

**TOWN OF RED CROSS
AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

TOWN OF RED CROSS

2013

Larry W. Smith
Mayor

Dicky Hatley

Barbara Carpenter

Kelley Brattain
Council Member

Jerry Jordan
Council Member
Finance Officer

Aloma Whitley
Town Administrator

**TOWN OF RED CROSS
JUNE 30, 2013**

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Independent Auditor's Report

To the Honorable Mayor
And Members of the Board of Commissioners
Red Cross, North Carolina

Report on the Financial Statements

I 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the overall financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

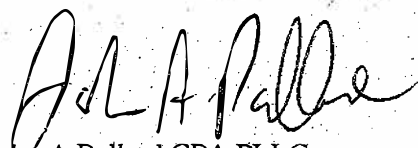
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financials statements, and other knowledge I obtained during my audit of the basic information because the limited procedures do not 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.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and 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 combining financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and statistical sections have not been subjected to the auditing procedures applied in the audit of financial statements, and accordingly, I do not express an opinion or provide assurance on them.


John A Pollard CPA PLLC
Tarboro, NC 27886
October 18, 2013

**TOWN OF RED CROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. 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.

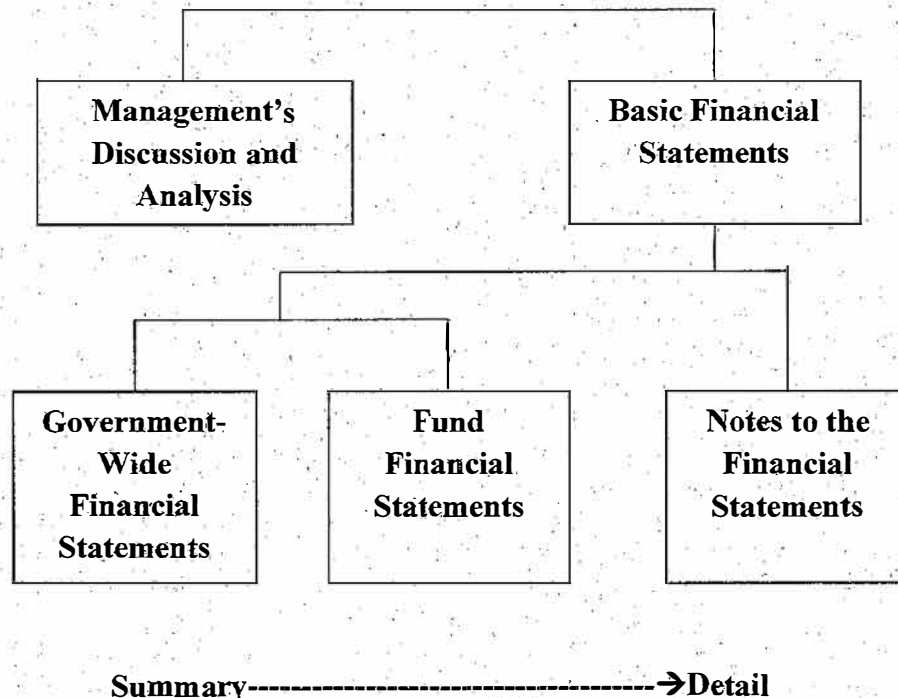
Financial Highlights

- The assets of the Town of Red Cross exceeded its liabilities at the close of the fiscal year by \$1,337,565.
- As of the close of the current fiscal year, the Town of Red Cross's governmental funds reported ending fund balance of \$409,210; a decrease of \$365,454 in comparison to the prior year. However, the large note payable due on hand and building was fully paid during the year, causing the large decrease in fund balance. Approximately 89% 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 \$365,454, or 71.65 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



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, 2013. 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	
	2013	2012	2013	2012
Current and Other Assets	\$ 417,071	\$ 633,969	\$ 417,071	\$ 633,969
Capital Assets	920,494	927,696	920,494	927,696
Total Assets	<u>\$1,337,565</u>	<u>\$1,561,665</u>	<u>\$1,337,565</u>	<u>\$ 1,561,665</u>
Long Term Liabilities				
Outstanding	\$ -	\$ 339,115	\$ -	\$ 339,115
Other Liabilities	3,409	36,667	3,409	36,667
Total Liabilities	<u>\$ 3,409</u>	<u>\$ 375,782</u>	<u>\$ 3,409</u>	<u>\$ 375,782</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 920,494	\$ 551,914	\$ 920,494	\$ 551,914
Restricted	28,174	21,963	28,174	21,963
Unrestricted	385,488	612,006	385,488	612,006
Total Net Assets	<u>\$1,334,156</u>	<u>\$ 1,185,883</u>	<u>\$1,334,156</u>	<u>\$ 1,185,883</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 \$1,334,156 as of June 30, 2013. The Town's net assets increased by \$148,323 for the fiscal year ended June 30, 2013.

