

Statement of
CITY OF LAURINBURG
Laurinburg, North Carolina
June 30, 2014

City of Laurinburg, North Carolina
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June 30, 2014

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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, 2014, 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, 2014, 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 and the Law Enforcement Officers' and the Other Post Employment Benefit's and Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 38 through 42 and 49 through 52, 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 introductory information, 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 11, 2014 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.

Gustaf C. Lundin & Company, LLP

GUSTAF C. LUNDIN & COMPANY, LLP

Laurinburg, North Carolina

November 11, 2014

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, 2014. 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

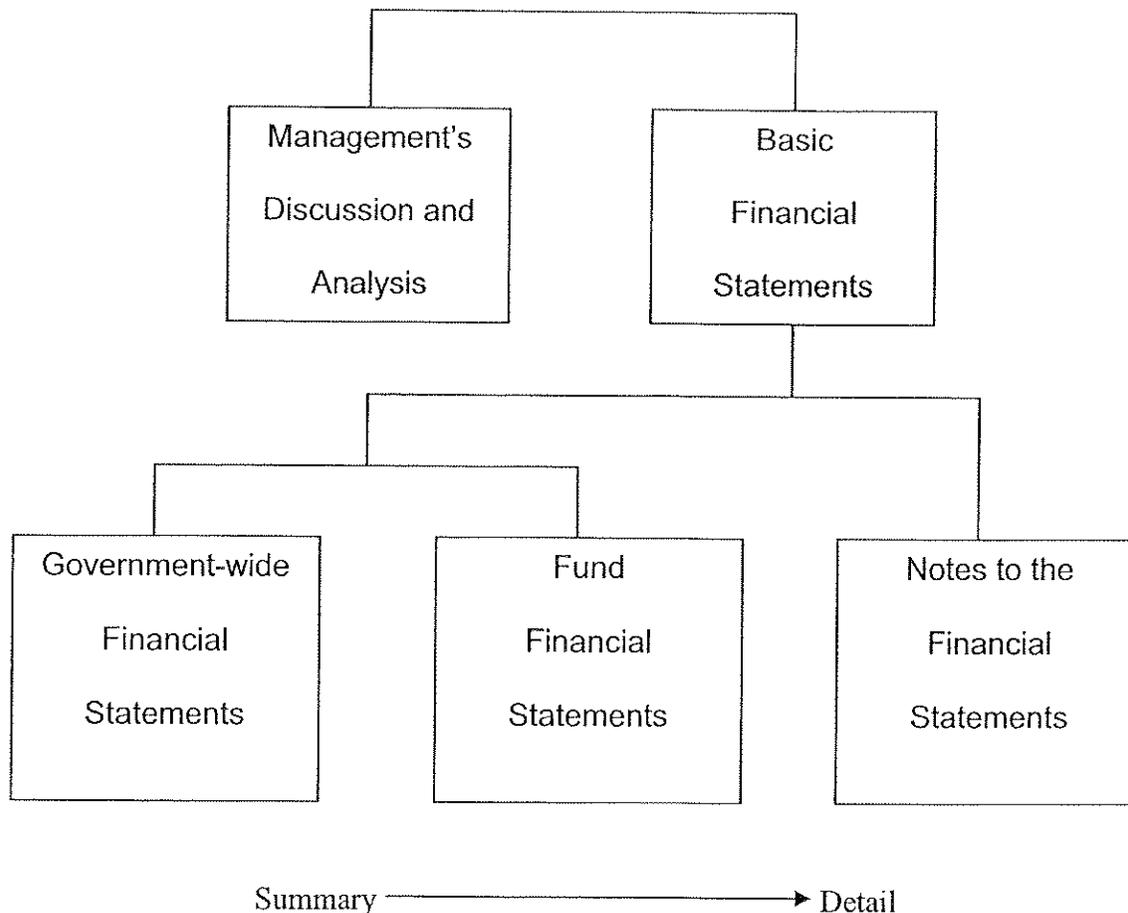
- The assets of the City of Laurinburg exceeded its liabilities at the close of the fiscal year by \$39,666,446 (*net position*).
- The government's total net position decreased by \$(335,717) primarily due to increased expenditures in the enterprise funds and general fund.
- As of the close of the current fiscal year, the City of Laurinburg's governmental funds reported combined ending fund balances of \$3,957,076 a decrease of \$74,600. Approximately 34.93% of this total amount or \$1,382,369 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,574,707 or 37.30% percent of total general fund expenditures for the fiscal year.
- The City of Laurinburg's total debt increased by \$7,574,290, 99.69% during the current fiscal year. The key factor in this is on the increase debt incurred for the water sewer and electric fund projects during the year.
- The City of Laurinburg maintained its Baa1 bond rating. The rating was published July 21, 2009.
- The City is currently in the process of expanding its water and electric operations to a local company that is expanding their operations (See Enterprise Funds capital projects). The investment is expected to be \$11,350,000 and is expected to be completed in fiscal 2015.

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 26-48 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 49 of this report.**

The City of Laurinburg's Net Position
 Figure 2

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,013,382	\$ 4,898,062	\$ 6,795,738	\$ 5,011,480	\$ 11,809,120	\$ 9,909,542
Capital assets	<u>2,718,590</u>	<u>2,546,117</u>	<u>40,174,479</u>	<u>35,152,231</u>	<u>42,893,069</u>	<u>37,698,348</u>
Total assets	<u>7,731,972</u>	<u>7,444,179</u>	<u>46,970,217</u>	<u>40,163,711</u>	<u>54,702,189</u>	<u>47,607,890</u>
Long-term liabilities outstanding	1,268,440	1,283,535	9,197,681	2,575,176	10,466,121	3,858,711
Other liabilities	294,937	360,854	4,411,301	3,378,504	4,706,238	3,739,358
Deferred inflows of resources	<u>8,649</u>	<u>7,657</u>	-	-	<u>8,649</u>	<u>7,657</u>
Total liabilities	<u>1,572,026</u>	<u>1,652,046</u>	<u>13,608,982</u>	<u>5,953,680</u>	<u>15,181,008</u>	<u>7,605,726</u>
Net position:						
Net investment in capital assets	2,339,111	2,062,427	29,667,207	31,862,041	32,006,318	33,924,468
Restricted	720,108	1,018,325	-	-	720,108	1,018,325
Unrestricted	<u>3,100,727</u>	<u>2,711,381</u>	<u>3,839,293</u>	<u>2,347,990</u>	<u>6,940,020</u>	<u>5,059,371</u>
Total net position	<u>\$ 6,159,946</u>	<u>\$ 5,792,133</u>	<u>\$ 33,506,500</u>	<u>\$ 34,210,031</u>	<u>\$ 39,666,446</u>	<u>\$ 40,002,164</u>

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 \$39,666,446 as of June 30, 2014. The City's net position decreased by \$335,717 for the fiscal year ended June 30, 2014. However, the largest portion 80.69% 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 1.82% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,940,020 is unrestricted.

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.

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

City of Laurinburg Changes in Net Position
Figure 3

CITY OF LAURINBURG'S CHANGES IN NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 600,368	\$ 226,075	\$ 22,783,314	\$ 22,971,034	\$ 23,383,682	\$ 23,197,109
Operating grants and contributions	536,529	844,281	-	40,000	536,529	884,281
Capital grants and contributions	216,540	-	1,251,137	249,375	1,467,677	249,375
General revenues:						
Property taxes	3,367,649	3,178,969	-	-	3,367,649	3,178,969
Other taxes	2,523,159	2,546,541	-	-	2,523,159	2,546,541
Other	126,025	177,014	443,563	53,478	569,588	230,492
Total revenues	<u>7,370,270</u>	<u>6,972,880</u>	<u>24,478,014</u>	<u>23,313,887</u>	<u>31,848,284</u>	<u>30,286,767</u>
Expenses:						
General government	602,034	743,046	-	-	602,034	743,046
Public safety	3,986,927	3,908,570	-	-	3,986,927	3,908,570
Public works	713,408	772,395	-	-	713,408	772,395
Transportation	614,572	592,240	-	-	614,572	592,240
Animal control	135,818	132,809	-	-	135,818	132,809
Cemetery	214,772	225,840	-	-	214,772	225,840
Community development	724,671	931,794	-	-	724,671	931,794
Electric	-	-	17,399,900	17,606,989	17,399,900	17,606,989
Water and sewer	-	-	5,179,512	4,912,950	5,179,512	4,912,950
Interest on long-term debt	10,254	14,596	62,036	81,966	72,290	96,562
Solid waste	-	-	2,140,657	2,259,594	2,140,657	2,259,594
Total expenses	<u>7,002,456</u>	<u>7,321,290</u>	<u>24,782,105</u>	<u>24,861,499</u>	<u>31,784,561</u>	<u>32,182,789</u>
Increase (decrease) in net position						
before transfers	367,814	(348,410)	(304,091)	(1,547,612)	63,723	(240,368)
Transfers	-	414,057	-	(414,057)	-	-
Extraordinary (loss on impairment)	-	-	(399,440)	-	(399,440)	-
(Decrease) increase in net position	367,814	65,647	(703,531)	(1,961,669)	(335,717)	(1,896,022)
Net position, July 1 (consolidated)	<u>5,792,133</u>	<u>5,726,486</u>	<u>34,210,031</u>	<u>36,171,700</u>	<u>40,002,164</u>	<u>41,898,186</u>
Net assets, June 30	<u>\$ 6,159,946</u>	<u>\$ 5,792,133</u>	<u>\$ 33,506,500</u>	<u>\$ 34,210,031</u>	<u>\$ 39,666,446</u>	<u>\$ 40,002,164</u>

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

Governmental activities. Governmental activities increased the City's governmental net position by \$367,814. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Increased efforts to maximize tax collections also contributed to the favorable net position.

