

Town of Red Cross, North Carolina

Report on Audit of Financial Statements
and Supplementary Schedules

For the Year Ended June 30, 2003

TOWN OF RED CROSS
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Combined Balance Sheet-All Fund Types-Exhibit A	2
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Fund Types-Exhibit B	3
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-Exhibit C	4
Notes to Financial Statements	5-10
Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual General Fund-Statement 1	11
Statistical Section	
Schedule of Ad Valorem Taxes Recivable-Statement 2	12
Analysis of Current Tax Levy-Statement 3	13

Sam K. Turner, Jr.

Certified Public Accountant

*111 East Wade Street
Post Office Box 828
Wadesboro, North Carolina 28170*

*Phone: (704) 694-5699
Fax : (704) 694-5652*

Independent Auditor's Report

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

I have audited the accompanying general purpose financial statements of the Town of Red Cross, North Carolina, for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Red Cross, North Carolina's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Red Cross, North Carolina as of June 30, 2003, and the results of the operations for the year then ended in conformity with general accepted accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Red Cross, North Carolina. Such information has been subjected to the auditing procedures applied in my audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Sam K. Turner, Jr.

October 30, 2003
Wadesboro, North Carolina

FINANCIAL STATEMENTS

TOWN OF RED CROSS, NORTH CAROLINA
 COMBINED BALANCE SHEET-ALL FUND TYPES
 June 30, 2003

	Governmental Fund Types	Totals (Memorandum Only)
	General	June 30, 2003
ASSETS		
Cash	\$ 57,189	\$ 57,189
Ad valorem taxes receivable	1,960	1,960
Accounts receivable, governmental agencies	11,255	11,255
Due from Stanly County	490	490
TOTAL ASSETS	\$ 70,894	\$ 70,894
LIABILITIES AND EQUITY		
Liabilities		
Deferred revenues	\$ 1,960	\$ 1,960
Equity		
Fund Balances		
Reserved to state statue	11,745	11,745
Undesignated	57,189	57,189
Total Equity	68,934	68,934
TOTAL LIABILITIES AND EQUITY	\$ 70,894	\$ 70,894

See Accompanying Notes to Financial Statements.

TOWN OF RED CROSS, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUND TYPES
For The Year Ended June 30, 2003

	Governmental Fund Types	Totals (Memorandum Only)
	General	June 30, 2003
Revenues:		
Ad valorem taxes	\$ 25,709	\$ 25,709
Other taxes and licenses	44,548	44,548
Contributions	2,525	2,525
Miscellaneous	523	523
Total Revenues	<u>73,305</u>	<u>73,305</u>
Expenditures:		
General government	<u>4,371</u>	<u>4,371</u>
Total Expenditures	<u>4,371</u>	<u>4,371</u>
Revenue Over Expenditures	68,934	68,934
Fund Balance:		
Beginning of Year-July 1	<u>-</u>	<u>-</u>
End of Year-June 30	<u>\$ 68,934</u>	<u>\$ 68,934</u>

See Accompanying Notes to Financial Statements.

TOWN OF RED CROSS, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL-GENERAL FUND
 For The Year Ended June 30, 2003

	2003		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes			
Other taxes and licenses	\$ 25,086	\$ 25,709	\$ 623
Contributions	24,000	44,548	20,548
Miscellaneous income	-	2,525	2,525
Interest income	-	523	523
	49,086	73,305	24,219
Total Revenues			
Expenditures:			
General government	5,500	4,371	1,129
	5,500	4,371	1,129
Total Expenditures			
Revenue Over Expenditures	\$ 43,586	68,934	\$ 25,348
Fund Balance:			
Beginning of Year-July 1		-	
End of Year-June 30		\$ 68,934	

See Accompanying Notes to Financial Statements.

TOWN OF RED CROSS, NORTH CAROLINA

Notes to Financial Statements

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.

Reporting Entity

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

Basis of Presentation - Fund Accounting

The accounts of the Town are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not directly recorded in those funds.

The various funds are summarized by type in the financial statements. The following fund types are used by the Town:

GOVERNMENTAL FUNDS

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

Measurement Focus and Basis of Accounting

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds

TOWN OF RED CROSS, NORTH CAROLINA

Notes to Financial Statements

present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The basis of accounting determines when the revenues and expenditures or expense and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Measurement Focus and Basis of Accounting (Continued)

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, if measurable expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Town considers all revenues available if they are collected within 60 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 and for vehicles newly-registered under the annual 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 2002 through February 2003 apply to the fiscal year ended June 30, 2003. Uncollected taxes which were billed during this period are shown as a

TOWN OF RED CROSS, NORTH CAROLINA

Notes to Financial Statements

receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2002-2003 fiscal year and are not shown as receivables at June 30, 2003. For those vehicles which are renewed and billed 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, 2003 because they are intended to finance the Town's operations during the 2003 fiscal year.

