

TOWN OF RED CROSS
AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

TOWN OF RED CROSS
JUNE 30, 2009

Table of Contents

	<u>Page</u>	<u>Exhibit</u>
Financial Section:		
Independent Auditor's Report	1 – 2	
Management's Discussion and Analysis	3 – 8	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	9	1
Statement of Activities	10	2
Fund Financial Statements:		
Balance Sheet – Governmental Funds	11	3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund	12	4
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	13	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General and Major Special Revenue Fund	14	6
Notes to Financial Statements	15 – 22	
Supplementary Information	24 – 25	
Other Schedules		
Schedule of Ad Valorem Taxes Receivable	26	
Analysis of Current Tax Levy – City Wide Levy	27	
Supplementary Letters:		
Communication of Significant Deficiencies	28 – 29	
Communication of Those Charged with Governance	30 – 31	



Gerrelene M. Walker, CPA, CFF, CFE

MEMBERS
AMERICAN INSTITUTE
NORTH CAROLINA ASSOCIATION
AND COASTAL PLAINS CHAPTER
OF CERTIFIED PUBLIC ACCOUNTANTS
CERTIFIED FRAUD EXAMINERS
ALCPA - PRIVATE CO-PRACTICE
ALCPA - FORENSIC & VALUATION

503 TRADE STREET
TARBORO, NORTH CAROLINA 27886
PHONE: (252) 823-1040
FAX: (252) 823-1479
gwalker@gmwcpcpa.com

INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying financial statements of the governmental activities (the only major fund), budget to actual comparisons for the general fund on the Town of Red Cross, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the Town of Red Cross's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Red Cross, North Carolina's management. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities (the only major fund) on the Town of Red Cross, North Carolina, as of June 30, 2009, and the respective changes in financial position and cash flows, were applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. I have applied certain limited procedure, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit this information and express no opinion on it.

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


Gerrelene M. Walker, CPA, CFE
October 19, 2009

**TOWN OF RED CROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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, 2009. 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.

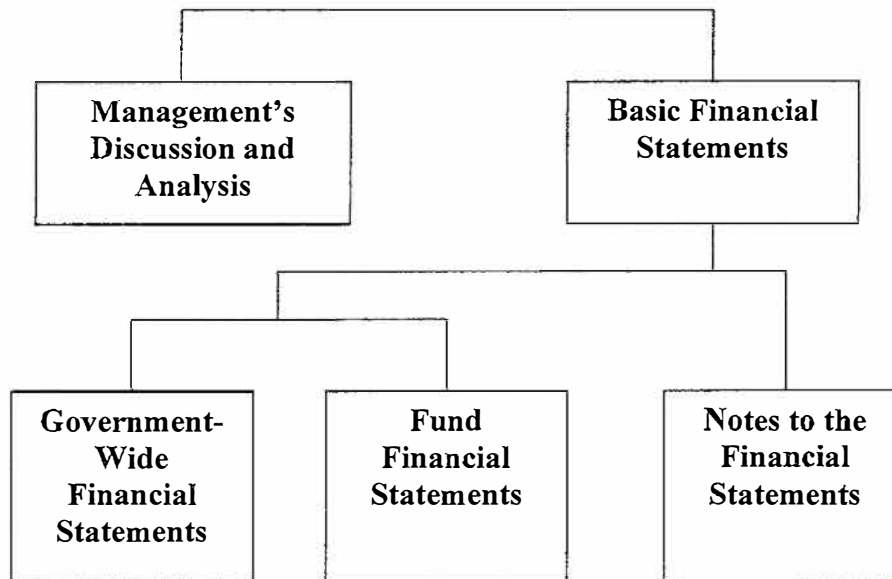
Financial Highlights

- The assets of the Town of Red Cross exceeded its liabilities at the close of the fiscal year by \$875,639 (net assets).
- As of the close of the current fiscal year, the Town of Red Cross' governmental funds reported ending fund balance of \$875,639 a increase of \$124,527 in comparison to the prior year. Approximately 51.2 percent of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund was \$448,576, or 328 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Red Cross

Required Components of Annual Financial Report
Figure 1



Summary----->Detail

Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the town's financial status.

