

**TOWN OF RED CROSS  
FINANCIAL STATEMENTS  
JUNE 30, 2017**

# TOWN OF RED CROSS

2017

Larry W. Smith  
Mayor

JJ Curlee  
Council Member

Trina Plowman  
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, 2017, 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 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 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 for my audit opinion.

### ***Opinion***

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, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then 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 opinion 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 individual fund 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, 2017

**TOWN OF RED CROSS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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, 2017. 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 \$1,914,751 (net position). As of the close of the current fiscal year, the Town of Red Cross's governmental funds reported ending fund balance of \$963,953; an increase of \$168,469, in comparison of the prior year. Approximately 90.85% of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund was \$875,744, or 650.53 percent of total general fund expenditures for the fiscal year.

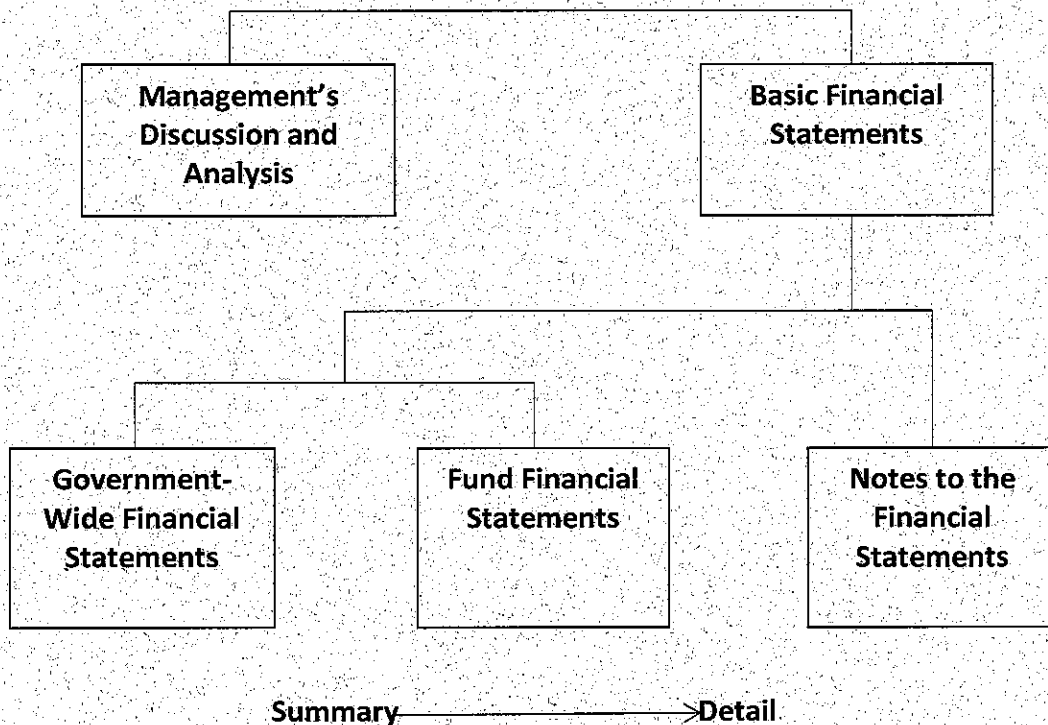
**Overview of the Financial Statements**

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 (Exhibits 3 through 5) **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. There are two parts to the Fund Financial Statements: 1) The governmental funds statements; and 2) the budgetary comparison 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's net position and how it has changed. Net position is the difference between town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the town's financial condition.

The government-wide statements include only one of the three categories of government statement which is governmental activities. The governmental activities include most of the Town's basic services such as public safety and zoning. Property taxes and state taxes finance most of these activities.

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

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Red Cross, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as General Statutes or the Town's budget ordinance. The one fund, General Fund, is maintained by the Town of Red Cross which is categorized as governmental fund.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements at Exhibits 1 and 2 of this report. The town's basic services are accounted for in the governmental fund. This fund focuses 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 Position 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 general fund, as 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. The budgetary comparison statement uses budgetary basis of accounting and is presented using the same format, language and classification as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17.

