

Town of Red Cross, North Carolina

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Report on Audit of Financial Statements  
and Supplementary Schedules

For the Year Ended June 30, 2006

**TOWN OF RED CROSS**  
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**June 30, 2006**

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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 and the business-type activities, 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, 2006, which collectively comprise the Town'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, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and business-type activities on the Town of Red Cross, North Carolina, as of June 30, 2006, and the respective changes in financial position and cash flows, where 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 on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedure, which consist 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 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 basic 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 material respects, in relation to the basic financial statements taken as a whole.

*Sam K. Turner*

February 16, 2007

Management's Discussion and Analysis  
June 30, 2006

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, 2006. 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**

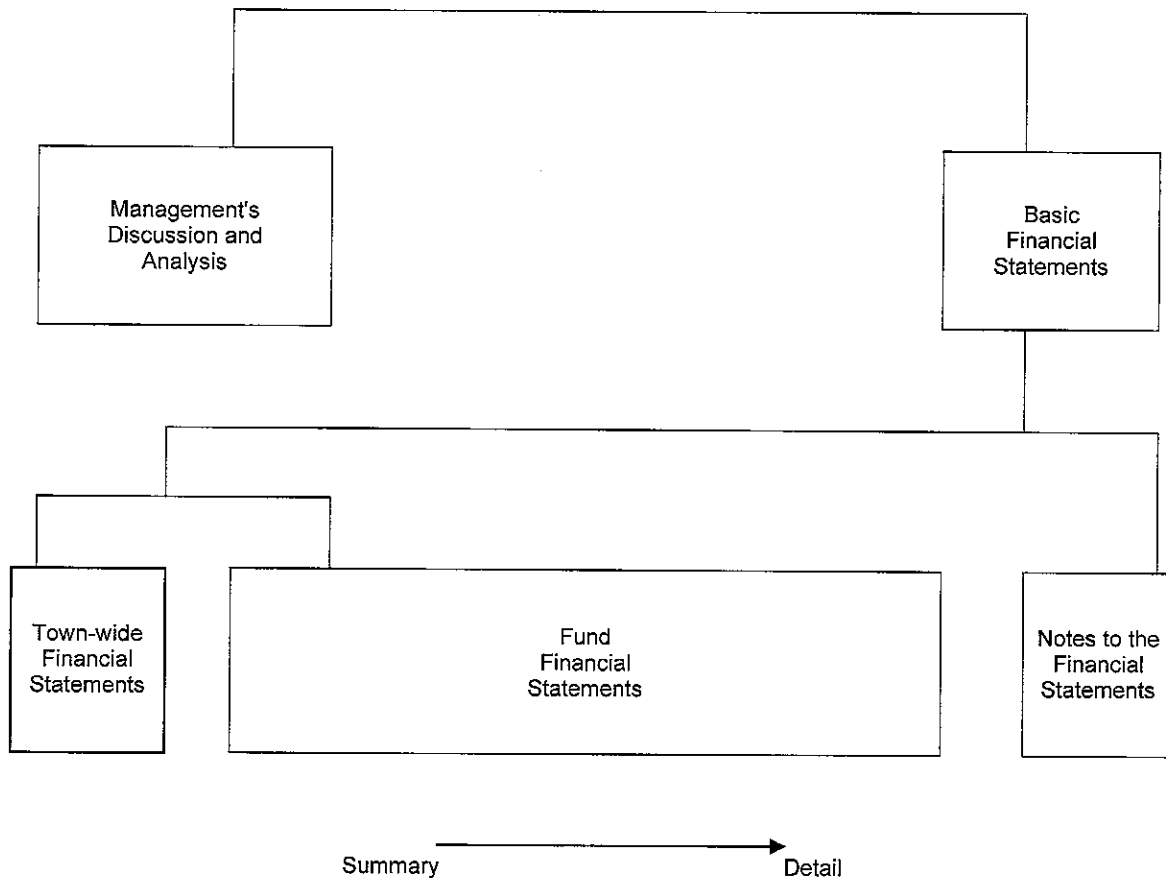
- The assets of the Town of Red Cross exceeded its liabilities at the close of the year by \$460,312 (net assets).
- As of the close of the current fiscal year, the Town of Red Cross' governmental funds reported ending fund balance of \$457,300 an increase of 155,333 in comparison to the prior year. Approximately 100.00 percent of this total amount is available for spending at the governments discretion (unreserved fund balance)
- As the end of the current fiscal year, unreserved Fund was \$457,300 or five hundred and eleven percent of total general fund expenditures for the fiscal year

**Overview of the Financial Statements**

This discussion and analysis is 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 3) notes to the financial statements. 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's 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 for the town also can be found in this section 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'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 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 the assets can readily be converted into cash flow in and out, what monies are left at year-end that will be available for spending 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 if there are more or less financial resources available to finance the Town's programs. The relationship between the government activities (reported on in the Statement of Net Assets and the Statement of Activities) and Town's funds is described in reconciliation that is a part of the financial statements.