Business-type activities: Business-type activities decreased the City of Laurinburg's net position by \$703,531. The key elements of this decrease are as follows:

- Impairment on assets resulted in a decrease of \$399,440.
- The City received \$1,251,137 in capital grants during the year to assist in construction of water and sewer lines as well as electric services to a local company. The City believes the investment in the project will provide returns to the City by the end of the 2015 fiscal year.

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 \$3,321,443, while total fund balance reached \$3,581,717. The governing body of the City of Laurinburg strives to keep the available fund balance at a level of 20% 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 48.11% of general fund expenditures, while total fund balance represents 51.88% of the same amount.

At June 30, 2014, the governmental funds of City of Laurinburg reported a combined fund balance of \$3,957,076 with a net decrease in fund balance of \$165,678. Included in this change in fund balance are a decrease in fund balance in the General Fund and Capital Project Fund and an increase in the Perpetual Cemetery 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 \$4,498,610 and those for the Electric Fund amounted to \$(846,737), and those for the Solid Waste Fund amounted to \$186,995. 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, 2014 totals \$42,893,069 (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:

- Electrical Systems \$626,458.
- Substation Equipment \$103,666.
- Construction of Water Mains \$7,897,464.
- Vehicles \$440,744.

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

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 280,014	\$ 280,014	\$ 291,931	\$ 253,834	\$ 571,945	\$ 533,848
Other non depreciable assets	-	-	-	1,730,472	-	1,730,472
Construction in progress	-	-	7,033,150	249,375	7,033,150	249,375
Buildings and system	520,066	297,482	31,003,905	30,625,714	31,523,971	30,923,196
Improvements other than buildings	66,831	183,698	-	-	66,831	183,698
Machinery and equipment	597,656	234,940	623,094	1,121,901	1,220,750	1,356,841
Infrastructure	489,229	525,754	-	-	489,229	525,754
Vehicles and motorized equipment	764,795	1,024,229	1,222,399	1,170,935	1,987,194	2,195,164
	<u>\$ 2,718,591</u>	<u>\$ 2,546,117</u>	<u>\$ 40,174,478</u>	<u>\$ 35,152,231</u>	<u>\$ 42,893,070</u>	<u>\$ 37,698,348</u>

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

Long-term Debt. As of June 30, 2014, the City of Laurinburg had total bonded debt outstanding of \$289,124. This debt is backed by the full faith and credit of the City.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ -	\$ 289,124	\$ 744,628	\$ 289,124	\$ 744,628
Pension related debt	379,069	396,970	-	-	379,069	396,970
Total	<u>\$ 379,069</u>	<u>\$ 396,970</u>	<u>\$ 289,124</u>	<u>\$ 744,628</u>	<u>\$ 668,193</u>	<u>\$ 1,141,598</u>

City of Laurinburg's Outstanding Debt

The City of Laurinburg's total debt increased by \$7,189,911, 140% 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.

Additional information regarding the City's long-term debt can be found in Note 5-a beginning on Page 43 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 began construction of infrastructure for the enterprise funds. This construction will extend water, sewer, electrical and fiber optic services and install 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 2014 budget the City is approximately 80% complete with a target date in the 2014-2015 budget year. \$3,050,000 of grant money was obtained through joint efforts of the Economic Development, Scotland County and the City of Laurinburg. This project will increase revenues in the general fund by increasing the tax base as well as all the enterprise funds through increased services.

In the prior year, the City had an expansion to the state of the art nursing & rehabilitation facility, Scottish Pines. This expansion is approximately 19,000 square feet and is expected to house patients from the current Morgan Center Nursing Home.

In the prior year, the City of Laurinburg welcomed two new retail stores and two new service stores to its community. In the coming year, the City expects to bring one new retail business. The business is expected to employ between 12-15 part-time jobs.

The City continues to support the downtown area through contributions and in kind services to help attract businesses to the downtown locations. The city manager, one staff member and one council member are voting delegates on the Laurinburg Downtown Revitalization Committee. The downtown has taken over the farmer's market project to showcase local vendors and promote healthier living for the citizens in the community. This group is in the process of doing Phase II to upgrade the appearance of some of the town structures. Preservation NC in conjunction with LDRC is working on reinventing or developing an old abandoned structure on Main Street (Market Furniture).

The City of Laurinburg, Scotland County, LDRC and the Scotland County School Systems are partnering to demolish and refurbish property located on the corner of Main and Church Street. 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 began the process of erecting beautiful new lighted signs and landscaping at entrance ways into the City limits. The City is in the process of completing the six new signs. This project costs approximately \$50,000 and is in conjunction with the lighting on Highway 74 that was completed in the past year. This emphasizes on establishing a welcoming appearance to help promote our community and retail establishments.

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

The City has been awarded a \$75,000 grant from the Urgency Repair NC Housing Finance. This grant will aid in the repairs of housing for elderly, disabled and low income homes within the city limits. The City is working diligently to help residents to secure funds to maintain their homes.

The City's Electric/Fiber Department began expansion to the fiber network in the past year. The total estimated cost of the project will be \$276,000 and will be completed in the 2015 budget year. This will improve the redundancy of the current fiber and expand the fiber loop in the county to allow for an increase in revenues through the expansion of our customers.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental activities: Property tax rate remains at \$.40 per \$100 evaluation.

Budgeted expenditures in the General Fund are expected to decrease by \$415,755. To continue to be good stewards of funds the City has elected to reduce expenditure for the General Fund. Part of this reduction comes from the eliminating of a management trainee position, reduction in building maintenance and careful selections of new capital purchases. This fund did provide for funding for a new IT position, beautification projects, completion of Phase I and II of the cemetery, completion of a NCDOT bridge, Carver Street Culvert, replacing police cars and erecting a fire tower.

Business-type Activities: There is no projected increase in the Electric or Water/Sewer Funds rates. There are no increases in the Solid Waste fees for residential or commercial rates.

Request for Information

This report is designed to provide an 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, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 3,761,847	\$ 1,201,864	\$ 4,963,711
Receivables (net)	850,209	2,269,030	3,119,239
Due from other governments	260,263	1,500,000	1,760,263
Notes receivable	-	30,423	30,423
Inventories	21,581	1,101,595	1,123,176
Restricted cash	119,482	692,826	812,308
Total current assets	5,013,382	6,795,738	11,809,120
Non-current assets:			
Notes receivable	-	145,265	145,265
Capital assets:			
Land, improvements, and construction in progress	280,014	7,325,081	7,605,095
Other capital assets, net of depreciation	2,438,576	32,849,398	35,287,974
Total capital assets	2,718,590	40,174,479	42,893,069
Total assets	\$ 7,731,972	\$ 47,115,482	\$ 54,847,454
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 175,879	\$ 1,984,939	\$ 2,160,818
Unearned revenue	-	692,826	692,826
Current portion of long-term liabilities	119,058	1,733,536	1,852,594
Total current liabilities	294,937	4,411,301	4,706,238
Long-term liabilities:			
Due in more than one year	1,268,440	9,197,681	10,466,121
Total liabilities	\$ 1,563,377	\$ 13,608,982	\$ 15,172,359
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	8,649	-	8,649
Total deferred inflows of resources	8,649	-	8,649
NET POSITION			
Net investment in capital assets	2,339,111	29,667,632	32,006,743
Restricted for:			
Cemetery perpetual care	340,352	-	340,352
Stabilization by state statute	260,274	-	260,274
Streets	47,475	-	47,475
911 funds	35,007	-	35,007
Economic development	37,000	-	37,000
Unrestricted	3,100,727	3,838,868	6,939,595
Total net position	\$ 6,159,946	\$ 33,506,500	\$ 39,666,446