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the town finances, similar in format to the financial statement of a private-sector business. The government-wide statements provide short and long-term information about the town financial status as a whole.

The two government-wide statements report the town net assets and how they have changed. Net assets are the difference between the town's total assets and total liabilities. Measuring net assets is one way to gauge the town's financial condition.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Red Cross adopts an annual budget for its funds, although it is not required to do so by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the town, the management of the town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the town complied with the budget ordinance and whether or not the town succeeded in providing the services as planned when the budget was adopted.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are behind Exhibit 4 of this report.

Government-wide Financial Analysis

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to the financial statement of private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report on the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gage the Town's financial condition.

Management Discussion and Analysis
Town of Red Cross

The Town of Red Cross in the government-wide statement has only governmental activities at June 30, 2009. 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	
	2008	2009	2008	2009
Current and Other Assets	\$ 356,791	\$ 453,001	\$ 356,791	\$ 453,001
Capital Assets	919,927	912,896	919,927	912,896
Total Assets	<u>\$ 1,276,718</u>	<u>\$ 1,365,897</u>	<u>\$ 1,276,718</u>	<u>\$ 1,365,897</u>
Long Term Liabilities				
Outstanding	\$ 485,833	\$ 449,166	\$ 485,833	\$ 449,166
Other Liabilities	40,435	36,667	40,435	36,607
Total Liabilities	<u>\$ 526,268</u>	<u>\$ 485,533</u>	<u>\$ 526,268</u>	<u>\$ 485,533</u>
Net Assets:				
Invested in Capital Assets, net of				
Related Debt	\$ 397,429	\$ 427,063	\$ 397,429	\$ 427,063
Contributed capital	-	-	-	-
Restricted	-	-	-	-
Unrestricted	353,023	443,576	353,023	443,576
Total Net Assets	<u>\$ 750,452</u>	<u>\$ 875,639</u>	<u>\$ 750,452</u>	<u>\$ 875,639</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 \$880,064 as of June 30, 2009. The Town's net assets increased by \$124,527 for the fiscal year ended June 30, 2009.

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.

Management Discussion and Analysis
Town of Red Cross

Town of Red Cross Changes in Net Assets
Figure 3

	Governmental Activities		Total	
	2009	2008	2009	2008
Revenue:				
General Revenue:				
Property Taxes	\$ 80,513	\$ 74,782	\$ 80,513	\$ 74,782
Other Taxes	173,054	171,180	173,054	171,180
Other	7,649	9,450	7,649	9,450
Total Revenue	\$ 261,216	\$ 255,412	\$ 261,216	\$ 255,412
Expenses:				
General Government	\$ 31,137	\$ 44,813	\$ 31,137	\$ 44,813
Public safety	41,386	39,573	41,386	39,573
Environmental Protection	43,260	41,006	43,260	41,006
Interest on Lt Debt	20,906	-	20,906	-
Total Expenses	\$ 136,689	\$ 125,392	\$ 136,689	\$ 125,392
Increase in net assets before Transfers	\$ 124,527	\$ 130,020	\$ 124,527	\$ 130,020
Increase in Net Assets	\$ 124,527	\$ 130,020	\$ 124,527	\$ 130,020
Net Assets, July 1	750,452	620,432	750,452	620,432
Prior Period Adjustment of Net assets	660	-	-	-
Net Assets, June 30	\$ 875,639	\$ 750,452	\$ 875,639	\$ 750,452

Governmental activities. Governmental activities decreased the Town's net assets by \$95,556. This is primarily due to tax revenues remaining steady.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Red Cross's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Red Cross's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of 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, unreserved fund balance of the General Fund was \$421,779 and the total fund balance is \$453,001. The \$36,797 includes amounts designed by State Statute.

Management Discussion and Analysis
Town of Red Cross

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer. Town of Red Cross, 176E Red Cross Road, Oakboro, NC 28129, Telephone 704-485-3887.