Sales taxes 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 proprietary fund at year end June 30, 2003.

Budgetary Data

As required by the Local Government Budget and Fiscal Control Act (G.S. 159, Article 3), the governing board must adopt by July 1 an annual balanced budget ordinance for all funds except for those funds which operate under project ordinances. All annual appropriations lapse at fiscal year-end. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions, as required by G.S. 159-26 (c).

Budgetary control is exercised in all funds. Appropriations are made at the line item level and are amended as necessary by the governing board. The amended budget ordinance as of June 30, 2003, is included in the financial statements but has been restructured to conform with the actual data.

Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

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

TOWN OF RED CROSS, NORTH CAROLINA

Notes to Financial Statements

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 October 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2000.

Allowance For Doubtful Accounts

Virtually all ad valorem taxes and accounts receivable are collected, and accordingly, an allowance for uncollectible receivables is not considered material or necessary.

Fund Equity

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State Law [G.S. 159-13(b)(16)] restricts appropriation of fund balance or fund equity 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 these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Unreserved

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

Other

Total (Memorandum Only) Columns

The total columns on the accompanying financial statements are captioned as "Total (Memorandum only)"-because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, or results of operations in accordance with generally accepted accounting principles.

TOWN OF RED CROSS, NORTH CAROLINA

Notes to Financial Statements

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Town during the year adopted a budget which caused estimated total revenues to be higher than estimated total expenditures. The budgeted revenues over expenditures is \$43,568 and this violates State Law [G.S. 159-8(a)]. This State Law requires a budget ordinance that is balanced and the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Thus, budgeted revenues over expenditures should always be \$0.

Note 3 – **DETAIL NOTES ON ALL FUNDS**

A. Assets

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 the Town's name. 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 the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The state Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for 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.

TOWN OF RED CROSS, NORTH CAROLINA

Notes to Financial Statements

At June 30, 2003, the Town's deposits had a carrying amount of \$57,189 and a bank balance of \$57,189. All of the Town's bank balance was covered by federal depository insurance.

B. Liabilities

Pension Plan Obligations

The employees for the Town do not participate in the statewide Local Governmental Employee's Retirement System. Therefore, the Town did not incur expenditures for retirement contributions.

Deferred Revenues

Deferred revenues at June 30, 2003 consist of the following

Taxes receivable	<u>\$11,255</u>
------------------	-----------------

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.

SUPPLEMENTARY INFORMATION

TOWN OF RED CROSS, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL-GENERAL FUND
 For The Year Ended June 30, 2003

	2003		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Current year	\$ 25,086	\$ 25,580	\$ 494
Interest	-	129	129
Total	25,086	25,709	623
Unrestricted intergovernmental revenues:			
Local option sales tax	24,000	44,548	20,548
Total	49,086	70,257	21,171
Contributions	-	2,525	2,525
Miscellaneous income	-	523	523
Total Revenues	49,086	73,305	24,219
Expenditures:			
General government			
Administration	1,000	810	190
Office expense	500	127	373
Professional & training	1,000	631	369
Insurance	3,000	2,803	197
Total	5,500	4,371	1,129
Revenues over expenditures	\$ 43,586	68,934	\$ 25,348
Fund balance:			
Beginning of year-July 1		-	
End of year-June 30		\$ 68,934	

See Accompanying Notes to Financial Statements.

STATISTICAL SECTION

TOWN OF RED CROSS, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 For the Year Ended June 30, 2003

<u>Year</u>	<u>Uncollected Balance June 30, 2002</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2003</u>
2002	\$ -	\$ 27,929	\$ 25,969	\$ 1,960
Ad valorem-general fund-net				25,580
Collection fees				<u>389</u>
Total Collections and Credits				<u>\$ 25,969</u>

See Accompanying Notes to Financial Statements.

TOWN OF RED CROSS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the fiscal year ended June 30, 2003

	<u>Property Valuation</u>	<u>City - Wide Rate</u>	<u>Total Levy</u>	<u>Total Levy</u>	
				<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy: Property taxed at current year's rate	\$27,711,062	\$ 0.1008	\$ 27,929	\$ 25,385	\$ 2,544
Total	<u>27,711,062</u>		<u>27,929</u>	<u>25,385</u>	<u>2,544</u>
Net Levy			<u>27,929</u>	<u>25,385</u>	<u>2,544</u>
Uncollected taxes at June 30, 2003			<u>1,960</u>	<u>1,644</u>	<u>316</u>
			<u>\$ 25,969</u>	<u>\$ 23,741</u>	<u>\$ 2,228</u>
Current levy collection percentage			<u>92.98%</u>	<u>93.52%</u>	<u>87.58%</u>

See Accompanying Notes to Financial Statements.