Statement of
CITY OF LAURINBURG
Laurinburg, North Carolina
June 30, 2013

City of Laurinburg, North Carolina
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June 30, 2013

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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, 2013, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows 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, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act 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, other schedules and the schedule of expenditures of federal and state awards 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, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 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 8, 2013

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, 2013. 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

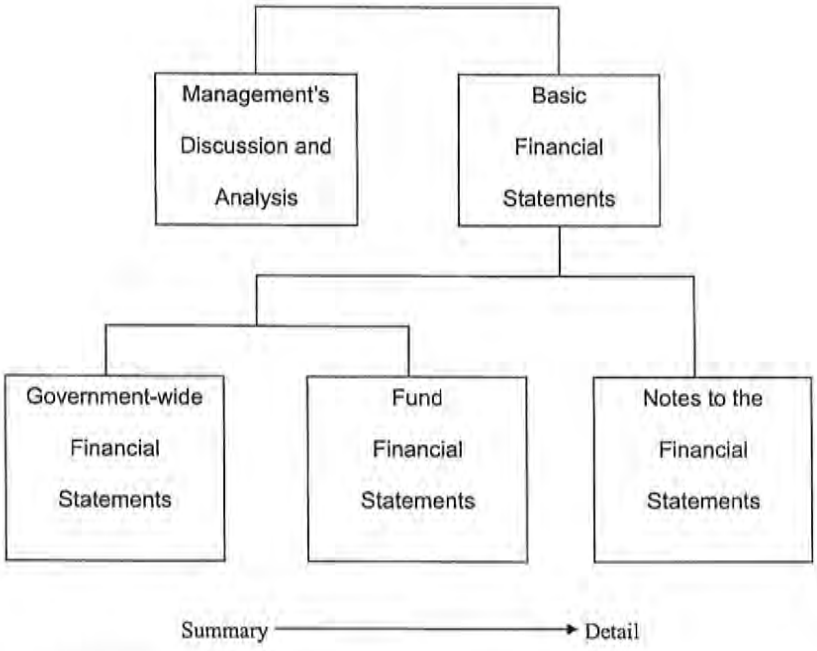
- The assets of the City of Laurinburg exceeded its liabilities at the close of the fiscal year by $40,002,164 (*net position*).
- The government's total net position decreased by $1,896,022 primarily due to increased expenditures in the enterprise funds and general fund.
- As of the close of the current fiscal year, the City of Laurinburg's governmental funds reported combined ending fund balances of $4,122,754 an increase of $6,761. Approximately 24.7% of this total amount or $1,018,325 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,304,902 or 31.6% percent of total general fund expenditures for the fiscal year.
- The City of Laurinburg's total debt decreased by $1,137,270, (13.02%) during the current fiscal year. The key factor in this decrease is payments on the outstanding loans during the year.
- The City of Laurinburg maintained its Baa1 bond rating.
- The City is currently in the process of expanding its water and electric operations to a local company that is expanding their operations (FCC Capital Project). The investment is expected to be $11,352,995.
-

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

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.

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 Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 4,898,062	$ 4,790,049	$ 5,011,480	$ 7,872,198	$ 9,909,542	$ 12,662,247
Capital assets	2,546,117	2,597,281	35,152,231	35,373,999	37,698,348	37,971,280
Deferred outflows of resources	-	-	-	-	-	-
Total assets	7,444,179	7,387,330	40,163,711	43,246,197	47,607,890	50,633,527
Long-term liabilities outstanding	1,283,535	1,325,072	2,575,176	3,568,336	3,858,711	4,893,408
Other liabilities	360,854	327,218	3,378,504	3,506,159	3,739,358	3,833,377
Deferred inflows of resources	7,657	8,554	-	-	7,657	-
Total liabilities	1,652,046	1,660,844	5,953,680	7,074,495	7,605,726	8,735,339
Net position:						
Net investment in capital assets	2,062,427	1,976,046	31,862,041	30,987,018	33,924,468	32,963,064
Restricted	1,018,325	1,033,992	-	-	1,018,325	1,033,992
Unrestricted	2,711,381	2,716,448	2,347,990	5,184,684	5,059,371	7,901,132
Total net position	$ 5,792,133	$ 5,726,486	$ 34,210,031	$ 36,171,702	$ 40,002,164	$ 41,898,186

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 $40,002,164 as of June 30, 2013. The City's net position decreased by $1,896,022 for the fiscal year ended June 30, 2013. However, the largest portion 84.81% 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 2.55% represents resources that are subject to external restrictions on how they may be used. The remaining balance of $5,059,371 is unrestricted.

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

- Transfers of $414,057 from the Solid Waste Fund to the General Fund.