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, 2014

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	\$ 602,034	\$ 451,085	\$ -	\$ 216,540	\$ 65,591	\$ -	\$ 65,591
Public safety	3,986,927	49,916	-	-	(3,937,011)	-	(3,937,011)
Public works	713,408	-	-	-	(713,408)	-	(713,408)
Transportation	614,572	-	475,441	-	(139,131)	-	(139,131)
Animal control	135,818	-	-	-	(135,818)	-	(135,818)
Cemetery	214,772	71,364	-	-	(143,408)	-	(143,408)
Community development	724,671	28,003	61,088	-	(635,580)	-	(635,580)
Interest on long-term debt	10,254	-	-	-	(10,254)	-	(10,254)
Total governmental activities	7,002,456	600,368	536,529	216,540	(5,649,019)	-	(5,649,019)
Business-type activities:							
Electric	17,408,022	16,304,002	-	-	-	(1,104,020)	(1,104,020)
Water and sewer	5,223,210	4,293,696	-	1,251,137	-	321,623	321,623
Solid waste	2,150,873	2,185,616	-	-	-	34,743	34,743
Total business-type activities	24,782,105	22,783,314	-	1,251,137	-	(747,654)	(747,654)
Total primary government	\$ 31,784,561	\$ 23,383,682	\$ 536,529	\$ 1,467,677	\$ (5,649,019)	\$ (747,654)	\$ (6,396,673)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,367,649	-	3,367,649
Other taxes					2,523,159	-	2,523,159
Unrestricted investment earnings					1,421	9,515	10,936
Miscellaneous					124,604	434,048	558,652
Extraordinary item: impairment (loss)					-	(399,440)	(399,440)
Total general revenues not including transfers					6,016,833	44,123	6,060,956
Transfers					-	-	-
Total general revenues, special items, and transfers					6,016,833	44,123	6,060,956
Change in net position					367,814	(703,531)	(335,717)
Net position beginning					5,792,133	34,210,031	40,002,164
Net position ending					\$ 6,159,947	\$ 33,506,500	\$ 39,666,447

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

City of Laurinburg, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds General	Total Non-Major Fund	Total Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,421,495	\$ 340,352	\$ 3,761,847
Restricted cash	84,475	35,007	119,482
Taxes receivable (net)	568,327	-	568,327
Accounts receivable (net)	281,882	-	281,882
Due from other governments	260,263	-	260,263
	\$ 4,616,442	\$ 375,359	\$ 4,991,801
LIABILITIES			
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 175,878	\$ -	\$ 175,878
Total liabilities	\$ 175,878	\$ -	\$ 175,878
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	568,327	-	568,327
Accounts receivable	281,871	-	281,871
Prepaid taxes	8,649	-	8,649
Total deferred inflows of resources	\$ 858,847	\$ -	\$ 858,847
Fund balances			
Non spendable:			
Perpetual maintenance	-	340,352	340,352
Restricted:			
Stabilization by state statute	260,274	-	260,274
Streets	47,475	-	47,475
Emergency telephone system fund	-	35,007	35,007
Economic development	37,000	-	37,000
Subsequent year's expenditures	662,261	-	662,261
Unassigned	2,574,707	-	2,574,707
Total fund balances	3,581,717	375,359	3,957,076
Total liabilities, deferred inflows of resources and fund balances	\$ 4,616,442	\$ 375,359	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost		9,371,439	
Accumulated depreciation		(6,652,849)	\$ 2,718,590
Other assets are not available to pay for current-period expenditures and therefore are deferred.			
			21,581
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			
Deferred taxes		568,327	
Deferred accounts receivable		281,870	850,197
Some liabilities, including bonds-notes payable, accrued interest and other post employment benefits and compensated absences are not due and payable in the current period and therefore are not reported in the funds.			
			(1,387,498)
Net position of governmental activities			\$ 6,159,946

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, 2014

	Major Funds <u>General Fund</u>	Non-Major <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,326,487	\$ -	\$ 3,326,487
Other taxes and licenses	984,709	-	984,709
Unrestricted intergovernmental	1,538,450	-	1,538,450
Restricted intergovernmental	536,530	-	536,530
Permits and fees	14,335	-	14,335
Sales and services	110,350	14,855	125,205
Investment earnings	1,397	24	1,421
Miscellaneous	303,560	-	303,560
Total revenues	<u>6,815,818</u>	<u>14,879</u>	<u>6,830,697</u>
EXPENDITURES			
Current:			
General government	581,779	-	581,779
Community development	623,059	93,105	716,164
Public safety	3,921,742	-	3,921,742
Transportation	684,537	-	684,537
Public works	641,040	-	641,040
Animal control	135,818	-	135,818
Cemetery	201,216	-	201,216
Debt service:			
Principal payments	103,825	-	103,825
Interest and other charges	10,254	-	10,254
Total expenditures	<u>6,903,270</u>	<u>93,105</u>	<u>6,996,375</u>
Excess (deficiency) of revenues over expenditures	<u>(87,452)</u>	<u>(78,226)</u>	<u>(165,678)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	<u>12,852</u>	<u>(12,852)</u>	<u>-</u>
Total other financing sources (uses)	12,852	(12,852)	-
Net change in fund balance	(74,600)	(91,078)	(165,678)
Fund balances -beginning	<u>3,656,317</u>	<u>466,437</u>	<u>4,122,754</u>
Fund balances-ending	<u>\$ 3,581,717</u>	<u>\$ 375,359</u>	<u>\$ 3,957,076</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, 2014

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

Net changes in fund balances - total governmental funds		\$ (165,678)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	399,071	
Depreciation expense for governmental assets	<u>(443,137)</u>	(44,066)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated assets (building)	216,540	
Change in unavailable revenue for tax revenues	40,777	
Change in unavailable revenue for miscellaneous revenues	<u>281,871</u>	539,188

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.

Principal payments on long-term debt		104,210
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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.

Change in inventory	(11,328)	
Compensated absences	(14,757)	
Net pension obligation	17,901	
Other postemployment benefits	<u>(57,656)</u>	<u>(65,840)</u>

Total changes in net position of governmental activities		<u>\$ 367,814</u>
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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, 2014

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 3,206,700	\$ 3,206,700	\$ 3,326,487	\$ 119,787
Other taxes and licenses	1,148,500	1,148,500	984,709	(163,791)
Unrestricted intergovernmental	1,489,100	1,489,100	1,538,450	49,350
Restricted intergovernmental	578,282	578,282	536,530	(41,752)
Permits and fees	13,500	13,500	14,335	835
Sales and services	111,000	111,000	110,350	(650)
Investment earnings	1,300	1,300	1,397	97
Miscellaneous	210,643	329,925	303,560	(26,365)
Total revenues	<u>6,759,025</u>	<u>6,878,307</u>	<u>6,815,818</u>	<u>(62,489)</u>
EXPENDITURES				
General government	767,253	767,253	581,779	185,474
Community development	836,617	836,617	623,059	213,558
Public safety	4,305,135	4,207,619	3,921,742	285,877
Transportation	863,307	863,307	684,537	178,770
Public works	491,610	666,260	641,040	25,220
Animal control	62,338	142,338	135,818	6,520
Cemetery	362,257	337,257	201,216	136,041
Debt service:				
Principal retirement	103,825	103,825	103,825	-
Interest and other charges	10,254	10,254	10,254	-
Total expenditures	<u>7,802,596</u>	<u>7,934,730</u>	<u>6,903,270</u>	<u>1,031,460</u>
Excess (deficiency) of revenues over expenditures	<u>(1,043,571)</u>	<u>(1,056,423)</u>	<u>(87,452)</u>	<u>968,971</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	350,000	362,852	12,852	(350,000)
Total other financing sources	<u>350,000</u>	<u>362,852</u>	<u>12,852</u>	<u>(350,000)</u>
Appropriated fund balance	693,571	693,571	-	693,571
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(74,600)</u>	<u>\$ (74,600)</u>
Fund balances-beginning of year			<u>3,656,317</u>	
Fund balances-end of year			<u>\$ 3,581,717</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, 2014

	Major Enterprise Funds			June 30, 2014
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,041,613	\$ 160,251	\$ 1,201,864
Restricted cash	571,956	120,870	-	692,826
Accounts receivable (net)	1,511,728	523,660	233,642	2,269,030
Notes receivable	30,423	-	-	30,423
Inventories	938,163	141,215	22,217	1,101,595
Due from other governments	-	1,500,000	-	1,500,000
Due (to) from other funds	(1,870,072)	1,870,072	-	-
Total	<u>1,182,198</u>	<u>5,197,430</u>	<u>416,110</u>	<u>6,795,738</u>
Non-current assets:				
Notes receivable	145,265	-	-	145,265
Land and other non-depreciable assets	626,458	6,698,623	-	7,325,081
Other capital assets net of depreciation	5,523,306	26,534,077	792,015	32,849,398
Total assets	<u>\$ 7,477,227</u>	<u>\$38,430,130</u>	<u>\$ 1,208,125</u>	<u>\$47,115,482</u>
Liabilities and fund equities				
Current liabilities:				
Accounts payable and accrued liabilities	1,469,579	434,461	80,899	1,984,939
Customer deposits	571,956	120,870	-	692,826
Compensated absences	10,050	11,614	8,904	30,568
Installment financing notes payable	161,182	1,177,672	74,990	1,413,844
General obligation bonds payable current	-	289,124	-	289,124
Total current liabilities	<u>2,212,767</u>	<u>2,033,741</u>	<u>164,793</u>	<u>4,411,301</u>
Non-current liabilities:				
Other post employment benefits	86,983	88,194	107,743	282,920
Compensated absences payable	35,632	43,681	31,569	110,882
Installment financing notes payable	729,149	7,734,019	340,711	8,803,879
Total non-current liabilities	<u>851,764</u>	<u>7,865,894</u>	<u>480,023</u>	<u>9,197,681</u>
Total liabilities	<u>3,064,531</u>	<u>9,899,635</u>	<u>644,816</u>	<u>13,608,982</u>
Net position				
Net investment in capital assets	5,259,433	24,031,885	376,314	29,667,632
Unrestricted	(846,737)	4,498,610	186,995	3,838,868
Total net position	<u>\$ 4,412,696</u>	<u>\$28,530,495</u>	<u>\$ 563,309</u>	<u>\$33,506,500</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, 2014