The Town of Red Cross adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the management and the Board of Directors of the Town in determining what activities will be pursued and what services will be provided by the Town during the year. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the Town has complied with the budget ordinance and whether or not the Town has 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 begin on page 16 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 gauge the Town's financial condition.

The Town of Red Cross in the government-wide statement has only governmental activities at June 30, 2006. The governmental activities include basic services such as

Town of Red Cross  
 Management's Discussion and Analysis  
 June 30, 2006

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.

**Town of Red Cross' Net Assets**  
**Figure 2**

	Governmental Activities		Business Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 305,540	\$ 460,354	\$ -	\$ -	\$ 305,540	\$ 460,354
Capital assets	-	-	-	-	-	-
Total assets	<u>305,540</u>	<u>460,354</u>	<u>-</u>	<u>-</u>	<u>305,540</u>	<u>460,354</u>
Long-term liabilities outstanding	-	-	-	-	-	-
Other liabilities	833	42	-	-	-	-
Total liabilities	<u>833</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets:						
Invested in capital assets	-	-	-	-	-	-
net of realted debits	-	-	-	-	-	-
Contributed capital	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Unrestricted	304,707	460,312	-	-	304,707	460,312
Total net assets	<u>\$ 304,707</u>	<u>\$ 460,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,707</u>	<u>\$ 460,312</u>

As noted earlier, net assets may serve over time as one of the useful indicator of a government's financial condition. The assets of the Town of Red Cross exceeded liabilities by \$460,312 as of June 30, 2006. The Town's net assets increased by \$155,605 for the fiscal year ended June 30, 2006.

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

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



Town of Red Cross  
Management's Discussion and Analysis  
June 30, 2006

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
General revenues:						
Property taxes	\$ 78,117	\$ 67,259	\$ -	\$ -	\$ 78,117	\$ 67,259
Other taxes	159,101	135,330	-	-	159,101	135,330
Other	7,878	3,485	-	-	7,878	3,485
<b>Total revenues</b>	<b>\$ 245,096</b>	<b>\$ 206,074</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 245,096</b>	<b>\$ 206,074</b>
<b>Expenses:</b>						
General government	\$ 20,308	\$ 16,750	\$ -	\$ -	\$ 20,308	\$ 16,750
Public safety	33,395	34,500	-	-	33,395	34,500
Sanitation	35,788	32,333	-	-	35,788	32,333
Miscellaneous	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-
Electric	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 89,491</b>	<b>\$ 83,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 89,491</b>	<b>\$ 83,583</b>
<b>Increase in net assets before transfers</b>	<b>\$ 155,605</b>	<b>\$ 122,491</b>		<b>\$ -</b>	<b>\$ 278,096</b>	<b>\$ 122,491</b>
<b>Increase in net assets</b>	<b>\$ 155,605</b>	<b>\$ 122,491</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 155,605</b>	<b>\$ 122,491</b>
<b>Net assets, July 1</b>	<b>304,707</b>	<b>182,216</b>	<b>-</b>	<b>-</b>	<b>304,707</b>	<b>182,216</b>
<b>Net assets, June 30</b>	<b>\$ 460,312</b>	<b>\$ 304,707</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 460,312</b>	<b>\$ 304,707</b>

**Governmental activities** Governmental activities Increase the Town's net assets by \$155,605. 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.

Town of Red Cross  
Management's Discussion and Analysis  
June 30, 2006

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Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of a fiscal year.

The general fund is the chief operating fund of the Town of Red Cross. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$445,090 and the total fund balance reached \$457,300. The \$457,300 includes amounts designed by State Statute of \$12,210.

At June 30, 2006 the governmental funds of the Town of Red Cross reported a combined fund balance \$457,300, an increase of \$155,333 over last year.