TOWN OF RED CROSS, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government	
	Governmental	
	Activities	Total
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 421,779	\$ 421,779
Taxes Receivable (Net)	4,425	4,425
Accounts Receivable (Net)	26,797	26,797
Total Current Assets	<u>\$ 453,001</u>	<u>\$ 453,001</u>
Non-current Assets:		
Capital assets		
Land - Non Depreciable	\$ 714,591	\$ 714,591
Other Capital Assets, Net of Depreciation	198,305	198,305
Total Capital Assets	<u>\$ 912,896</u>	<u>\$ 912,896</u>
Total Assets	<u>\$ 1,365,897</u>	<u>\$ 1,365,897</u>
<u>LIABILITIES</u>		
Current Liabilities		
Current portion of long-term liabilities	\$ 36,667	\$ 36,667
Long term liabilities:		
Due in more than one year	<u>449,166</u>	<u>449,166</u>
Total Liabilities	<u>\$ 485,833</u>	<u>\$ 485,833</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 427,063	\$ 427,063
Unrestricted	<u>443,576</u>	<u>443,576</u>
Total Net Assets	<u>\$ 875,639</u>	<u>\$ 875,639</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, 2009

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges For Services	Capital Grants And Contributions	Governmental Activities	Total
Primary government:					
Governmental Activities					
General Government	\$ 31,137	\$ -	\$ -	\$ (31,137)	\$ (31,137)
Public safety	41,386	-	-	(41,386)	(41,386)
Environmental Protection	43,260	-	-	(43,260)	(43,260)
Interest of Lt. Debt	20,906	-	-	(20,906)	(20,906)
Total Governmental Activities	<u>136,689</u>	<u>-</u>	<u>-</u>	<u>(136,689)</u>	<u>(136,689)</u>
15 10 Total	<u>\$ 136,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(136,689)</u>	<u>(136,689)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purpose				80,513	80,513
Grants and taxes not restricted to a specific program				173,054	173,054
Investment earnings				7,647	7,647
Other				<u>2</u>	<u>2</u>
Total General Revenues				<u>261,216</u>	<u>261,216</u>
Change in Net Assets				124,527	124,527
Net Assets - beginning, as previously stated				750,452	750,452
Prior period adjustment to net assets				660	660
Net Assets - ending				<u>\$ 875,639</u>	<u>\$ 875,639</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, 2009

	Major Fund General	Total Governmental Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 421,779	\$ 421,779
Furniture, Fixtures		
Receivable, (Net):		
Taxes	4,425	4,425
Due from other governments	26,797	26,797
Total Assets	<u>\$ 453,001</u>	<u>\$ 453,001</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Deferred Revenue	\$ 4,425	\$ 4,425
Total Liabilities	<u>\$ 4,425</u>	<u>\$ 4,425</u>
Fund Balances		
Reserved for		
State Statute	\$ 26,797	\$ 26,797
Unreserved	421,779	421,779
Total Fund Balance	<u>\$ 448,576</u>	448,576
Total Liabilities and Fund Balance	<u>\$ 453,001</u>	

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

Liabilities for earned but deferred revenues in fund statements		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the		
Gross capital assets at historical cost	924,766	
Accumulated depreciation	<u>(11,870)</u>	912,896
Long term liabilities are not due and payable in the current period, and therefore, not reported in the current period		<u>(485,833)</u>
Net assets of governmental activities		<u>\$ 875,639</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, 2009

	General Fund	Total Governmental Fund
<u>REVENUE:</u>		
Ad Valorem Taxes	\$ 81,178	\$ 81,178
Other Taxes and licenses	173,054	173,054
Investment Earnings	7,647	7,647
Miscellaneous	2	2
Total Revenue	<u>\$ 261,881</u>	<u>\$ 261,881</u>
<u>EXPENDITURES:</u>		
Current:		
General Government	\$ 24,106	\$ 24,106
Public Safety	41,386	41,386
Environmental protection	43,260	43,260
Debt Service	36,667	36,667
Principal Interest	20,906	20,906
Total Expenditures	<u>\$ 166,325</u>	<u>\$ 166,325</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 95,556</u>	<u>\$ 95,556</u>
<u>Other Financing Sources (Uses)</u>		
None	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ 95,556	\$ 95,556
Fund Balance - Beginning	<u>353,020</u>	<u>353,020</u>
Fund Balance - Ending	<u><u>\$ 448,576</u></u>	<u><u>\$ 448,576</u></u>

See Auditor's Opinion

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

TOWN OF RED CROSS, NORTH CAROLINA
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, 2009

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

Net changed in fund balances - total governmental funds	\$	95,556
---	----	--------

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	7,031	(7,031)

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

Principal payments on long term debt	36,667	36,667
--------------------------------------	--------	--------

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.

