

**TOWN OF RED CROSS
FINANCIAL STATEMENTS
JUNE 30, 2016**

TOWN OF RED CROSS

2016

Larry W. Smith
Mayor

JJ Curlee
Council Member

Melvin Poole
Council Member

Kelley Brattain
Council Member

Jerry Jordan
Council Member
Finance Officer

Aloma Whitley
Town Administrator

TOWN OF RED CROSS

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Independent Auditor's Report

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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, 2016, 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. 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 appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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, 2016, and the respective changes in financial position, 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

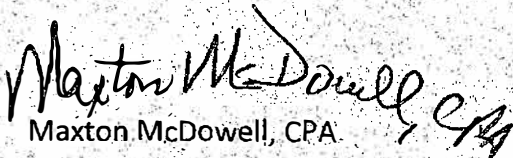
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 10 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 State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financials statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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 individual fund statement, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The individual fund statement, 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 by me. In my opinion, based on my audit, the procedures performed as described above, the financial statement, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Maxton McDowell, CPA
Asheboro, North Carolina
October 31, 2016

**TOWN OF RED CROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

As management of the Town of Red Cross, we offer readers of the Town's financial statements this narrative and analysis of the financial activities of the Town of Red Cross for the fiscal year ended June 30, 2016. 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

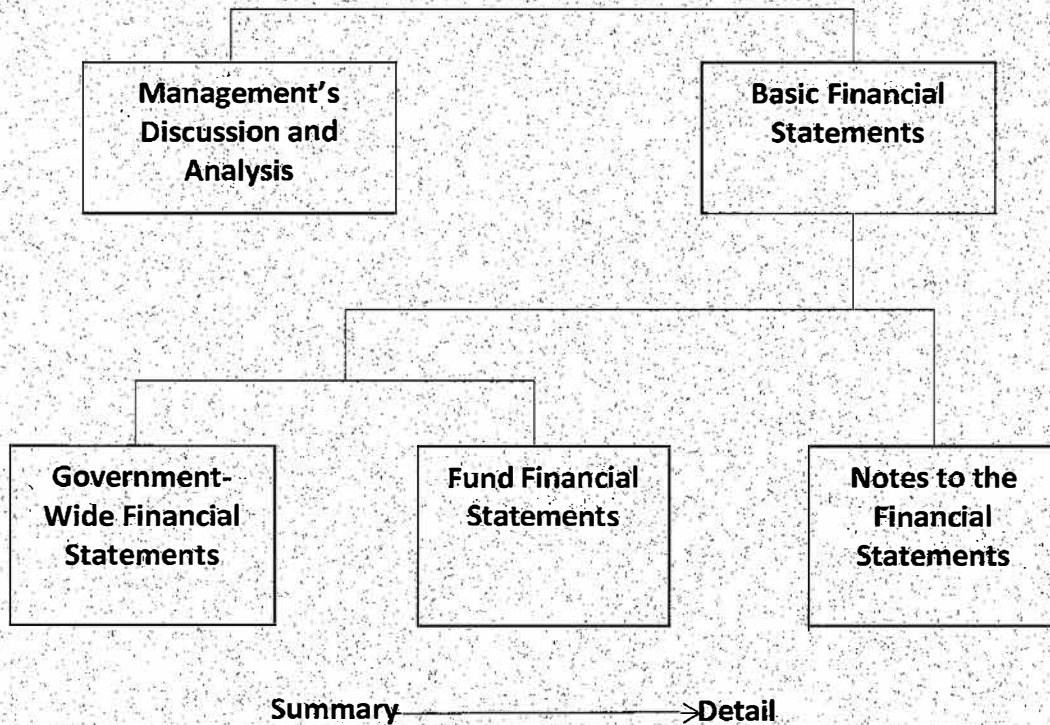
- The assets of the Town of Red Cross exceeded its liabilities at the close of the fiscal year by \$1,742,232 (net position). As of the close of the current fiscal year, the Town of Red Cross's governmental funds reported ending fund balance of \$795,484; an increase of \$134,078, in comparison of the prior year. Approximately 90% 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 \$714,820, or 531.2 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.

