

Statement of
CITY OF LAURINBURG
Laurinburg, North Carolina
June 30, 2015

City of Laurinburg, North Carolina
Table of Contents
June 30, 2015

<u>Exhibit</u>		<u>Page No.</u>
	Financial Section	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-14
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	15
2	Statement of Activities	16
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	17
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General and Major Special Revenue Fund	20
6	Statement of Fund Net Position - Proprietary Funds	21
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	22
8	Statement of Cash Flows - Proprietary Funds	23-24
9	Statement of Agency Fund Net Position	25

Required Supplemental Financial Data:

A	Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	52
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	53
A-1	Law Enforcement Officers' Special Separation Allowance Notes to the Required Schedules	53
A-2	Schedule of Funding Progress for the Other Postemployment Benefits	54
A-3	Schedule of Employer Contributions for the Other Postemployment Benefits	55
A-4	Schedule of Proportionate Share of Net Pension Liability (Asset) - Local Government Employee's Retirement System	56
A-5	Schedule of Contributions to Local Government Employee's Retirement System	57

Individual Fund Statements and Schedules:

B	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	58-64
C-1	Combining Balance Sheet for Nonmajor Governmental Funds	65
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Nonmajor Governmental Funds	66
C-3	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Emergency Telephone System Fund	67

Statements of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual:

D-1	Electric Fund	68-69
D-2	Water and Sewer Fund	70-72
D-3	Solid Waste Fund	73-74
D-4	Electric Capital Project	75
D-5	Sewer Capital Project Fund - FCC Project	76
D-6	Combining Statement of Changes in Assets and Liabilities	77

Other Schedules:

E-1	Schedule of Ad Valorem Taxes Receivable	78
E-2	Analysis of Current Tax Levy - City-Wide Levy	79

Compliance Section:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	80-81
Schedule of Findings and Responses	82-85

FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
Laurinburg, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurinburg, North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Laurinburg'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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, we 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Laurinburg, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on Pages 4 through 14 and the Law Enforcement Officers' Special Separation Allowances, and the Other Post Employment Benefit's Schedules of Funding Progress, and Schedules of Employer Contributions on pages 52 through 53 and 54 through 55, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 56 and 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurinburg's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate 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. In our opinion based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015 on our consideration of the City of Laurinburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Laurinburg's internal control over financial reporting and compliance.

Parker, Wagoner + Roche, PLLC

PARKER, WAGONER & ROCHE, PLLC
Laurinburg, North Carolina
November 18, 2015

Management's Discussion and Analysis

As management of the City of Laurinburg, we offer readers of the City of Laurinburg's financial statements this narrative overview and analysis of the financial activities of the City of Laurinburg 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 City's financial statements, which follow this narrative.

Financial Highlights

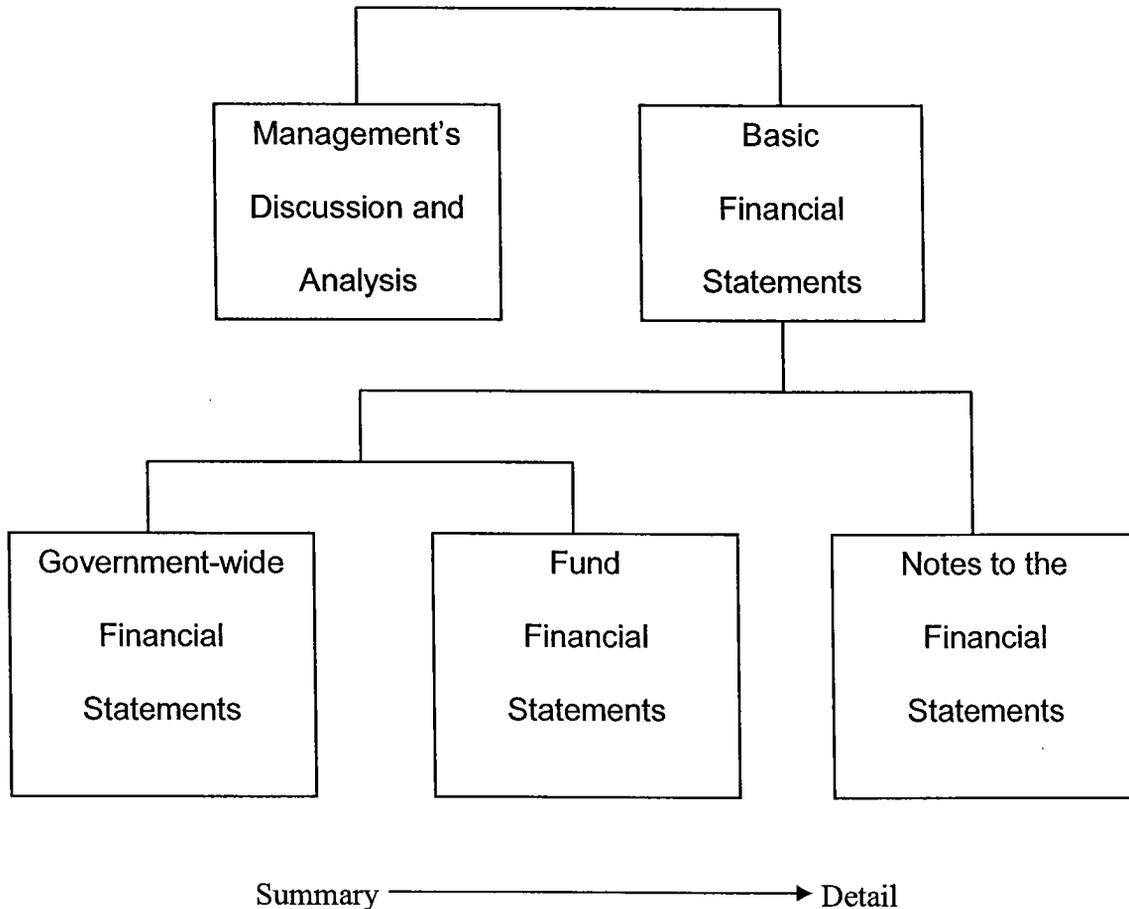
- The assets and the deferred outflows of the City of Laurinburg exceeded its liabilities and deferred inflows at the close of the fiscal year by \$39,740,009 (*net position*).
- The government's total net position increased by \$925,075 primarily due to decreased expenditures in the general fund and increased revenues in the enterprise funds.
- As of the close of the current fiscal year, the City of Laurinburg's governmental funds reported combined ending fund balances of \$4,324,834 an increase of \$367,758. Approximately 46.89% of this total amount or \$2,028,027 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,069,675 or 31.21% percent of total general fund expenditures for the fiscal year.
- The City of Laurinburg's total debt decreased by \$1,760,630, 16.17% during the current fiscal year. The key factor in this is payments on debt and no new debt issued or incurred.
- The City of Laurinburg maintained its Baa1 bond rating. The rating was published July 21, 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Laurinburg's basic financial statements. The City'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 City 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 City of Laurinburg.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements and 3) the proprietary fund 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 City'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 City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City'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 City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, community development, public works, and general administration. Property taxes, sales tax, state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, electric services and solid waste offered by the City of Laurinburg.

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City'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 City of Laurinburg, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Laurinburg can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City'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*, which 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

Management's Discussion and Analysis
City of Laurinburg, North Carolina

less financial resources available to finance the City's programs. The relationship between governmental 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 City of Laurinburg adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 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.

Proprietary Funds – City of Laurinburg has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Laurinburg uses enterprise funds to account for its water and sewer activity, its electric operations and solid waste operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. City of Laurinburg has one fiduciary fund, which is an agency fund.

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 on pages 26-51 of this report.**

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Laurinburg's progress in funding its obligation to provide pension benefits to its employees. **Required supplementary information can be found beginning on page 52 of this report.**

**The City of Laurinburg's Net Position
 Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,646,803	\$ 5,013,382	\$ 2,940,915	\$ 6,941,003	\$ 8,587,718	\$ 11,954,385
Capital assets	2,672,414	2,718,590	43,221,719	40,174,479	45,894,133	42,893,069
Deferred outflows of resources	293,847	-	179,504	-	473,351	-
Total assets and deferred outflows of resources	8,613,064	7,731,972	46,342,138	47,115,482	54,955,202	54,847,454
Long-term liabilities outstanding	1,262,549	1,268,440	7,856,243	9,197,681	9,118,792	10,466,121
Other liabilities	484,987	294,937	3,980,138	4,411,301	4,465,125	4,706,238
Deferred inflows of resources	1,014,567	536,587	616,709	323,575	1,631,276	860,162
Total liabilities and deferred inflows of resources	2,762,103	2,099,964	12,453,090	13,932,557	15,215,193	16,032,521
Net position:						
Net investment in capital assets	2,292,935	2,339,111	34,406,745	29,667,207	36,699,680	32,006,318
Restricted	2,008,027	720,108	-	-	2,008,027	720,108
Unrestricted	1,549,999	2,572,789	(517,697)	3,515,718	1,032,302	6,088,507
Total net position	\$ 5,850,961	\$ 5,632,008	\$ 33,889,048	\$ 33,182,925	\$ 39,740,009	\$ 38,814,933

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Laurinburg exceeded liabilities and deferred inflows by \$39,740,009 as of June 30, 2015. The City's net position increased by \$925,075 for the fiscal year ended June 30, 2015. However, the largest portion 92.34% reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Laurinburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Laurinburg's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Laurinburg's net position 5.05% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,032,302 is unrestricted. Also, the City of Laurinburg implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$851,513. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Laurinburg's management.

A particular aspect of the City's financial operations positively influenced the total unrestricted governmental net position:

- Increases in tax revenues due to changes in the statewide collection of vehicle property taxes.
- Fee increases in the enterprise funds improved cash flows from operations and operating income.

