

TOWN OF RED CROSS
AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

TOWN OF RED CROSS
2011

Ray Quick
Mayor

Jerry Jordan
Council Member

Larry Wayne Smith
Mayor Pro-Tem

Kelly Brattain
Council Member

Heath Hahn
Council Member
Finance Officer

**TOWN OF RED CROSS
JUNE 30, 2011**

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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, 2011, 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, 2011, 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 inquires 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

Gerrelene M. Walker, CPA/CFF, CFE
September 8, 2011

**TOWN OF RED CROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011. 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.

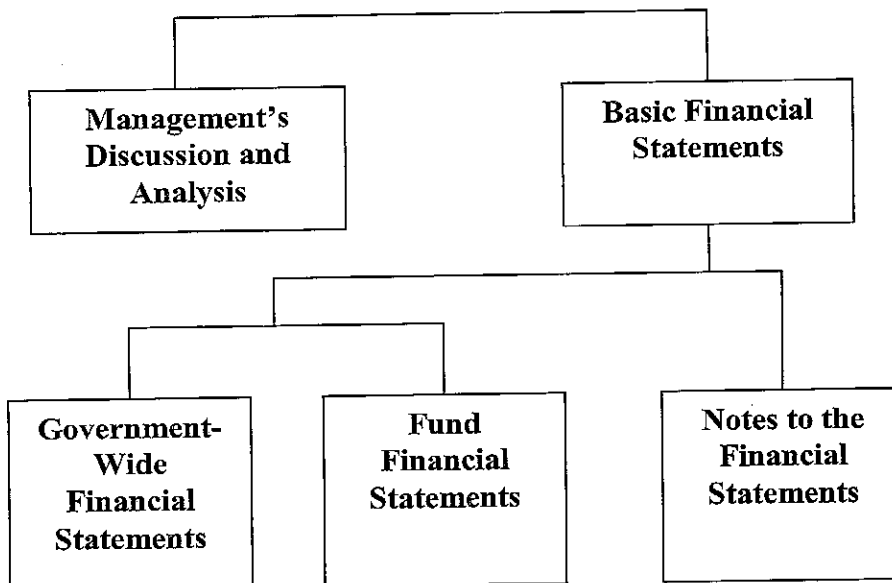
Financial Highlights

- The assets of the Town of Red Cross exceeded its liabilities at the close of the fiscal year by \$1,100,598 (net assets).
- As of the close of the current fiscal year, the Town of Red Cross' governmental funds reported ending fund balance of \$604,386 an increase of \$87,249 in comparison to the prior year. Approximately 91.1% of this total amount is available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund was \$550,540, or 327 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, 2011. 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	
	2010	2011	2010	2011
Current and Other Assets	\$ 520,507	\$ 607,772	\$ 520,507	\$ 607,772
Capital Assets	912,527	905,325	912,527	905,325
Total Assets	\$ 1,433,034	\$ 1,513,097	\$ 1,433,034	\$ 1,513,097
Long Term Liabilities				
Outstanding	\$ 412,499	\$ 375,832	\$ 412,499	\$ 375,832
Other Liabilities	36,667	36,667	36,667	36,667
Total Liabilities	\$ 449,166	\$ 412,499	\$ 449,166	\$ 412,499
Net Assets:				
Invested in Capital Assets, net of Related Debt	\$ 463,361	\$ 492,826	\$ 463,361	\$ 492,826
Restricted	14,406	29,520	14,406	29,520
Unrestricted	506,101	578,252	506,101	578,252
Total Net Assets	\$ 983,868	\$ 1,100,598	\$ 983,868	\$ 1,100,598

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Red Cross exceeded liabilities by \$1,100,598 as of June 30, 2011. The Town's net assets increased by \$116,730 for the fiscal year ended June 30, 2011.