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

	Governmental Activities		Total	
	2017	2016	2017	2016
Current and other assets	\$ 970,496	\$ 799,508	\$ 970,496	\$ 799,508
Capital assets	944,255	942,724	944,255	942,724
Total assets	1,914,751	1,742,232	1,914,751	1,742,232
Long-term liabilities				
Outstanding		-	-	-
Other Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Net Position				
Net Investment of Capital Assets	944,255	942,724	944,255	942,724
Restricted	88,209	80,664	88,209	80,664
Unrestricted	882,287	718,844	882,287	718,844
Total Net position	\$1,914,751	\$ 1,742,232	\$1,914,751	\$1,742,232

As noted earlier, net position 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 \$1,914,751 as of June 30, 2017. The Town's net position increased by \$172,519 for the fiscal year ended June 30, 2017. However, the largest portion (49.31%) 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, \$88,209, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$882,287 is unrestricted. Also, the Town of Red Cross implemented GASB Statement 68 in the year ended June 30, 2017.

**Town of Red Cross Changes in Net Position**  
**Figure 3**

		Governmental				
		Activities		Total		
		2017	2016	2017	2016	
Revenues:						
General Revenues:						
Property Taxes	\$	84,287	\$	84,287	\$	81,912
Other Taxes		205,261		205,261		188,684
Program Revenue		15,459		15,459		15,602
Other		2,132		2,132		241
	Total Revenues	307,139	286,439	307,139		286,439
Expenses:						
General Government		34,251		34,251		42,162
Public Safety		51,008		51,008		42,661
Environmental Protection		49,361		49,361		49,761
	Total Expenses	134,620	134,584	134,620		134,584
Increase in net position		172,519	151,855	172,519		151,855
Net position, July 1		1,742,232	1,590,377	1,742,232		1,590,377
Net position, June 30		\$ 1,914,751	\$ 1,742,232	\$ 1,914,751	\$	1,742,232

**Governmental activities.** Governmental activities increased the Town's net position by \$172,519. This is primarily due to tax revenues remaining steady.

### **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 does not plan to appropriate fund balance in the fiscal year 2018 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, 2017**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 875,744	\$ 875,744
Taxes Receivable (net)	6,543	6,543
Accounts Receivable (net)	27,594	27,594
Restricted Cash & Cash Equivalents	60,615	60,615
Total Current Assets	970,496	970,496
Non-current assets:		
Capital Assets		
Land, Non-Depreciable	714,591	714,591
Other Capital Assets, Net of Depreciation	222,852	222,852
Total Capital Assets	937,443	937,443
Total Assets	1,907,939	1,907,939
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	-	-
Total Liabilities	-	-
<b>NET POSITION</b>		
Net Investment of Capital Assets	944,255	944,255
Restricted for Stabilization State Statue	27,594	27,594
Restricted - Streets	60,615	60,615
Unrestricted	875,475	875,475
Total Net Position	\$ 1,907,939	\$ 1,907,939

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

**TOWN OF RED CROSS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

<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>
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 39,532			\$ (39,532)	\$ (39,532)
Public Safety	51,008			(51,008)	(51,008)
Environmental Protection	49,361			(49,361)	(49,361)
Transportation	-	-	\$ 15,459	15,459	15,459
Total Governmental Activities	139,901	-	15,459	124,442	(124,442)
Total	\$ 139,901	-	\$ 15,459	\$ (124,442)	\$ (124,442)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose				86,806	86,806
Grants and contributions not restricted to spec. prog.				201,211	201,211
Investments earnings				2,112	2,112
Other				20	20
Total General Revenues				290,149	290,149
Change in Net Position				165,707	165,707
Net Position, Beginning				1,742,232	1,742,232
Net Position, Ending				\$ 1,907,939	\$ 1,907,939