Change in deferred tax revenues		(665)
---------------------------------	--	-------

Total changes in net assets of governmental activities	\$	124,527
--	----	---------

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, 2009

	General Fund			Variance
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
Revenues:				
Ad Valorem taxes	\$ 75,000	\$ 75,000	\$ 81,178	\$ 6,178
Other taxes and licenses	161,800	161,800	173,054	11,254
Investments earnings	-	-	7,647	7,647
Miscellaneous	-	-	2	2
Total revenues	236,800	236,800	261,881	25,081
Expenditures:				
Current:				
General government	95,300	95,300	24,106	71,194
Public safety	38,500	38,500	41,386	(2,886)
Environmental protection	45,000	45,000	43,260	1,740
Debt Service	58,000	58,000	57,575	425
Total Expenditures	236,800	236,800	166,327	70,473
Other financing sources (uses)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Appropriated Fund Balance	-	-	-	-
Net change in fund balance	\$ -	\$ -	95,556	\$ -
Fund balances, beginning			553,020	
Fund balances, ending			<u>\$ 448,576</u>	

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Red Cross conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

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

B. Basis of Presentation

Government – wide Statements: The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type* activities (the town has no business type activities). Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. The Town has no program revenues at this time. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* (no proprietary fund at June 30, 2009) – are 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.

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Government-wide Financial Statements: The government – wide financial statements are reported using the accrual basis for accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments which are recognized as expenditures to the extent they have matured. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term debt is reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Stanly County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Red Cross. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Stanly County from March 2008 through February 2009 apply to fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

June 30, 2009, because they are intended to finance the Town operations during the 2009 fiscal year.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. The Town had no grant revenue at June 30, 2009.

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

D. Budgetary Data

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

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

As of June 30, 2009, the Town has no investments in securities. The Town has no policy regarding custodial credit risk.

2. **Cash and Cash Equivalents**
All cash and investments are essentially demand deposits and are considered cash and cash equivalents.
3. **Restricted Assets**
The Town has no restricted assets as of June 30, 2009.
4. **Ad Valorem Taxes Receivable**
In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2000.
5. **Capital Assets**
Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, infrastructure, equipment and furniture \$200. Purchased or constructed assets are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

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

7. **Compensated Absences**
The Town has no Employees as of June 30, 2009.

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. Net assets/Fund Balances

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

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amount stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources. The Town has no inventories as of June 30, 2009.

Reserved for encumbrances – portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end. The Town has no encumbrances as of Jun 30, 2009.

Reserved for State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for streets – Powell Bill – portion of fund balance that is available for appropriation but legally segregated fore street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds. The Town has not received any Powell Bill Funds as of Jun 30, 2009.

Unreserved:

Designated for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

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

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The Town has no known noncompliance issues.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for 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.

At June 30, 2009, the Town's deposits had a carrying amount of \$421,779 and a bank balance of \$421,782. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

2. Capital Assets

Capital assets for the Primary Government for the year ended for the year June 30, 2009 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	45,096	-	-	45,096
Furniture and equipment	15,079	-	-	15,079
Total assets being depreciated	<u>\$ 210,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,175</u>
Less accumulated depreciation				
Buildings	\$ 2,813	\$ 3,750	\$ -	\$ 6,563
Renovations	1,085	1,127	-	2,212
Furniture and equipment	941	2,154	-	3,095
Total accumulated depreciation	<u>\$ 4,839</u>	<u>\$ 7,031</u>	<u>\$ -</u>	<u>\$ 11,870</u>
Total capital assets bring depreciated, net	<u>205,336</u>			<u>198,305</u>
Governmental activity capital assets, net	<u>\$ 919,927</u>			<u>\$ 912,896</u>

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

General government \$ 7,031

B. Liabilities

1. Pension Plan Obligations

The Town has no employees as of June 30, 2009.