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 Position

Figure 3

	Governmental Activities		Total	
	2013	2012	2013	2012
Revenue:				
General Revenue:				
Property Taxes	\$ 81,751	\$ 81,375	\$ 81,751	\$ 81,375
Other Taxes	183,822	155,716	183,822	155,716
Restricted Revenue	16,457	-	16,457	-
Other	548	1,265	548	1,265
Total Revenue	\$ 282,578	\$ 238,356	\$ 282,578	\$ 238,356
Expenses:				
General Government	\$ 32,684	\$ 32,789	\$ 32,684	\$ 32,789
Public safety	41,678	43,518	41,678	43,518
Environmental Protection	52,383	60,455	52,383	60,455
Interest on Lt Debt	7,560	16,309	7,560	16,309
Total Expenses	\$ 134,305	\$ 153,071	\$ 134,305	\$ 153,071
Increase in Net Position	\$ 148,273	\$ 85,285	\$ 148,273	\$ 85,285
Net Position, July 1	1,185,883	1,100,598	1,185,883	1,100,598
Net Position, June 30	\$ 1,334,156	\$ 1,185,883	\$ 1,334,156	\$ 1,185,883

Governmental activities. Governmental activities increased the Town's net position 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 \$365,454 and the total fund balance is \$409,210. The \$28,174 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 POSITION
JUNE 30, 2013

	Primary Government	
	Governmental Activities	Total
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 368,863	\$ 368,863
Taxes Receivable (Net)	4,452	4,452
Accounts Receivable (Net)	28,174	28,174
Restricted Cash and Cash Equivalents	15,582	15,582
Total Current Assets	<u>\$ 417,071</u>	<u>\$ 417,071</u>
Non-current Assets:		
Capital assets		
Land - Non Depreciable	\$ 714,591	\$ 714,591
Other Capital Assets, Net of Depreciation	205,903	205,903
Total Capital Assets	<u>920,494</u>	<u>920,494</u>
Total Assets	<u>\$ 1,337,565</u>	<u>\$ 1,337,565</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ 3,409	\$ 3,409
Long term liabilities:		
None	-	-
Total Liabilities	<u>\$ 3,409</u>	<u>\$ 3,409</u>
<u>NET POSITION</u>		
Net investment in capital assets	\$ 920,494	\$ 920,494
Restricted for Stabilization State Statute	28,174	28,174
Unrestricted	385,488	385,488
Total Net Position	<u>\$ 1,334,156</u>	<u>\$ 1,334,156</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, 2013

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Capital Grants And Contributions	Governmental Activities	Total
Primary government:					
Governmental Activities					
General Government	\$ 32,684	\$ -	\$ 16,457	\$ (16,227)	\$ (16,227)
Public safety	41,678	-	-	(41,678)	(41,678)
Environmental Protection	52,383	-	-	(52,383)	(52,383)
Interest of Lt. Debt	7,560	-	-	(7,560)	(7,560)
Total Governmental Activities	134,305	-	16,457	(117,848)	(117,848)
Total	\$ 134,305	\$ -	\$ 16,457	(117,848)	(117,848)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose				81,751	81,751
Grants and taxes not restricted to a specific program				183,822	183,822
Investment earnings				499	499
Other				49	49
Total General Revenues				266,121	266,121
Change in Net Position				148,273	148,273
Net Position - beginning				1,185,883	1,185,883
Net Position - ending				<u>\$ 1,334,156</u>	<u>\$ 1,334,156</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, 2013

	Major Fund General	Total Governmental Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 368,863	\$ 368,863
	15,582	15,582
Receivable, (Net):		
Taxes	4,452	4,537
Due from other governments	28,174	28,174
Total Assets	<u>\$ 417,071</u>	<u>\$ 417,071</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts Payable	\$ 3,409	\$ 3,409
Deferred Inflows of Resources		
Property Taxes Receivable	4,452	4,452
Total Liabilities	<u>\$ 7,861</u>	<u>\$ 7,861</u>
Fund Balances		
Restricted		
Stabilization by State Statute	\$ 28,174	\$ 28,174
Streets	15,582	15,582
Unassigned	365,454	365,454
Total Fund Balance	<u>409,210</u>	<u>409,210</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 417,071</u>	

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

Liabilities for earned revenue considered inflows, 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>(40,678)</u>	\$ 920,494
Long term liabilities are not due and payable in net position		4,452
Net position of governmental activities		<u>\$ 1,334,156</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, 2013