City of Laurinburg Changes in Net Position
Figure 3

CITY OF LAURINBURG'S CHANGES IN NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 157,378	\$ 600,368	\$ 23,460,064	\$ 22,783,314	\$ 23,617,442	\$ 23,383,682
Operating grants and contributions	568,483	536,529	-	-	568,483	536,529
Capital grants and contributions	-	216,540	1,000,000	1,251,137	1,000,000	1,467,677
General revenues:						
Property taxes	2,910,832	3,367,649	-	-	2,910,832	3,367,649
Other taxes	2,776,462	2,523,159	-	-	2,776,462	2,523,159
Other	247,337	126,025	478,645	443,563	725,982	569,588
Total revenues	6,660,492	7,370,270	24,938,709	24,478,014	31,599,201	31,848,284
Expenses:						
General government	356,397	602,034	-	-	356,397	602,034
Public safety	3,622,827	3,986,927	-	-	3,622,827	3,986,927
Public works	727,593	713,408	-	-	727,593	713,408
Transportation	623,763	614,572	-	-	623,763	614,572
Animal control	59,324	135,818	-	-	59,324	135,818
Cemetery	222,303	214,772	-	-	222,303	214,772
Community development	821,253	724,671	-	-	821,253	724,671
Electric	-	-	17,231,524	17,399,900	17,231,524	17,399,900
Water and sewer	-	-	4,792,259	5,179,512	4,792,259	5,179,512
Interest on long-term debt	8,080	10,254	-	62,036	8,080	72,290
Solid waste	-	-	2,208,803	2,140,657	2,208,803	2,140,657
Total expenses	6,441,540	7,002,456	24,232,586	24,782,105	30,674,126	31,784,561
Increase (decrease) in net position before transfers	218,952	367,814	706,123	(304,091)	925,075	63,723
Transfers	-	-	-	-	-	-
Extraordinary (loss on impairment)	-	-	-	(399,440)	-	(399,440)
(Decrease) increase in net position	218,952	367,814	706,123	(703,531)	925,075	(335,717)
Net position, July 1 (consolidated)	6,159,946	5,792,133	33,506,500	34,210,031	39,666,446	40,002,164
Net position beginning restated	5,632,008	5,792,133	33,182,925	-	38,814,933	5,792,133
Net assets, June 30	\$ 5,850,961	\$ 6,159,946	\$ 33,889,048	\$ 33,506,500	\$ 39,740,009	\$ 39,666,446

Governmental activities. Governmental activities increased the City's governmental net position by \$218,952. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Increased efforts to maximize tax collections and control expenditures contributed to the increase.

Business-type activities: Business-type activities increased the City of Laurinburg's net position by \$706,123. The key element of this increase is as follows:

- Fee increases in the enterprise funds as well as a larger billing base in the water fund due to new industry.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Laurinburg. At the end of the current fiscal year, fund balance available in the General Fund was \$2,447,889, while total fund balance reached \$3,969,661. The governing body of the City of Laurinburg strives to keep the available fund balance at a level of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 36.91% of general fund expenditures, while total fund balance represents 59.85% of the same amount.

At June 30, 2015, the governmental funds of City of Laurinburg reported a combined fund balance of \$4,324,834 with a net increase in fund balance of \$367,758. Included in this change in fund balance are an increase in fund balance in the General Fund and Perpetual Cemetery Fund, and a decrease in the grant project fund.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Management's Discussion and Analysis
City of Laurinburg, North Carolina

There were several reasons the City revised its budget throughout the year. The City anticipated receiving some state grant funds and anticipated expenditures of these funds. Also, the City monitors the budget and makes periodic changes to the budget throughout the year as needed.

Proprietary Funds. The City of Laurinburg's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$936,743 and those for the Electric Fund amounted to \$(1,426,436), and those for the Solid Waste Fund amounted to \$(28,004). Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Laurinburg's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Laurinburg's investment in capital assets for its governmental and business-type activities as of June 30, 2015 totals \$45,894,133 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions:

- Substation Equipment \$146,800.
- Construction of Water Mains \$3,969,739.
- Vehicles \$458,808.

**City of Laurinburg Changes in Net Position
 Figure 4**

**CITY OF LAURINBURG'S CAPITAL ASSETS
 (NET OF DEPRECIATION)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 280,014	\$ 280,014	\$ 291,931	\$ 291,931	\$ 571,945	\$ 571,945
Construction in progress	-	-	10,577,073	7,033,150	10,577,073	7,033,150
Buildings and system	514,022	520,066	29,885,796	31,003,905	30,399,818	31,523,971
Improvements other than buildings	352,969	66,831	-	-	352,969	66,831
Machinery and equipment	224,655	597,656	1,065,195	623,094	1,289,850	1,220,750
Infrastructure	340,304	489,229	-	-	340,304	489,229
Vehicles and motorized equipment	960,451	764,795	1,401,724	1,222,399	2,362,175	1,987,194
	<u>\$ 2,672,415</u>	<u>\$ 2,718,591</u>	<u>\$ 43,221,719</u>	<u>\$ 40,174,478</u>	<u>\$ 45,894,134</u>	<u>\$ 42,893,070</u>

Additional information on the City's capital assets can be found in Note III A 4 of the Basic Financial Statements.

**The City of Laurinburg's Outstanding Debt
 Figure 5**

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Installment debt	\$ 310,724	\$ 379,479	\$ 8,814,973	\$ 10,217,723	\$ 9,125,697	\$ 10,597,202
General obligation bonds	-	-	-	289,124	-	289,124
OPEB	458,647	389,410	325,155	282,920	783,802	672,330
Pension related debt (LEO)	376,259	379,069	-	-	376,259	379,069
Total	<u>\$ 1,145,630</u>	<u>\$ 768,479</u>	<u>\$ 9,140,128</u>	<u>\$ 572,044</u>	<u>\$ 10,285,758</u>	<u>\$ 11,937,725</u>

City of Laurinburg's Outstanding Debt

The City of Laurinburg's total debt decreased by \$1,651,967, 13.83% during the past fiscal year.

As mentioned in the financial highlights section of this document, the City of Laurinburg has a bond rating from Moody's Investor Service of Baa1. The date of the bond rating is July 21, 2009.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Laurinburg is \$66,351,924.

Additional information regarding the City's long-term debt can be found in Note 5-a beginning on Page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Laurinburg continues to show a strong commitment to Economic Development by continuing to fund the County for the Scotland County Economic Development Corporation at \$32,000; and the Chamber of Commerce at \$12,500.

The City is finalizing the construction of infrastructure funded by the electric and water/sewer enterprise funds. This construction will extend water, sewer, electrical and fiber optic services as well as the installation of groundwater wells for the purpose of expanding industrial opportunities, improving the City's utility systems and offering better fire protection to the northern side of the city limits. Through the 2015 budget, the City is approximately 95% complete with a target date in the 2015-2016 budget year. Grant funding in the amount of \$3,050,000 was obtained through joint efforts of the Economic Development Corporation, Scotland County and the City of Laurinburg. This project will increase revenues in the general fund by increasing the tax base as well as in all the enterprise funds through increasing the utility commercial customer base.

In the 2015 year, the City of Laurinburg welcomed four new retail stores to its community. In the 2016 year, the City expects to bring in at least two new retail businesses and two new restaurants.

The City continues to support the downtown area through contributions and in kind services to help attract businesses to the downtown locations. The City understands the importance of a thriving downtown and was just accepted into the NC Downtown Associate Community Program, which is a program of the NC Main Street Center. The City in conjunction with Preservation NC, is working on reinventing and developing older/abandoned structures on Main Street.

The City of Laurinburg, Scotland County, LDRC and the Scotland County School Systems recently partnered to demolish an old service station on the corner of Main and Church Street. The City has just approved to start the construction on this property for "The City of Laurinburg's Art Garden" which will be a major attraction for our downtown district. This partnership will create a more welcoming entrance to the downtown area as well as create green space for potential outdoor activities (i.e. concerts).

The City is proactive in attracting visitors into our community. This past year, the City erected six new decorative and well-lighted "welcome" signs at the major entrance ways into the City limits. We are also in the process of undergoing a major landscaping overhaul to our interchanges on Highway 74, in conjunction with the lighting project that was completed in the past year. The City has put a major emphasis on establishing a welcoming appearance to help promote our community and retail establishments.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental activities: Property tax rate remains at \$.40 per \$100.00 evaluation.

Budgeted expenditures in the General Fund are expected to remain flat from FY 2015. To continue to be good stewards of funds, the City has elected to keep expenditures flat for the General Fund and keep the property tax rate at its current position.

Business-type activities: Because of the financial state of all Enterprise Funds, the City has passed the 2016 budget without appropriating any fund balance in all three Enterprise Funds. To accomplish this, City Council has made tough decisions to increase rates in the Water/Sewer Fund, Electric Fund, and Solid Waste Fund.

Request for Information

This report is designed to provide overview of the City'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 Director of Finance, City of Laurinburg, 303 West Church Street, P. O. Box 249, Laurinburg, NC 28353-0249.

Basic Financial Statements

City of Laurinburg, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 3,028,285	\$ 34,925	\$ 3,063,210
Receivables (net)	509,535	2,057,776	2,567,311
Due from other governments	254,447	8,004	262,451
Advances (from) other funds	1,267,313	(1,267,313)	-
Notes receivable	-	107,039	107,039
Inventories	23,294	1,028,628	1,051,922
Restricted cash	151,082	718,821	869,903
Total current assets	<u>5,233,956</u>	<u>2,687,880</u>	<u>7,921,836</u>
Non-current assets:			
Net pension asset	412,847	253,035	665,882
Capital assets:			
Land, improvements, and construction in progress	280,014	10,869,004	11,149,018
Other capital assets, net of depreciation	<u>2,392,400</u>	<u>32,352,715</u>	<u>34,745,115</u>
Total capital assets	<u>2,672,414</u>	<u>43,221,719</u>	<u>45,894,133</u>
Total assets	<u>\$ 8,319,217</u>	<u>\$ 46,162,634</u>	<u>\$ 54,481,851</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	293,847	179,504	473,351
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 367,947	\$ 1,824,692	\$ 2,192,639
Unearned revenue	-	718,821	718,821
Current portion of long-term liabilities	<u>117,040</u>	<u>1,436,625</u>	<u>1,553,665</u>
Total current liabilities	484,987	3,980,138	4,465,125
Long-term liabilities:			
Due in more than one year	<u>1,262,549</u>	<u>7,856,243</u>	<u>9,118,792</u>
Total liabilities	<u>\$ 1,747,536</u>	<u>\$ 11,836,381</u>	<u>\$ 13,583,917</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	8,358	-	8,358
Pension deferrals	<u>1,006,209</u>	<u>616,709</u>	<u>1,622,918</u>
Total deferred inflows of resources	<u>1,014,567</u>	<u>616,709</u>	<u>1,631,276</u>
NET POSITION			
Net investment in capital assets	2,292,935	34,406,745	36,699,680
Restricted for:			
Cemetery perpetual care	335,173	-	335,173
Stabilization by state statute	1,521,772	-	1,521,772
Streets	151,082	-	151,082
Unrestricted	<u>1,549,999</u>	<u>(517,697)</u>	<u>1,032,302</u>
Total net position	<u>\$ 5,850,961</u>	<u>\$ 33,889,048</u>	<u>\$ 39,740,009</u>