	Major Enterprise Funds			June 30, 2014
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	
Operating revenues:				
Charges for services	\$ 16,071,331	\$ 4,195,359	\$ 2,155,938	\$22,422,628
Water and sewer taps	-	98,337	-	98,337
Fiber optic Rental	232,671	-	-	232,671
Other operating revenues	193,643	213,571	29,678	436,892
Total operating revenues	<u>16,497,645</u>	<u>4,507,267</u>	<u>2,185,616</u>	<u>23,190,528</u>
Operating expenses:				
Administration	558,590	731,657	-	1,290,247
Finance	405,162	-	-	405,162
Electric operations	1,411,523	-	-	1,411,523
Electric power purchases	14,623,365	-	-	14,623,365
Water and sewer treatment and distribution	-	1,697,702	-	1,697,702
Waste collection and treatment	-	1,404,340	-	1,404,340
Solid waste operations	-	-	1,999,427	1,999,427
Depreciation	401,260	1,345,813	141,230	1,888,303
Total operating expenses	<u>17,399,900</u>	<u>5,179,512</u>	<u>2,140,657</u>	<u>24,720,069</u>
Operating income (loss)	<u>(902,255)</u>	<u>(672,245)</u>	<u>44,959</u>	<u>(1,529,541)</u>
Nonoperating revenues (expenses):				
Investment earnings	8,748	761	6	9,515
Gain on sale of fixed assets	1,329	12,020	13,485	26,834
Interest and fees	(8,122)	(43,698)	(10,216)	(62,036)
Total nonoperating revenues (expenses)	<u>1,955</u>	<u>(30,917)</u>	<u>3,275</u>	<u>(25,687)</u>
Income (loss) before contributions and transfers	(900,300)	(703,162)	48,234	(1,555,228)
Capital contributions	-	1,251,137	-	1,251,137
Extraordinary item: Impairment (loss)	(399,440)	-	-	(399,440)
Change in net position	(1,299,740)	547,975	48,234	(703,531)
Total net position, beginning	<u>5,712,436</u>	<u>27,982,520</u>	<u>515,075</u>	<u>34,210,031</u>
Total net position, ending	<u>\$ 4,412,696</u>	<u>\$28,530,495</u>	<u>\$ 563,309</u>	<u>\$33,506,500</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, 2014

	Business-type Activities Enterprise Funds			Totals
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 15,865,387	\$ 4,299,440	\$ 2,113,267	\$ 22,278,094
Cash paid for goods and services	(16,549,008)	(2,483,818)	(1,132,411)	(20,165,237)
Cash paid to or on behalf of employees for services	(771,477)	(1,339,904)	(870,781)	(2,982,162)
Customer deposits received	86,870	3,993	-	90,863
Customer deposits returned	(45,965)	(4,412)	-	(50,377)
Other operating revenues	427,643	225,591	43,163	696,397
Net cash provided by (used in) operating activities	<u>(986,550)</u>	<u>700,890</u>	<u>153,238</u>	<u>(132,422)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to (from) other funds	1,290,072	(1,290,072)	-	-
Payment received from affiliate	29,781	-	-	29,781
Total cash flows provided by (used in) noncapital financing activities	<u>1,319,853</u>	<u>(1,290,072)</u>	<u>-</u>	<u>29,781</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Installment financing notes issued	581,120	7,718,880	-	8,300,000
Acquisition and construction of capital assets	(829,259)	(6,113,104)	(275,216)	(7,217,579)
Interest paid on bond and installment financing contracts	(8,122)	(43,698)	(10,216)	(62,036)
Principal paid on bond and installment financing contracts	(103,070)	(860,757)	(119,513)	(1,083,340)
Net cash provided by (used in) capital and related financing activities	<u>(359,331)</u>	<u>701,321</u>	<u>(404,945)</u>	<u>(62,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	8,748	761	6	9,515
Net increase (decrease) in cash and cash equivalents	(17,280)	112,900	(251,701)	(156,081)
Balances - beginning of the year	589,236	1,049,583	411,952	2,050,771
Balances - end of the year	<u>\$ 571,956</u>	<u>\$ 1,162,483</u>	<u>\$ 160,251</u>	<u>\$ 1,894,690</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, 2014

	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)	\$ (902,255)	\$ (672,245)	\$ 44,959	\$ (1,529,541)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	401,260	1,345,813	141,230	1,888,303
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(190,648)	59,533	(18,823)	(149,938)
(Decrease) increase in allowance for doubtful accounts	13,117	(56,300)	(23,848)	(67,031)
Decrease (increase) in inventory	(375,283)	3,686	(13,347)	(384,944)
Increase in accounts payable and accrued liabilities	70,117	16,568	8,099	94,784
(Decrease) in customer deposits	(6,305)	(419)	-	(6,724)
Increase (decrease) in accrued vacation pay	(7,749)	(6,942)	5,452	(9,239)
Increase in OPEB liability	11,196	11,196	9,516	31,908
Total adjustment	<u>(84,295)</u>	<u>1,373,135</u>	<u>108,279</u>	<u>1,397,119</u>
Net cash provided by (used in) operating activities	<u>\$ (986,550)</u>	<u>\$ 700,890</u>	<u>\$ 153,238</u>	<u>\$ (132,422)</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, 2014

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 87,028</u>
Liabilities	
Intergovernmental payable	<u>87,028</u>
Total liabilities	<u>\$ 87,028</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, 2014

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, 2014.

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:

Grant Project Special Revenue Fund. These funds are used to account for grant funds that are restricted for use for a particular purpose.

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

Emergency Telephone System Fund. This fund will be used in a future period 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 collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 are both restricted and unrestricted net assets 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 by 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

The unexpended 911 funds are classified as restricted assets for the purpose of the Special Revenue Fund. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Money received from the North Carolina Housing Finance Agency is classified as restricted because it is restricted for use for improvement of local homes. 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	47,475
911 funds	35,007
Economic development	37,000
Total governmental activities	<u>119,482</u>

Business-Type Activities

Electric Fund

Customer deposits	571,956
Water & sewer fund customer deposits	120,870
Total business-type activities	<u>692,826</u>
Total restricted cash	<u>812,308</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 held for resale 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. 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 only two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

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). 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.

II. Stewardship, Compliance and Accountability

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

I. Noncompliance with North Carolina General Statutes

In the Electric Fund, fund balance was appropriated for fiscal year June 30, 2014 when there was none available to appropriate which is a violation of General Statute Reference 159-8(a). See significant deficiency listed on Page 79.

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. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the City's deposits had a carrying amount of \$351,530 and a bank balance of \$566,471. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the City's petty cash fund totaled \$6,300.

2. Investments

At June 30, 2014, the City of Laurinburg had \$5,505,223 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:

Fund	06/30/14
General Fund:	
Taxes Receivable	\$ 112,707
Miscellaneous Receivable	233,889
Enterprise Funds	160,478
Total	<u>\$ 507,074</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, 2014 is \$175,688. The loan is to be repaid to the Electric Fund as follows:

Year Ending June 30	Principal	Interest
2015	30,423	7,442
2016	31,640	6,242
2017	32,906	4,993
2018	34,222	3,695
2019	35,591	2,345
2020	10,906	941
	<u>\$ 175,688</u>	<u>\$ 25,658</u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2014, 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	1,812,992	216,540	-	2,029,532
Other improvements	564,230	25,149	-	589,379
Equipment	1,627,585	155,538	358,988	1,424,135
Vehicles and motorized equipment	4,622,281	208,960	666,219	4,165,022
Infrastructure	873,932	9,424	-	883,356
Total capital assets being depreciated	<u>9,501,020</u>	<u>615,611</u>	<u>1,025,207</u>	<u>9,091,424</u>
Less accumulated depreciation for:				
Buildings	1,515,510	-	-	1,515,510
Other improvements	380,532	-	-	380,532
Equipment	1,392,645	125,131	358,988	1,158,788
Vehicles and motorized equipment	3,598,052	225,457	666,219	3,157,290
Infrastructure	348,178	92,549	-	440,727
Total accumulated depreciation	<u>7,234,917</u>	<u>443,137</u>	<u>1,025,207</u>	<u>6,652,847</u>
Total capital assets being depreciated, net	<u>\$2,266,103</u>			<u>\$ 2,438,577</u>
Governmental activity capital assets, net	<u>\$2,546,117</u>			<u>\$ 2,718,591</u>