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	
	2011	2010	2011	2010
Revenue:				
General Revenue:				
Property Taxes	\$ 79,424	\$ 81,560	\$ 79,424	\$ 81,560
Other Taxes	155,899	145,894	155,899	145,894
Restricted Revenue	15,400	15,305	15,400	15,305
Other	4,665	9,627	4,665	9,627
Total Revenue	<u>\$ 255,388</u>	<u>\$ 252,386</u>	<u>\$ 255,388</u>	<u>\$ 252,386</u>
Expenses:				
General Government	\$ 34,965	\$ 40,907	\$ 34,965	\$ 40,907
Public safety	43,724	40,577	43,724	40,577
Environmental Protection	42,161	43,365	42,161	43,365
Interest on Lt Debt	17,808	19,308	17,808	19,308
Total Expenses	<u>\$ 138,658</u>	<u>\$ 144,157</u>	<u>\$ 138,658</u>	<u>\$ 144,157</u>
Increase in Net Assets	\$ 116,730	\$ 108,229	\$ 116,730	\$ 108,229
Net Assets, July 1	983,868	875,639	983,868	875,639
Net Assets, June 30	<u>\$ 1,100,598</u>	<u>\$ 983,868</u>	<u>\$ 1,100,598</u>	<u>\$ 983,868</u>

Governmental activities. Governmental activities increased the Town's net assets by \$116,730. This is primarily due to tax revenues remaining steady.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Red Cross's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Red Cross's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Red Cross. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$550,540 and the total fund balance is \$604,386. The \$24,326 includes amounts designed in stabilization by State Statute and Restricted for Powell was \$29,520.

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, 2011

	Primary Government	
	Governmental Activities	Total
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 550,540	\$ 550,540
Taxes Receivable (Net)	3,386	3,386
Accounts Receivable (Net)	24,326	24,326
Restricted Cash	29,520	29,520
Total Current Assets	<u>\$ 607,772</u>	<u>\$ 607,772</u>
Non-current Assets:		
Capital assets		
Land - Non Depreciable	\$ 714,591	\$ 714,591
Other Capital Assets, Net of Depreciation	190,734	190,734
Total Capital Assets	<u>\$ 905,325</u>	<u>\$ 905,325</u>
Total Assets	<u>\$ 1,513,097</u>	<u>\$ 1,513,097</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	375,832	375,832
Total Liabilities	<u>\$ 412,499</u>	<u>\$ 412,499</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 492,826	\$ 492,826
Restricted by Stabilization State Statute	24,326	24,326
Restricted - Transportation	29,520	29,520
Unrestricted	553,926	553,926
Total Net Assets	<u>\$ 1,100,598</u>	<u>\$ 1,100,598</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, 2011

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges For Services	Capital Grants And Contributions	
Primary government:				
Governmental Activities				
General Government	\$ 34,965	\$ -	\$ 15,400	\$ (19,565)
Public safety	43,724	-	-	(43,724)
Environmental Protection	42,161	-	-	(42,161)
Interest of Lt. Debt	17,808	-	-	(17,808)
Total Governmental Activities	138,658	-	15,400	(123,258)
Total	\$ 138,658	\$ -	\$ 15,400	(123,258)
General Revenues:				
Taxes:				
Property taxes, levied for general purpose				79,424
Grants and taxes not restricted to a specific program				155,899
Investment earnings				2,971
Other				1,694
Total General Revenues				239,988
Change in Net Assets				116,730
Net Assets - beginning				983,868
Net Assets - ending				\$ 1,100,598

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, 2011

	Major Fund General	Total Governmental Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 580,060	\$ 580,060
Receivable, (Net):		
Taxes	3,386	3,386
Due from other governments	24,326	24,326
Total Assets	\$ 607,772	\$ 607,772
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Deferred Revenue	\$ 3,386	\$ 3,386
Total Liabilities	\$ 3,386	\$ 3,386
 Fund Balances		
Reserved		
Stabilization by State Statute	\$ 24,326	\$ 24,326
Streets - Powell	29,520	29,520
Unassigned	550,540	550,540
Total Fund Balance	\$ 604,386	604,386
Total Liabilities and Fund Balance	\$ 607,772	