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

City of Laurinburg, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

Functions/programs	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 356,397	\$ 28,151	\$ -	\$ -	\$ (328,246)	\$ -	\$ (328,246)
Public safety	3,622,827	43,338	-	-	(3,579,489)	-	(3,579,489)
Public works	727,593	10,499	-	-	(717,094)	-	(717,094)
Transportation	623,763	-	476,930	-	(146,833)	-	(146,833)
Animal control	59,324	-	-	-	(59,324)	-	(59,324)
Cemetery	222,303	64,108	-	-	(158,195)	-	(158,195)
Community development	821,253	11,282	91,553	-	(718,418)	-	(718,418)
Interest on long-term debt	8,080	-	-	-	(8,080)	-	(8,080)
Total governmental activities	6,441,540	157,378	568,483	-	(5,715,679)	-	(5,715,679)
Business-type activities:							
Electric	17,231,524	16,721,381	-	-	-	(510,143)	(510,143)
Water and sewer	4,792,259	4,566,745	-	1,000,000	-	774,486	774,486
Solid waste	2,208,803	2,171,938	-	-	-	(36,865)	(36,865)
Total business-type activities	24,232,586	23,460,064	-	1,000,000	-	227,478	227,478
Total primary government	\$ 30,674,126	\$ 23,617,442	\$ 568,483	\$ 1,000,000	\$ (5,715,679)	\$ 227,478	\$ (5,488,201)

General revenues:

Taxes:							
Property taxes, levied for general purposes			2,910,832				2,910,832
Other taxes			2,776,462				2,776,462
Unrestricted investment earnings			449	8,401			8,850
Miscellaneous			246,888	470,244			717,132
Total general revenues			5,934,631	478,645			6,413,276
Change in net position			218,952	706,123			925,075
Net position beginning, previously reported			6,159,946	33,506,500			39,666,446
Restatement			(527,938)	(323,575)			(851,513)
Net position beginning, restated			5,632,008	33,182,925			38,814,933
Net position ending			\$ 5,850,960	\$ 33,889,048			\$ 39,740,008

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

City of Laurinburg, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds General	Total Non-Major Fund	Total Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,673,112	\$ 355,173	\$ 3,028,285
Restricted cash	151,082	-	151,082
Taxes receivable (net)	489,590	-	489,590
Accounts receivable (net)	19,945	-	19,945
Due from other governments	254,447	-	254,447
Advance to other funds	1,267,313	-	1,267,313
Total assets	\$ 4,855,489	\$ 355,173	\$ 5,210,662
LIABILITIES			
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 367,947	\$ -	\$ 367,947
Total liabilities	\$ 367,947	\$ -	\$ 367,947
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	489,590	-	489,590
Accounts receivable	19,933	-	19,933
Prepaid taxes	8,358	-	8,358
Total deferred inflows of resources	\$ 517,881	\$ -	\$ 517,881
Fund balances			
Non spendable:			
Perpetual maintenance	-	355,173	355,173
Restricted:			
Stabilization by state statute	1,521,772	-	1,521,772
Streets	151,082	-	151,082
Assigned			
Subsequent year's expenditures	227,132	-	227,132
Unassigned	2,069,675	-	2,069,675
Total fund balances	3,969,661	355,173	4,324,834
Total liabilities, deferred inflows of resources and fund balances	\$ 4,855,489	\$ 355,173	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total Fund Balance, Governmental Funds			\$ 4,324,834
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost		9,470,433	
Accumulated depreciation		(6,798,019)	2,672,414
Net pension asset			412,847
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position			
			262,230
Other assets are not available to pay for current-period expenditures and therefore are deferred.			
			23,294
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			
Deferred taxes		489,590	
Other deferred liabilities		19,934	509,524
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Gross long-term debt		(310,725)	
Other post employment benefits		(458,647)	
Other retirement liabilities for LEO		(376,259)	
Compensated absences		(233,959)	(1,379,590)
Pension related deferrals			(974,592)
Net position of governmental activities			\$ 5,850,961

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

City of Laurinburg, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds <u>General Fund</u>	Non-Major <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,251,506	\$ -	\$ 3,251,506
Other taxes and licenses	950,255	-	950,255
Unrestricted intergovernmental	1,826,207	-	1,826,207
Restricted intergovernmental	568,483	-	568,483
Permits and fees	12,781	-	12,781
Sales and services	154,020	14,781	168,801
Investment earnings	449	47	496
Miscellaneous	256,444	-	256,444
Total revenues	<u>7,020,145</u>	<u>14,828</u>	<u>7,034,973</u>
EXPENDITURES			
Current:			
General government	294,592	-	294,592
Community development	749,047	35,014	784,061
Public safety	3,840,863	-	3,840,863
Transportation	655,781	-	655,781
Public works	677,074	-	677,074
Animal control	62,353	-	62,353
Cemetery	275,656	-	275,656
Debt service:			
Principal payments	68,755	-	68,755
Interest and other charges	8,080	-	8,080
Total expenditures	<u>6,632,201</u>	<u>35,014</u>	<u>6,667,215</u>
Excess (deficiency) of revenues over expenditures	<u>387,944</u>	<u>(20,186)</u>	<u>367,758</u>
Net change in fund balance	387,944	(20,186)	367,758
Fund balances -beginning	<u>3,581,717</u>	<u>375,359</u>	<u>3,957,076</u>
Fund balances-ending	<u>\$ 3,969,661</u>	<u>\$ 355,173</u>	<u>\$ 4,324,834</u>

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

(continued)

City of Laurinburg, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the 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		\$ 367,758
<p>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.</p>		
Capital outlay expenditures which were capitalized	403,461	
Depreciation expense for governmental assets	<u>(449,637)</u>	(46,176)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		262,230
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(78,737)
Change in unavailable revenue for miscellaneous revenues		(261,937)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. 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		68,755
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in inventory	1,713	
Compensated absences	5,580	
Pension expense	(33,807)	
Net pension obligation	2,810	
Other postemployment benefits	<u>(69,237)</u>	<u>(92,941)</u>
Total changes in net position of governmental activities		<u>\$ 218,952</u>

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

City of Laurinburg, North Carolina
 General Fund and Annually Budgeted Major Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2015

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 3,314,002	\$ 3,314,002	\$ 3,251,506	\$ (62,496)
Other taxes and licenses	1,170,000	1,170,000	950,255	(219,745)
Unrestricted intergovernmental	1,464,850	1,464,850	1,826,207	361,357
Restricted intergovernmental	555,200	1,065,906	568,483	(497,423)
Permits and fees	13,500	13,500	12,781	(719)
Sales and services	111,000	111,000	154,020	43,020
Investment earnings	2,000	2,000	449	(1,551)
Miscellaneous	213,310	216,960	256,444	39,484
Total revenues	6,843,862	7,358,218	7,020,145	(338,073)
EXPENDITURES				
General government	456,938	473,294	294,592	(178,702)
Community development	815,546	827,046	749,047	(77,999)
Public safety	4,287,058	4,275,964	3,840,863	(435,101)
Transportation	798,337	1,433,337	655,781	(777,556)
Public works	704,936	704,936	677,074	(27,862)
Animal control	73,179	73,179	62,353	(10,826)
Cemetery	293,294	293,294	275,656	(17,638)
Debt service:				
Principal retirement	68,755	68,755	68,755	-
Interest and other charges	8,080	8,080	8,080	-
Total expenditures	7,506,123	8,157,885	6,632,201	(1,525,684)
Excess (deficiency) of revenues over expenditures	(662,261)	(799,667)	387,944	1,187,611
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	10,406	-	(10,406)
Total other financing sources	-	10,406	-	(10,406)
Appropriated fund balance	662,261	789,261	-	789,261
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	387,944	<u>\$ 387,944</u>
Fund balances-beginning of year			3,581,717	
Fund balances-end of year			<u>\$ 3,969,661</u>	

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

City of Laurinburg, North Carolina
 Proprietary Funds
 Statement of Fund Net Position
 June 30, 2015

	Major Enterprise Funds			June 30, 2015
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 34,925	\$ 34,925
Restricted cash	590,196	128,625	-	718,821
Accounts receivable (net)	1,368,923	470,595	218,258	2,057,776
Notes receivable	107,039	-	-	107,039
Inventories	851,455	158,743	18,430	1,028,628
Due from other governments	-	8,004	-	8,004
Due (to) from other funds	(1,964,776)	697,463	-	(1,267,313)
Total	<u>952,837</u>	<u>1,463,430</u>	<u>271,613</u>	<u>2,687,880</u>
Non-current assets:				
Net pension asset	93,223	86,565	73,247	253,035
Land and other non-depreciable assets	667,120	10,201,884	-	10,869,004
Other capital assets net of depreciation	5,467,512	26,025,502	859,701	32,352,715
Total assets	<u>\$ 7,180,692</u>	<u>\$37,777,381</u>	<u>\$ 1,204,561</u>	<u>\$ 46,162,634</u>
Deferred Outflows of Resources				
Pension deferrals	\$ 48,871	\$ 79,952	\$ 50,681	\$ 179,504
Liabilities and fund equities				
Current liabilities:				
Accounts payable and accrued liabilities	1,551,854	189,880	82,958	1,824,692
Customer deposits	590,196	128,625	-	718,821
Compensated absences	10,332	12,807	8,936	32,075
Installment financing notes payable	161,183	1,178,214	65,153	1,404,550
Total current liabilities	<u>2,313,565</u>	<u>1,509,526</u>	<u>157,047</u>	<u>3,980,138</u>
Non-current liabilities:				
Other post employment benefits	102,908	102,734	119,513	325,155
Compensated absences payable	38,869	48,180	33,616	120,665
Installment financing notes payable	567,966	6,555,805	286,652	7,410,423
Total non-current liabilities	<u>709,743</u>	<u>6,706,719</u>	<u>439,781</u>	<u>7,856,243</u>
Total liabilities	<u>3,023,308</u>	<u>8,216,245</u>	<u>596,828</u>	<u>11,836,381</u>
Deferred Inflows of Resources				
Pension deferrals	227,208	210,979	178,522	616,709
Net position				
Net investment in capital assets	5,405,483	28,493,366	507,896	34,406,745
Unrestricted	(1,426,436)	936,743	(28,004)	(517,697)
Total net position	<u>\$ 3,979,047</u>	<u>\$29,430,109</u>	<u>\$ 479,892</u>	<u>\$ 33,889,048</u>