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

	Governmental Activities		Total	
	2016	2015	2016	2015
Current and other assets	\$ 799,508	\$ 666,515	\$ 799,508	\$ 666,515
Capital assets	942,724	923,862	942,724	923,862
Total assets	1,742,232	1,590,377	1,742,232	1,590,377
Long-term liabilities				
Outstanding	-	-	-	-
Other Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Net Assets:				
Net Investment of Capital Assets	942,724	923,862	942,724	923,862
Restricted	80,664	54,298	80,664	54,298
Unrestricted	718,844	612,217	718,844	612,217
Total Net position	\$1,742,232	\$1,590,377	\$1,742,232	\$1,590,377

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Red Cross exceeded liabilities and deferred inflows by \$1,742,232 as of June 30, 2016. The Town's net assets increased by \$151,855 for the fiscal year ended June 30, 2016. However, the largest portion (53.6%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Red Cross uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Red Cross' net investment in capital assets is reported debt free. An additional portion of the Town of Red Cross's net position, \$80,664, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$718,844 is unrestricted. Also, the Town of Red Cross implemented GASB Statement 68 in the year ended June 30, 2016.

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	
		2016	2015	2016	2015
Revenues:					
General Revenues:					
Property Taxes		\$ 81,912	\$ 79,768	\$ 81,912	\$ 79,768
Other Taxes		188,684	166,688	188,684	166,688
Restricted Revenue		15,602	15,593	15,602	15,593
Other		241	2,435	241	2,435
Total Revenues		286,439	264,484	286,439	264,484
Expenses:					
General Government		42,162	34,420	42,162	34,420
Public Safety		42,661	40,356	42,661	40,356
Environmental Protection		49,761	51,164	49,761	51,164
Total Expenses		134,584	125,940	134,584	125,940
Increase in net position		151,855	138,544	151,855	138,544
Net position, July 1		1,590,377	1,451,833	1,590,377	1,451,833
Net position, June 30		\$ 1,742,232	\$ 1,590,377	\$ 1,742,232	\$ 1,590,377

Governmental activities. Governmental activities increased the Town's net position by \$151,855. 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 the 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 \$714,820 and the total

fund balance is \$795,484. The \$35,508 includes amounts designed in stabilization by State Statute.

During the fiscal year, the Town of Red Cross did not revise their budget.

Town of Red Cross

Figure 4

(net of depreciation)

	Governmental Activities		Total	
	2016	2015	2016	2015
Land	\$ 714,591	\$ 714,591	\$ 714,591	\$ 714,591
Buildings	117,187	120,934	117,187	120,937
Renovations	110,946	88,334	110,946	88,334
Equipment	-	-	-	-
Total	<u>\$ 942,724</u>	<u>\$ 923,862</u>	<u>\$ 942,724</u>	<u>\$ 923,862</u>

Additional information on the Town's Capital Assets are found on Page 23 of the financial notes.

Economic Factors & Next Year's Budget & Rates

The following key economic indicators reflect the increases in fund balance.

- There is little employment, and none projected in the current year. Tax rates remain the same as prior years, but with the state collecting vehicle taxes there has been an increase in vehicle taxes.
- The Town of Red Cross is debt free, therefore no fund balance will be appropriated in the fiscal year 2017 budget.
- The Town plans to increase fund balance as it did in the current year.

Requests for information

This report is designed to provide an overview of the Town's finances for those with an interest in the 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, 176 E Red Cross Road, Oakboro, NC 28129, Telephone: (704) 485-3887.

**TOWN OF RED CROSS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 714,820	\$ 714,820
Taxes Receivable (net)	4,024	4,024
Accounts Receivable (net)	35,508	35,508
Restricted Cash & Cash Equivalents	45,156	45,156
Total Current Assets	<u>799,508</u>	<u>799,508</u>
Non-current assets:		
Capital Assets		
Land, Non-Depreciable	714,591	714,591
Other Capital Assets, Net of Depreciation	228,133	228,133
Total Capital Assets	<u>942,724</u>	<u>942,724</u>
Total Assets	<u>1,742,232</u>	<u>1,742,232</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	-
Total Liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Net Investment of Capital Assets	942,724	942,724
Restricted for Stabilization State Statue	35,508	35,508
Restricted - Streets	45,156	45,156
Unrestricted	718,844	718,844
Total Net Position	<u>\$ 1,742,232</u>	<u>\$ 1,742,232</u>

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

**TOWN OF RED CROSS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

<u>Functions / Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 42,162			\$ (42,162)	\$ (42,162)
Public Safety	42,661			(42,661)	(42,661)
Environmental Protection	49,361			(49,361)	(49,361)
Transportation	400		\$15,602	15,202	15,202
Total Governmental Activities	134,584	-	15,602	(118,982)	(118,982)
Total	\$ 134,584	-	\$ 15,602	\$ (118,982)	\$ (118,982)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose				81,912	81,912
Grants and contributions not restricted to spec. prog.				188,684	188,684
Investments earnings				63	63
Other				178	178
Total General Revenues				270,837	270,837
Change in Net Position				151,855	151,855
Net Position, Beginning				1,590,377	1,590,377
Net Position, Ending				\$ 1,742,232	\$ 1,742,232