City of Laurinburg Changes in Net Position
Figure 3

CITY OF LAURINBURG'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 226,075	$ 146,699	$ 22,971,034	$ 23,159,289	$ 23,197,109	$ 23,305,988
Operating grants and contributions	844,281	671,047	40,000	-	884,281	671,047
Capital grants and contributions	-	-	249,375	3,436	249,375	3,436
General revenues:						
Property taxes	3,178,969	3,295,047	-	-	3,178,969	3,295,047
Other taxes	2,546,541	2,443,388	-	-	2,546,541	2,443,388
Other	177,014	3,079	53,478	12,687	230,492	15,766
Total revenues	6,972,880	6,559,260	23,313,887	23,175,412	30,286,767	29,734,672
Expenses:						
General government	743,046	710,492	-	-	743,046	710,492
Public safety	3,908,570	3,622,036	-	-	3,908,570	3,622,036
Public works	772,395	740,082	-	-	772,395	740,082
Transportation	592,240	871,159	-	-	592,240	871,159
Animal control	132,809	117,078	-	-	132,809	117,078
Cemetery	225,840	218,270	-	-	225,840	218,270
Community development	931,794	4,467,913	-	-	931,794	4,467,913
Electric	-	-	17,606,989	16,975,302	17,606,989	16,975,302
Water and sewer	-	-	4,912,950	5,250,211	4,912,950	5,250,211
Interest on long-term debt	14,596	9,651	81,966	-	96,562	9,651
Solid waste	-	-	2,259,594	2,230,740	2,259,594	2,230,740
Total expenses	7,321,290	10,756,681	24,861,499	24,456,253	32,182,789	35,212,934
(Decrease) in net position before transfers	(348,410)	(4,197,421)	(1,547,612)	(1,280,841)	(5,478,262)	(5,478,262)
Transfers	414,057	1,024,532	(414,057)	(1,024,532)	-	-
(Decrease) increase in net position	65,647	(3,172,889)	(1,961,669)	(2,305,373)	(1,896,022)	(5,478,262)
Net position, July 1 (consolidated)	5,726,486	8,899,375	36,171,700	38,477,073	41,898,186	47,376,448
Net assets, June 30	$ 5,792,133	$ 5,726,486	$ 34,210,031	$ 36,171,700	$ 40,002,164	$ 41,898,186

Governmental activities. Governmental activities increased the City's governmental net position by $65,647. Key elements of this increase are as follows:

- Transfer from Solid Waste Fund to General Fund in the amount of $414,057.
- Grant reimbursements in the RCC Capital Project Fund.

Business-type activities: Business-type activities decreased the City of Laurinburg's net position by $1,961,669. The key elements of this decrease are as follows:

- Increases in engineering and planning expenses in the Electric Fund.
- Transfers of $414,057 from the Solid Waste Fund to the General Fund.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Laurinburg. At the end of the current fiscal year, fund balance available in the General Fund was $2,998,473, while total fund balance reached $3,656,318. 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 41.10% of general fund expenditures, while total fund balance represents 50.12% of the same amount.

At June 30, 2013, the governmental funds of City of Laurinburg reported a combined fund balance of $4,122,755 with a net increase in fund balance of $6,761. Included in this change in fund balance are a decrease in fund balance in the General Fund and an increase in Special Revenue Fund, Capital Project Fund and 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.

Revenues were more than the budgeted amounts primarily because some revenues are difficult to estimate such as sales and property tax collections. Expenditures were held in check and the City was able to comply with its budgetary requirements.

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 $1,951,788 and those for the Electric Fund amounted to $3,516, and those for the Solid Waste Fund amounted to $392,686. 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, 2013 totals $37,698,348 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, and vehicles.

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

- Substation Equipment $468,001.
- Construction of Water Mains $580,950.
- Vehicles $519,416.
- Sidewalk and Bridge Improvements $100,736.

City of Laurinburg Changes in Net Position
Figure 4

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 280,014	$ 280,014	$ 253,834	$ 253,834	$ 533,848	$ 533,848
Other non depreciable assets	-	-	1,730,472	-	1,730,472	-
Construction in progress	-	-	249,375	-	249,375	-
Buildings and system	297,482	334,052	30,625,714	32,845,930	30,923,196	33,179,982
Improvements other than buildings	183,698	19,721	-	-	183,698	19,721
Machinery and equipment	234,940	77,063	1,121,901	1,123,740	1,356,841	1,200,803
Infrastructure	525,754	1,303,860	-	-	525,754	1,303,860
Vehicles and motorized equipment	1,024,229	582,571	1,170,935	1,150,495	2,195,164	1,733,066
	$ 2,546,117	$ 2,597,281	$ 35,152,231	$ 35,373,999	$ 37,698,348	$ 37,971,280

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, 2013, the City of Laurinburg had total bonded debt outstanding of $471,620. This debt is backed by the full faith and credit of the City.

The City of Laurinburg's Outstanding Debt
General Obligation Bonds
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	$ -	$ -	$ 744,628	$ 1,216,248	$ 744,628	$ 1,216,248
Total	$ -	$ -	$ 744,628	$ 1,216,248	$ 744,628	$ 1,216,248

City of Laurinburg's Outstanding Debt
The City of Laurinburg's total debt decreased by $1,137,270, 13.02% 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.

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. New promising developments and upcoming improvements to our community begin with the new construction of a commercial plant for an initial capital investment of $38,000,000 from FCC corporation and the creation of 25 jobs for the community. The City will be increasing its infrastructure for water, sewer, electric and fiber for a total project cost of $11,350,000. Council approved a financing agreement with a 2.24% interest rate in the amount of $8,300,000 and an additional $3,050,000 will be received from grants. This is a combined effort of the Economic Development, Scotland County and the City of Laurinburg jointly working together to ensure the timely completion of this project. This project will increase revenues in the general fund by increasing the City's tax base as well as all the Enterprise Funds through increased services.

In the prior year, the City had construction of a state of the art Nursing & Rehabilitation Facility, Scottish Pines. This facility houses a rehabilitation wing, movie theatre, restaurant and beauty salon for an estimated total of $6.2 million in investment in the City's community. During the coming year, this facility is expanding an additional building of approximately 19,000 square feet. This new expansion is expected to house patients from the current Morgan Center Nursing Home.