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

City of Laurinburg, North Carolina
 Proprietary Funds
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 Changes in Fund Net Assets
 For the Fiscal Year Ended June 30, 2015

	Major Enterprise Funds			June 30, 2015
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	
Operating revenues:				
Charges for services	\$ 16,376,032	\$ 4,483,575	\$ 2,171,938	\$ 23,031,545
Water and sewer taps	-	83,170	-	83,170
Fiber optic rental	345,349	-	-	345,349
Other operating revenues	186,145	234,070	47,107	467,322
Total operating revenues	<u>16,907,526</u>	<u>4,800,815</u>	<u>2,219,045</u>	<u>23,927,386</u>
Operating expenses:				
Administration	580,586	774,550	-	1,355,136
Finance	383,749	-	-	383,749
Electric operations	1,526,567	-	-	1,526,567
Electric power purchases	14,311,332	-	-	14,311,332
Water and sewer treatment and distribution	-	1,267,889	-	1,267,889
Waste collection and treatment	-	1,229,698	-	1,229,698
Solid waste operations	-	-	2,002,117	2,002,117
Depreciation	410,833	1,327,667	198,415	1,936,915
Total operating expenses	<u>17,213,067</u>	<u>4,599,804</u>	<u>2,200,532</u>	<u>24,013,403</u>
Operating income (loss)	<u>(305,541)</u>	<u>201,011</u>	<u>18,513</u>	<u>(86,017)</u>
Nonoperating revenues (expenses):				
Investment earnings	8,074	320	7	8,401
Gain on sale of fixed assets	1,487	1,435	-	2,922
Interest and fees	(18,457)	(192,455)	(8,271)	(219,183)
Total nonoperating revenues (expenses)	<u>(8,896)</u>	<u>(190,700)</u>	<u>(8,264)</u>	<u>(207,860)</u>
Income (loss) before contributions and transfers	(314,437)	10,311	10,249	(293,877)
Capital contributions	-	1,000,000	-	1,000,000
Change in net position	(314,437)	1,010,311	10,249	706,123
Total net position, previously reported	4,412,696	28,530,495	563,309	33,506,500
Restatement	(119,212)	(110,697)	(93,666)	(323,575)
Total net position, restated	<u>4,293,484</u>	<u>28,419,798</u>	<u>469,643</u>	<u>33,182,925</u>
Total net position, ending	<u>\$ 3,979,047</u>	<u>\$ 29,430,109</u>	<u>\$ 479,892</u>	<u>\$ 33,889,048</u>

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

City of Laurinburg, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities Enterprise Funds			Totals
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 16,518,837	\$ 4,619,810	\$ 2,187,322	\$ 23,325,969
Cash paid for goods and services	(15,864,556)	(2,235,517)	(1,165,504)	(19,265,577)
Cash paid to or on behalf of employees for services	(790,699)	(1,352,736)	(840,401)	(2,983,836)
Customer deposits received	52,057	11,557	-	63,614
Customer deposits returned	(33,818)	(3,802)	-	(37,620)
Other operating revenues	532,981	235,505	31,519	800,005
Net cash provided by operating activities	<u>414,802</u>	<u>1,274,817</u>	<u>212,936</u>	<u>1,902,555</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease in due from other funds	-	1,172,609	-	1,172,609
Increase in advances from other funds	94,704	-	-	94,704
Payment received from affiliate	76,000	-	-	76,000
Total cash flows provided by noncapital financing activities	<u>170,704</u>	<u>1,172,609</u>	<u>-</u>	<u>1,343,313</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(395,701)	(4,322,353)	(266,102)	(4,984,156)
Interest paid on bond and installment financing contracts	(18,457)	(192,455)	(8,271)	(219,183)
Principal paid on bond and installment financing contracts	(161,182)	(1,466,796)	(63,896)	(1,691,874)
Capital contributions local grant	-	2,500,000	-	2,500,000
Net cash (used in) capital and related financing activities	<u>(575,340)</u>	<u>(3,481,604)</u>	<u>(338,269)</u>	<u>(4,395,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	8,074	320	7	8,401
Net increase (decrease) in cash and cash equivalents	18,240	(1,033,858)	(125,326)	(1,140,944)
Balances - beginning of the year	571,956	1,162,483	160,251	1,894,690
Balances - end of the year	<u>\$ 590,196</u>	<u>\$ 128,625</u>	<u>\$ 34,925</u>	<u>\$ 753,746</u>

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

(continued)

City of Laurinburg, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities Enterprise Funds			Totals
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (305,541)	\$ 201,011	\$ 18,513	\$ (86,017)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	410,833	1,327,667	198,415	1,936,915
Pension expense	7,634	7,089	5,998	20,721
Changes in assets, deferred outflows of resources, and liabilities:				
Decrease in accounts receivable	153,166	32,911	13,432	199,509
(Decrease) increase in allowance for doubtful accounts	(10,362)	20,153	1,951	11,742
Decrease (increase) in inventory	86,707	(17,528)	3,787	72,966
Increase (decrease) in accounts payable and accrued liabilities	76,413	(251,150)	4,109	(170,628)
(Increase) in customer deposits	18,240	7,755	-	25,995
Increase in accrued vacation pay	3,519	5,692	32	9,243
(Increase) in deferred outflows of resources for pensions	(41,732)	(73,323)	(45,071)	(160,126)
Increase in OPEB liability	15,925	14,540	11,770	42,235
Total adjustment	<u>720,343</u>	<u>1,073,806</u>	<u>194,423</u>	<u>1,988,572</u>
Net cash provided by operating activities	<u>\$ 414,802</u>	<u>\$ 1,274,817</u>	<u>\$ 212,936</u>	<u>\$ 1,902,555</u>

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

City of Laurinburg, North Carolina
 Statement of Agency Fund Net Position
 Agency Fund
 For the Year Ended June 30, 2015

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 84,394</u>
Liabilities	
Intergovernmental payable	<u>84,394</u>
Total liabilities	<u>\$ 84,394</u>

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

City of Laurinburg, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

I. Summary of Significant Accounting Policies

The accounting policies of the City of Laurinburg 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 City of Laurinburg is a municipal corporation that is governed by an elected mayor and a five-member council. The City had no component units at June 30, 2015.

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 the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. 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 City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. 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, street maintenance and construction, and sanitation services.

The City reports the following non-major governmental funds:

Capital Project Fund. These funds are used to account for capital projects that are being built by the City of Laurinburg.

Perpetual Care Fund. This fund is used to account for perpetual care of the municipal cemetery.

Emergency Telephone System Fund. This fund was used to build a 911 center in Scotland County.

The City reports the following major enterprise funds:

Electric Fund. This fund is used to account for the City's electric fund operations.

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

Solid Waste Fund. This fund is used to account for the City's solid waste operations.

The City reports the following fund types:

Agency Funds. Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency Funds are used to account for assets the City holds on behalf of others. The City maintains the following agency fund: The Scotland County Water District's Fund, which accounts for moneys collected for billing residents within the Scotland County Water Districts. Once the City collects the funds from residents the money is immediately transferred to Scotland County.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of 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 City 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.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property 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 1, 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. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are 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 beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Laurinburg because the tax is levied by Scotland County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Perpetual Care Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. 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 the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary.

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.

The Cemetery Permanent Fund is not required to be budgeted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 City 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 federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

City of Laurinburg Restricted Cash

Governmental Activities

General Fund

	Streets	151,082
Total governmental activities		<u>151,082</u>
Business-Type Activities		
	Electric fund customer deposits	590,196
	Water & sewer fund customer deposits	128,625
Total business-type activities		<u>718,821</u>
Total restricted cash		<u><u>869,903</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City 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, 2005. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum cost for an asset to be capitalized is \$5,000 with the exception of Infrastructure. Infrastructure is capitalized at a minimum cost of \$50,000. 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. Donated capital assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3
Computer software	5

8. 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 City has one item that meets this criteria, contributions made to the pension plan in the 2015 fiscal year. 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 City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents 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.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The government fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Perpetual maintenance - Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Laurinburg Cemetery.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for 911 Telephone Fund - portion of special revenue fund restricted for purchase of equipment for emergency telephone services.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Laurinburg's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance - portion of fund balance that City of Laurinburg intends to use for specific purposes.

Subsequent Year's Expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Laurinburg has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Laurinburg's employer contributions are recognized when due and the City of Laurinburg has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance and Accountability

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

1. Noncompliance with North Carolina General Statutes

In the Water Sewer Fund and Solid Waste Fund, fund balance was appropriated for fiscal year June 30, 2015 when there was none available to appropriate which is a violation of General Statute Reference 159-8(a). See significant deficiency listed on Page 83.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City 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 City'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 City, these deposits are considered to be held by the City'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 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 City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City 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 City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-30 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the City's deposits had a carrying amount of \$1,075,343 and a bank balance of \$1,244,750. Of the bank balance, \$536,435 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2015, the City's petty cash fund totaled \$6,295.

2. Investments

At June 30, 2015, the City of Laurinburg had \$2,935,869 invested with the North Carolina Capital Management Trust's cash portfolio which carried a credit rating of AAAm by Standard and Poors. The City does not have a formal investment policy.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>06/30/15</u>
General Fund:	
Taxes receivable	\$ 180,000
Miscellaneous receivable	489,624
Enterprise Funds	<u>160,509</u>
Total	<u>\$ 830,133</u>

In fiscal 2012, the City of Laurinburg's Electric Fund loaned the Laurinburg-Maxton Airport authority \$303,767 at a rate of interest of 4%. The balance at June 30, 2015 is \$107,039. The loan is to be repaid to the Electric Fund as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	<u>107,039</u>	<u>6,242</u>
	<u>\$ 107,039</u>	<u>\$ 6,242</u>

The loan was paid in full to the City of Laurinburg in July of 2015.

