

**TOWN OF RED CROSS
FINANCIAL STATEMENTS
JUNE 30, 2015**

TOWN OF RED CROSS

2015

Larry W. Smith

Mayor

JJ Curlee

Council Member

Barbara Carpenter

Council Member

Kelley Brattain

Council Member

Jerry Jordan

Council Member

Finance Officer

Aloma Whitley

Town Administrator

**TOWN OF RED CROSS
JUNE 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Financial Section:		
Independent Auditor's Report	1-3	
Management's Discussion and Analysis	4-10	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	11	1
Statement of Activities	12	2
Fund Financial Statements:		
Balance Sheet – Governmental Funds	13	3
Statement of Revenues, Expenditures, and		
Changes in Fund Balances – Governmental Fund	14	4
Reconciliation of the Statement of Revenues		
Expenditures, and Changes in Fund Balances		
Of Governmental Funds to the Statement of		
Activities	15	5
Statement of Revenues, Expenditures, and Changes in		
Fund Balances – Annual Budget and Actual - General		
Fund	16	6
Notes to Financial Statements	17-24	
Supplementary Information:		
Statement of Revenue and Expenditures, Budget and Actual	25-26	
Other Schedules		
Schedules of Ad Valorem Taxes Receivable	27	
Analysis of Current Tax Levy – City Wide Levy	28	



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Independent Auditor's Report

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's financial state judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Red Cross, North Carolina, as of June 30, 2015, and the respective changes in financial position, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 10 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financials statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary an Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Red Cross, North Carolina. The individual fund statement, budgetary schedules, and other schedules, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The individual fund statement, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, the financial statement, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maxton McDowell, CPA
Asheboro, North Carolina
October 31, 2015

**TOWN OF RED CROSS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015. 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

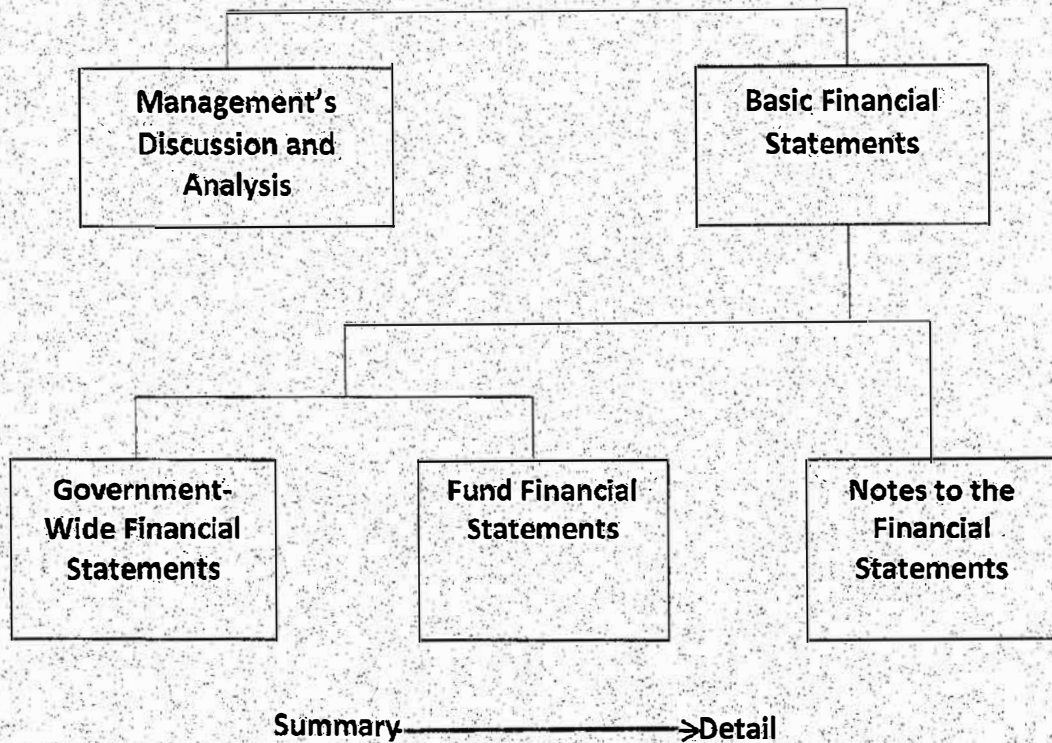
- The assets of the Town of Red Cross exceeded its liabilities at the close of the fiscal year by \$1,590,377 (net position).
- As of the close of the current fiscal year, the Town of Red Cross's governmental funds reported ending fund balance of \$661,406; an increase of \$136,680, in comparison of the prior year. Approximately 92% 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 \$607,108, or 21.76 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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 they have 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 includes 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, used 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. Only one fund, General Fund, is maintained by the Town of Red Cross