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

General government	\$ 20,828
Community development	9,383
Public safety	261,015
Transportation	75,039
Public works	72,368
Cemetery	4,504
Total depreciation expense	<u>\$ 443,137</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 626,458	\$ -	\$ 626,458
Total capital assets not being depreciated	-	626,458	-	626,458
Capital assets being depreciated:				
Substations, lines, and related equipment	13,628,228	103,666	-	13,731,894
Furniture and maintenance equipment	1,082,364	75,737	407,930	750,171
Vehicles	888,880	23,399	119,712	792,567
Total capital assets being depreciated	15,599,472	202,802	527,642	15,274,632
Less accumulated depreciation for:				
Substations, lines, and related equipment	7,922,833	342,540	-	8,265,373
Furniture and maintenance equipment	827,493	29,154	8,490	848,157
Vehicles	727,943	29,565	119,712	637,796
Total accumulated depreciation	9,478,269	401,259	128,202	9,751,326
Total capital assets being depreciated, net	6,121,203			5,523,306
Electric fund capital assets, net	<u>6,121,203</u>			<u>6,149,764</u>
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	253,834	38,097	-	291,931
Other non depreciable assets	1,730,472	-	1,730,472	-
Construction in progress	249,375	6,157,317	-	6,406,692
Total capital assets not being depreciated	2,233,681	6,195,414	1,730,472	6,698,623
Capital assets being depreciated:				
Plant and distribution systems	48,272,907	1,740,147	-	50,013,054
Furniture and maintenance equipment	2,244,571	-	-	2,244,571
Vehicles	1,807,697	-	149,752	1,657,945
Total capital assets being depreciated	52,325,175	1,740,147	149,752	53,915,570
Less accumulated depreciation for:				
Plant and distribution systems	23,354,806	1,130,856	-	24,485,662
Furniture and maintenance equipment	1,385,300	145,230	-	1,530,530
Vehicles	1,445,326	69,727	149,752	1,365,301
Total accumulated depreciation	26,185,432	1,345,813	149,752	27,381,493
Total capital assets being depreciated, net	26,139,743			26,534,077
Water and Sewer fund capital assets, net	<u>28,373,424</u>			<u>33,232,700</u>
<i>Solid Waste Fund</i>				
Capital assets being depreciated:				
Plant and distribution systems	123,246	-	-	123,246
Furniture and maintenance equipment	133,589	-	-	133,589
Vehicles	2,170,550	275,216	20,381	2,425,385
Total capital assets being depreciated	2,427,385	275,216	20,381	2,682,220
Less accumulated depreciation for:				
Plant and distribution systems	121,028	-	-	121,028
Furniture and maintenance equipment	125,830	2,572	-	128,402
Vehicles	1,522,499	138,658	20,381	1,640,776
Total accumulated depreciation	1,769,357	141,230	20,381	1,890,206
Solid Waste fund capital assets, net	<u>658,028</u>			<u>792,014</u>
Business-type activities capital assets, net	<u>\$35,152,655</u>			<u>\$ 40,174,478</u>

B. Liabilities

I. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Laurinburg contributes to 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 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. 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.

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, 2014, 2013, and 2012 were \$756,447, \$707,514 and \$738,494, 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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>43</u>
Total	48

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.

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	73,474
Interest on net pension obligation	19,849
Adjustment to annual required contribution	<u>(32,342)</u>
Annual pension cost	60,981
Contributions made	<u>78,882</u>
(Decrease) in net pension obligation	<u>(17,901)</u>
Net pension obligation beginning of year	<u>396,970</u>
Net pension obligation end of year	<u><u>379,069</u></u>

For Year Ended June 30	3 Year Trend Information		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
2012	\$ 68,996	53.66%	\$ 375,365
2013	\$ 69,567	68.94%	\$ 396,970
2014	\$ 60,981	129.36%	\$ 379,069

4. Funded Status and Funding Progress.

As of December 31, 2012, 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 \$738,558. The covered payroll (annual payroll of active employees covered by the plan) was \$1,720,390, and the ratio of the UAAL to the covered payroll was 42.93 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, North Carolina 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, 2014 were \$110,903, which consisted of \$78,882 from the City and \$32,021 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. The Firefighters' and Rescue Squad 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.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

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	38
Firefighters	6
General employees	94
Retired members	13
Total	<u>151</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 3.56% of annual covered payroll. For the current year, the City contributed \$122,007 or 2.1% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a Board resolution, for employees represented 13.60% of covered payroll. There were no contributions made by employees, except for dependent coverage in the amount of \$115,425.

Summary of Significant Accounting Policies.

Postemployment expenditures are made from the General Fund, which is maintained on the modified actual 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	\$ 210,530
Interest on net OPEB obligation	23,311
Adjustment to annual required contribution	<u>22,269</u>
Annual OPEB cost (expense)	211,572
Contributions made	<u>122,007</u>
Increase in net OPEB obligation	89,565
Net OPEB obligation, beginning of year	<u>582,767</u>
Net OPEB obligation, end of year	<u><u>672,332</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 2014 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

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 \$2,653,560. The covered payroll (annual payroll of active employees covered by the plan) was \$5,746,416, and the ratio of the UAAL to the covered payroll was 46.17 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 4.0 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 12.00 and 6.00 percent. Both rates included a 3.75 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

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ 8,649
Taxes receivable (General Fund)	568,327	-
Other accounts receivable	281,882	-
Total	<u>\$ 850,209</u>	<u>\$ 8,649</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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$2 million and \$1 million per occurrence, respectively, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee healthcare coverage. 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 Risk Management Services Department of the NC League of Municipalities. 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, 2014 is \$313,962 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, 2014 is \$331,667 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, 2014 is \$1,142,104 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, 2014 is \$309,211 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, 2014 is \$65,517 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, 2014 is \$50,707 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, 2014 is \$84,034. The loan is serviced by the Solid Waste Fund.

In fiscal 2011, the City entered into a \$167,750 financing agreement with RBC Bank to purchase recycling bins at a fixed interest rate of 1.67 percent. The remaining balance owed at June 30, 2014 is \$-0-. 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, 2014 is \$7,718,880. 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, 2014 is \$581,120. The loan is serviced by the Electric Fund.

Annual debt service payments of the purchases as of June 30, 2014, including \$1,050,284 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	68,755	8,080	1,413,844	214,442
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	39,621	3,569	899,078	105,346
2020-2024	124,128	5,451	4,222,301	232,658
Total	379,479	33,343	10,217,723	1,016,941

b. General Obligation Indebtedness

The City had no general obligation bonds serviced by the governmental funds. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2014 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$744,628 - 2011 Water and Sewer Refunding Bonds with principal due on June 1 and interest due on June 1 and December 1 in variable installments through June 1, 2015; interest at 1.64%.

At June 30, 2014, the City of Laurinburg had a legal debt margin of \$66,697,668.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	289,124	4,742
Total	\$ 289,124	\$ 4,742

c. Changes in Long-term Liabilities

	Beginning Balance July 1, 2013	Increases	Decreases	Ending Balance June 30, 2014	Current Portion of Balance
<u>Governmental activities:</u>					
Financing agreement	\$ 483,690	\$ -	\$ 104,211	\$ 379,479	\$ 68,755
Net pension obligation	396,970	-	17,901	379,069	-
Other postemployment benefits	331,754	57,656	-	389,410	-
Compensated absences	224,783	178,882	164,125	239,540	50,303
Governmental activities long-term liabilities	<u>\$ 1,437,197</u>	<u>\$ 236,538</u>	<u>\$ 286,237</u>	<u>\$ 1,387,498</u>	<u>\$ 119,058</u>
<u>Business-type activities:</u>					
<u>Electric fund</u>					
Financing agreement	\$ 412,282	\$ 581,119	\$ 103,070	\$ 890,331	\$ 161,182
Other postemployment benefits	75,787	11,196	-	86,983	-
Compensated absences	53,148	38,540	46,006	45,682	10,050
Electric fund activity long-term liabilities	541,217	630,855	149,076	1,022,996	171,232
<u>Water and sewer fund</u>					
Financing agreement	\$ 1,598,064	\$ 7,718,880	\$ 405,253	\$ 8,911,691	\$ 1,177,672
General obligation bonds	744,628	-	455,504	289,124	289,124
Other postemployment benefits	76,998	11,196	-	88,194	-
Compensated absences	62,237	43,127	50,069	55,295	11,614
Water and sewer activity long-term liabilities	2,481,927	7,773,203	910,826	\$ 9,344,304	1,478,410
<u>Solid waste fund</u>					
Financing agreement	\$ 535,215	\$ -	\$ 119,514	\$ 415,701	\$ 74,990
Other postemployment benefits	98,227	9,516	-	107,743	-
Compensated absences	35,021	39,512	34,060	40,473	8,904
Solid waste activity long-term liabilities	668,463	49,028	153,574	\$ 563,917	83,894
Business activity long-term liabilities	<u>\$ 3,691,607</u>	<u>\$ 8,453,086</u>	<u>\$ 1,213,476</u>	<u>\$ 10,931,217</u>	<u>\$ 1,733,536</u>

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, 2014, consist of the following:

Water Sewer Fund due from the Electric Fund	<u>\$ 1,870,072</u>
Total due from other funds	<u>\$ 1,870,072</u>

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

Transfer from the RCC Capital Project Fund to the General Fund of \$12,852 for closing of Project Fund.