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 280,014	\$ -	\$ -	\$ 280,014
Total capital assets not being depreciated	<u>280,014</u>	<u>-</u>	<u>-</u>	<u>280,014</u>
Capital assets being depreciated:				
Buildings	2,029,532	-	-	2,029,532
Other improvements	589,379	144,122	-	733,501
Equipment	1,424,135	40,933	-	1,465,068
Vehicles and motorized equipment	4,165,022	205,102	304,467	4,065,657
Infrastructure	883,356	13,304	-	896,660
Total capital assets being depreciated	<u>9,091,424</u>	<u>403,461</u>	<u>304,467</u>	<u>9,190,418</u>
Less accumulated depreciation for:				
Buildings	1,515,510	-	-	1,515,510
Other improvements	380,532	-	-	380,532
Equipment	1,158,788	81,625	-	1,240,413
Vehicles and motorized equipment	3,157,290	252,383	304,467	3,105,206
Infrastructure	440,727	115,629	-	556,356
Total accumulated depreciation	<u>6,652,847</u>	<u>449,637</u>	<u>304,467</u>	<u>6,798,017</u>
Total capital assets being depreciated, net	<u>\$ 2,438,577</u>			<u>\$ 2,392,401</u>
Governmental activity capital assets, net	<u>\$ 2,718,591</u>			<u>\$ 2,672,415</u>

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

General government	\$ 28,960
Community development	9,300
Public safety	258,833
Transportation	74,037
Public works	72,850
Cemetery	5,657
Total depreciation expense	<u>\$ 449,637</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 626,458	\$ 40,662	\$ -	\$ 667,120
Total capital assets not being depreciated	626,458	40,662	-	667,120
Capital assets being depreciated:				
Substations, lines, and related equipment	13,463,337	106,138	-	13,569,475
Furniture and maintenance equipment	1,018,728	-	-	1,018,728
Vehicles	792,567	248,901	16,385	1,025,083
Total capital assets being depreciated	15,274,632	355,039	16,385	15,613,286
Less accumulated depreciation for:				
Substations, lines, and related equipment	8,267,457	343,379	-	8,610,836
Furniture and maintenance equipment	846,073	28,597	-	874,670
Vehicles	637,796	38,857	16,385	660,268
Total accumulated depreciation	9,751,326	410,833	16,385	10,145,774
Total capital assets being depreciated, net	5,523,306			5,467,512
Electric fund capital assets, net	6,149,764			6,134,632
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	291,931	-	-	291,931
Construction in progress	6,406,692	3,503,261	-	9,909,953
Total capital assets not being depreciated	6,698,623	3,503,261	-	10,201,884
Capital assets being depreciated:				
Plant and distribution systems	50,013,054	466,478	-	50,479,532
Furniture and maintenance equipment	2,244,571	142,707	-	2,387,278
Vehicles	1,657,945	209,907	-	1,867,852
Total capital assets being depreciated	53,915,570	819,092	-	54,734,662
Less accumulated depreciation for:				
Plant and distribution systems	24,485,662	1,068,931	-	25,554,593
Furniture and maintenance equipment	1,530,530	205,616	-	1,736,146
Vehicles	1,365,301	53,120	-	1,418,421
Total accumulated depreciation	27,381,493	1,327,667	-	28,709,160
Total capital assets being depreciated, net	26,534,077			26,025,502
Water and Sewer fund capital assets, net	33,232,700			36,227,386
<i>Solid Waste Fund</i>				
Capital assets being depreciated:				
Plant and distribution systems	123,246	-	-	123,246
Furniture and maintenance equipment	133,589	266,102	-	399,691
Vehicles	2,425,385	-	25,470	2,399,915
Total capital assets being depreciated	2,682,220	266,102	25,470	2,922,852
Less accumulated depreciation for:				
Plant and distribution systems	121,028	-	-	121,028
Furniture and maintenance equipment	128,402	1,284	-	129,686
Vehicles	1,640,776	197,131	25,470	1,812,437
Total accumulated depreciation	1,890,206	198,415	25,470	2,063,151
Solid Waste fund capital assets, net	792,014			859,701
Business-type activities capital assets, net	\$ 40,174,478			\$ 43,221,719

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Laurinburg is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Laurinburg employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Laurinburg's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to be pension plan from the City of Laurinburg were \$422,356 for the year ended June 30, 2015.

Refunds of Contributions. City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported an asset of \$665,882 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was .112%, which was a decrease of .007% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$54,528. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 72,759
Net difference between projected and actual earnings on pension plan investments	-	1,550,159
Changes in proportion and differences between City contributions and proportionate share of contributions	50,995	-
City Contributions subsequent to the measurement date	<u>422,356</u>	<u>-</u>
Total	<u>\$ 473,351</u>	<u>\$ 1,622,918</u>

\$422,356 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	392,995
2017	392,995
2018	392,995
2019	<u>392,940</u>
Thereafter	<u><u>1,571,924</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0	2.5
Global Equity	40.5	6.1
Real Estate	8.0	5.7
Alternatives	6.5	10.5
Credit	4.5	6.8
Inflation Protection	4.5	3.7
Total	100.0	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	2,260,293	665,882	3,129,628

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.41% and 7.07%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Laurinburg are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2015, 2014, and 2013 were \$776,166, \$756,447 and \$707,514, respectively. The contributions made by the City equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*.

The City of Laurinburg administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>42</u>
Total	<u>48</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68.

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25%-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	93,999
Interest on net pension obligation	18,953
Adjustment to annual required contribution	<u>(32,022)</u>
Annual pension cost	80,930
Contributions made	<u>83,740</u>
(Decrease) in net pension obligation	(2,810)
Net pension obligation beginning of year	<u>379,069</u>
Net pension obligation end of year	<u><u>376,259</u></u>

For Year Ended June 30	3 Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 69,567	68.94%	\$ 396,970
2014	\$ 60,981	129.36%	\$ 379,069
2015	\$ 80,930	103.47%	\$ 376,259

4. Funded Status and Funding Progress.

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$780,380. The covered payroll (annual payroll of active employees covered by the plan) was \$1,745,305, and the ratio of the UAAL to the covered payroll was 44.71 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$123,279, which consisted of \$91,349 from the City and \$31,930 from the law enforcement officers.

d. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Laurinburg, to the Firefighters' and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the state House of Representatives and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 and 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Plan. Contribution provisions are established by General Statutes 58-86 and may be amended only by the North Carolina General Assembly.

Refunds of Contributions - Plan members who are no longer eligible or choose not to participate in the plan may file an application for refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individuals right to employer contributions or any other benefit provided by FRSWPF.

e. Other Post-Employment Benefits

Healthcare Benefits

Plan Description. Under a City resolution adopted May 18, 1999, the City of Laurinburg provides health care benefits through FirstCarolina Care (FCC Plan) as a fully funded plan to cover retirees of the City who retire with full service under the provisions of the North Carolina Local Government Employees' Retirement System (NCLGERS), have 15 years of continuous service with the City immediately prior to retiring and have reached the age of 55. The FCC Plan is available to qualified retirees at 100% until the retiree is employed by another employer offering health insurance benefits, upon reaching the age of 65 or becoming Medicare eligible, whichever is sooner.

Membership of the FCC Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Active members	
Law enforcement officers	42
Firefighters	6
General employees	106
Retired members	14
Total	<u>168</u>

Funding Policy. The City Council established the contribution requirements of the plan member and may be amended by the Board. The City's members pay a minimum \$462 per month for dependent coverage. Per a City resolution, the City is required each year to contribute the annual required contribution of the employer (ARC). The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 3.03% of annual covered payroll. For the current year, the City contributed \$106,576 or 1.75% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a Board resolution, for employees represented 1.75% of covered payroll. The City's contributions totaled \$106,576 in fiscal year 2015. There were no contributions made by employees, except for dependent coverage in the amount of \$114,323.

Summary of Significant Accounting Policies.

Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of the GASB Statement 45. That ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 216,846
Interest on net OPEB obligation	26,893
Adjustment to annual required contribution	<u>(25,691)</u>
Annual OPEB cost (expense)	218,048
Contributions made	<u>106,576</u>
Increase in net OPEB obligation	111,472
Net OPEB obligation, beginning of year	<u>672,332</u>
Net OPEB obligation, end of year	<u><u>\$ 783,804</u></u>

The city's annual OPEB cost, the percentage of annual OPEB cost contribution to the FCC Plan, and the net OPEB obligation for 2015 is as follows:

For Year End June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 193,293	\$ 43.50	\$ 442,161
2013	\$ 205,188	\$ 31.48	\$ 582,767
2014	\$ 211,572	\$ 57.70	\$ 672,332
2015	\$ 218,048	\$ 48.90	\$ 783,804

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,969,288. The covered payroll (annual payroll of active employees covered by the plan) was \$6,092,861, and the ratio of the UAAL to the covered payroll was 34 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 7.5 and 5 percent. Both rates included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan.

The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City made no contributions to the State for death benefits. Due to surplus, a decision was made to temporarily stop employer contributions to the LGERS Death Benefit Plan.

2. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	422,356
Total	<u>422,356</u>

Deferred inflows of resources at year end is composed of the following:

Prepaid taxes (General Fund)	\$ 8,358
Taxes receivable (General Fund)	489,590
Pension deferrals	<u>1,571,923</u>
Total	<u>\$ 2,069,871</u>

3. Risk Management

The City 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 City participates in one self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the City obtains general liability and auto liability coverage of \$2 million and \$1 million per occurrence, respectively, and property coverage up to the total insured values of the property policy. City of Laurinburg is self-funded for worker's compensation and the North Carolina League of Municipalities handles the processing of claims as TPA. Workers' compensation is covered up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the City each year. Stop loss insurance is purchased by the City to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the City can be obtained by contacting the Midwest Employers Casualty Company. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carried limited flood insurance of \$5 million with a \$50,000 deductible for certain areas in the City considered flood areas.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$100,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond of \$250,000

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

4. Claims, Judgments and Contingent Liabilities

At the date of this report, there was one lawsuit against the City. The outcome is unknown and no provision has been recorded.

5. Long-Term Obligations

a. Equipment Financing Purchase

In fiscal 2012, the City entered into a \$384,348 financing agreement to purchase a fire truck at a fixed interest rate of 2.180 percent. The remaining balance owed at June 30, 2015 is \$277,614 and is being serviced by the General Fund.

In fiscal 2012, the City entered into a \$434,442 financing agreement to purchase a refuse truck at a fixed rate of interest of 1.830 percent. The remaining principal balance owed at June 30, 2015 is \$278,865 and is being serviced by the Solid Waste Fund.

In fiscal 2012, the City entered into a \$1,903,506 financing agreement to purchase equipment (water meter readers) at a fixed rate of 1.97 percent. The remaining principal balance owed at June 30, 2015 is \$761,402 and is being serviced by the Water Fund.

In fiscal 2012, the City entered into a \$515,352 financing agreement to purchase equipment (electric meter readers) at a fixed rate of 1.97 percent. The remaining principal owed at June 30, 2015 is \$206,141 and is being serviced by the Electric Fund.

In fiscal 2011, the City entered into a \$158,682 financing agreement with RBC Bank to purchase equipment, the interest rate is 2.15 percent. The remaining principal balance owed at June 30, 2015 is \$33,108 and is serviced by the General Fund.