This year also brings new construction of a new retail store, Walgreens. This company has invested approximately $2.7 million in their new 14,820 square footage building. They expect to hire between 15-20 part time employees. This project consists of a new building, street improvements and stop light.

The City is finalizing a lease agreement for a solar array on City property which will bring approximately $80,000 in revenue to the City. The City is also reviewing options of increasing our fiber through expansion and connectivity.

The City awarded bids for new AMR/AMI electric meters in the amount of $351,473 for a drive by system of reading meters. This will be an ongoing project to increase revenues with new meters and technology.

The City continues to support our downtown area through contributions and in kind services to help attract businesses to our downtown locations. A staff member is a voting member on the Laurinburg Downtown Revitalization Committee to help keep the City abreast of happenings and concerns with this group. Our downtown has taken over the Farmers Market project to showcase our local vendors and promote healthier living for the citizens in the City.

The City has been awarded an Urban Forestry Grant to aid in a comprehensive tree inventory for all trees on City property and right-of-ways as well as a comprehensive maintenance plan. NCDOT Pedestrian Planning Grant has also been awarded to the City. This plan will show how the City can best build connectivity and grow our pedestrian infrastructure in the most efficient way.

The City of Laurinburg, North Carolina was incorporated in 1877 and is located in the southern Sandhills of North Carolina. The City has a population of approximately 16,000 people and is the county seat for Scotland County.

The City operates under a council/manager form of government. The legislative board is comprised of a mayor and five (5) council members. The mayor is elected at large and serves a four-year term. The City is divided into two (2) districts and two (2) council members are elected from each district and one (1) council member is elected at large.

The annual budget serves as the foundation for the City's financial planning and fiscal control. The formal operating budget process begins in January/February with a budget planning session which provides the staff appropriate policy and procedural direction along with approving capital improvements recommended by staff. The council reviews the budget during scheduled work sessions, conducts a public hearing to receive citizen input and must adopt the annual operating budget by June 30.

The City provides a range of services including police, fire protection, sanitation, public improvements, planning and zoning, finance, administration, streets and highways, stormwater management, water treatment and distribution, wastewater collection and treatment, electric and broadband services.

The City currently has: (Approximated Figures)

- 7,432 water customers
- 6,058 sewer customers
- 5,674 electric customers

Budget Highlights for the Fiscal Year Ending June 30, 2014
Governmental activities: Property tax rate remains at $.40 per $100 evaluation.

Budgeted expenditures in the General Fund are expected to increase by $124,875. This increase is to add an Audio Visual System for Council Chambers, purchase of a large format printer for GIS, increase in Beautification Projects, expansion of City Cemetery, new Work Order System, replacing radios to FCC standards, a new Quick Response Vehicle for Rescue, an Asphalt Paver, Sidewalks, Curbs and NCDOT Bridge.

Business-type Activities: There is no projected increase in the Electric or Water/Sewer Funds rates. The Electric and Water/Sewer Funds are still working to complete the installation of a new Automatic Meter Reading System.

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

Exhibit 1

City of Laurinburg, North Carolina
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,914,004	$ 1,351,221	$ 5,265,225
Receivables (net)	527,561	2,024,764	2,552,325
Due from other governments	388,584	-	388,584
Notes receivable	-	28,679	28,679
Inventories	32,909	716,649	749,558
Restricted cash	35,004	699,550	734,554
Bond issuance cost	-	3,859	3,859
Total current assets	4,898,062	4,824,722	9,722,784
Non-current assets:			
Notes receivable	-	186,758	186,758
Capital assets:			
Land, improvements, and construction in progress	280,014	2,233,681	2,513,695
Other capital assets, net of depreciation	2,266,103	32,918,550	35,184,653
Total capital assets	2,546,117	35,152,231	37,698,348
Total assets	$ 7,444,179	$ 40,163,711	$ 47,607,890
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	$ 207,192	$ 1,562,523	$ 1,769,715
Unearned revenue	-	699,550	699,550
Current portion of long-term liabilities	153,662	1,116,431	1,270,093
Total current liabilities	360,854	3,378,504	3,739,358
Long-term liabilities:			
Due in more than one year	1,283,535	2,575,176	3,858,711
Total liabilities	$ 1,644,389	$ 5,953,680	$ 7,598,069
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	7,657	-	7,657
Total deferred inflows of resources	7,657	-	7,657
NET POSITION			
Net investment in capital assets	2,062,427	31,862,041	33,924,468
Restricted for:			
Cemetery perpetual care	325,476	-	325,476
Stabilization by state statute	657,845	-	657,845
911 funds	35,004	-	35,004
Unrestricted	2,711,381	2,347,990	5,059,371
Total net position	$ 5,792,133	$ 34,210,031	$ 40,002,164

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

Exhibit 2

City of Laurinburg, North Carolina
Statement of Activities
For the Year Ended June 30, 2013