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements are Exhibits 1 and 2 of this report. The town's basic services are accounted for the governmental fund. Those 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 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 are behind Exhibit 6 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 position and how they have changed. Net position is the difference between the Town's total position and total liabilities. Measuring net position is one way to gage the Town's financial condition.

The Town of Red Cross in the government-wide statement has only governmental activities at June 30, 2015. 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		Total	
	Activities			
	2015	2014	2015	2014
Current and other assets	\$ 666,515	\$ 524,726	\$ 666,515	\$ 524,726
Capital assets	923,862	930,124	923,862	930,124
Total assets	1,590,377	1,454,850	1,590,377	1,454,850
Long-term liabilities				
Outstanding	-	-	-	-
Other Liabilities	-	3,017	-	3,017
Total liabilities	-	3,017	-	3,017
Net Assets:				
Invested in Capital Assets, Net of related debt	923,862	930,124	923,862	930,124
Restricted	54,298	21,794	54,298	21,794
Unrestricted	612,217	499,915	612,217	499,915
Total Net position	\$1,590,377	\$1,451,833	\$1,590,377	\$1,451,833

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Red Cross exceeded liabilities and deferred inflows by \$1,590,377 as of June 30, 2015. The Town's net assets increased by \$138,544 for the fiscal year ended June 30, 2015. However, the largest portion (92%) 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, \$54,298, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$612,217 is unrestricted. Also, the Town of Red Cross implemented GASB Statement 68 this year.

Several Particular aspects of the Town's financial operations influence the total restricted and unrestricted governmental net assets:

- The Town has no other particular aspects to address for this fiscal year.

Town of Red Cross Changes in Net Position
Figure 3

	Governmental Activities		Total	
	2015	2014	2015	2014
Revenues:				
General Revenues:				
Property Taxes	\$ 79,768	\$ 80,318	\$ 79,768	\$ 80,318
Other Taxes	166,688	159,926	166,688	159,926
Restricted Revenue	15,593	15,604	15,593	15,604
Other	2,435	125	2,435	125
Total Revenues	264,484	255,973	264,484	255,973
Expenses:				
General Government	34,420	31,898	34,420	31,898
Public Safety	40,356	43,589	40,356	43,589
Environmental Protection	51,164	52,809	51,164	52,809
Interest on Lt Debt	-	-	-	-
Total Expenses	125,940	128,296	125,940	128,296
Increase in net position	138,544	127,677	138,544	127,677
Net position, July 1	1,451,833	1,324,156	1,451,833	1,324,156
Net position, June 30	\$ 1,590,377	\$ 1,451,833	\$ 1,590,377	\$ 1,451,833

Governmental activities. Governmental activities increased the Town's net position by \$138,544. This is primarily due to tax revenues remaining steady.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Red Cross. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$607,108 and the total fund balance is \$661,406. The \$24,344 includes amounts designed in stabilization by State Statute.

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

Town of Red Cross

Figure 4

(net of depreciation)

	Governmental Activities		Total	
	2015	2014	2015	2014
Land	\$ 714,591	\$ 714,591	\$ 714,591	\$ 714,591
Buildings	120,937	124,687	120,937	124,687
Renovations	88,334	89,632	88,334	89,632
Equipment		1,214		1,214
Total	<u>\$ 923,862</u>	<u>\$ 930,124</u>	<u>\$ 923,862</u>	<u>\$ 930,124</u>

Additional information on the Town's Capital Assets are found on Page 19 of the financial notes.