In fiscal 2011, the City entered into a \$122,816 financing agreement with RBC Bank to purchase equipment, the interest rate is 2.15 percent. The remaining principal balance owed at June 30, 2015 is \$25,625 and is serviced by the Water Sewer Fund.

In fiscal 2011, the City entered into a \$115,645 financing agreement with BB&T bank to purchase a leaf blower truck at a fixed rate of 2.62 percent. The remaining principal balance owed at June 30, 2015 is \$72,940. The loan is serviced by the Solid Waste Fund.

In October of 2013, the City entered into a \$7,718,880 installment contract with PNC Bank to finance construction of a water tower infrastructure. The financing contract requires principal payments beginning in the fiscal year 2014-2015 with an interest rate of 2.24%. The loan requires interest only payments as well as principal and interest payments. The remaining principal balance owed at June 30, 2015 is \$6,946,992. The loan is serviced by the Water Sewer Fund.

In October of 2013, the City entered into a \$581,120 installment contract with PNC Bank to finance construction of an electric infrastructure. The financing contract requires principal payments beginning in the fiscal year 2014-2015 with an interest rate of 2.24%. The loan requires interest only payments as well as principal and interest payments. The remaining principal balance owed at June 30, 2015 is \$523,008. The loan is serviced by the Electric Fund.

Annual debt service payments of the installment purchases as of June 30, 2015, including \$829,573 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 70,248	\$ 6,587	\$ 1,404,550	\$ 184,521
2017	37,950	5,242	1,380,207	154,702
2018	38,777	4,415	897,743	125,272
2019	39,622	3,570	899,078	105,346
2020	40,486	2,706	900,439	85,392
2021-2025	83,639	2,745	3,332,956	149,075
Total	\$ 310,723	\$ 25,265	\$ 8,814,973	\$ 804,308

At June 30, 2015, the City of Laurinburg had a legal debt margin of \$66,351,924.

c. Changes in Long-term Liabilities

	Beginning Balance July 1, 2014	Increases	Decreases	Ending Balance June 30, 2015	Current Portion of Balance
Governmental activities:					
Financing agreement	\$ 379,479	\$ -	\$ 68,755	\$ 310,724	\$ 70,248
Net pension liability (LGERS)	783,210	-	783,210	-	-
Net pension obligation (LEO)	379,069	-	2,810	376,259	-
Other postemployment benefits	389,410	69,237	-	458,647	-
Compensated absences	239,540	161,813	167,394	233,959	46,792
Governmental activities long-term liabilities	\$ 2,170,708	\$ 231,050	\$ 1,022,169	\$ 1,379,589	\$ 117,040
Business-type activities:					
<u>Electric fund</u>					
Financing agreement	\$ 890,331	\$ -	\$ 161,182	\$ 729,149	\$ 161,183
Net pension liability (LGERS)	176,854	-	176,854	-	-
Other postemployment benefits	86,983	15,925	-	102,908	-
Compensated absences	45,682	40,824	37,305	49,201	10,332
Electric fund activity long-term liabilities	1,199,850	56,749	375,341	881,258	171,515
<u>Water and sewer fund</u>					
Financing agreement	\$ 8,911,691	\$ -	\$ 1,177,672	\$ 7,734,019	\$ 1,178,214
General obligation bonds	289,124	-	289,124	-	-
Net pension liability (LGERS)	164,221	-	164,221	-	-
Other postemployment benefits	88,194	14,540	-	102,734	-
Compensated absences	55,295	44,135	38,443	60,987	12,807
Water and sewer activity long-term liabilities	9,508,525	58,675	1,669,460	7,897,740	1,191,021
<u>Solid waste fund</u>					
Financing agreement	\$ 415,701	\$ -	\$ 63,896	\$ 351,805	\$ 65,153
Net pension liability (LGERS)	138,957	-	138,957	-	-
Other postemployment benefits	107,743	11,770	-	119,513	-
Compensated absences	40,473	38,652	36,573	42,552	8,936
Solid waste activity long-term liabilities	702,874	50,422	239,426	513,870	74,089
Business activity long-term liabilities	\$ 11,411,249	\$ 165,846	\$ 2,284,227	\$ 9,292,868	\$ 1,436,625

Compensated absences typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

Balances due to/from other funds:

Balances due to/from other funds at June 30, 2015, consist of the following:

Water Sewer Fund due from the Electric Fund	697,462
General Fund due from the Electric Fund	1,267,313
Total due from other funds	\$ 1,964,776

A time lag exist for the Electric Fund to pay back the Water Sewer Fund and General Fund for funds utilized by Electric Fund during the year for operating expenses.

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$1,860 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2015. Under State law the local board of trustees for the Fund received an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

	<u>Governmental</u>	<u>Business-Type</u>
<u>Net Investment in Capital Assets</u>		
Capital assets	\$2,672,414	\$43,221,718
Less: Long-term debt	<u>379,479</u>	<u>8,814,973</u>
Net investment in capital assets	<u>\$2,292,935</u>	<u>\$34,406,745</u>

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

<u>Total fund balance - General Fund</u>	<u>3,969,661</u>
Less:	
Stabilization by State Statute	1,521,772
Streets	151,082
Appropriated fund balance in 2015 budget	227,132
<u>Remaining fund balance</u>	<u>2,069,675</u>

IV. Jointly Governed Organization

The City, in conjunction with thirty-one other local governments, is a member of the North Carolina Eastern Municipal Power Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The thirty-two members, which receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2015 were \$14,311,332.

The City, in conjunction with the Town of Maxton, participates in a regional airport. Each participating government appoints three members to the six-member board. The Airport is a jointly governed organization established to facilitate economic expansion within the County and improve the quality of life for its citizens. The Airport has been in existence for many years and is self-sustaining. The City has no financial responsibility for the Airport. The participating governments do not have any equity interest in the organization, so no equity interest has been reflected in the financial statements at June 30, 2015. Complete financial statements for the Airport can be obtained from the Airport's administrative offices at Maxton, North Carolina.

The City, in conjunction with four counties and twenty-two other municipalities, established the Lumber River Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees to the Council during the fiscal year ended June 30, 2015 in the amount of \$5,267.

V. Related Organization

The five-member board of the City of Laurinburg Housing Authority is appointed by the mayor of the City of Laurinburg. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Laurinburg is also disclosed as a related organization in the notes to the financial statements for the City of Laurinburg Housing Authority.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 18, 2015, the date which the financial statements were available to be issued.

VIII. Summary Disclosure of Significant Contingencies

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

IX. Rounding

The financial statements have been rounded to the nearest dollar. This may result in minor differences in subtotals in the statements. Any differences are considered insignificant.

X. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$527,938 and \$323,575, respectively.

Required
Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Postemployment Benefits.
- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employee's Retirement System
- Schedule of Contributions to Local Government Employee's Retirement System

City of Laurinburg, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/09	0	\$ 623,297	\$ 623,297	0%	\$ 1,618,659	38.51%
12/31/10	0	\$ 631,111	\$ 631,111	0%	\$ 1,732,516	36.43%
12/31/11	0	\$ 670,982	\$ 670,982	0%	\$ 1,634,852	41.04%
12/31/12	0	\$ 653,141	\$ 653,141	0%	\$ 1,531,151	42.66%
12/31/13	0	\$ 738,558	\$ 738,558	0%	\$ 1,720,390	42.93%
12/31/14	0	\$ 780,380	\$ 780,380	0%	\$ 1,745,305	44.71%

City of Laurinburg, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contribution

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 57,247	98.85%
2010	\$ 62,878	73.35%
2011	\$ 72,311	35.23%
2012	\$ 72,311	53.66%
2013	\$ 73,474	65.28%
2014	\$ 73,474	107.36%
2015	\$ 93,999	89.09%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost-of living adjustments	N/A

City of Laurinburg, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/08	-	1,778,038	1,778,038	0%	6,230,664	28.5%
12/31/09	-	1,778,038	1,778,038	0%	6,230,664	28.5%
12/31/10	-	1,967,514	1,967,514	0%	6,017,019	32.7%
12/31/11	-	2,200,898	2,200,898	0%	5,881,125	37.4%
12/31/12	-	2,412,328	2,412,328	0%	5,989,136	40.2%
12/31/13	-	2,653,560	2,653,560	0%	5,746,416	46.2%
12/31/14	-	2,069,288	2,069,288	0%	6,092,861	34.0%

City of Laurinburg, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contribution

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2011	192,759	21.55%
2012	192,759	43.50%
2013	204,398	31.37%
2014	210,530	57.00%
2015	216,846	49.15%

City of Laurinburg, North Carolina
 City of Laurinburg's Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 Last Two Fiscal Years*

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Laurinburg's proportion of the net pension liability (asset) (%)	0.11291	0.10479
Laurinburg's proportion of the net pension liability (asset) (\$)	(665,882)	1,263,242
Laurinburg's covered-employee payroll	5,896,860	5,774,114
Laurinburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(11.29)	21.88
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**This will be the sale percentage for all participant employers in the LGERS plan.