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City of Laurinburg has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$5,160 for the 37 volunteer firemen and the 6 employed firemen who perform firefighting duties for the town's fire department. The volunteers and employees elected to be members of the Firemen's Pension Fund, a cost sharing multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$2,718,590	\$40,174,479
Less: Long-term debt	379,479	10,506,847
Net investment in capital assets	<u>\$2,339,111</u>	<u>\$29,667,632</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:

Total fund balance - General Fund	3,581,717
Less:	
Stabilization by State Statute	260,274
Economic development	37,000
Streets	47,475
Appropriated fund balance in 2015 budget	662,261
Remaining fund balance	2,574,707

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, 2014 were \$14,623,366.

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, 2014. 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, 2014 in the amount of \$756,447.

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 11, 2014, the date which the financial statements were available to be issued.

The City signed an agreement with CSX for completion of the Commonwealth Bridge. This is requiring the City to put \$118,645 in an escrow account to oversee the construction of a culvert on Commonwealth Avenue to replace the old wooden bridge. The City will be reimbursed 80% of the actual cost incurred by NCDOT.

The City will receive \$37,500 to complete the Urgent Repairs for elderly, disabled and low income homes within the city limits. The funds will come from the Urgency Repair NC Housing Finance and no City money will be used for this project.

The infrastructure for water, sewer and electric in the north side of town is scheduled to be completed in the 2015 budget year. The City will receive the remaining balance of grant funds in the amount of \$1,550,000.

The City has submitted grant application and held three public hearings on community development funds. These grant funds are with North Carolina Department of Environment & Natural Resources with the possibility of receiving \$386,800 in grant money.

The City entered into a lease agreement with Laurinburg Farm, LLC. The lease is for approximately 45 acres located on Dixie Guano Road for the operation of a photovoltaic power array. The anticipated revenue will be \$22,500 per year.

VIII. Extraordinary Event

During the year, electronic meter reader equipment that was purchased in a previous year for \$399,400 was considered worthless. The meters were considered defective and unusable. An agreement was reached between the seller of the equipment and the City of Laurinburg to refund the cost of the equipment. The seller of the equipment declared bankruptcy and the City will not be reimbursed for the cost of the equipment. The assets were removed which resulted in a loss of \$399,400. The City plans on selling the equipment for scrap.

IX. 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.

X. 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.

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.
- Notes to the Required Schedules for the Other Postemployment Benefits.

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)
12/31/00	0	\$ 423,920	\$ 423,920	0%	\$ 1,097,389	38.63%
12/31/01	0	\$ 368,385	\$ 368,385	0%	\$ 1,127,774	32.66%
12/31/02	0	\$ 384,314	\$ 384,314	0%	\$ 1,267,937	30.31%
12/31/03	0	\$ 422,471	\$ 422,471	0%	\$ 1,537,282	27.48%
12/31/04	0	\$ 509,990	\$ 509,990	0%	\$ 1,411,096	36.14%
12/31/05	0	\$ 489,573	\$ 489,573	0%	\$ 1,441,018	33.97%
12/31/06	0	\$ 525,013	\$ 525,013	0%	\$ 1,518,963	34.56%
12/31/07	0	\$ 539,725	\$ 539,725	0%	\$ 1,483,297	36.39%
12/31/08	0	\$ 587,499	\$ 587,499	0%	\$ 1,557,239	37.73%
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%

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
2004	\$ 44,047	51.36%
2005	\$ 47,408	47.71%
2006	\$ 57,646	33.68%
2007	\$ 55,221	37.83%
2008	\$ 57,336	93.05%
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%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 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%

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%

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes		\$ 3,278,016	
Penalties and interest		48,471	
Total	<u>3,206,700</u>	<u>3,326,487</u>	<u>119,787</u>
Other taxes and licenses:			
Local option sales tax		840,271	
Animal taxes		928	
Privilege licenses		143,511	
Total	<u>1,148,500</u>	<u>984,709</u>	<u>(163,791)</u>
Unrestricted intergovernmental:			
Utility franchise tax		1,082,420	
Beer and wine tax		69,245	
Cable franchise		262,835	
Tax refunds - sales and gasoline		123,950	
Total	<u>1,489,100</u>	<u>1,538,450</u>	<u>49,350</u>
Restricted intergovernmental:			
Federal government grants		1	
State government grants		61,088	
Powell Bill allocation		475,441	
Total	<u>578,282</u>	<u>536,530</u>	<u>(41,752)</u>
Permits and fees:			
Court fees		5,821	
Inspection fees		8,514	
Total	<u>13,500</u>	<u>14,335</u>	<u>835</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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Sales and services:			
Fire protection		53,841	
Cemetery lots		56,509	
Total	<u>111,000</u>	<u>110,350</u>	<u>(650)</u>
Investment earnings	1,300	1,397	97
Miscellaneous:			
Sale of materials and other assets		63,827	
Concessions and rentals		12,273	
Other		227,461	
Total	<u>329,925</u>	<u>303,561</u>	<u>(26,364)</u>
Total revenues	<u>6,878,307</u>	<u>6,815,818</u>	<u>(62,489)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		133,066	
Membership dues and subscriptions		22,135	
Other operating expenditures		130,461	
Reimbursement-proprietary funds		(151,131)	
Total	<u>199,439</u>	<u>134,531</u>	<u>64,908</u>
Administration:			
Salaries and employee benefits		184,752	
Other operating expenditures		22,276	
Capital outlay		22,548	
Reimbursement-proprietary funds		(168,469)	
Total	<u>72,552</u>	<u>61,108</u>	<u>11,444</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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Personnel/safety:			
Salaries and employee benefits		117,962	
Other operating expenditures		151,660	
Reimbursement-proprietary funds		(124,458)	
Total	238,481	145,163	93,318
Finance:			
Salaries and employee benefits		233,866	
Other operating expenditures		27,233	
Reimbursement-proprietary funds		(210,677)	
Total	54,662	50,421	4,241
Tax:			
Salaries and employee benefits		65,005	
Collection fees		5,302	
Other operating expenditures		21,005	
Total	102,620	91,312	11,308
Public buildings:			
Salaries and employee benefits		32,150	
Other operating expenditures		61,914	
Capital outlay		5,180	
Total	99,499	99,243	256
Total general government	767,253	581,780	185,473

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Community development:			
Administration:			
Salaries and employee benefits		113,791	
Other operating expenditures		55,759	
Total	261,656	169,549	92,107
Planning:			
Salaries and employee benefits		60,224	
Other operating expenditures		56,836	
Total	141,901	117,060	24,841
Engineering:			
Salaries and employee benefits		80,003	
Other operating expenditures		18,806	
Capital outlay		6,052	
Reimbursement-proprietary funds		(69,069)	
Total	49,468	35,792	13,676
Beautification:			
Salaries and employee benefits		141,432	
Other operating expenditures		137,247	
Capital outlay		21,979	
Total	383,592	300,658	82,934
Total community development	836,617	623,059	213,558

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Public safety:			
Police:			
Salaries and employee benefits		2,431,797	
Vehicle maintenance		196,479	
Other operating expenditures		404,951	
Capital outlay		99,124	
Total	<u>3,332,639</u>	<u>3,132,351</u>	<u>200,288</u>
Fire:			
Salaries and employee benefits		405,626	
Vehicle maintenance		51,634	
Other operating expenditures		173,113	
Capital outlay		87,858	
Total	<u>797,930</u>	<u>718,231</u>	<u>79,699</u>
Rescue units:			
Operating expenditures		71,161	
Total	<u>77,050</u>	<u>71,161</u>	<u>5,889</u>
Total public safety	<u>4,207,619</u>	<u>3,921,743</u>	<u>285,876</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		311,426	
Other operating expenditures		216,778	
Capital outlay		156,332	
Total	<u>863,307</u>	<u>684,537</u>	<u>178,770</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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Public works:			
Administration:			
Salaries and employee benefits		59,080	
Other operating expenditures		7,346	
Total	<u>79,051</u>	<u>66,426</u>	<u>12,625</u>
Storm drainage:			
Salaries and employee benefits		100,244	
Other operating expenditures		86,937	
Total	<u>195,047</u>	<u>187,181</u>	<u>7,866</u>
Garage:			
Salaries and employee benefits		316,296	
Other operating expenditures		71,137	
Total	<u>392,162</u>	<u>387,434</u>	<u>4,728</u>
Total public works	<u>666,260</u>	<u>641,040</u>	<u>25,220</u>
Animal control:			
Salaries and employee benefits		48,485	
Other operating expenditures		87,332	
Total	<u>142,338</u>	<u>135,818</u>	<u>6,520</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, 2014