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue & Changes in Net Position: Primary Governmental Activities	Net (Expense) Revenue & Changes in Net Position: Business-type Activities	Net (Expense) Revenue & Changes in Net Position: Total
Primary government:							
Governmental activities:							
General government	$ 743,046	$ 112,236	$ -	$ -	$ (630,810)	$ -	$ (630,810)
Public safety	3,908,570	50,644	9,730	-	(3,848,196)	-	(3,848,196)
Public works	772,395	-	-	-	(772,395)	-	(772,395)
Transportation	592,240	-	499,450	-	(92,790)	-	(92,790)
Animal control	132,809	-	-	-	(132,809)	-	(132,809)
Cemetery	225,840	51,366	-	-	(174,474)	-	(174,474)
Community development	931,794	11,829	335,101	-	(584,864)	-	(584,864)
Interest on long-term debt	14,596	-	-	-	(14,596)	(81,966)	(96,562)
Total governmental activities	7,321,290	226,075	844,281	-	(6,250,934)	(81,966)	(6,332,900)
Business-type activities:							
Electric	17,606,989	16,161,286	-	-	-	(1,445,703)	(1,445,703)
Water and sewer	4,912,950	4,631,530	40,000	249,375	-	7,955	7,955
Solid waste	2,259,594	2,178,218	-	-	-	(81,376)	(81,376)
Total business-type activities	24,779,533	22,971,034	40,000	249,375	-	(1,519,124)	(1,519,124)
Total primary government	$ 32,100,823	$ 23,197,109	$ 884,281	$ 249,375	$ (6,250,934)	$ (1,601,090)	$ (7,852,024)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,178,969	-	3,178,969
Other taxes					2,546,541	-	2,546,541
Unrestricted investment earnings					1,691	22,788	24,479
Miscellaneous					175,323	30,690	206,013
Total general revenues not including transfers					5,902,524	53,478	5,956,002
Transfers					414,057	(414,057)	-
Total general revenues, special items, and transfers					6,316,581	(360,579)	5,956,002
Change in net position					65,647	(1,961,669)	(1,896,022)
Net position-beginning as previously reported					5,726,486	38,249,640	43,976,126
Prior period adjustment (see Note VIII)					-	(2,077,940)	(2,077,940)
Net position as restated					5,726,486	36,171,700	41,898,186
Total net position-ending					$ 5,792,133	$ 34,210,031	$ 40,002,164

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

City of Laurinburg, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds General	Total Non-Major Fund	Total Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,213,322	$ 700,682	$ 3,914,004
Restricted cash	-	35,004	35,004
Taxes receivable (net)	527,550	-	527,550
Accounts receivable (net)	11	-	11
Due from other governments	257,834	130,750	388,584
Due from (to) governmental funds	400,000	(400,000)	-
Total assets	$ 4,398,717	$ 466,436	$ 4,865,153
LIABILITIES			
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	$ 207,192	$ -	$ 207,192
Total liabilities	$ 207,192	$ -	$ 207,192
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	527,550	-	527,550
Prepaid taxes	7,657	-	7,657
Total deferred inflows of resources	535,207	-	535,207
Fund balances			
Non spendable:			
Perpetual maintenance	-	325,476	325,476
Restricted:			
Stabilization by state statute	657,845	-	657,845
Emergency telephone system fund	-	35,004	35,004
Assigned for building project	-	105,956	105,956
Subsequent year's expenditures	693,571	-	693,571
Unassigned	2,304,902	-	2,304,902
Total fund balances	3,656,318	466,436	4,122,754
Total liabilities, deferred inflows of resources and fund balances	$ 4,398,717	$ 466,436	

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	9,781,034	
Accumulated depreciation	(7,234,917)	$ 2,546,117
Other assets are not available to pay for current-period expenditures and therefore are deferred.		32,909
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		527,550
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.		(1,437,197)
Net position of governmental activities		$ 5,792,133

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, 2013

	Major Funds General Fund	Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	$ 3,128,607	$ -	$ 3,128,607
Other taxes and licenses	874,153	-	874,153
Unrestricted intergovernmental	1,672,388	-	1,672,388
Restricted intergovernmental	703,435	-	703,435
Permits and fees	14,618	-	14,618
Sales and services	90,046	14,010	104,056
Grant revenues	-	140,851	140,851
Investment earnings	1,583	108	1,691
Miscellaneous	282,695	-	282,695
Total revenues	6,767,525	154,969	6,922,494
EXPENDITURES			
Current:			
General government	738,160	-	738,160
Community development	859,997	34,894	894,891
Public safety	3,816,369	-	3,816,369
Transportation	716,842	-	716,842
Public works	661,608	-	661,608
Animal control	132,809	-	132,809
Cemetery	216,970	-	216,970
Debt service:			
Principal payments	137,545	-	137,545
Interest and other charges	14,596	-	14,596
Total expenditures	7,294,896	34,894	7,329,790
Excess (deficiency) of revenues over expenditures	(527,371)	120,075	(407,296)
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	426,057	(12,000)	414,057
Total other financing sources (uses)	426,057	(12,000)	414,057
Net change in fund balance	(101,314)	108,075	6,761
Fund balances -beginning	3,757,631	358,362	4,115,993
Fund balances-ending	$ 3,656,317	$ 466,437	$ 4,122,754

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, 2013

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ 6,761
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	$ 400,357	
Depreciation expense for governmental assets	(451,521)	(51,164)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue for tax revenues		50,363
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		137,545
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		(6,954)
Compensated absences		32,716
Net pension obligation		(21,605)
Other postemployment benefits		(82,016)
Total changes in net position of governmental activities		$ 65,646