City of Laurinburg, North Carolina
 City of Laurinburg's Contributions
 Required Supplementary Information
 Last Two Fiscal Years

Local Government Employee's Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	422,356	410,782
Contributions in relation to the contractually required contribution	<u>422,356</u>	<u>410,782</u>
Contribution deficiency (excess)	-	-
Laurinburg's covered-employee payroll	5,896,860	5,774,114
Contributions as a percentage of covered-employee payroll	7.16%	8.60%

City of Laurinburg, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes		\$ 3,212,306	
Penalties and interest		39,200	
Total	<u>3,314,002</u>	<u>3,251,506</u>	<u>(62,496)</u>
Other taxes and licenses:			
Local option sales tax		942,716	
Animal taxes		1,559	
Privilege licenses		5,980	
Total	<u>1,170,000</u>	<u>950,255</u>	<u>(219,745)</u>
Unrestricted intergovernmental:			
Utility franchise tax		1,161,101	
Beer and wine tax		75,881	
Cable franchise		307,587	
Tax refunds - sales and gasoline		281,639	
Total	<u>1,464,850</u>	<u>1,826,207</u>	<u>361,357</u>
Restricted intergovernmental:			
State government grants		91,553	
Powell Bill allocation		476,930	
Total	<u>1,065,906</u>	<u>568,483</u>	<u>(497,423)</u>
Permits and fees:			
Court fees		4,363	
Inspection fees		8,418	
Total	<u>13,500</u>	<u>12,781</u>	<u>(719)</u>

City of Laurinburg, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Sales and services:			
Fire protection		104,693	
Cemetery lots		49,327	
Total	<u>111,000</u>	<u>154,020</u>	<u>43,020</u>
Investment earnings	2,000	449	(1,551)
Miscellaneous:			
Sale of materials and other assets		340	
Concessions and rentals		11,282	
Other		244,822	
Total	<u>216,960</u>	<u>256,444</u>	<u>39,484</u>
Total revenues	<u>7,358,218</u>	<u>7,020,145</u>	<u>(338,073)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		99,402	
Membership dues and subscriptions		23,267	
Other operating expenditures		29,467	
Reimbursement-proprietary funds		(141,798)	
Total	<u>47,722</u>	<u>10,339</u>	<u>37,384</u>
Administration:			
Salaries and employee benefits		190,572	
Other operating expenditures		38,692	
Reimbursement-proprietary funds		(195,768)	
Total	<u>72,406</u>	<u>33,496</u>	<u>38,910</u>

City of Laurinburg, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Personnel/safety:			
Salaries and employee benefits		111,080	
Other operating expenditures		47,394	
Reimbursement-proprietary funds		(142,740)	
Total	52,056	15,734	36,322
Finance:			
Salaries and employee benefits		261,110	
Other operating expenditures		41,279	
Reimbursement-proprietary funds		(227,986)	
Total	107,768	74,403	33,365
Tax:			
Salaries and employee benefits		63,907	
Collection fees		493	
Other operating expenditures		18,229	
Total	101,463	82,629	18,834
Public buildings:			
Salaries and employee benefits		31,554	
Other operating expenditures		37,682	
Total	73,122	69,236	3,886
Information technology:			
Salaries and employee benefits		56,097	
Other operating expenditures		7,816	
Reimbursement-proprietary funds		(55,157)	
Total	18,756	8,755	10,001
Total general government	473,294	294,592	178,702

City of Laurinburg, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Community development:			
Administration:			
Salaries and employee benefits		98,888	
Other operating expenditures		94,642	
Contributions to local organizations		168,500	
Total	372,672	362,029	10,643
Planning:			
Salaries and employee benefits		63,017	
Other operating expenditures		37,631	
Total	132,977	100,648	32,329
Engineering:			
Salaries and employee benefits		81,339	
Other operating expenditures		20,919	
Reimbursement-proprietary funds		(87,550)	
Total	33,385	14,708	18,677
Beautification:			
Salaries and employee benefits		161,482	
Other operating expenditures		69,500	
Capital outlay		40,679	
Total	288,012	271,661	16,351
Total community development	827,046	749,047	77,999

City of Laurinburg, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Public safety:			
Police:			
Salaries and employee benefits		2,432,654	
Vehicle maintenance		149,182	
Other operating expenditures		346,509	
Capital outlay		120,800	
Total	<u>3,425,938</u>	<u>3,049,144</u>	<u>376,794</u>
Fire:			
Salaries and employee benefits		428,645	
Vehicle maintenance		40,293	
Other operating expenditures		263,217	
Capital outlay		5,975	
Total	<u>792,975</u>	<u>738,130</u>	<u>54,845</u>
Rescue units:			
Operating expenditures		36,368	
Capital outlay		17,220	
Total	<u>57,050</u>	<u>53,588</u>	<u>3,462</u>
Total public safety	<u>4,275,964</u>	<u>3,840,863</u>	<u>435,101</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		322,025	
Other operating expenditures		245,695	
Capital outlay		88,062	
Total	<u>1,433,337</u>	<u>655,781</u>	<u>777,556</u>

City of Laurinburg, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Public works:			
Administration:			
Salaries and employee benefits		66,494	
Other operating expenditures		12,949	
Total	<u>93,730</u>	<u>79,443</u>	<u>14,287</u>
Storm drainage:			
Salaries and employee benefits		108,359	
Other operating expenditures		111,458	
Total	<u>232,156</u>	<u>219,817</u>	<u>12,339</u>
Garage:			
Salaries and employee benefits		309,003	
Other operating expenditures		68,812	
Total	<u>379,050</u>	<u>377,815</u>	<u>1,235</u>
Total public works	<u>704,936</u>	<u>677,074</u>	<u>27,862</u>
Animal control:			
Salaries and employee benefits		55,039	
Other operating expenditures		7,314	
Total	<u>73,179</u>	<u>62,353</u>	<u>10,826</u>

City of Laurinburg, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Cemetery:			
Salaries and employee benefits		109,893	
Other operating expenditures		35,038	
Capital outlay		130,726	
Total	<u>293,294</u>	<u>275,656</u>	<u>17,638</u>
Debt service:			
Principal retirement		68,755	
Interest and other charges		8,080	
Total	<u>76,835</u>	<u>76,835</u>	-
Total expenditures	<u>8,157,885</u>	<u>6,632,201</u>	<u>1,525,683</u>
Revenues over (under) expenditures	(799,667)	387,944	1,187,610
Other financing sources:			
Transfers from other funds:			
Enterprise funds:			
Solid waste	<u>10,406</u>	-	<u>(10,406)</u>
Total other financing sources	<u>\$ 10,406</u>	<u>\$ -</u>	<u>\$ (10,406)</u>
Fund balance appropriated	<u>\$ 789,261</u>		<u>\$ 789,261</u>
Net change in fund balance	<u>\$ -</u>	387,944	<u>\$ 387,943</u>
Fund balances:			
Beginning of year, July 1		<u>3,581,717</u>	
End of year, June 30		<u>\$ 3,969,661</u>	

City of Laurinburg, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Special Revenue Fund	Grant Project Funds		Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	Total Nonmajor Grant Project Funds	Cemetery Permanent Fund	
Revenues:				
Sales and services	\$ -	\$ -	\$ 14,781	\$ 14,781
Interest	7	7	40	47
Total revenues	7	7	14,821	14,828
Expenditures:				
Current:				
Public safety - personnel	35,014	35,014	-	35,014
Total expenditures	35,014	35,014	-	35,014
Revenues over (under) expenditures	(35,007)	(35,007)	14,821	(20,186)
Other financing (uses)				
None	-	-	-	-
Net change in fund balance	(35,007)	(35,007)	14,821	(20,186)
Fund balances:				
Fund balance beginning of year	35,007	35,007	340,352	375,359
Fund balance end of year-June 30	\$ -	\$ -	\$ 355,173	\$ 355,173

City of Laurinburg, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2015

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Year</u>	<u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Other grants	\$ 34,860	\$ 34,860	\$ -	\$ 34,860	\$ -
Interest	<u>-</u>	<u>147</u>	<u>7</u>	<u>154</u>	<u>154</u>
Total revenues	34,860	35,007	7	35,014	154
Expenditures:					
Public safety - personnel	<u>34,860</u>	<u>-</u>	<u>35,014</u>	<u>\$ 35,014</u>	<u>(154)</u>
Total expenditures	34,860	-	35,014	\$ 35,014	(154)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 35,007</u>	<u>(35,007)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning			<u>35,007</u>		
Fund balances-ending			<u>\$ -</u>		

City of Laurinburg, North Carolina
Electric Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales		\$15,661,314	
Municipal usage		714,717	
Fiber optic rental		345,349	
Other operating revenues		186,145	
Total operating revenues	<u>17,422,463</u>	<u>16,907,526</u>	<u>(514,937)</u>
Nonoperating revenues:			
Interest earnings		8,074	
Gain on sale of fixed assets		1,487	
Total nonoperating revenues	<u>1,001</u>	<u>9,560</u>	<u>8,559</u>
Total revenues	<u>17,423,464</u>	<u>16,917,086</u>	<u>(506,378)</u>
Expenditures:			
Administration:			
Salaries & employee benefits		110,056	
Supplies		2,006	
Utilities		393	
Management fees		377,159	
Other operating expenditures		82,255	
Total	<u>661,840</u>	<u>571,869</u>	<u>89,971</u>
Consumer billing and receiving:			
Salaries & employee benefits		238,621	
Maintenance		38,048	
Other operating expenditures		118,317	
Total	<u>399,015</u>	<u>394,987</u>	<u>4,028</u>
Electrical operations:			
Salaries & employee benefits		464,310	
Supplies		32,619	
Contracted maintenance		215,292	
Vehicle maintenance		48,092	
Utilities		9,180	
Other operating expenditures		582,132	
Total	<u>1,481,438</u>	<u>1,351,627</u>	<u>129,811</u>

City of Laurinburg, North Carolina
Electric Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2015

	2015		Variance
	Budget	Actual	Positive (Negative)
Debt Service:			
Interest expense		18,457	
Principal retirement		161,182	
Total	179,639	179,639	-
Electrical power purchases	14,346,492	14,311,332	35,160
Capital outlay:			
Electrical fiber		106,139	
Electrical operations		248,901	
Total	355,040	355,040	-
Total expenditures	17,423,464	17,164,493	258,971
Revenues (under) expenditures	-	(247,407)	(247,407)
Other financing sources:			
Payment from affiliate	-	68,648	68,648
Total other financing sources	-	68,648	68,648
Revenues (under) expenditures and other financing sources	\$ -	\$ (178,759)	\$ (178,759)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		161,182	
Payment received on loan to affiliate		(68,648)	
Capitalized interest during construction		12,366	
Capital outlay		355,040	
Bad debts		(199,439)	
(Increase) in accrued vacation		(3,519)	
Depreciation		(410,833)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		41,732	
Pension expense		(7,634)	
(Increase) in accrued OPEB liability		(15,925)	
Total		(135,678)	
Change in net assets		\$ (314,437)	

City of Laurinburg, North Carolina
Water and Sewer Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Capital outlay:			
Water extensions:			
Water treatment and distribution		164,479	
Waste production		32,571	
Waste collection and treatment		622,042	
Total capital outlay	819,092	819,092	-
Total expenditures	7,452,966	5,795,073	1,657,892
Revenues (under) expenditures	(2,846,866)	(992,503)	1,854,362
Fund balance appropriated	2,846,866	-	2,846,866
Revenues (under) expenditures	\$ -	(992,503)	\$ (992,503)
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Revenues (under) expenditures		\$ (992,503)	
Reconciling items:			
Principal retirement		1,466,796	
Bad debts		(165,667)	
Capital outlay		819,092	
Capitalized interest during construction		164,258	
Capital contributions		1,000,000	
(Increase) in accrued vacation pay		(5,692)	
Depreciation		(1,327,667)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		73,323	
Pension expense		(7,089)	
(Increase) in accrued OPEB liability		(14,540)	
Total reconciling items		2,002,815	
Net income		\$ 1,010,311	