**Request for Information**

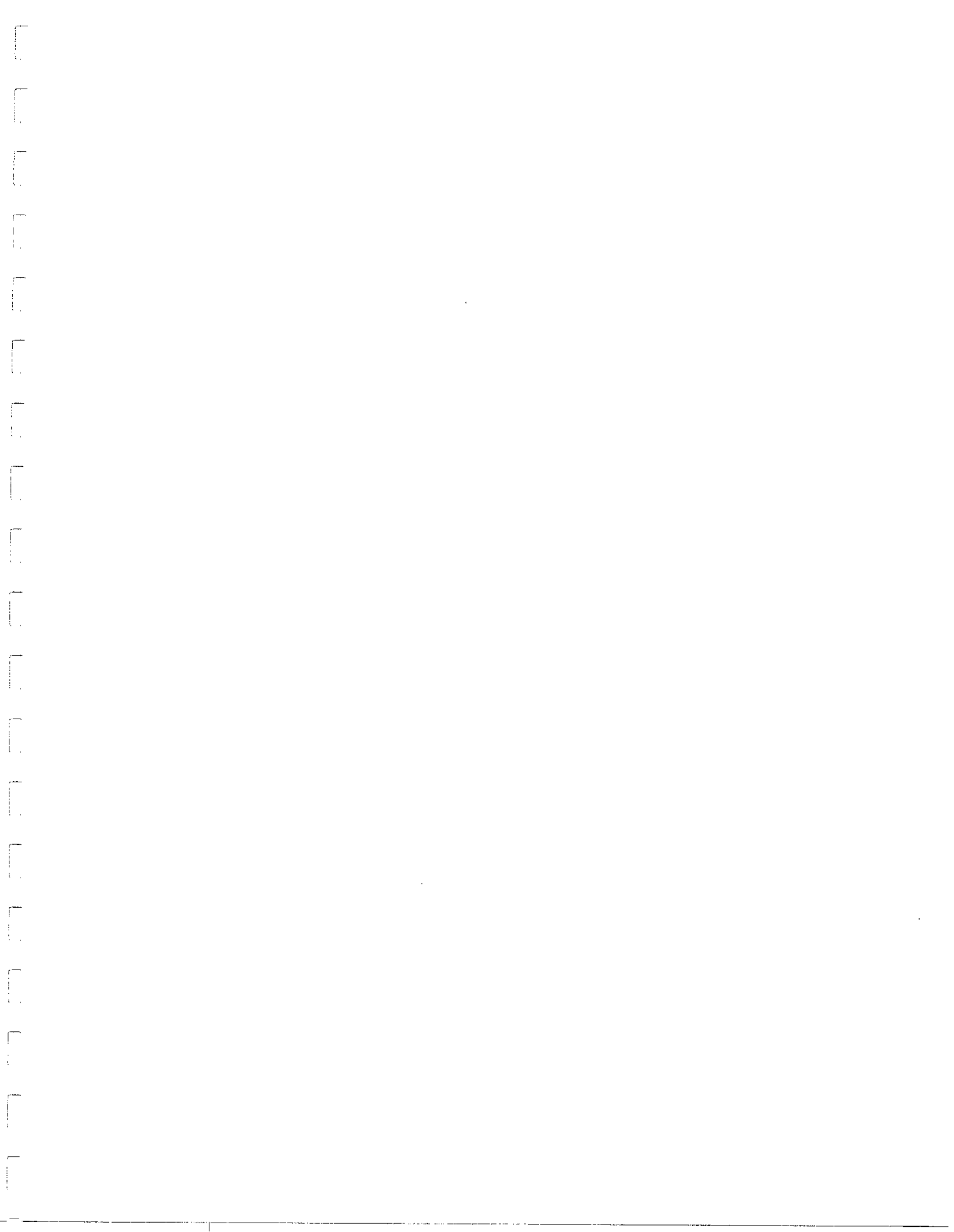
This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer. Town of Red Cross, PO Box 647, Oakboro, NC 28129, Telephone 704-485-3887.