	General Fund	Total Governmental Fund
<u>REVENUE:</u>		
Ad Valorem Taxes	\$ 82,201	\$ 82,201
Other Taxes and licenses	191,134	191,134
Restricted Intergovernmental	16,457	16,457
Investment Earnings	49	49
Miscellaneous	24	24
Total Revenue	<u>\$ 289,865</u>	<u>\$ 289,865</u>
<u>EXPENDITURES:</u>		
Current:		
General Government	\$ 32,684	\$ 32,684
Public Safety	41,678	41,678
Transportation	-	-
Environmental protection	52,383	52,383
Debt Service:		
Principal	375,782	375,782
Interest	7,560	7,560
Total Expenditures	<u>\$ 510,087</u>	<u>\$ 510,087</u>
Net Change in Fund Balance	\$ (220,222)	\$ (220,222)
Fund Balance - Beginning	<u>629,432</u>	<u>629,432</u>
Fund Balance - Ending	<u>\$ 409,210</u>	<u>\$ 409,210</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, 2013

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

Net changed in fund balances - total governmental funds	\$	(220,222)
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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	-	
Depreciation expense for governmental assets	<u>(7,202)</u>	(7,202)

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 effect on net position. 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	<u>375,782</u>	375,782
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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 unavailable tax revenues	<u>(85)</u>	
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Total changes in net position of governmental activities	<u>\$</u>	<u>148,273</u>
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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, 2013

	General Fund			Variance Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad Valorem taxes	\$ 75,000	\$ 75,000	\$ 82,201	\$ 7,201
Other taxes and licenses	140,000	140,000	191,134	51,134
Restricted Intergovernmental	-	-	16,457	16,457
Investments earnings	-	-	49	49
Miscellaneous	-	-	24	24
Total revenues	<u>215,000</u>	<u>215,000</u>	<u>289,865</u>	<u>74,865</u>
Expenditures:				
Current:				
General government	105,000	105,000	32,684	72,316
Public safety	47,000	47,000	41,678	5,322
Transportation	-	-	-	-
Environmental protection	63,000	63,000	52,383	10,617
Debt Service	-	383,342	383,342	-
Total Expenditures	<u>215,000</u>	<u>598,342</u>	<u>510,087</u>	<u>88,255</u>
Revenue over (under) expenditures	-	(383,342)	(220,222)	163,120
Fund balances, appropriated	-	383,342	-	(383,342)
Fund balances, beginning	-	-	629,432	(220,222)
Fund balances, ending			<u>409,210</u>	

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *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 registered in Stanly County from March 2012 through February 2013 apply to the fiscal year ending June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred 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, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

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

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

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

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 position.

7. Net Position/Fund Balances

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

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 – The 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 Fund Balance – 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
2. Contractual Violation

There are no known contractual violations

3. Excess of Expenditures over Appropriations
- There are no known violations.

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, 2013, the Town's deposits had a carrying amount of \$384,445 and a bank balance of \$393,058. Of the bank balance, \$384,445 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, 2013 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 begin depreciated				
Buildings	\$ 150,000	\$ -	\$ -	\$ 150,000
Renovations	81,502	-	-	81,502
Furniture and equipment	15,079	-	-	15,079
Total assets being depreciated	\$ 246,581	\$ -	\$ -	\$ 246,581
Less accumulated depreciation				
Buildings	\$ 17,813	\$ 3,750	\$ -	\$ 21,563
Renovations	6,106	1,298	-	7,404
Furniture and equipment	9,557	2,154	-	11,711
Total accumulated depreciation	\$ 33,476	\$ 7,202	\$ -	\$ 40,678
Total capital assets bring depreciated, net	213,105			\$ 205,903
Governmental activity capital assets, net	<u>\$ 927,696</u>			<u>\$ 920,494</u>

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

General government	<u>\$ 7,202</u>
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B. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meets the criterion for this category – prepaid taxes receivable.

1. Deferred outflows of resources are the deferred amount for loss on defeasance of debt.

Deferred inflows of resources at year-end are comprised of the following:

	Unavailable Revenue
Taxes Receivable (General Fund), less penalties	\$ 4,452
Total	<u>\$ 4,452</u>

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	<u>375,782</u>	<u>82,702</u>

	Balances			Balances		Current
Governmental activities	June 30, 2012	Increases	Decreases	June 30, 2013		Portion
Mortgage	\$ 375,782	\$ -	\$ 375,782	\$ 0		\$ 0
Governmental activity long-term liabilities	\$ 375,782	\$ -	\$ 375,782	\$ 0		\$ 0

Changes in Long-Term Liabilities

The long term note was paid in full during this fiscal year.

At June 30, 2013, the Town of Red Cross had a legal debt margin of \$ 51,220,625.

3. Fund Balance

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

Total fund balance – General fund	\$ 1,334,156
Less:	
Net Investment in Capital Assets	920,494
Stabilization by State Statute	28,174
Remaining Fund Balance	\$ 385,488

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.

