions	Governmental Activities	
Primary government:					
Governmental Activities					
General government	\$ 44,813	\$ -	\$ -	\$ (44,813)	\$ (44,813)
Public safety	39,573	-	-	(39,573)	(39,573)
Environmental protection	41,006	-	-	(41,006)	(41,006)
Total governmental activities	<u>\$ 125,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (125,392)</u>	<u>\$ (125,392)</u>
 Total primary government	 <u>\$ 125,392</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (125,392)</u>	 <u>\$ (125,392)</u>
 General revenues:					
Taxes					
Property taxes, levied for general purpose				74,782	74,782
Grants and taxes not restricted to a specific program				171,180	
Investment earnings				9,250	9,250
Other				200	200
Total general revenues				<u>255,412</u>	<u>255,412</u>
Extraordinary items: Capitalized of land, building, renovations & equipment					
				130,020	130,020
Net assets-beginning				620,432	620,432
Net assets-ending				<u>\$ 750,452</u>	<u>\$ 750,452</u>

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

TOWN OF RED CROSS, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

Exhibit 3

	Major Funds General	Total Government Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 340,332	\$ 340,332
Furniture, Fixtures		
Receivables, net:		
Taxes	3,770	3,770
Due from other governments	12,689	12,689
Total assets	<u>\$ 356,791</u>	<u>\$ 356,791</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Deferred revenue	3,770	3,770
Total liabilities	<u>3,770</u>	<u>3,770</u>
Fund balances:		
Reserved for:		
State statute	12,689	12,689
Unreserved	340,334	340,334
Total fund balances	<u>353,023</u>	<u>353,023</u>
Total liabilities and fund balances	<u>\$ 356,793</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

Accumulated depreciation

Long term liabilities are not due and payable in the current period, and therefore, not reported in the current period

Net assets of governmental activities

924,766

4,839

919,927

(522,498)

\$ 750,452

TOWN OF RED CROSS, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

Exhibit 4

	General Fund	Capital Project Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 77,956	\$ -	\$ 77,956
Other taxes and licenses	171,180	-	171,180
Investment earnings	9,250	-	9,250
Miscellaneous	200	-	200
Total revenues	<u>258,586</u>	<u>-</u>	<u>258,586</u>
Expenditures:			
Current:			
General government	82,624	-	82,624
Public safety	39,573	-	39,573
Environmental protection	41,006	-	41,006
Capital Outlay	-	909,687	909,687
Total expenditures	<u>163,203</u>	<u>909,687</u>	<u>1,072,890</u>
Excess (deficiency) of revenue over expenditures	<u>95,383</u>	<u>(909,687)</u>	<u>(814,304)</u>
Other financing sources (uses)			
Installment Loan	-	550,000	550,000
Transfer to Capital Project Fund	<u>(359,687)</u>	<u>359,687</u>	<u>-</u>
Net change in fund balance	(264,304)	-	(264,304)
Fund balance, beginning	<u>617,327</u>	<u>-</u>	<u>617,327</u>
Fund balance, ending	<u>\$ 353,023</u>	<u>\$ -</u>	<u>\$ 353,023</u>

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
Year Ended June 30, 2008

Exhibit 5

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

Net changes in fund balances-total governmental funds	\$ (264,304)
---	--------------

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	924,765	
Depreciation expense for governmental assets	<u>(4,836)</u>	919,929

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.

New long-term debt issued	(550,000)	
Principal payments on long term debt	<u>27,500</u>	(522,500)

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	<u>(3,105)</u>
---------------------------------	----------------

Total changes in net assets of governmental activities	<u><u>\$ 130,020</u></u>
--	--------------------------

**TOWN OF RED CROSS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
Year Ended June 30, 2008**

Exhibit 6

	General Fund			Variance Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad Valorem taxes	\$ 78,400	\$ 78,400	\$ 77,956	\$ (444)
Other taxes and licenses	92,000	92,000	171,180	79,180
Investment earnings	-	-	9,250	9,250
Miscellaneous	-	-	200	200
Total revenues	170,400	170,400	258,586	88,186
Expenditures:				
Current:				
General government	78,700	82,700	82,624	76
Public safety	42,072	42,072	39,573	2,499
Environmental protection	49,628	45,628	41,006	4,622
Total Expenditures	170,400	170,400	163,203	7,197
Revenue over (under) expenditures	-	-	95,383	95,383
Other financing sources (uses)				
Transfer to Capital Project Fund	-	-	(359,687)	(359,687)
Total other financing sources (uses)	-	-	(359,687)	(359,687)
Appropriated Fund Balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	(264,304)	\$ 95,383
Fund balances, beginning			617,327	
Fund balances-ending			\$ 353,023	

Note 1- **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* and *proprietary* (no proprietary fund at June 30, 2008) - are presented. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental funds.