**Government-wide Financial Statements**

TOWN OF RED CROSS, NORTH CAROLINA  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

Exhibit 1

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 445,132	\$ 445,132
Taxes receivables (net)	4,038	4,038
Due from other governments	11,184	11,184
Total current assets	<u>460,354</u>	<u>460,354</u>
<b>LIABILITIES</b>		
Current liabilities:		
Unearned revenue	42	42
Total liabilities	<u>42</u>	<u>42</u>
<b>NET ASSETS</b>		
Unrestricted	460,312	460,312
Total net assets	<u>\$ 460,312</u>	<u>\$ 460,312</u>



**Net (Expense) Revenue and Changes in Net Assets**  
**Primary Government**

<b>Governmental Activities</b>	<b>Total</b>
\$ (20,308)	\$ (20,308)
\$ (33,395)	\$ (33,395)
\$ (35,788)	\$ (35,788)
<u>\$ (89,491)</u>	<u>\$ (89,491)</u>
<u>\$ (89,491)</u>	<u>\$ (89,491)</u>
78,117	78,117
	-
7,878	7,878
	-
159,101	159,101
	-
<hr/>	<hr/>
155,605	155,605
304,707	304,707
<u>\$ 460,312</u>	<u>\$ 460,312</u>

Fund Financial Statements

**TOWN OF RED CROSS, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

**Exhibit 3**

	<u>General</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 445,132
Receivables, net:	
Taxes	3,012
Due from other governments	12,210
Total assets	<u>\$ 460,354</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Deferred revenue	3,054
Total liabilities	<u>3,054</u>
Fund balances:	
Reserved for:	
State statute	12,210
Unreserved	445,090
Total fund balances	<u>457,300</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Liabilities for earned but deferred revenues in fund statements	3,012
Net assets of governmental activities	<u>\$ 460,312</u>



**TOWN OF RED CROSS, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2006**

Exhibit 4

	<u>General Fund</u>
Revenues:	
Ad valorem taxes	\$ 77,845
Other taxes and licenses	159,101
Permits and fees	
Investment earnings	7,878
Miscellaneous	
Total revenues	<u>244,824</u>
Expenditures:	
Current:	
General government	20,308
Public safety	33,395
Environmental protection	<u>35,788</u>
Total expenditures	<u>89,491</u>
Excess (deficiency) of revenue over expenditures	<u>155,333</u>
Fund balance, beginning	<u>301,967</u>
Fund balance, ending	<u>\$ 457,300</u>



TOWN OF RED CROSS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
Year Ended June 30, 2006

Exhibit 6

	General Fund			Variance Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad Valorem taxes	\$ 63,632	\$ 63,632	\$ 77,845	\$ 14,213
Other taxes and licenses	90,000	90,000	159,101	69,101
Investment earnings			7,878	7,878
Total revenues	153,632	153,632	244,824	91,192
Expenditures:				
Current:				
General government	72,844	72,844	20,308	52,536
Public safety	42,626	42,626	33,395	9,231
Environmental protection	38,162	38,162	35,788	2,374
Total Expenditures	153,632	153,632	89,491	64,141
Revenue over (under) expenditures	-	-	155,333	155,333
Other financing sources (uses)				
Appropriated Fund Balance			-	-
Increase (decrease) in fund balance	\$ -	\$ -	155,333	\$ 155,333
Fund balances, beginning			301,967	
Fund balances-ending			\$ 457,300	

Notes to Financial Statements

Note 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* (no proprietary fund at June 30, 2006) - are presented. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental funds.

**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.

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

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred. The Town had no capital asset acquisitions at year ended June 30, 2006.

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 2005 through February 2006 apply to fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2006 because they are intended to finance the Town operations during the 2006 fiscal year.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. The Town had no grant revenue at June 30, 2006.

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

#### D. Budgetary Data

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

#### E. Assets, Liabilities, and Fund Equity

##### 1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). As of June 30, 2006, the Town has no investments in securities. The Town has no policy regarding credit risk.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The Town has no restricted assets as of June 30, 2006.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2000.

5. Capital Assets

The Town has no capital assets at June 30, 2006.

6. Long-Term Obligations

The Town has no long-term obligations as of June 30, 2006.

7. Compensated Absences

The Town has no employees as of June 30, 2006.

8. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. There are no restricted assets as of June 30, 2006.

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



The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources. The Town has no inventories as of June 30, 2006.

Reserved for encumbrances – portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end. The Town has no encumbrances as of June 30, 2006.

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

Reserved for streets – Powell Bill – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds. The Town has not received any Powell Bill Funds as of June 30, 2006.

Unreserved:

Designated for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted 2006-2006 budget ordinance.