Economic Factors & Next Year's Budget & Rates

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

- There is little employment, and none projected in the current year.
- Tax rates remain the same as prior years, but with the state collecting vehicle taxes there has been an increase in vehicle taxes.
- The Town of Red Cross is debt free, therefore no fund balance will be appropriated in the fiscal year 2016 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 ACTIVITIES
YEAR ENDED JUNE 30, 2015**

<u>Functions / Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 34,420		\$ 15,593	\$ (18,827)	\$ (18,827)
Public Safety	40,356			(40,356)	(40,356)
Environmental Protection	51,164			(51,164)	(51,164)
Interest of Lt. Debt	-				
Total Governmental Activities	125,940		15,593	(110,347)	(110,347)
Total	\$ 125,940	-	\$ 15,593	\$ (110,347)	\$ (110,347)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose				79,768	79,768
Grants and contributions not restricted to spec. prog.				166,688	166,688
Investments earnings				74	74
Other				2,361	2,361
Total General Revenues				248,891	248,891
Change in Net Position				138,544	138,544
Net Position, Beginning				1,451,833	1,451,833
Net Position, Ending				\$ 1,590,377	\$ 1,590,377

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

**TOWN OF RED CROSS
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
ASSETS		
Cash and Cash Equivalents	\$ 607,108	\$ 607,108
Receivables, net:		
Taxes	5,109	5,109
Due from other governments	24,344	24,344
Restricted Cash	29,954	29,954
Total Assets	<u>\$ 666,515</u>	<u>\$ 666,515</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities		
Deferred Inflows of Resources		
Property Taxes Receivable	5,109	5,109
Total Liabilities	<u>5,109</u>	<u>5,109</u>
Fund Balances:		
Restricted:		
Stabilization by State Statute	24,344	24,344
Streets	29,954	29,954
Unassigned	607,108	607,108
Total Fund Balances	<u>661,406</u>	<u>661,406</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 666,515</u>	
Amounts reported for governmental activities in the Statement of net position (Exhibit 1) are different because:		
Liabilities for earned revenue considered inflows, but deferred revenues in fund statements		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 978,004	
Accumulated depreciation	<u>54,142</u>	\$ 923,862
Long Term Liabilities are not due and payable in net position		5,109
Net position of governmental activities.		<u>\$ 1,590,377</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, 2015**

	General Fund	Total Governmental Funds
REVENUES		
Ad Valorem Taxes	\$ 81,945	\$ 81,945
Other Taxes and Licenses	180,611	180,611
Restricted Intergovernmental	16,075	16,075
Investment Earnings	67	67
Miscellaneous	1,886	1,886
Total Revenues	<u>\$ 280,584</u>	<u>\$ 280,584</u>
EXPENDITURES		
Current:		
General Government	\$ 40,682	\$ 40,682
Public Safety	40,356	40,356
Transportation		
Environmental Protection	55,580	55,580
Total Expenditures	<u>136,618</u>	<u>136,618</u>
 Net Change in Fund Balance	 143,966	 143,966
Fund Balances, Beginning as previously reported	<u>517,440</u>	<u>517,440</u>
 Fund Balances, Ending	 <u>\$ 661,406</u>	 <u>\$ 661,406</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, 2015

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

Net Changes in fund balances - total governmental funds		\$ 143,966
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>6262</u>	(6,262)
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>840</u>
Total Changes in net position of governmental activities		<u>\$ 138,544</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, 2015**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad Valorem Taxes	\$ 75,000	\$ 75,000	\$ 81,945	\$ 6,945
Other Taxes and Licenses	140,000	140,000	180,611	40,611
Restricted Intergovernmental			16,075	16,075
Investments Earnings			67	67
Miscellaneous			1,886	1,886
Total Revenues	215,000	215,000	280,584	65,584
Expenditures:				
Current:				
General Government	101,860	101,860	40,682	61,178
Public Safety	50,140	50,140	40,356	9,784
Transportation	-	-	-	-
Environmental protection	63,000	63,000	55,580	7,420
Total Expenditures	215,000	215,000	136,618	78,382
Revenues over (under) Expenditures	-	-	143,966	143,966
Fund Balances, Beginning	-	-	517,440	-
Fund Balances, ending			\$ 661,406	

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

**TOWN OF RED CROSS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 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. 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.