2. Deferred Revenues

Deferred Revenues at June 30, 2009 consist of the following:

Taxes receivable \$ 4,225

3. Long-Term Obligations

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

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Year Ending June 30	Principal	Interest
2010	\$ 36,667	\$ 19,308
2011	36,667	17,309
2012	36,667	16,309
2013	36,667	14,809
2014 – 2023	339,165	65,892
Total	\$ 485,833	\$ 133,627

	Balances June 30, 2008	Increases	Decreases	Balances June 30, 2009	Current Portion
Governmental activities	\$ 522,500	\$ -	\$ 36,667	\$ 485,833	\$ 36,667
Governmental activity long-term liabilities	\$ 522,500	\$ -	\$ 36,667	\$ 485,833	\$ 36,667

Changes in Long-Term Liabilities

At June 30, 2009, the Town of Red Cross had a legal debt margin of \$ 4,091,744.

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. Prior period adjustment of June 30, 2009, during the audit, of the prior period auditor had included unearned revenue in the full accrual basis of the balance sheet. I made an adjustment to correct this error on Exhibit 2, Statement of Activities.

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, 2009

	2009		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad-valorem Taxes:			
Taxes	\$ -	\$ 81,178	\$ -
Total Taxes	\$ 75,000	\$ 81,178	\$ 6,178
Unrestricted Intergovernmental:			
Local option sales tax	\$ -	\$ 129,251	\$ -
Telecommunications tax	-	5,785	-
Utility franchise tax	-	34,673	-
Video programming tax	-	3,345	-
Total	\$ 161,800	\$ 173,054	\$ 11,254
Investment Earnings	\$ -	\$ 7,647	\$ 7,647
Miscellaneous	\$ -	\$ 2	\$ 2
Total Revenues	\$ 236,800	\$ 261,881	\$ 25,081
Expenditures:			
General Government:			
Professional services	\$ -	\$ 3,979	\$ -
Other operating expenditures	-	2,061	-
Zoning and planning	-	2,965	-
Administrative expenses	-	5,123	-
Insurance	-	2,358	-
Maintenance	-	7,620	-
Total General Government	\$ 95,300	\$ 24,106	\$ 71,194

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, 2009

Expenditures: (Continued)

Public Safety:

Police:

Contracted services	\$ -	\$ 14,878	\$ -
Total	\$ 12,000	\$ 14,878	\$ (2,878)

Fire:

Contracted services	-	26,508	-
Total	\$ 12,000	\$ 26,508	\$ (8)
Total public safety	\$ 38,500	\$ 41,386	\$ (2,886)

Environmental protection:

Contracted services	\$ -	\$ 43,260	\$ 1,740
Total	\$ 45,000	\$ 43,260	\$ 1,740
Total environmental protection	\$ 45,000	\$ 43,260	\$ 1,740

Debt service:

Principal	\$ 37,000	\$ 36,667	\$ -
Interest	21,000	20,906	-
Total debt service	\$ 58,000	\$ 57,573	\$ 427
Total Expenditures	\$ 236,800	\$ 166,325	\$ 70,475

Revenues over (under) expenditures	\$ -	\$ 95,556	\$ 95,556
------------------------------------	------	-----------	-----------

Other Financing Sources (uses)

Transfer to Capital Project Fund	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

Fund Balance Appropriated

Net Change in Fund Balance	\$ -	95,556	\$ (95,556)
----------------------------	------	--------	-------------

Fund Balance, Beginning	353,020
-------------------------	---------

Fund Balance, Ending	\$ 448,576
----------------------	------------

TOWN OF RED CROSS, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
2008 - 2009	\$ -	\$ 81,835	\$ 78,563	\$ 3,272
2007 - 2008	1,648	-	1,398	250
2006 - 2007	649	-	434	215
2005 - 2006	472	-	273	199
2004 - 2005	431	-	249	182
2002 - 2003	479	-	261	218
2001 - 2002	89	-	-	89
	<u>\$ 3,768</u>	<u>\$ 81,835</u>	<u>\$ 81,178</u>	<u>\$ 4,425</u>