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

Exhibit 5

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, 2013

	General Fund			
	Budget		Actual	Variance with Final Budget-Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Ad valorem taxes	$ 3,232,700	$ 3,232,700	$ 3,128,607	$ (104,093)
Other taxes and licenses	1,111,400	1,111,400	874,153	(237,247)
Unrestricted intergovernmental	1,485,000	1,485,000	1,672,388	187,388
Restricted intergovernmental	463,000	463,000	703,435	240,435
Permits and fees	14,000	14,000	14,618	618
Sales and services	111,000	111,000	90,046	(20,954)
Investment earnings	1,500	1,500	1,583	83
Miscellaneous	277,706	471,956	282,695	(189,261)
Total revenues	6,696,306	6,890,556	6,767,525	(123,031)
EXPENDITURES				
General government	773,151	839,223	738,160	101,063
Community development	639,428	931,006	859,997	71,009
Public safety	4,045,441	3,993,300	3,816,369	176,931
Transportation	894,800	894,800	716,842	177,958
Public works	684,456	684,456	661,608	22,848
Animal control	64,804	144,803	132,809	11,994
Cemetery	218,142	218,142	216,970	1,172
Debt service:				
Principal retirement	137,545	137,545	137,545	-
Interest and other charges	14,596	14,596	14,596	-
Total expenditures	7,472,363	7,857,871	7,294,896	562,975
Excess (deficiency) of revenues over expenditures	(776,057)	(967,315)	(527,371)	439,944
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	776,057	776,057	426,057	(350,000)
Total other financing sources	776,057	776,057	426,057	(350,000)
Appropriated fund balance	-	191,258	-	(191,258)
Net change in fund balance	$ -	$ -	(101,314)	$ (101,314)
Fund balances-beginning of year			3,757,631	
Fund balances-end of year			$ 3,656,317	

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, 2013

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	June 30, 2013
Assets				
Current assets:				
Cash and cash equivalents	$ 10,975	$ 928,294	$ 411,952	$ 1,351,221
Restricted cash	578,261	121,289	-	699,550
Accounts receivable (net)	1,304,389	529,404	190,971	2,024,764
Notes receivable	28,679	-	-	28,679
Inventories	562,878	144,901	8,870	716,649
Due (to) from other funds	(580,000)	580,000	-	-
Total	1,905,182	2,303,888	611,793	4,820,863
Non-current assets:				
Notes receivable	186,758	-	-	186,758
Bond issuance costs (net)	-	3,859	-	3,859
Land and other non-depreciable assets	-	2,233,681	-	2,233,681
Other capital assets net of depreciation	6,121,203	26,139,743	657,604	32,918,550
Total assets	$ 8,213,143	$30,681,171	$1,269,397	$40,163,711
Liabilities and fund equities				
Current liabilities:				
Accounts payable and accrued liabilities	1,381,229	95,435	85,859	1,562,523
Customer deposits	578,261	121,289	-	699,550
Compensated absences	11,693	13,692	7,705	33,090
Installment financing notes payable	103,070	405,253	119,514	627,837
General obligation bonds payable current	-	455,504	-	455,504
Total current liabilities	2,074,253	1,091,173	213,078	3,378,504
Non-current liabilities:				
Other post employment benefits	75,787	76,998	98,227	251,012
Compensated absences payable	41,455	48,545	27,316	117,316
Installment financing notes payable	309,212	1,192,811	415,701	1,917,724
General obligation bonds payable - non-current	-	289,124	-	289,124
Total non-current liabilities	426,454	1,607,478	541,244	2,575,176
Total liabilities	2,500,707	2,698,651	754,322	5,953,680
Net position				
Net investment in capital assets	5,708,920	26,030,732	122,389	31,862,041
Unrestricted	3,516	1,951,788	392,686	2,347,990
Total net position	$ 5,712,436	$27,982,520	$ 515,075	$34,210,031

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

Exhibit 7

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, 2013

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	June 30, 2013
Operating revenues:				
Charges for services	$ 15,744,628	$ 4,331,144	$2,154,406	$22,230,178
Water and sewer taps	-	100,168	-	100,168
Other operating revenues	416,658	240,218	23,812	680,688
Total operating revenues	16,161,286	4,671,530	2,178,218	23,011,034
Operating expenses:				
Administration	558,378	870,177	-	1,428,555
Finance	451,748	-	-	451,748
Electric operations	1,910,766	-	-	1,910,766
Electric power purchases	14,265,261	-	-	14,265,261
Water and sewer treatment and distribution	-	1,388,825	-	1,388,825
Waste collection and treatment	-	1,347,422	-	1,347,422
Solid waste operations	-	-	2,095,238	2,095,238
Depreciation	420,836	1,306,526	164,356	1,891,718
Total operating expenses	17,606,989	4,912,950	2,259,594	24,779,533
Operating (loss)	(1,445,703)	(241,420)	(81,376)	(1,768,499)
Nonoperating revenues (expenses):				
Investment earnings	22,409	338	41	22,788
Gain on sale of fixed assets	10,764	6,494	13,432	30,690
Interest and fees	(10,152)	(59,452)	(12,362)	(81,966)
Total nonoperating revenues (expenses)	23,021	(52,620)	1,111	(28,488)
(Loss) before contributions and transfers	(1,422,682)	(294,040)	(80,265)	(1,796,987)
Capital contributions	-	249,375	-	249,375
Transfers to other funds	-	-	(414,057)	(414,057)
Change in net position	(1,422,682)	(44,665)	(494,322)	(1,961,669)
Net position, beginning as previously reported	7,135,118	30,105,125	1,009,397	38,249,640
Prior period adjustment (see note VIII)	-	(2,077,940)	-	(2,077,940)
Net position as restated	7,135,118	28,027,185	1,009,397	36,171,700
Total net position, ending	$ 5,712,436	$27,982,520	$ 515,075	$34,210,031