5. Significant Effects of Subsequent Events

There are no known subsequent events which should be noted to the issuance date of the audit.

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, 2013

	2013		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad-valorem Taxes:			
Taxes	\$ -	\$ 81,751	\$ -
Interest	-	450	-
Total Taxes	<u>\$ 75,000</u>	<u>\$ 82,201</u>	<u>\$ 7,201</u>
Unrestricted Intergovernmental:			
Local option sales tax	\$ -	\$ 153,637	\$ -
Telecommunications tax	-	9,326	-
Utility franchise tax	-	24,846	-
Solid Waste Tax	-	470	-
Video Tax	-	2,855	-
Total	<u>\$ 140,000</u>	<u>\$ 191,134</u>	<u>\$ 51,134</u>
Restricted Intergovernmental:			
DENR Grant	\$ -	\$ 875	\$ -
Powell	-	15,579	-
Interest Powell	-	3	-
Total Restricted	<u>\$ -</u>	<u>\$ 16,457</u>	<u>\$ 16,457</u>
Investment Earnings	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ 49</u>
Miscellaneous	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 24</u>
Total Revenues	<u>\$ 215,000</u>	<u>\$ 289,865</u>	<u>\$ 74,865</u>
Expenditures:			
General Government:			
Professional services	\$ -	\$ 3,200	\$ -
Election Expense	-	-	-
Other operating expenditures	-	8,682	-
Zoning and planning	-	4,382	-
Administrative expenses	-	6,239	-
Insurance	-	2,456	-
Maintenance	-	7,725	-
Total General Government	<u>\$ 105,000</u>	<u>\$ 32,684</u>	<u>\$ 72,316</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, 2013

Expenditures: (Continued)

Public Safety:

Police:

Contracted services	\$ -	\$ 14,969	\$ -
Total	\$ 20,000	\$ 14,969	\$ 5,031

Fire:

Contracted services	-	26,709	-
Total	\$ 27,000	\$ 26,709	\$ 291
Total public safety	\$ 47,000	\$ 41,678	\$ 5,322

Transportation:

Capital Outlay	\$ -	\$ -	\$ -
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Environmental protection:

Contracted services	\$ -	\$ 52,383	\$ -
Total	\$ 63,000	\$ 52,383	\$ 10,617
Total environmental protection	\$ 63,000	\$ 52,383	\$ 10,617

Debt service:

Principal	\$ 375,782	\$ 375,782	\$ -
Interest	7,560	7,560	-
Total debt service	\$ 383,342	\$ 383,342	\$ -
Total Expenditures	\$ 598,342	\$ 510,087	\$ 88,255

Net Change in Fund Balance	\$ 383,342	\$ (220,222)	\$ 163,120
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Fund Balance, Appropriated	383,342	-	(383,342)
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Fund Balance	-	(220,222)	(220,222)
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Fund Balance, Beginning		629,432	
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Fund Balance, Ending		\$ 409,210	
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**TOWN OF RED CROSS, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2012 - 2013	\$ -	\$ 81,953 (a)	\$ 79,747 (b)	\$ 2,206 (c)
2011 - 2012	2,667	75	2,105	637
2010 - 2011	601	-	171	430
2009 - 2010	539	-	2	537
2008 - 2009	413	-	-	413
2007 - 2008	78	-	-	78
2006 - 2007	45	-	-	45
2005 - 2006	56	-	-	56
2004 - 2005	50	-	-	50
2002 - 2003	88	-	88	-
	<u>\$ 4,537</u>	<u>\$ 82,028</u>	<u>\$ 82,113 (d)</u>	<u>\$ 4,452</u>

Reconcilement with Revenues:

Ad valorem taxes - General Fund

\$ 81,751

Reconciling items:

Interest collected

450

Write Off

(88)

Subtotal

362

Total collections and credits

\$ 82,113 (d)

**TOWN OF RED CROSS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	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	\$ 43,159,375	0.16%	\$ 69,055	\$ 69,055	\$ -
Registered motor vehicles taxed at prior year's rate	<u>8,061,250</u>	0.16%	<u>12,898</u>	<u>-</u>	<u>12,898</u>
Total Property Valuation	<u>\$ 51,220,625</u>				
Net Levy			<u>\$ 81,953 (a)</u>	<u>\$ 69,055</u>	<u>\$ 12,898</u>
Uncollected Taxed at June 30, 2013			<u>2,206 (c)</u>	<u>1,093</u>	<u>1,113</u>
Current Year's Taxes Collected			<u>\$ 79,747 (b)</u>	<u>\$ 67,962</u>	<u>\$ 11,785</u>
Current levy collection percentage			<u>97.31%</u>	<u>98.41%</u>	<u>91.37%</u>