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

**II. Stewardship, Compliance, and Accountability**

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

1. Noncompliance with North Carolina General Statutes

The Town has no known noncompliance issues.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest 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 pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2006, the Town's deposits had a carrying amount of \$445,132 and a bank balance of \$445,132. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

## 2. Investments

The Town has no investments at the year ended June 30, 2006.

## B. Liabilities

### 1. Pension Plan Obligations

The Town has no employees as of June 30, 2006.

### 2. Deferred Revenues

Deferred Revenues at June 30, 2006 consist of the following

Taxes receivable	<u>\$3,054</u>
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### 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.

**Supplementary Information**

**TOWN OF RED CROSS, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL  
Year Ended June 30, 2004**

**Statement 1**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 63,632	\$ 77,479	\$ 13,847
Interest	-	366	366
Total	\$ 63,632	\$ 77,845	\$ 14,213
Unrestricted intergovernmental:			
Local option sales tax	90,000	132,061	\$ 42,061
Telecommunications tax	-	4,511	4,511
Utility franchise tax	-	22,529	22,529
Total	90,000	159,101	69,101
Investment earnings	-	7,878	7,878
Total revenues	153,632	244,824	76,979
<b>EXPENDITURES</b>			
General government:			
Professional services	\$ 7,000	\$ 2,450	4,550
Other operating expenditures	22,067	2,825	19,242
Zoning and planning	35,934	9,095	26,839
Total	65,001	14,370	50,631
Administration:			
Other operating expenditures	6,889	4,766	2,123
Total	6,889	4,766	2,123
Taxes:			
Collection fees	954	1,172	(218)
Total	954	1,172	(218)
Total general government	72,844	20,308	52,536
Public safety:			
Police:			
Contracted services	14,400	10,115	4,285
Total	14,400	10,115	4,285
Fire:			
Contracted services	28,226	23,280	4,946
Total	28,226	23,280	4,946
Total public safety	42,626	33,395	9,231

Environmental protection:			
Contracted services	38,162	35,788	2,374
Total	<u>38,162</u>	<u>35,788</u>	<u>2,374</u>
 Total environmental protection	 <u>38,162</u>	 <u>35,788</u>	 <u>2,374</u>
 Total expenditures	 <u>153,632</u>	 <u>89,491</u>	 <u>64,141</u>
Revenues over (under) expenditures	<u>-</u>	<u>155,333</u>	<u>12,838</u>
Other financing sources (uses)	-	-	-
Increase (decrease) in fund balance	<u>-</u>	<u>155,333</u>	<u>12,838</u>
 Fund Balances			
Beginning of Year		301,967	
End of Year		<u>\$ 457,300</u>	

Other Schedules

TOWN OF RED CROSS, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2006

Statement 2

Year	Uncollected Balance June 30, 2004	Additions	Collections and Credits	Uncollected Balance June 30, 2006
2006	\$ -	\$ 78,185	\$ 76,550	\$ 1,635
2005	\$ 1,931	\$ 122	\$ 1,412	\$ 641
2004	717	122	194	645
2003	92	-	-	92
	<u>\$ 2,740</u>	<u>\$ 78,429</u>	<u>\$ 78,156</u>	<u>\$ 3,013</u>

Ad valorem-General Fund-net	77,479
Collection fees	1,172
Discounts	(495)
Other	
<b>Total Collections and Credits</b>	<u><u>\$ 78,156</u></u>

TOWN OF RED CROSS, NORTH CAROLINA  
 ANALYSIS OF CURRENT TAX LEVY  
 Year Ended June 30, 2006

Statement 3

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 39,883,750	0.16	\$ 63,814	\$ 63,814	\$ -
Registered motor vehicles taxed at prior year's rate	8,357,994	0.16	13,373		13,373
current year's rate	623,500	0.16	998	998	
Total	<u>48,865,244</u>		<u>78,185</u>	<u>64,812</u>	<u>13,373</u>
Total property valuation	<u>\$ 48,865,244</u>				
Net Levy			<u>78,185</u>	<u>64,812</u>	<u>13,373</u>
Uncollected taxes at June 30, 2005			<u>1,635</u>	<u>1,006</u>	<u>629</u>
Current year's taxes collected			<u>\$ 76,550</u>	<u>\$ 63,806</u>	<u>\$ 12,744</u>
Current levy collection percentage			<u>97.91%</u>	<u>98.45%</u>	<u>95.30%</u>