	2014		
	Budget	Actual	Variance Positive (Negative)
Cemetery:			
Salaries and employee benefits		129,878	
Other operating expenditures		71,338	
Total	337,258	201,216	136,042
Debt service:			
Principal retirement		103,825	
Interest and other charges		10,254	
Total	114,078	114,078	-
Total expenditures	7,934,730	6,903,271	1,031,459
Revenues (under) expenditures	(1,056,423)	(87,452)	968,971
Other financing sources:			
Transfers from other funds:			
Grant project funds	12,852	12,852	-
Enterprise funds:			
Electric fund	350,000	-	(350,000)
Total other financing sources (uses)	\$ 362,852	\$ 12,852	\$ (350,000)
Fund balance appropriated	\$ 693,571		\$ 693,571
Net change in fund balance	\$ -	(74,600)	\$ (74,600)
Fund balances:			
Beginning of year, July 1		3,656,317	
End of year, June 30		3,581,717	

City of Laurinburg, North Carolina
Combining Balance Sheet
Nonmajor Governmental Fund
 For the Fiscal Year Ended June 30, 2014

	Special Revenue Fund	Grant Project Funds		Cemetery Permanent Fund	Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	RCC Building Project	Total Nonmajor Grant Project Funds		
Assets					
Cash	\$ 35,007	\$ -	\$ 35,007	\$ 340,352	\$ 375,359
Total assets	<u>\$ 35,007</u>	<u>\$ -</u>	<u>\$ 35,007</u>	<u>\$ 340,352</u>	<u>\$ 375,359</u>
Liabilities and Fund Balances					
Liabilities:					
None	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balance:					
Non spendable - perpetual maintenance	-	-	-	340,352	340,352
Restricted for:					
911 emergency telephone fund	<u>35,007</u>	<u>-</u>	<u>35,007</u>	<u>-</u>	<u>35,007</u>
Total fund balances	<u>35,007</u>	<u>-</u>	<u>35,007</u>	<u>340,352</u>	<u>375,359</u>
Total liabilities and fund balances	<u>\$ 35,007</u>	<u>\$ -</u>	<u>\$ 35,007</u>	<u>\$ 340,352</u>	<u>375,359</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, 2014

	Special Revenue Fund	Grant Project Funds			
	Emergency Telephone System Fund	RCC Building Project	Total Nonmajor Grant Project Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Sales and services	\$ -	\$ -	\$ -	\$ 14,855	\$ 14,855
Interest	3	-	3	21	24
Total revenues	3	-	3	14,876	14,879
Expenditures:					
Current:					
Legal, architect, engineering	-	93,105	93,105	-	93,105
Total expenditures	-	93,105	93,105	-	93,105
Revenues over (under) expenditures	3	(93,105)	(93,102)	14,876	(78,226)
Other financing (uses)					
Transfers to General Fund (return on investment)	-	(12,852)	(12,852)	-	(12,852)
Net change in fund balance	3	(105,957)	(105,954)	14,876	(91,078)
Fund balances:					
Fund balance beginning of year	35,004	105,957	140,961	325,476	466,437
Fund balance end of year-June 30	<u>\$ 35,007</u>	<u>\$ -</u>	<u>\$ 35,007</u>	<u>\$ 340,352</u>	<u>\$ 375,359</u>

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, 2014

	<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>144</u>	<u>3</u>	<u>147</u>	<u>147</u>
Total revenues	34,860	35,004	3	35,007	147
Expenditures:					
Public safety	<u>34,860</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>34,860</u>
Total expenditures	34,860	-	-	\$ -	34,860
Revenues over expenditures	<u>\$ -</u>	<u>\$ 35,004</u>	3	<u>\$ 35,007</u>	<u>\$ 35,007</u>
Fund balances - beginning			<u>35,004</u>		
Fund balances-ending			<u>\$ 35,007</u>		

City of Laurinburg, North Carolina
Grant Project Fund, RCC Building
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
RCC project grant fund:					
Revenues:					
Federal- EDA grant	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Golden Leaf Foundation	1,200,000	1,242,586	-	1,242,586	42,586
RCC Foundation	400,000	363,371	-	363,371	(36,629)
NC Community College	900,000	900,000	-	900,000	-
Other	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
Total revenues	3,501,000	3,505,957	-	3,505,957	4,957
Expenditures:					
Current:					
Economic & physical development:					
Construction	3,233,878	2,803,771	-	2,803,771	430,107
Legal, architect, engineering	<u>254,270</u>	<u>596,229</u>	<u>93,105</u>	<u>689,334</u>	<u>(435,064)</u>
Total expenditures	3,488,148	3,400,000	93,105	3,493,105	(4,957)
Revenues over (under) expenditures	\$ 12,852	\$ 105,957	(93,105)	12,852	\$ -
Other financing (uses)					
Transfers to General fund	<u>(12,852)</u>	<u>-</u>	<u>(12,852)</u>	<u>(12,852)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 105,957</u>	<u>(105,957)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>105,957</u>		
Fund balance, 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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales		\$15,369,723	
Municipal usage		701,608	
Fiber optic rental		232,671	
Other operating revenues		193,643	
Total operating revenues	<u>17,898,923</u>	<u>16,497,645</u>	<u>(1,401,278)</u>
Nonoperating revenues:			
Interest earnings		8,748	
Gain on sale of fixed assets		1,329	
Total nonoperating revenues	<u>2,000</u>	<u>10,077</u>	<u>8,077</u>
Total revenues	<u>17,900,923</u>	<u>16,507,721</u>	<u>(1,393,202)</u>
Expenditures:			
Administration:			
Salaries & employee benefits		122,359	
Supplies		3,489	
Utilities		403	
Management fees		320,981	
Other operating expenditures		111,359	
Total	<u>610,886</u>	<u>558,590</u>	<u>52,296</u>
Consumer billing and receiving:			
Salaries & employee benefits		227,676	
Maintenance		42,552	
Other operating expenditures		134,934	
Total	<u>408,028</u>	<u>405,162</u>	<u>2,866</u>
Electrical operations:			
Salaries & employee benefits		414,656	
Supplies		31,429	
Contracted maintenance		468,461	
Vehicle maintenance		29,782	
Utilities		9,391	
Other operating expenditures		397,327	
Total	<u>1,915,281</u>	<u>1,351,046</u>	<u>564,235</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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Debt Service:			
Interest expense		14,088	
Principal retirement		103,070	
Total	117,158	117,158	-
Electrical power purchases	14,594,223	14,623,366	(29,143)
Capital outlay:			
Electrical fiber		142,500	
Electrical consumer billing		23,399	
Electrical operations		179,403	
Total	345,302	345,302	-
Contingency	28,400	-	28,400
Total expenditures	18,019,278	17,400,623	618,655
Revenues (under) expenditures	(118,356)	(892,902)	(774,546)
Other financing sources (uses):			
Loan to affiliate-collection of principal	-	29,781	29,781
Transfers to other funds:			
General Fund	(150,000)	-	150,000
Total other financing sources (uses)	(150,000)	29,781	179,781
Fund balance appropriated	268,355	-	(268,355)
Revenues (under) expenditures and other financing sources (uses)	\$ -	\$ (863,121)	\$ (863,121)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		103,070	
Impairment loss on meters		(399,440)	
Payment received on loan to affiliate		(29,781)	
Capitalized interest during construction		5,966	
Capital outlay		345,302	
Bad debts		(56,747)	
Decrease in accrued vacation		7,466	
Depreciation		(401,260)	
Increase in accrued OPEB liability		(11,196)	
Total		(436,619)	
Change in net assets		\$ (1,299,740)	

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		\$ 2,287,179	
Sewer charges		1,908,180	
Water and sewer taps		98,337	
Other operating revenues		213,571	
Total operating revenues	<u>4,792,600</u>	<u>4,507,266</u>	<u>(285,334)</u>
Nonoperating revenues:			
Interest earnings	200	761	561
Gain on sale of fixed assets	-	12,020	12,020
Total nonoperating revenues	<u>200</u>	<u>12,780</u>	<u>12,580</u>
Total revenues	<u>4,792,800</u>	<u>4,520,047</u>	<u>(272,753)</u>
Expenditures:			
Administration:			
Salaries & employee benefits		212,979	
Travel		616	
Supplies		9,647	
Insurance		37	
Maintenance		47,775	
Utilities		2,891	
Management fees		320,981	
Other operating expenditures		135,669	
Total	<u>802,278</u>	<u>730,594</u>	<u>71,684</u>
Water treatment and distribution:			
Water production and treatment plant:			
Salaries & employee benefits		290,460	
Chemicals		147,438	
Supplies		17,134	
Utilities		235,274	
Management fees		247,485	
Other operating expenditures		150,046	
Total	<u>1,397,149</u>	<u>1,087,837</u>	<u>309,312</u>