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.

Capital Projects Fund. The Capital Projects Fund was used to account for the purchase of land, a building, and renovation of the building in order that the building could be used as a Town Hall.

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 accrual basis for 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 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 2007 through February 2008 apply to fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been

collected as of year-end are also reflected as deferred revenues at June 30, 2008 because they are intended to finance the Town operations during the 2008 fiscal year.

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. The Town had no grant revenue at June 30, 2008.

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 and at the object level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. 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

Town of Red Cross, North Carolina
Notes to Financial Statements
June 30, 2008

paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

As of June 30, 2008, the Town has no investments in securities. The Town has no policy regarding custodial credit risk.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The Town has no restricted assets as of June 30, 2008.

4. 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, 2000.

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and 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	7

6. 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.

7. Compensated Absences

The Town has no employees as of June 30, 2008.

8. 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.

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 for inventories – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources. The Town has no inventories as of June 30, 2008.

Reserved for encumbrances – portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end. The Town has no encumbrances as of June 30, 2008.

Reserved for State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, 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.

Reserved for streets – Powell Bill – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell

Bill funds. The Town has not received any Powell Bill Funds as of June 30, 2008.

Unreserved:

Designated for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted 2007-2008 budget ordinance.

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

Note 2- Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The Town has no known noncompliance issues.

Note 3. Detail Notes on All 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 non-interest 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 pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2008, the Town's deposits had a carrying amount of \$340,332 and a bank balance of \$340,332. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Town of Red Cross, North Carolina
Notes to Financial Statements
June 30, 2008

2. Investments

The Town has no investments at the year ended June 30, 2008.

3. Capital Assets

Capital assets for the Primary Government for the year ended for the year June 30, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental				
Activities:				
Capital assets not depreciated				
Land	\$ -	\$ 714,591	\$ -	\$ 714,591
Total not being depreciated	\$ -	\$ 714,591	\$ -	\$ 714,591
Capital assets being depreciated				
Buildings	\$ -	\$ 150,000	\$ -	\$ 150,000
Renovations	-	45,096	-	45,096
Furnitures and equipment	-	15,079	-	15,079
Total assets being depreciated	\$ -	\$ 210,175	\$ -	\$ 210,175
Less accumulated depreciation				
Buildings	\$ -	\$ 2,813	\$ -	\$ 2,813
Renovations	-	1,085	-	1,085
Furniture and equipment	-	941	-	941
Total accumulated depreciation	\$ -	\$ 4,839	\$ -	\$ 4,839
Total capital assets bring depreciated, net				205,336
Governmental activity capital assets, net				\$ 919,927

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

General government	\$ 4,839
--------------------	----------

Town of Red Cross, North Carolina
Notes to Financial Statements
June 30, 2008

B. Liabilities

1. Pension Plan Obligations

The Town has no employees as of June 30, 2008.

2. Deferred Revenues

Deferred Revenues at June 30, 2008 consist of the following

Taxes receivable	<u>\$3,770</u>
------------------	----------------

3. 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 36,667	\$ 20,808
2010	36,667	19,308
2011	36,667	17,309
2012	36,667	16,309
2013	36,667	14,809
2014-2023	339,165	65,892
Total	<u>\$ 522,500</u>	<u>\$ 154,435</u>

	<u>Balance</u>			<u>Balances</u>	<u>Current</u>
<u>Governmental activities</u>	<u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2008</u>	<u>Portion</u>
Mortgage	\$ -	\$ 550,000	\$ 27,500	\$ 522,500	\$ 36,667
Governmental activity					
long-term liabilities	\$ -	\$ 550,000	\$ 27,500	\$ 522,500	\$ 36,667

Town of Red Cross, North Carolina
Notes to Financial Statements
June 30, 2008

Changes in Long-Term Liabilities

At June 30, 2008, the Town of Red Cross had a legal debt margin of 3,349,766.

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.