**TOWN OF RED CROSS
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
ASSETS		
Cash and Cash Equivalents	\$ 714,820	\$ 714,820
Receivables, net:		
Taxes	4,024	4,024
Due from other governments	35,508	35,508
Restricted Cash	45,156	45,156
Total Assets	<u>\$ 799,508</u>	<u>\$ 799,508</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities		
Deferred Inflows of Resources		
Property Taxes Receivable	4,024	4,024
Total Liabilities	<u>4,024</u>	<u>4,024</u>
Fund Balances:		
Restricted:		
Stabilization by State Statute	35,508	35,508
Streets	45,156	45,156
Unassigned	714,820	714,820
Total Fund Balances	<u>795,484</u>	<u>795,484</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>799,508</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 funds.		
Gross capital assets at historical cost	\$ 1,002,147	
Accumulated depreciation	<u>(59,423)</u>	\$ 942,724
Long Term Liabilities are not due and payable in net position		4,024
Net position of governmental activities.		<u>\$ 1,742,232</u>

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

**TOWN OF RED CROSS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	General Fund	Total Governmental Funds
REVENUES		
Ad Valorem Taxes	\$ 82,655	\$ 82,655
Other Taxes and Licenses	189,026	189,026
Restricted Intergovernmental	15,602	15,602
Investment Earnings	63	63
Miscellaneous	178	178
Total Revenues	<u>\$ 287,524</u>	<u>\$ 287,524</u>
EXPENDITURES		
Current:		
General Government	\$ 61,024	\$ 61,024
Public Safety	42,661	42,661
Transportation	400	400
Environmental Protection	49,361	49,361
Total Expenditures	<u>153,446</u>	<u>153,446</u>
Net Change in Fund Balance	134,078	134,078
Fund Balances, Beginning as previously reported	<u>661,406</u>	<u>661,406</u>
Fund Balances, Ending	<u>\$ 795,484</u>	<u>\$ 795,484</u>

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

TOWN OF RED CROSS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

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

Net Changes in fund balances - total governmental funds		\$ 134,078
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 24,143	
Depreciation expense for governmental assets	<u>(5,281)</u>	18,862
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable Tax Revenues		<u>1,085</u>
Total Changes in net position of governmental activities.		<u><u>\$ 151,855</u></u>

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

**TOWN OF RED CROSS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad Valorem Taxes	\$ 75,000	\$ 75,000	\$ 82,655	\$ 7,655
Other Taxes and Licenses	165,000	165,000	189,026	24,026
Restricted Intergovernmental			15,602	15,602
Investments Earnings			63	63
Miscellaneous			178	178
Total Revenues	240,000	240,000	287,524	47,524
Expenditures:				
Current:				
General Government	122,100	122,100	61,024	61,076
Public Safety	54,500	54,500	42,661	11,839
Transportation	400	400	400	-
Environmental protection	63,000	63,000	49,361	13,639
Total Expenditures	240,000	240,000	153,446	86,554
Revenues over (under) Expenditures	-	-	134,078	134,078
Fund Balances, Beginning	-	-	661,406	-
Fund Balances, ending			\$ 795,484	

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

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 funds 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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 for property taxes other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the state of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Red Cross. The billed taxes are applicable to the fiscal year in which they are receivable. Uncollected taxes that were billed in periods up to September 1, 2013, and for limited registration plates shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Red Cross because the tax is levied by Stanly County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

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 as 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. Restricted Assets

Powell Bill funds are also classified as restricted cash because they can be expensed only for the purpose outlined in G.S.136-41.1 through G.S. 136-41.4.

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, 2011.

5. 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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical 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

6. 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.

7. Long-Term Obligations

In the government-wide financial statement, 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.

8. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, the fund balance has only one category of fund balance which is:

Unassigned fund balance: The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

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 designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Town's deposits had a carrying amount of \$759,976 and a bank balance of \$759,976. Of the bank balance, \$775,826 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Restricted Assets: Powell Bill funds are also classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41-1 through 136-41-4.