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	931,599	
Accumulated depreciation	(26,274)	905,325
Long term liabilities are not due and payable in the current period, and therefore, not reported in the current period	-	(412,499)
Liabilities for earned but deferred in fund statements		\$ 3,386
Net assets of governmental activities		\$ 1,100,598

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, 2011

	General Fund	Total Governmental Fund
<u>REVENUE:</u>		
Ad Valorem Taxes	\$ 79,408	\$ 79,408
Other Taxes and licenses	155,899	155,899
Restricted Intergovernmental	15,400	15,400
Investment Earnings	2,971	2,971
Miscellaneous	1,694	1,694
Total Revenue	<u>\$ 255,372</u>	<u>\$ 255,372</u>
<u>EXPENDITURES:</u>		
Current:		
General Government	\$ 27,763	\$ 27,763
Public Safety	43,724	43,724
Environmental protection	42,161	42,161
Debt Service		
Principal	36,667	36,667
Interest	17,808	17,808
Total Expenditures	<u>\$ 168,123</u>	<u>\$ 168,123</u>
Net Change in Fund Balance	\$ 87,249	\$ 87,249
Fund Balance - Beginning	517,136	517,136
Fund Balance - Ending	<u>\$ 604,385</u>	<u>\$ 604,385</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, 2011

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

Net changed in fund balances - total governmental funds	\$	87,249
<p>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,</p>		
Depreciation expense for governmental assets	<u>(7,202)</u>	(7,202)
<p>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.</p>		
Principal payments on long term debt	<u>36,667</u>	36,667
<p>Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.</p>		
Change in deferred tax revenues		<u>16</u>
Total changes in net assets of governmental activities	\$	<u><u>116,730</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
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund			Variance Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad Valorem taxes	\$ 75,000	\$ 75,000	\$ 79,408	\$ 4,408
Other taxes and licenses	116,000	116,000	155,899	39,899
Restricted Intergovernmental	-	-	15,400	15,400
Investments earnings	-	-	2,971	2,971
Miscellaneous	-	-	1,694	1,694
Total revenues	<u>191,000</u>	<u>191,000</u>	<u>255,372</u>	<u>64,372</u>
Expenditures:				
Current:				
General government	48,000	48,000	27,763	20,237
Public safety	45,000	45,000	43,724	1,276
Environmental protection	43,000	43,000	42,161	839
Debt Service	55,000	55,000	54,475	525
Total Expenditures	<u>191,000</u>	<u>191,000</u>	<u>168,123</u>	<u>22,877</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	87,249	<u>\$ 87,249</u>
Fund balances, beginning			<u>517,136</u>	
Fund balances, ending			<u>\$ 604,385</u>	

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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* is presented. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental fund.

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety and sanitation services.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all fund of the Town are maintained during the year using the modified accrual basis of accounting.

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Stanly County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Red Cross. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Stanly County from March 2010 through February 2011 apply to fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

D. Budgetary Data

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

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date);

TOWN OF RED CROSS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010.

4. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost as an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, infrastructure, equipment and furniture \$200. Purchased or constructed assets are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

5. 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.

6. 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.

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 – 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 – portion of total fund balance available that has not been restricted, committed, or assigned to specific purpose on other funds.

TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, the Town's deposits had a carrying amount of \$580,060 and a bank balance of \$584,109. Of the bank balance, \$569,260 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, 2011

2. Capital Assets

Capital assets for the Primary Government for the year ended for the year June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not depreciated				
Land	\$ 714,591	\$ -	\$ -	\$ 714,591
Total not being depreciated	\$ 714,591	\$ -	\$ -	\$ 714,591
Capital assets begin depreciated				
Buildings	\$ 150,000	\$ -	\$ -	\$ 150,000
Renovations	51,929	-	-	51,929
Furniture and equipment	15,079	-	-	15,079
Total assets being depreciated	\$ 217,008	\$ -	\$ -	\$ 217,008
Less accumulated depreciation				
Buildings	\$ 10,313	\$ 3,750	\$ -	\$ 14,063
Renovations	3,510	1,298	-	4,808
Furniture and equipment	5,249	2,154	-	7,403
Total accumulated depreciation	\$ 19,072	\$ 7,202	\$ -	\$ 26,274
Total capital assets bring depreciated, net	197,936			190,734
Governmental activity capital assets, net	<u>\$ 912,527</u>			<u>\$ 905,325</u>