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. 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.

6. 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.

7. Net Position/Fund Balances

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.

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.

III 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, 2015, the Town's deposits had a carrying amount of \$637,062 and a bank balance of \$642,235. Of the bank balance, \$642,235 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, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not depreciated				
Land	\$ 714,591	-	-	\$ 714,591
Total not being depreciated	<u>\$ 714,591</u>	<u>-</u>	<u>-</u>	<u>\$ 714,591</u>
Capital assets begin depreciated				
Buildings	\$ 150,000	-	-	\$ 150,000
Renovations	98,334	-	-	98,334
Furniture and equipment	15,079	-	-	15,079
Total assets being depreciated	<u>\$ 263,413</u>	<u>-</u>	<u>-</u>	<u>\$ 263,413</u>
Less accumulated depreciation				
Buildings	\$ 25,313	\$ 3,750	-	\$ 29,063
Renovations	8,702	1,298	-	10,000
Furniture and equipment	13,865	1,214	-	15,079
Total accumulated depreciation	<u>\$ 47,880</u>	<u>\$ 6,262</u>	<u>-</u>	<u>\$ 54,142</u>
Total capital assets bring depreciated, net	<u>215,533</u>			<u>209,271</u>
Governmental activity capital assets, net	<u>\$ 930,124</u>			<u>\$ 923,862</u>

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

General government \$ 6,262

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>\$ 5,109</u>
Total	<u>\$ 5,109</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	\$ 661,406
Less:	
Stabilization by State Statute	24,344
Streets-Powell Bill	29,954
Remaining Fund Balance	\$ 607,108

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
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	2015		Variance- Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem Taxes:			
Taxes		\$ 81,935	
Interest		10	
Total	75,000	81,945	6,945
Unrestricted Intergovernmental:			
Local Option Sales Taxes		140,750	
Telecommunications tax		8,269	
Utility Franchise Tax		22,895	
Natural Gas Sales Tax		5,935	
Video Tax		2,762	
Total	140,000	180,611	40,611
Restricted Intergovernmental			
Powell		15,593	
Solid Waste Disposal Tax		475	
Interest Powell		7	
Total Restricted	-	16,075	16,075
Investment Earnings		67	67
Miscellaneous:		1,886	1,886
Total Revenues	215,000	280,584	65,584
Expenditures:			
General Government			
Utilities		3,901	
Professional services		3,413	
Other operating expenditures		16,785	
Zoning and planning		1,800	
Administrative expenses		12,380	
Insurance		2,403	
Total General Government	101,860	40,682	61,178

TOWN OF RED CROSS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Public Safety:			
Police:			
Contracted services		13,245	
Total	20,000	13,245	6,755
Fire:			
Contracted services		27,111	
Total	30,140	27,111	3,029
Total Public Safety	50,140	40,356	9,784
Transportation:			
Capital Outlay	-	-	-
Environmental Protection:			
Contracted services		55,580	
Total Environmental Protection	63,000	55,580	7,420
Total Expenditures	215,000	136,618	78,382
Fund Balance	-	143,966	143,966
Fund Balances, Beginning		517,440	
Fund Balances, ending		\$ 661,406	

**TOWN OF RED CROSS
ANALYSIS OF CURRENT TAX LEVY
YEAR ENDED JUNE 30, 2015**

	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	\$ 51,790,000	0.16	\$ 82,864	\$ 82,764	\$ 100
Registered motor vehicles	-	0.16			
Total Property Valuation	<u>51,790,000</u>				
Net Levy			<u>82,864 (a)</u>	<u>82,764</u>	<u>100</u>
Uncollected Taxes at June 30, 2015			<u>2,394 (c)</u>	<u>2,394</u>	
Current Year's Taxes Collected			<u>\$ 80,470 (b)</u>	<u>\$ 80,370</u>	<u>\$ 100</u>
Current Levy Collection Percentage			<u>97.10%</u>	<u>97.10%</u>	<u>100.00%</u>

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