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, 2013

	Business-type Activities Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 15,908,322	$ 4,407,818	$2,199,633	$ 22,515,773
Cash paid for goods and services	(16,256,798)	(2,240,716)	(1,124,812)	(19,622,326)
Cash paid to or on behalf of employees for services	(871,660)	(1,429,496)	(885,147)	(3,186,303)
Customer deposits received	85,368	8,843	-	94,211
Customer deposits returned	(44,463)	(4,126)	-	(48,589)
Other operating revenues	438,145	246,712	23,812	708,669
Net cash provided by operating activities	(741,086)	989,035	213,486	461,435
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to (from) other funds	580,000	(580,000)	-	-
Payment received from affiliate	57,953	-	-	57,953
Transfers to other funds	-	-	(414,057)	(414,057)
Total cash flows provided by (used in) noncapital financing activities	637,953	(580,000)	(414,057)	(356,104)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(511,552)	(666,803)	(242,221)	(1,420,576)
Interest paid on bond and installment financing contracts	(10,152)	(59,452)	(12,362)	(81,966)
Principal paid on bond and installment financing contracts	(103,070)	(876,354)	(119,514)	(1,098,938)
Net cash (used in) capital and related financing activities	(624,774)	(1,602,609)	(374,097)	(2,601,480)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	22,409	338	41	22,788
Net (decrease) in cash and cash equivalents	(727,907)	(1,193,574)	(574,668)	(2,496,149)
Balances - beginning of the year	1,317,143	2,243,157	986,620	4,546,920
Balances - end of the year	$ 589,236	$ 1,049,583	$ 411,952	$ 2,050,771

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, 2013

	Business-type Activities Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	Totals
Reconciliation of operating income to net cash provided by operating activities:				
Operating (loss)	$ (1,445,703)	$ (241,420)	$ (81,376)	$ (1,768,499)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	420,836	1,306,526	164,356	1,891,718
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	201,196	(25,099)	65,315	241,412
(Decrease) increase in allowance for doubtful accounts	(11,278)	1,606	(4,470)	(14,142)
Decrease in inventory	92,721	17,994	6,616	117,331
Increase (decrease) in accounts payable and accrued liabilities	(48,054)	(90,528)	31,717	(106,865)
Increase in customer deposits	40,905	4,717	-	45,622
Increase (decrease) in accrued vacation pay	(13,606)	3,468	6,421	(3,717)
Increase in OPEB liability	21,897	11,771	24,907	58,575
Total adjustment	704,617	1,230,455	294,862	2,229,934
Net cash provided by (used in) operating activities	$ (741,086)	$ 989,035	$ 213,486	$ 461,435

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

Exhibit 9

City of Laurinburg, North Carolina
Statement of Agency Fund Net Position
Agency Fund
For the Year Ended June 30, 2013

	Agency Fund
Assets	
Cash and cash equivalents	$ 79,136
Liabilities	
Intergovernmental payable	79,136
Total liabilities	$ 79,136

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

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, 2013.

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.

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 nonmajor enterprise funds:

Water Sewer Grant Project Fund. These funds are used to account for water and sewer improvements throughout the City of Laurinburg.

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.

Emergency Telephone System Fund. This fund will be used in a future period to build a 911 center in 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Scotland County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Laurinburg. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Scotland County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013 Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2013 because they are intended to finance the City's operations during the 2014 fiscal year.

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.

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

D. Budgetary Data

The 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.

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.

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

Asset Class	Estimated Useful Lives
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

1. Noncompliance with North Carolina General Statutes

In the Electric Fund, purchases of electricity exceeded budget appropriations by $5,696. A corrective action plan has been outlined in the compliance section of this report. This over-expenditure occurred because of unplanned power costs. Budgetary figures will be reviewed more closely (see significant deficiency finding 13-3 in the Schedule of Findings and Questioned Costs).

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-collaterization, 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, 2013, the City's deposits had a carrying amount of $1,383,407 and a bank balance of $1,479,301. 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, 2013, the City's petty cash fund totaled $6,300.

2. Investments

At June 30, 2013, the City of Laurinburg had $4,689,208 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	06/30/13
General Fund:	
Taxes Receivable	$ 110,201
Enterprise Funds	146,720
Total	$ 256,921

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, 2013 is $215,437. The loan is to be repaid to the Electric Fund as follows:

Year Ending June 30	Principal	Interest
2014	28,679	8,772
2015	29,826	7,625
2016	31,019	6,432
2017	32,260	5,191
2018	33,550	3,901
2019	34,892	2,559
2020	25,210	1,163
	$ 215,437	$ 35,641

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2013, 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	280,014	-	-	280,014
Capital assets being depreciated:				
Buildings	1,812,992	-	-	1,812,992
Other improvements	394,982	169,248	-	564,230
Equipment	1,591,118	48,185	11,718	1,627,585
Vehicles and motorized equipment	4,667,521	182,924	228,164	4,622,281
Infrastructure	873,932	-	-	873,932
Total capital assets being depreciated	9,340,545	400,357	239,882	9,501,020
Less accumulated depreciation for:				
Buildings	1,478,940	36,570	-	1,515,510
Other improvements	375,261	5,271	-	380,532
Equipment	1,514,055	70,104	191,514	1,392,645
Vehicles and motorized equipment	3,363,661	282,759	48,368	3,598,052
Infrastructure	291,361	56,817	-	348,178
Total accumulated depreciation	7,023,278	451,521	239,882	7,234,917
Total capital assets being depreciated, net	$2,317,267			$ 2,266,103
Governmental activity capital assets, net	$2,597,281			$ 2,546,117