**TOWN OF RED CROSS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	<u>Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 875,744	\$ 875,744
Receivables, net:		
Taxes	6,543	6,543
Due from other governments	27,594	27,594
Restricted Cash	60,615	60,615
Total Assets	<u>\$ 970,496</u>	<u>\$ 970,496</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable and Accrued Liabilities	-	-
Total Liabilities	-	-
Deferred Inflows of Resources		
Property Taxes Receivable	6,543	6,543
Total Deferred Inflows of Resources	<u>6,543</u>	<u>6,543</u>
<b>FUND BALANCES</b>		
Restricted:		
Stabilization by State Statute	27,594	27,594
Streets	60,615	60,615
Unassigned	875,744	875,744
Total Fund Balances	<u>963,953</u>	<u>963,953</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>970,496</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
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>(57,892)</u>	\$ 944,255
Liabilities for earned revenues considered deferred in flows of resources in fund statements		6,543
Net position of governmental activities		<u>\$ 1,914,751</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, 2017**

	General Fund	Total Governmental Funds
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 84,287	\$ 84,287
Unrestricted Intergovernmental	201,211	201,211
Restricted Intergovernmental	15,459	15,459
Investment Earnings	2,112	2,112
Miscellaneous	20	20
Total Revenues	<u>\$ 303,089</u>	<u>\$ 303,089</u>
<b>EXPENDITURES</b>		
Current:		
General Government	\$ 34,251	\$ 34,251
Public Safety	51,008	51,008
Transportation	-	-
Environmental Protection	49,361	49,361
Total Expenditures	<u>134,620</u>	<u>134,620</u>
Net Change in Fund Balance	168,469	168,469
Fund Balances, Beginning as previously reported	<u>795,484</u>	<u>795,484</u>
Fund Balances, Ending	<u>\$ 963,953</u>	<u>\$ 963,953</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, 2017**

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

Net Changes in fund balances - total governmental funds		\$168,469
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	\$ -	
Depreciation expense for governmental assets	<u>(5,281)</u>	(5,281)
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>2,519</u>
Total Changes in net position of governmental activities.	\$	<u><u>165,707</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, 2017**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad Valorem Taxes	\$ 76,000	\$ 76,000	\$ 84,287	\$ 8,287
Other Taxes and Licenses	170,000	170,000	201,211	31,211
Restricted Intergovernmental	-	-	15,459	15,459
Investments Earnings	-	-	2,112	2,112
Miscellaneous	-	-	20	20
Total Revenues	246,000	246,000	303,089	57,089
Expenditures:				
Current:				
General Government	122,000	122,000	34,251	87,749
Public Safety	61,000	61,000	51,008	9,992
Transportation	-	-	-	-
Environmental protection	63,000	63,000	49,361	13,639
Total Expenditures	246,000	246,000	134,620	111,380
Revenues over (under) Expenditures	-	-	168,469	168,469
Fund Balances, Beginning	-	-	795,484	-
Fund Balances, ending			\$ 963,953	

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

**TOWN OF RED CROSS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental is presented. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental fund.

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad

valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, maintenance, 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 expended 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 designated official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$947,738 and a bank balance of \$947,738. Of the bank balance, \$936,359 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, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<b>Capital assets not depreciated</b>				
Land	\$ 714,591	-	-	\$ 714,591
Total not being depreciated	<u>\$ 714,591</u>	<u>-</u>	<u>-</u>	<u>\$ 714,591</u>
<b>Capital assets begin depreciated</b>				
Buildings	\$ 150,000	-	-	\$ 150,000
Renovations	122,477	-	-	122,477
Furniture and equipment	15,079	-	-	15,079
Total assets being depreciated	<u>\$ 287,556</u>	<u>-</u>	<u>-</u>	<u>\$ 287,556</u>
<b>Less accumulated depreciation</b>				
Buildings	\$ 32,813	\$ 3,750	-	\$ 36,563
Renovations	11,531	1,531	-	13,062
Furniture and equipment	15,079	-	-	15,079
Total accumulated depreciation	<u>\$ 59,423</u>	<u>\$ 5,281</u>	<u>-</u>	<u>\$ 64,704</u>
Total capital assets bring depreciated, net	<u>228,133</u>			<u>222,852</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 942,724</u>			<u>\$ 937,443</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:

	<u>Unavailable Revenue</u>
Taxes Receivable (General Fund), less penalties	<u>\$ 6,543</u>
Total	<u>\$ 6,543</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	\$ 963,953
Less:	
Stabilization by State Statute	27,594
Streets-Powell Bill	60,615
Remaining Fund Balance	\$ 875,744

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, 2017**

	2017		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Ad valorem Taxes:			
Taxes		\$ 84,287	
Interest		-	
Total	76,000	84,287	8,287
Unrestricted Intergovernmental:			
Local Option Sales Taxes		152,273	
Telecommunications tax		6,833	
Utility Franchise Tax		36,035	
Beer & Wine Tax		3,399	
Video Tax		2,671	
Total	170,000	201,211	31,211
Restricted Intergovernmental			
Powell		15,384	
Interest		75	
Total Restricted	-	15,459	15,459
Investment Earnings		2,112	2,112
Miscellaneous:	-	20	20
Total Revenues	246,000	303,089	57,089
<b>Expenditures:</b>			
General Government			
Planning Board		2,500	
Utilities		4,143	
Professional services		3,400	
Other operating expenditures		14,664	
Administrative Expenses		9,544	
Total General Government	122,000	34,251	87,749

**TOWN OF RED CROSS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2017**

<b>Expenditures: (Continued)</b>				Variance
Public Safety:				Positive
Police:		Budget	Actual	(Negative)
Contracted services				
	Total		14,950	
Fire:		20,000	14,950	5,050
Contracted services				
	Total		36,058	
Total Public Safety		41,000	36,058	4,942
Transportation:		61,000	51,008	9,992
Contracted Services				
Environmental Protection:				
Contracted services				
	Total Environmental Protection		49,361	
		63,000	49,361	13,639
Total Expenditures		246,000	134,620	111,380
Fund Balance				
Fund Balances, Beginning		-	168,469	168,469
Fund Balances, Ending			795,484	
			\$ 963,953	

TOWN OF RED CROSS				
SCHEDULE OF AD VALOREM TAXES RECEIVABLE				
YEAR ENDED JUNE 30, 2017				
Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017		85,708	83,749	1,959
2015-2016	1,895		495	1,400
2014-2015	1,003	56	-	1,059
2013-2014	90	315	-	405
2012-2013	116	374	-	490
2011-2012	196	194	-	390
2010-2011	244	-	4	240
2009-2010	391	-	21	370
2008-2009	71	159	-	230
2007-2008	18	-	18	-
Totals	\$ 4,024	\$ 86,806	\$ 84,287	\$ 6,543
Reconcilement with Revenues:				
Ad Valorem taxes - General Fund				\$ 84,267
Reconciling items:				
Write Off				18
Subtotal				18
Total collections and credits				\$ 84,287

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TOWN OF RED CROSS				
SCHEDULE OF AD VALOREM TAXES RECEIVABLE				
YEAR ENDED JUNE 30, 2017				
Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
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Totals	\$ 4,024	\$ 86,806	\$ 84,287	\$ 6,543
Reconcilement with Revenues:				
Ad Valorem taxes - General Fund				\$ 84,267
Reconciling items:				
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Subtotal				18
Total collections and credits				\$ 84,287

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**TOWN OF RED CROSS  
ANALYSIS OF CURRENT TAX LEVY  
YEAR ENDED JUNE 30, 2017**

	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	\$46,135,625	0.16	\$ 73,817	\$ 73,817	
Registered motor vehicles	7,431,875	0.16	11,891	-	\$ 11,891
Total Property Valuation	<u>53,567,500</u>				
Net Levy			<u>85,708</u>	<u>73,817</u>	<u>11,891</u>
Uncollected Taxes at June 30, 2017			<u>1,959</u>	<u>1,959</u>	-
Current Year's Taxes Collected			<u>\$ 83,749</u>	<u>\$ 71,858</u>	<u>\$ 11,891</u>
Current Levy Collection Percentage			<u>97.72%</u>	<u>97.35%</u>	<u>100.00%</u>

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