TOWN OF RED CROSS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL
Year Ended June 30, 2008

	Statement 1		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 78,400	\$ 77,603	\$ (797)
Interest	-	353	353
Total	78,400	77,956	(444)
Unrestricted intergovernmental:			
Local option sales tax	92,000	140,250	48,250
Telecommunications tax	-	5,313	5,313
Utility franchise tax	-	22,413	22,413
Video programming tax	-	3,104	3,104
Zoning	-	100	100
Total	92,000	171,180	79,080
Investment earnings	-	9,250	9,250
Miscellaneous		200	200
Total revenues	170,400	258,586	88,330
EXPENDITURES			
General government:			
Salaries	-	2,400	2,400
Professional services	-	3,050	3,050
Other operating expenditures	-	5,667	5,667
Zoning and planning	-	4,140	4,140
Administrative expenses	-	7,024	7,024
Collection fees	-	1,174	1,174
Capital outlay	-	59,169	59,169
Total general government	82,700	82,624	76
Public safety:			
Police:			
Contracted services	15,000	12,501	2,499
Total	15,000	12,501	2,499
Fire:			
Contracted services	27,072	27,072	-
Total	27,072	27,072	-
Total public safety	42,072	39,573	2,499
Environmental protection:			
Contracted services	45,628	41,006	4,622
Total	45,628	41,006	4,622
Total environmental protection	45,628	41,006	4,622
Total expenditures	170,400	163,203	7,197

TOWN OF RED CROSS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL
Year Ended June 30, 2008

		Statement 1
Revenues over (under) expenditures	95,383	81,133
Other financing sources (uses)	-	-
Transfer to Capital Project Fund	(359,687)	(359,687)
Total	(359,687)	(359,687)
Fund Balance Appropriated		
Net Change In Fund Balance	(264,304)	(264,304)
Fund Balance, Beginning	617,327	
Fund Balance, Ending	\$ 353,023	

**TOWN OF RED CROSS, NORTH CAROLINA
CAPITAL PROJECTS FUND - TOWN HALL AND LAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Statement 2 Variances Positive (Negative)
Revenues					
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Land	\$ 715,000	\$ -	\$ 714,591	\$714,591	\$ 409
Town Hall Facilities	150,000	-	150,000	150,000	-
Renovations	50,000	-	45,096	45,096	4,904
Total Expenditures	915,000	-	909,687	909,687	5,313
Revenues Over (Under) Expenditures	(915,000)	-	(909,687)	(909,687)	(5,313)
Other Financing Sources					
Transfers from other funds:					
General Fund	365,000	-	359,687	359,687	5,313
Mortgage loan obligation issued	550,000	-	550,000	550,000	-
Total other financing sources	915,000	-	909,687	909,687	5,313
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

TOWN OF RED CROSS, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2008

Statement 3

Fiscal year	Uncollected Balance June 30, 2007	Additions	Collections and Credits	Uncollected Balance June 30, 2008
2007-2008	\$ -	\$ 78,410	\$ 76,762	\$ 1,648
2006-2007	1,485	184	1,019	649
2005-2006	617	184	329	472
2004-2005	434	147	149	431
2003-2002	480	-	1	479
2001-2002	89	-	-	89
	<u>\$ 3,216</u>	<u>\$ 78,925</u>	<u>\$ 78,259</u>	<u>\$ 3,770</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 77,956
Penalties collected on ad valorem taxes	1,146
Reconciling items:	
Collection fees	(1,174)
Interest collected	(353)
Discounts allowed	684
Subtotal	<u>303</u>
Total collections and credits	<u>\$ 78,259</u>

TOWN OF RED CROSS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
Year Ended June 30, 2008

Statement 4

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 41,663,750	0.16%	\$ 66,662	\$ 66,662	\$ -
Registered motor vehicles taxed at prior year's rate	<u>6,312,500</u>	0.16%	<u>10,100</u>	<u>-</u>	<u>10,100</u>
Total	<u>47,976,250</u>		<u>76,762</u>	<u>66,662</u>	<u>10,100</u>
Total property valuation	<u>\$ 47,976,250</u>				
Net Levy			<u>76,762</u>	<u>66,662</u>	<u>10,100</u>
Uncollected taxes at June 30, 2008			<u>1,649</u>	<u>1,261</u>	<u>388</u>
Current year's taxes collected			<u>\$ 75,113</u>	<u>\$ 65,401</u>	<u>\$ 9,712</u>
Current levy collection percentage			<u>97.85%</u>	<u>98.11%</u>	<u>96.16%</u>

Sam K. Turner, Jr.

111 East Wade Street
PO Box 828
Wadesboro, NC 28170

Certified Public Accountant

Phone: 704-694-5699

Fax: 704-694-5652

sktcpa@windstream.net

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

To the Honorable Mayor and
Member of the Town Council
Red Cross, 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 Red Cross, North Carolina, as of and for the year ended June 30, 2008 which collectively comprise of the Town of Red Cross' basic financial statements, and have issued our report thereon dated March 12, 2008. 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 Red Cross' 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 amounts 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 operations that we consider a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Red Cross' financial statements are free of material misstatement, we performed tests of its

compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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*.

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

March 12, 2009