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

General government	$ 10,115
Community development	19,174
Public safety	239,442
Transportation	41,218
Public works	137,072
Cemetery	4,500
Total depreciation expense	$ 451,521

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets being depreciated:				
Substations, lines, and related equipment	$13,160,227	$ 468,001	$ -	$ 13,628,228
Furniture and maintenance equipment	1,063,964	18,400	-	1,082,364
Vehicles	942,790	25,151	79,061	888,880
Total capital assets being depreciated	15,166,981	511,552	79,061	15,599,472
Less accumulated depreciation for:				
Substations, lines, and related equipment	7,579,403	343,430	-	7,922,833
Furniture and maintenance equipment	803,695	23,798	-	827,493
Vehicles	753,395	53,608	79,060	727,943
Total accumulated depreciation	9,136,493	420,836	79,060	9,478,269
Electric fund capital assets, net	6,030,488			6,121,203
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	253,834	-	-	253,834
Other non depreciable assets	-	1,730,472	-	1,730,472
Construction in progress	-	249,375	-	249,375
Total capital assets not being depreciated	253,834	1,979,847	-	2,233,681
Capital assets being depreciated:				
Plant and distribution systems	47,691,957	580,950	-	48,272,907
Furniture and maintenance equipment	3,968,580	6,463	1,730,472	2,244,571
Vehicles	1,808,252	79,390	79,945	1,807,697
Total capital assets being depreciated	53,468,789	666,803	1,810,417	52,325,175
Less accumulated depreciation for:				
Plant and distribution systems	22,160,372	1,194,434	-	23,354,806
Furniture and maintenance equipment	1,374,637	10,663	-	1,385,300
Vehicles	1,423,842	101,429	79,945	1,445,326
Total accumulated depreciation	24,958,851	1,306,526	79,945	26,185,432
Total capital assets being depreciated, net	28,509,938			26,139,743
Water and Sewer fund capital assets, net	28,763,772			28,373,424
Solid Waste Fund				
Capital assets being depreciated:				
Plant and distribution systems	123,246	-	-	123,246
Furniture and maintenance equipment	123,319	10,270	-	133,589
Vehicles	2,173,409	231,951	234,810	2,170,550
Total capital assets being depreciated	2,419,974	242,221	234,810	2,427,385
Less accumulated depreciation for:				
Plant and distribution systems	120,199	829	-	121,028
Furniture and maintenance equipment	123,319	2,511	-	125,830
Vehicles	1,596,717	161,016	234,810	1,522,923
Total accumulated depreciation	1,840,235	164,356	234,810	1,769,781
Solid Waste fund capital assets, net	579,739			657,604
Business-type activities capital assets, net	$35,373,999			$ 35,152,231

B. Liabilities

1. 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 7.28% 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, 2013, 2012, and 2011 were $707,514, $738,494 and $726,223, 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, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	37
Total	40

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, 2012 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	74,158
Interest on net pension obligation	18,768
Adjustment to annual required contribution	23,359
Annual pension cost	69,567
Contributions made	47,962
Increase in net pension obligation	21,605
Net pension obligation beginning of year	375,365
Net pension obligation end of year	396,970

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$ 67,518	35.23%	$ 343,390
2012	$ 68,996	53.66%	$ 375,365
2013	$ 69,567	68.94%	$ 396,970

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 $653,141. The covered payroll (annual payroll of active employees covered by the plan) was $1,531,151, and the ratio of the UAAL to the covered payroll was 42.66 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, 2013 were $132,557, which consisted of $91,424 from the City and $41,133 from the law enforcement officers.

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Laurinburg, to the Firemen's 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 Firemen's 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, 2012, the date of the latest actuarial valuation:

Active members	
Law enforcement officers	44
Firefighters	6
General employees	99
Retired members	12
Total	161

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 $450 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 3.48% of annual covered payroll. For the current year, the City contributed $64,583 or .59% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a Board resolution, for employees represented 4.62% of covered payroll. There were no contributions made by employees, except for dependent coverage in the amount of $130,508.

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.

Annual required contribution	$ 204,398
Interest on net OPEB obligation	17,686
Adjustment to annual required contribution	16,896
Annual OPEB cost (expense)	205,188
Contributions made	64,583
Increase in net OPEB obligation	140,605
Net OPEB obligation, beginning of year	442,161
Net OPEB obligation, end of year	582,767

The city's annual OPEB cost, the percentage of annual OPEB cost contribution to the FCC Plan, and the net OPEB obligation for 2013 is as follows:

For Year End June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 193,022	$ 21.52	$ 298,818
2012	$ 193,293	$ 43.50	$ 442,161
2013	$ 205,188	$ 31.48	$ 582,767

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, thus, the unfunded actuarial accrued liability (UAAL) was $2,412,328. The covered payroll (annual payroll of active employees covered by the plan) was $5,989,136, and the ratio of the UAAL to the covered payroll was 36.74 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, 2008 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 9.50 and 5.00 percent. Both rates included a 3.00 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, 2011 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)	$ -	$ 7,657
Taxes receivable (General Fund)	527,550	-
Total	$ 527,550	$ 7,657

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 covers these exposures through three different insurances: 1) For liability and property the City participates in a self-funded pool administered by the North Carolina League of Municipalities. Through the pool, the City obtains general liability and vehicle liability coverage of $1 million per occurrence, replacement costs of all scheduled structures, and comprehensive and collision on all vehicles that it has been requested on. This pool is reinsured through commercial companies for single occurrence claims against property exceeding $500,000 and liability claims exceeding $1 million. 2) The City is self-funded with regards to Workers' Compensation and covers injuries up to the statutory limits. Claims are handled by the N. C. League of Municipalities, a third party administrator Claims in excess of $350,000 are covered by commercial companies. 3) Employee health care is covered by commercial insurance.