Reconcilement with Revenues:

Ad valorem taxes - General Fund	\$ 82,511
Reconciling items:	
Collection fees	(1,928)
Interest collected	(215)
Discounts allowed	810
Subtotal	<u>(1,333)</u>
Total collections and credits	<u>\$ 81,178</u>

TOWN OF RED CROSS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

			<u>Total Levy</u>		
<u>City-Wide</u>			<u>Property</u>	<u>Registered</u>	
<u>Property</u>			<u>Excluding</u>	<u>Motor</u>	
<u>Valuation</u>	<u>Rate</u>	<u>Total</u>	<u>Registered</u>	<u>Motor</u>	
			<u>Motor Vehicles</u>	<u>Vehicles</u>	
Original Levy:					
Property Taxes at					
Current Year's Rate	\$ 44,509,473	0.16%	\$ 71,215	\$ 71,215	\$ -
Registered motor vehicles					
taxed at prior year's rate	<u>6,637,331</u>	0.16%	<u>10,620</u>	<u>-</u>	<u>10,620</u>
Total Property Valuation	<u>\$ 51,146,804</u>				
Net Levy		\$ 81,835	\$ 71,215	\$ 10,620	
Uncollected Taxed at June 30, 2009		<u>3,272</u>	<u>2,608</u>	<u>664</u>	
Current Year's Taxes Collected		<u>\$ 78,563</u>	<u>\$ 68,607</u>	<u>\$ 9,956</u>	
Current levy collection percentage		<u>96%</u>	<u>96.34%</u>	<u>93.75%</u>	



Gerrelene M. Walker, CPA, CFF, CFE

MEMBERS
AMERICAN INSTITUTE
NORTH CAROLINA ASSOCIATION
AND COASTAL PLAINS CHAPTER
OF CERTIFIED PUBLIC ACCOUNTANTS
CERTIFIED FRAUD EXAMINERS
ALCPA - PRIVATE CO-PRACTICE
ALCPA - FORENSIC & VALUATION

503 TRADE STREET
TARBORO, NORTH CAROLINA 27886
PHONE: (252) 823-1040
FAX: (252) 823-1479
gwalker@gmwcpa.com

COMMUNICATION OF SIGNIFICANT DEFICIENCIES

To the Board of Commissioners and Town Administrator of Town of Red Cross.

In planning and performing my audit of the financial statements of the governmental activities, the only major fund, and the aggregate remaining fund information of Town of Red Cross as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, I considered Town of Red Cross's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Red Cross's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Red Cross's internal control.

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

- Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among the Town personnel since the Town is so small.

Effect: Transactions could be mishandled and reporting would not be correct.

Cause: The Town is so small and the number of personnel is limited. The Town does not need additional personnel because tax collections is handled by the County of Stanley.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for the lack of separation.

Corrective Action: The town administrator, and the Board will review all policies concerning segregation of duties and determine appropriate steps. The effective date is January 1, 2010.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control. listed in the above paragraph.

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



Gerrelene M Walker, CPA, CFF, CFE

Tarboro, NC

October 19, 2009



Gerrelene M. Walker, CPA, CFF, CFE

MEMBERS
AMERICAN INSTITUTE
NORTH CAROLINA ASSOCIATION
AND COASTAL PLAINS CHAPTER
OF CERTIFIED PUBLIC ACCOUNTANTS
CERTIFIED FRAUD EXAMINERS
ALCPA - PRIVATE CO-PRACTICE
ALCPA - FORENSIC & VALUATION

503 TRADE STREET
TARBORO, NORTH CAROLINA 27886
PHONE: (252) 823-1040
FAX: (252) 823-1479
gwalker@gmwcpa.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 19, 2009

To the Board of Commissioners
Town of Red Cross

I have audited the financial statements of the governmental activities, the only major fund, and the aggregate remaining fund information of Town of Red Cross for the year ended June 30, 2009. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated April 29, 2009. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Red Oak are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Town's financial statements was:

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosure(s) affecting the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

I have requested certain representations from management that are included in the management representation letter dated October 19, 2009.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Very truly yours,



Gerrelene M Walker, CPA/CFF, CFE