2. Capital Assets

Capital assets for the Primary Government for the year ended for the year June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not depreciated				
Land	\$ 714,591	-	-	\$ 714,591
Total not being depreciated	<u>\$ 714,591</u>	<u>-</u>	<u>-</u>	<u>\$ 714,591</u>
Capital assets begin depreciated				
Buildings	\$ 150,000	-	-	\$ 150,000
Renovations	98,334	24,143	-	122,477
Furniture and equipment	15,079	-	-	15,079
Total assets being depreciated	<u>\$ 263,413</u>	<u>24,143</u>	<u>-</u>	<u>\$ 287,556</u>
Less accumulated depreciation				
Buildings	\$ 29,063	\$ 3,750	-	\$ 32,813
Renovations	10,000	1,531	-	11,531
Furniture and equipment	15,079	-	-	15,079
Total accumulated depreciation	<u>\$ 54,142</u>	<u>\$ 5,281</u>	<u>-</u>	<u>\$ 59,423</u>
Total capital assets bring depreciated, net	<u>209,271</u>			<u>228,133</u>
Governmental activity capital assets, net	<u>\$ 923,862</u>			<u>\$ 942,724</u>

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

General government \$ 5,281

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	<u>\$ 4,024</u>
Total	<u>\$ 4,024</u>

2. 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	\$ 795,484
Less:	
Stabilization by State Statute	35,508
Streets-Powell Bill	45,156
Remaining Fund Balance	\$ 714,820

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risk 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.

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

4. 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
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem Taxes:			
Taxes		\$ 82,655	
Interest		-	
Total	75,000	82,655	7,655
Unrestricted Intergovernmental:			
Local Option Sales Taxes		148,963	
Telecommunications tax		6,896	
Utility Franchise Tax		30,357	
Beer & Wine Tax		153	
Video Tax		2,657	
Total	165,000	189,026	24,026
Restricted Intergovernmental			
Powell		15,590	
Interest		12	
Total Restricted	-	15,602	15,602
Investment Earnings		63	63
Miscellaneous:			
Total Revenues	240,000	287,524	47,524
Expenditures:			
General Government			
Board of Elections			
Utilities		2,656	
Professional services		3,936	
Other operating expenditures		3,300	
Capital Improvements		11,772	
Administrative expenses		24,143	
Total General Government	122,100	61,024	61,076

TOWN OF RED CROSS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

Expenditures: (Continued)				Variance Positive (Negative)
		<u>Budget</u>	<u>Actual</u>	
Public Safety:				
Police:				
Contracted services				
	Total		14,564	
		20,000	14,564	5,436
Fire:				
Contracted services				
	Total		28,097	
	Total Public Safety	34,500	28,097	6,403
		54,500	42,661	11,839
Transportation:				
Contracted Services				
		400	400	-
Environmental Protection:				
Contracted services				
	Total Environmental Protection		49,361	
		63,000	49,361	13,639
	Total Expenditures	240,000	153,446	86,554
Fund Balance		-	134,078	134,078
Fund Balances, Beginning			661,406	
Fund Balances, Ending			\$ 795,484	

TOWN OF RED CROSS
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016		81,590 (a)	79,695 (b)	1,895 (c)
2014-2015	2,394		1,391	1,003
2013-2014	714		624	90
2012-2013	716		600	116
2011-2012	396		200	196
2010-2011	389		145	244
2009-2010	391			391
2008-2009	71			71
2007-2008	18			18
2006-2007	20		20	-
Totals	<u>\$ 5,109</u>	<u>\$ 81,590</u>	<u>\$ 82,675 (d)</u>	<u>\$ 4,024</u>

Reconcilement with Revenues:

Ad Valorem taxes - General Fund	\$ 82,655
Reconciling items:	
Interest collected	-
Write Off	20
Subtotal	<u>20</u>
Total collections and credits	<u>\$ 82,675 (d)</u>

**TOWN OF RED CROSS
ANALYSIS OF CURRENT TAX LEVY
YEAR ENDED JUNE 30, 2016**

	City - Wide			Total Levy	
	Property Valuation	Rate	Total	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxes at current year's rate	\$ 44,565,108	0.16	\$ 71,305	\$ 71,305	
Registered motor vehicles	6,428,100	0.16	10,285		\$ 10,285
Total Property Valuation	<u>50,993,208</u>				
Net Levy			<u>81,590 (a)</u>	<u>71,305</u>	<u>10,285</u>
Uncollected Taxes at June 30, 2016			<u>1,895 (c)</u>	<u>1,895</u>	
Current Year's Taxes Collected			<u>\$ 79,695 (b)</u>	<u>\$ 69,410</u>	<u>\$ 10,285</u>
Current Levy Collection Percentage			<u>97.70%</u>	<u>97.40%</u>	<u>100.00%</u>

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