City of Laurinburg, North Carolina
Solid Waste Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services:			
Sales:			
Residential		\$ 1,373,687	
Commercial and industrial		798,252	
Total	2,135,999	2,171,938	(35,939)
Other operating income	95,000	47,107	(47,893)
Total operating income	2,230,999	2,219,045	(11,954)
Nonoperating revenues:			
Interest earnings		7	
Gain on sale of assets		1,834	
Total nonoperating revenues	5,050	1,841	(3,210)
Total revenues	2,236,049	2,220,886	(15,163)
Expenditures:			
Solid waste operations:			
Salaries and employee benefits		869,802	
Contracted services		2,159	
Supplies		8,871	
Tipping fee		636,405	
Maintenance		275,062	
Utilities		3,298	
Management fees		96,681	
Other operating expenditures		82,882	
Total	2,081,180	1,975,159	106,021
Debt service:			
Interest expense		8,271	
Principal retirement		63,896	
	72,167	72,167	-
Capital outlay:			
Equipment	266,102	266,102	-
Total expenditures	2,419,449	2,313,428	106,021
Revenues (under) expenditures	(183,400)	(92,543)	90,857

City of Laurinburg, North Carolina
Solid Waste Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Fund balance appropriated	183,400	-	183,400
Revenues and other sources (under)			
expenditures and other financing sources	\$ -	(92,543)	\$ (92,543)
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Revenues and other sources (under) expenditures and other uses		(92,543)	
Reconciling items:			
Principal retirement		63,896	
Bad debts		(52,194)	
Capital outlay		266,102	
(Increase) in accrued vacation pay		(3,900)	
Depreciation		(198,415)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		45,071	
Pension expense		(5,998)	
(Increase) in accrued OPEB liability		(11,770)	
Total reconciling items		102,792	
Net income		\$ 10,249	

City of Laurinburg
Electric Capital Project
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Electric Project:					
Restricted intergovernmental:					
None	-	-	-	-	-
Total	-	-	-	-	-
Expenditures-Electric Project:					
Engineering	105,000	102,018	28,296	130,314	(25,314)
Construction	476,120	375,973	-	375,973	-
Total expenditures	581,120	477,991	28,296	506,287	74,833
Revenues (under) expenditures	(581,120)	(477,991)	(28,296)	(506,287)	74,833
Other financing sources:					
Installment financing	581,120	581,120	-	581,120	-
Total other sources	581,120	581,120	-	581,120	-
Revenues and other sources over (under) expenditures	(1,162,240)	103,129	(28,296)	74,833	74,833

City of Laurinburg, North Carolina
Water-Sewer Capital Project Fund - FCC Capital Project
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u>		<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
			<u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	
Revenues-water-sewer project:					
Restricted intergovernmental:					
Golden leaf grant	1,000,000	-	1,000,000	1,000,000	-
Local grant	2,050,000	1,500,000	-	1,500,000	(550,000)
Investment earnings	-	512	-	512	512
Total revenues	<u>3,050,000</u>	<u>1,500,512</u>	<u>1,000,000</u>	<u>2,500,512</u>	<u>(549,488)</u>
Expenditures-water-sewer project:					
Sewer construction	4,067,118	2,525,752	1,593,512	4,119,264	(52,146)
Engineering/design	1,060,000	1,383,986	1,067,313	2,451,299	(1,391,299)
Water construction	3,374,761	2,396,104	404,442	2,800,546	574,215
Sewer line	1,757,001	-	255,361	255,361	1,501,640
Well construction	510,000	59,700	18,375	78,075	431,925
Total expenditures	<u>10,768,880</u>	<u>6,365,542</u>	<u>3,339,003</u>	<u>9,704,545</u>	<u>1,064,335</u>
Revenues (under) expenditures	<u>(7,718,880)</u>	<u>(4,865,030)</u>	<u>(2,339,003)</u>	<u>(7,204,033)</u>	<u>514,847</u>
Other financing sources:					
Installment financing	7,718,880	7,718,880	-	7,718,880	-
Total other sources	<u>7,718,880</u>	<u>7,718,880</u>	<u>-</u>	<u>7,718,880</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>2,853,850</u>	<u>(2,339,003)</u>	<u>514,847</u>	<u>514,847</u>

City of Laurinburg, North Carolina
Agency Fund
Combining Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
Scotland County-Water Districts				
Assets:				
Cash	<u>\$ 87,028</u>	<u>\$ 1,053,624</u>	<u>\$ 1,056,258</u>	<u>\$ 84,394</u>
Liabilities:				
Intergovernmental	<u>\$ 87,028</u>	<u>\$ 1,053,624</u>	<u>\$ 1,056,258</u>	<u>\$ 84,394</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

- **Schedule of Ad Valorem Taxes Receivable**
- **Analysis of Current Tax Levy**

City of Laurinburg, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Addition</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 3,317,596	\$ 3,118,736	\$ 198,860
2013-2014	184,448	(1,325)	70,522	112,601
2012-2013	122,855	(430)	31,196	91,229
2011-2012	90,192	(338)	20,065	69,789
2010-2011	57,968	49	8,312	49,705
2009-2010	47,303	67	4,562	42,808
2008-2009	39,660	(106)	2,930	36,624
2007-2008	32,190	(110)	2,101	29,979
2006-2007	21,196	(110)	1,383	19,703
2005-2006	18,908	(156)	460	18,292
Special	-	-	-	-
	<u>\$ 614,720</u>	<u>\$ 3,315,137</u>	<u>\$ 3,260,267</u>	<u>\$ 669,590</u>

Less: allowance for uncollectible accounts

General Fund

180,000

Ad valorem taxes receivable - net

\$ 489,590

Reconcilement with revenues:

Ad valorem taxes - General Fund

3,251,506

Reconciling items:

Penalties and interest collected

(39,200)

Discounts allowed

16,399

Taxes written off

31,561

Subtotal

8,760

Total collections and credits

\$ 3,260,266

City of Laurinburg, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For the Fiscal Year Ended June 30, 2015

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current	\$ 818,460,250	.40	\$ 3,273,841	\$ 2,913,507	\$ 360,334
Total	<u>818,460,250</u>	<u>.40</u>	<u>3,273,841</u>	<u>2,913,507</u>	<u>\$ 360,334</u>
Discoveries	15,302,589	.40	61,210	61,210	-
Abatements	(4,363,788)	.40	(17,455)	(17,455)	-
Total property valuation	<u>\$ 829,399,051</u>		3,317,596	2,957,262	360,334
Net levy			3,317,596	2,957,262	360,334
Uncollected taxes at June 30, 2015			198,860	166,514	32,346
Current year's taxes collected			<u>\$ 3,118,736</u>	<u>\$ 2,790,748</u>	<u>\$ 327,988</u>
Current levy collection percentage			94.01%	94.37%	91.02%

COMPLIANCE SECTION

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Certified Public Accountants

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**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards**

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Laurinburg, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the [accompanying] financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laurinburg, North Carolina, as of and for the year ended June 30, 2015 [not presented here], and the related notes to the financial statements, which collectively comprises the City of Laurinburg's basic financial statements, and have issued our report thereon dated November 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Laurinburg's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Laurinburg's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness and significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness. Finding 2015-1.

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. We consider the deficiency described in the Schedule of Findings and Responses to be a significant deficiency. Finding 2015-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Laurinburg's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Laurinburg's Response to Findings

The City of Laurinburg's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parker, Wagoner + Roche, PLLC
PARKER, WAGONER & ROCHE, PLLC
Laurinburg, North Carolina
November 18, 2015

City of Laurinburg, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2015

Section II - Financial Statement Findings

Finding: 15-1

Material Weakness

Financial statement preparation and journal entries completed by Independent Auditor.

Criteria: Management should have a system in place to prepare accurate journal entries and reduce the likelihood of errors in financial reporting.

Condition: Conditions necessitating the entity's auditor to provide assistance preparing the financial statements and journal entries to correct accounts and prevent errors in the financial statements are at least indicative of a significant deficiency. The independent accountant substantially prepares the financial statements and proposes material journal entries in order for the financial statements to be accurate.

Effect: Errors could pass through the financial statements undetected, delays in the independent audit can occur.

Cause: Accounting personnel lack experience necessary to prepare the financial statements.

Recommendation: Accounting personnel should obtain experience preparing financial statements and material journal entries should be properly posted before start of independent audit.

Views of responsible officials and planned corrective actions: The City agrees with this finding. Accounting personnel will continue to obtain the necessary experience to prepare journal entries and financial statements. However, the cost of acquiring the technical expertise to comply with the financial reporting requirements under the full accrual, full disclosure requirements is not cost beneficial. Management and accounting personnel will continue to review the financial statements and journal entries posted by the independent auditor in order to provide assurance of accuracy. Currently, the City has employed a part-time finance officer and is actively searching for a fulltime finance officer.

Finding: 15-2

Significant Deficiency

Criteria: Appropriated fund balance should be equal to or less than the sum of cash and investments less the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as of the close of the fiscal year next preceding the budget year.

Condition: In the Water, Sewer and Solid Waste Funds, fund balance was appropriated for fiscal year June 30, 2015 when there was none available to appropriate which is a violation of General Statute Reference 159-8(a).

Effect: Budgetary violations occurred.

Cause: Oversight during budget process.

Recommendation: Better oversight is needed during the budget process to ensure excess appropriations are not budgeted.

Views of responsible officials and planned corrective actions: The City of Laurinburg agrees with the finding and will implement procedures to ensure excess appropriations are not budgeted.

City of Laurinburg, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2015

Section II - Financial Statement Findings

Finding: 14-1

Name of Contact Person: Carrie Neal, Acting Finance Officer.

Corrective Action: Accounting personnel will continue to obtain the experience necessary to prepare or accurately interpret the information in the financial statements. Management and accounting personnel will continue to review the auditor prepared financial statements and journal entries for errors.

Proposed Completion Date: Immediately.

Finding: 14-2

Name of Contact Person: Carrie Neal, Acting Finance Officer.

Corrective Action: Management will review the proposed budget before it is adopted to ensure appropriated fund balance does not exceed available funds available. For fiscal year June 30, 2016 this procedure was implemented.

City of Laurinburg, North Carolina
Summary of Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2015

Financial Statement Findings

Finding 14-1

Status: Journal entries of material amounts are still needed to correct accounts and financial statements are prepared by Independent Accountant. See Finding 15-1.

Finding 14-2

See Finding 15-2.