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

General government \$ 7,202

B. Liabilities

1. Deferred Revenues

Deferred Revenues at June 30, 2011 consist of the following:

Taxes receivable \$ 3,386

TOWN OF RED CROSS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

2. Long-Term Obligations

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

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

Year Ending June 30	Principal	Interest
2012	36,667	14,309
2013	36,667	13,310
2014	36,667	11,810
2015	36,667	40,773
2016 - 2023	265,831	40,773
Total	412,499	97,011

	Balances			Balances		Current
Governmental activities	June 30, 2010	Increases	Decreases	June 30, 2011	Portion	
Mortgage	\$ 449,166	\$ -	\$ 36,667	\$ 412,499	\$ 36,667	
Governmental activity long-term liabilities	\$ 449,166	\$ -	\$ 36,667	\$ 412,499	\$ 36,667	

Changes in Long-Term Liabilities

At June 30, 2011, the Town of Red Cross had a legal debt margin of \$ 3,589,538.

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 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.

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, 2011

	2011		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad-valorem Taxes:			
Taxes	\$ -	\$ 79,408	\$ -
Interest	\$ -	\$ 618	\$ -
Total Taxes	<u>\$ 75,000</u>	<u>\$ 80,026</u>	<u>\$ 5,026</u>
Unrestricted Intergovernmental:			
Local option sales tax	\$ -	\$ 124,110	\$ -
Telecommunications tax	-	527	-
Utility franchise tax	-	31,262	-
Total	<u>\$ 116,000</u>	<u>\$ 155,899</u>	<u>\$ 39,899</u>
Restricted Intergovernmental:			
Powell	\$ -	\$ 14,793	\$ -
Interest Powell	-	607	-
Total Restricted	<u>-</u>	<u>15,400</u>	<u>15,400</u>
Investment Earnings	<u>\$ -</u>	<u>\$ 2,971</u>	<u>\$ 2,971</u>
Miscellaneous	<u>\$ -</u>	<u>\$ 1,076</u>	<u>\$ 1,076</u>
Total Revenues	<u>\$ 191,000</u>	<u>\$ 255,372</u>	<u>\$ 64,372</u>
Expenditures:			
General Government:			
Professional services	\$ -	\$ 3,200	\$ -
Election Expense	-	286	-
Other operating expenditures	-	11,496	-
Zoning and planning	-	1,034	-
Administrative expenses	-	7,305	-
Insurance	-	3,438	-
Maintenance	-	1,004	-
Total General Government	<u>\$ 48,000</u>	<u>\$ 27,763</u>	<u>\$ 20,237</u>

TOWN OF RED CROSS, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Expenditures: (Continued)

Public Safety:

Police:

Contracted services	\$ -	\$ 18,736	\$ -
Total	<u>\$ 18,000</u>	<u>\$ 18,736</u>	<u>\$ (736)</u>

Fire:

Contracted services	-	24,988	-
Total	<u>\$ 27,000</u>	<u>\$ 24,988</u>	<u>\$ 2,012</u>
Total public safety	<u>\$ 45,000</u>	<u>\$ 43,724</u>	<u>\$ 1,276</u>

Environmental protection:

Contracted services	\$ -	\$ 42,161	\$ -
Total	<u>\$ 43,000</u>	<u>\$ 42,161</u>	<u>\$ 839</u>
Total environmental protection	<u>\$ 43,000</u>	<u>\$ 42,161</u>	<u>\$ 839</u>

Debt service:

Principal	\$ 37,000	\$ 36,667	\$ 333
Interest	18,000	17,808	192
Total debt service	<u>\$ 55,000</u>	<u>\$ 54,475</u>	<u>\$ 525</u>
Total Expenditures	<u>\$ 191,000</u>	<u>\$ 168,123</u>	<u>\$ 22,877</u>

Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 87,249</u>	<u>\$ 87,249</u>
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Other Financing Sources (uses)

Transfer to Capital Project Fund	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fund Balance Appropriated

Net Change in Fund Balance	<u>\$ -</u>	<u>87,692</u>	<u>\$ 87,692</u>
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Fund Balance, Beginning	<u>517,136</u>
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Fund Balance, Ending	<u>\$ 604,385</u>
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TOWN OF RED CROSS, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Fiscal Year	Uncollected Balance June 30, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010 - 2011	\$ -	\$ 80,041 (a)	\$ 78,158 (b)	\$ 1,883 (c)
2009 - 2010	1,556	-	906	650
2008 - 2009	950	-	423	527
2007 - 2008	222	-	143	79
2006 - 2007	188	-	143	45
2005 - 2006	199	-	143	56
2004 - 2005	160	-	110	50
2002 - 2003	88	-	-	88
2001 - 2002	8	-	-	8
	<u>\$ 3,371</u>	<u>\$ 80,041</u>	<u>\$ 80,026 (d)</u>	<u>\$ 3,386</u>

Reconciliation with Revenues:

Ad valorem taxes - General Fund	\$ 79,408
Reconciling items:	
Interest collected	618
Subtotal	<u>618</u>
Total collections and credits	<u>\$ 80,026 (d)</u>

TOWN OF RED CROSS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	City-Wide			Total Levy	
	Property Valuation	Rate	Total	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxes at Current Year's Rate	\$ 44,185,408	0.16%	\$ 70,697	\$ 70,697	\$ -
Registered motor vehicles taxed at prior year's rate	<u>5,840,061</u>	0.16%	<u>9,344</u>	<u>-</u>	<u>9,344</u>
Total Property Valuation	<u>\$ 50,025,469</u>				
Net Levy			<u>\$ 80,041 (a)</u>	<u>\$ 70,697</u>	<u>\$ 9,344</u>
Uncollected Taxed at June 30, 2009			<u>1,883 (c)</u>	<u>1,110</u>	<u>773</u>
Current Year's Taxes Collected			<u>\$ 78,158 (b)</u>	<u>\$ 69,587</u>	<u>\$ 8,571</u>
Current levy collection percentage			<u>97.65%</u>	<u>98.43%</u>	<u>91.73%</u>

COMMUNICATION OF SIGNIFICANT DEFICIENCIES

To Town Commissioners of the Town of Red Cross
and Heath Hahn of Town of Red Cross

In planning and performing my audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Red Cross as of and for the year ended June 30, 2011, 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 opinion 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiencies in Town of Red Cross's internal control to be significant deficiencies:

- Segregation of Duties

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

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

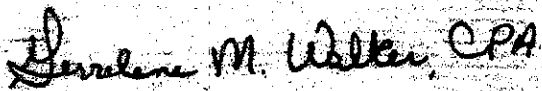
Effect: Transactions could be mishandles and reporting would not be correct.

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

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 of Commissioners will review all the policies concerning the segregation of duties and determine appropriate steps. The effective date is January 1, 2012.

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 27886

September 8, 2011

COMMUNICATION OF THOSE CHARGED WITH GOVERNANCE

September 8, 2011

To the Board of Commissioners
Town of Red Cross

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Red Cross for the year ended June 30, 2011. Professional standards require that I provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 September 8, 2011. 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 Cross 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 2010. 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 of Red Cross's financial statements was:

Management's estimate of the depreciation life is based on Internal Revenue Service. 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 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 September 10, 2011.

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, my professional standards require the consulting accountant to check with me 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

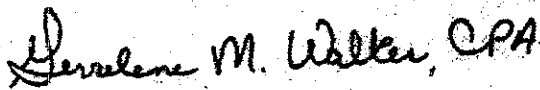
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses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

(Other Information in Documents Containing Audited Financial Statements)

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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