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Water distribution:			
Salaries and employee benefits		346,710	
Supplies		59,950	
Other operating expenditures		99,815	
Total	<u>569,815</u>	<u>506,475</u>	<u>63,340</u>
Total water treatment and distribution	<u>1,966,964</u>	<u>1,594,312</u>	<u>372,652</u>
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits		182,154	
Supplies		50,471	
Other operating expenditures		39,391	
Total	<u>509,104</u>	<u>272,016</u>	<u>237,088</u>
Primary waste treatment:			
Salaries and employee benefits		301,758	
Chemicals		46,746	
Supplies		19,603	
Utilities		366,981	
Maintenance		158,891	
Other operating expenditures		237,278	
Total	<u>1,830,110</u>	<u>1,131,258</u>	<u>698,852</u>
Total waste collection & treatment	<u>2,339,214</u>	<u>1,403,274</u>	<u>935,940</u>
Debt service:			
Interest and fees		122,945	
Principal retirement		860,757	
Total debt service	<u>1,081,646</u>	<u>983,702</u>	<u>97,944</u>

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Capital outlay:			
Water extensions:			
Misc. sewer - w.w. treatment		9,675	
Total capital outlay	9,675	9,675	-
Total expenditures	6,199,777	4,721,556	1,478,221
Revenues (under) expenditures	(1,406,977)	(201,510)	1,205,467
Fund balance appropriated	1,406,977	-	(1,406,977)
Revenues (under) expenditures	\$ -	(201,510)	\$ (201,510)
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Revenues (under) expenditures		\$ (201,510)	
Reconciling items:			
Principal retirement		860,757	
Bad debts		(101,264)	
Capital outlay		9,675	
Capitalized interest during construction		79,247	
Capital contributions		1,251,137	
Decrease in accrued vacation pay		6,942	
Depreciation		(1,345,813)	
Increase in accrued OPEB liability		(11,196)	
Total reconciling items		749,485	
Net income		\$ 547,975	

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services:			
Sales:			
Residential		\$ 1,518,832	
Commercial and industrial		637,106	
Total	2,116,000	2,155,938	39,938
Other operating income	30,000	29,678	(322)
Total operating income	2,146,000	2,185,616	39,616
Nonoperating revenues:			
Interest earnings		6	
Gain on sale of assets		13,485	
Total nonoperating revenues	7,600	13,491	5,891
Total revenues	2,153,600	2,199,107	45,507
Expenditures:			
Solid waste operations:			
Salaries and employee benefits		866,389	
Contracted services		80	
Supplies		5,775	
Tipping fee		646,328	
Maintenance		283,512	
Utilities		839	
Management fees		81,842	
Other operating expenditures		73,686	
Total	2,016,033	1,958,450	57,583
Debt service:			
Interest expense		10,216	
Principal retirement		119,513	
	129,729	129,729	-
Capital outlay:			
Equipment	275,216	275,216	-
Total expenditures	2,420,978	2,363,396	57,582
Revenues (under) expenditures	(267,378)	(164,288)	103,090

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Fund balance appropriated	<u>267,379</u>	<u>-</u>	<u>(267,379)</u>
Revenues and other sources (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ (164,288)</u>	<u>\$ (164,289)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources (under) expenditures and other uses		(164,288)	
Reconciling items:			
Principal retirement		119,513	
Bad debts		(26,008)	
Capital outlay		275,216	
(Increase) in accrued vacation pay		(5,453)	
Depreciation		(141,230)	
(Increase) in accrued OPEB liability		<u>(9,516)</u>	
Total reconciling items		212,522	
Net income		<u>\$ 48,234</u>	

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, 2014

	Project Authorization	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Electric Project:				
Restricted intergovernmental:				
None	-	-	-	-
Total	-	-	-	-
Expenditures-Electric Project:				
Engineering	105,000	102,018	102,018	2,982
Construction	476,120	375,973	375,973	100,147
Total expenditures	581,120	477,991	477,991	103,129
Revenues (under) expenditures	(581,120)	(477,991)	(477,991)	103,129
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 expenditures	-	103,129	103,129	103,129

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, 2014

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
Revenues-water-sewer project:					
Restricted intergovernmental:					
Golden leaf grant	1,000,000	-	-	-	(1,000,000)
Local grant	2,050,000	249,375	1,250,625	1,500,000	(550,000)
Investment earnings	-	-	512	512	512
Total revenues	<u>3,050,000</u>	<u>249,375</u>	<u>1,251,137</u>	<u>1,500,512</u>	<u>(1,549,488)</u>
Expenditures-water-sewer project:					
Sewer construction	4,067,118	-	2,525,752	2,525,752	1,541,366
Engineering/design	1,060,000	249,375	1,134,611	1,383,986	(323,986)
Water construction	3,374,761	-	2,396,104	2,396,104	978,657
Sewer line	1,757,001	-	-	-	1,757,001
Well construction	510,000	-	59,700	59,700	450,300
Total expenditures	<u>10,768,880</u>	<u>249,375</u>	<u>6,116,167</u>	<u>6,365,542</u>	<u>4,403,338</u>
Revenues (under) expenditures	<u>(7,718,880)</u>	<u>-</u>	<u>(4,865,030)</u>	<u>(4,865,030)</u>	<u>2,853,850</u>
Other financing sources:					
Installment financing	<u>7,718,880</u>	<u>-</u>	<u>7,718,880</u>	<u>7,718,880</u>	<u>-</u>
Total other sources	<u>7,718,880</u>	<u>-</u>	<u>7,718,880</u>	<u>7,718,880</u>	<u>-</u>
Revenues and other sources					
Over expenditures	<u>-</u>	<u>-</u>	<u>2,853,850</u>	<u>2,853,850</u>	<u>2,853,850</u>

City of Laurinburg, North Carolina
Agency Fund
Combining Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2014

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
Scotland County-Water Districts				
Assets:				
Cash	\$ 79,136	\$1,042,086	\$1,034,194	\$ 87,028
Liabilities:				
Intergovernmental	\$ 79,136	\$1,042,086	\$1,034,194	\$ 87,028

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, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Addition</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 3,349,337	\$ 3,117,677	\$ 231,660
2012-2013	245,383	2,025	124,152	123,256
2011-2012	119,734	447	29,988	90,193
2010-2011	58,588	9,035	9,655	57,968
2009-2010	57,478	(556)	9,619	47,303
2008-2009	46,410	(438)	6,312	39,660
2007-2008	34,236	1,288	3,334	32,190
2006-2007	24,206	97	3,107	21,196
2005-2006	20,829	(148)	1,773	18,908
2004-2005	15,852	(143)	681	15,028
Special	993	21,078	18,400	3,671
	<u>\$ 623,709</u>	<u>\$ 3,382,022</u>	<u>\$ 3,324,698</u>	<u>\$ 681,033</u>

Less: allowance for uncollectible accounts
General Fund

112,707

Ad valorem taxes receivable - net

\$ 568,326

Reconciliation with revenues:

Ad valorem taxes - General Fund

3,326,487

Reconciling items:

Penalties and interest collected

(48,471)

Discounts allowed

16,421

Taxes written off

30,261

Subtotal

(1,789)

Total collections and credits

\$ 3,324,698

City of Laurinburg, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For the Fiscal Year Ended June 30, 2014

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	<u>\$ 825,908,500</u>	.4	<u>\$ 3,303,634</u>	<u>\$ 2,889,770</u>	<u>\$ 413,864</u>
Total	825,908,500	.4	3,303,634	2,889,770	413,864
Discoveries	13,123,400	.4	52,494	52,494	-
Abatements	<u>(1,697,000)</u>		<u>(6,788)</u>	<u>(6,788)</u>	<u>-</u>
Total property valuation	<u>\$ 837,334,900</u>		3,349,340	2,935,476	413,864
Net levy			3,349,340	2,935,476	413,864
Uncollected taxes at June 30, 2014			<u>(231,660)</u>	<u>(159,575)</u>	<u>(72,085)</u>
Current year's taxes collected			<u>\$ 3,117,680</u>	<u>\$ 2,775,901</u>	<u>\$ 341,779</u>
Current levy collection percentage			93.08%	94.56%	82.58%

COMPLIANCE SECTION

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WM. TED CURRIE, CPA
CARL L. HEAD, CPA

**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, 2014 [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 11, 2014.

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 2014-1.

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 2014-2.

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 questioned costs. 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.

Gustaf C. Lundin & Company, LLP

GUSTAF C. LUNDIN & COMPANY, LLP

Laurinburg, North Carolina

November 11, 2014

City of Laurinburg, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(s) identified that are not
considered to be material weaknesses X yes none reported

Noncompliance material to financial statements noted yes X no

City of Laurinburg, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

Section II - Financial Statement Findings

Finding: 14-1

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: Lack of financial statement preparation experience, material journal entries not posted timely.

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.

Finding: 14-2

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 Electric Fund, fund balance was appropriated for fiscal year June 30, 2014 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. For the fiscal year end budget June 30, 2015, the budget was not balanced with "appropriated fund balance".

City of Laurinburg, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Section II - Financial Statement Findings

Finding: 14-1

Name of Contact Person: Cindy Carpenter, 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: Cindy Carpenter, 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, 2015 this procedure was implemented.

City of Laurinburg, North Carolina
Summary of Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2014

Financial Statement Findings

Finding 13-1

Status: Journal entries of material amounts are still needed to correct accounts and financial statements are prepared by Independent Accountant. See Finding 14-1.

Finding 13-2

Listed in the management letter this year.

Finding 13-3

Status: Corrected