The city does not carry flood insurance. The City is not designated to be in a flood zone.

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 for $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 were no claims or judgements against the City.

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, 2013 is $349,535 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, 2013 is $383,520 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, 2013 is $1,522,805 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, 2013 is $412,282 and is being serviced by the Electric Fund.

In fiscal 2007, the City entered into a $456,000 financing agreement to purchase a fire truck at a fixed interest rate of 3.99 percent. The remaining principal balance owed at June 30, 2013 is $36,917 and is being serviced by the General 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, 2013 is $97,238 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, 2013 is $75,258 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, 2013 is $94,845. 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, 2013 is $56,849. The loan is serviced by the Solid Waste Fund.

Annual debt service payments of the purchases as of June 30, 2013, including $181,185 of interest, are as follows:

	Governmental Activities		Business-Type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2014	104,210	10,277	627,837	49,824
2015	68,755	8,080	572,751	37,818
2016	70,248	6,587	574,550	26,489
2017	37,950	5,242	550,207	15,262
2018	38,777	4,415	67,743	5,722
2019-2023	163,750	9,020	152,472	2,850
Total	483,690	43,620	2,545,560	137,965

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, 2013 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, 2013, the City of Laurinburg had a legal debt margin of $62,955,812.

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2014	455,504	12,212
2015	289,124	4,742
Total	$ 744,628	$ 16,954

c. Changes in Long-term Liabilities

	Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013	Current Portion of Balance
Governmental activities:					
Financing agreement	$ 621,235	$ -	$ 137,545	$ 483,690	$ 104,210
Net pension obligation	375,365	21,605	-	$ 396,970	-
Other postemployment benefits	249,724	82,030	-	$ 331,754	-
Compensated absences	257,492	174,573	207,282	$ 224,783	49,452
Governmental activities long-term liabilities	$ 1,503,816	$ 278,208	$ 344,827	$ 1,437,197	$ 153,662
Business-type activities:					
Electric fund					
Financing agreement	$ 515,352	$ -	$ 103,070	$ 412,282	$ 103,070
Other postemployment benefits	53,890	21,897	-	$ 75,787	-
Compensated absences	70,591	44,282	61,725	$ 53,148	11,693
Electric fund activity long-term liabilities	639,833	66,179	164,795	$ 541,217	114,763
Water and sewer fund					
Financing agreement	$ 2,002,798	$ -	$ 404,734	$ 1,598,064	$ 405,253
General obligation bonds	1,216,248	-	471,620	$ 744,628	455,504
Other postemployment benefits	65,227	11,771	-	$ 76,998	-
Compensated absences	58,769	49,125	45,657	$ 62,237	13,692
Water and sewer activity long-term liabilities	3,343,042	60,896	922,011	$ 2,481,927	874,449
Solid waste fund					
Financing agreement	$ 652,582	$ -	$ 117,367	$ 535,215	$ 119,514
Other postemployment benefits	73,320	24,907	-	$ 98,227	-
Compensated absences	28,600	37,558	31,137	$ 35,021	7,705
Solid waste activity long-term liabilities	754,502	62,465	148,504	$ 668,463	127,219
Business activity long-term liabilities	$ 4,737,377	$ 189,540	$ 1,235,310	$ 3,691,607	$ 1,116,431

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, 2013, consist of the following:

General Fund due from RCC capital project	$ 400,000
Water Sewer Fund due from the Electric Fund	580,000
Total due from other governments and entities	$ 980,000

The interfund balances resulted from the time lag of the RCC capital project getting reimbursed from a community college in order to pay back the general fund for funds used. 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 engineering studies.

Transfers to/from other funds:

Transfers to/from other funds during the year, consist of the following:

Transfer from Solid Waste to General Fund: $414,057

Since 1999, the General Fund subsidized the Solid Waste Fund in the amount of $1,445,314. Since this time the Solid Waste Fund has become self-sufficient and has grown in fund balance. Council approved a one time transfer to the General Fund for money that is allocated over the years.

Transfer from Perpetual Care: $12,000
The City transferred funds from the Perpetual Care Fund to the Cemetery in order to expand and maintain the increased demand of cemetery plots.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the City of Laurinburg has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of $5,520 for the 40 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.

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	3,656,318
Less:	
Stabilization by State Statute	657,845
Appropriated fund balance in 2014 budget	693,571
Unassigned	2,304,902

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, 2013 were $14,265,261.

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, 2013. 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, 2013 in the amount of $5,267.

V. Related Organization

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

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Significant Effects of Subsequent Events

The City signed a Settlement and Release Agreement with Datamatic, Ltd. (the company that sold the City electronic meter reading equipment). This agreement stated that Datamatic will pay to the City $115,000 and releases the City from further duties or obligations under the previous contract.

The City was approved in October by LGC for major infrastructure line extensions in the northern part of the City. The costs of extending water, sewer, electrical and fiber optic services and installing groundwater wells for the purpose of expanding industrial opportunities, improving the City's utility systems and offering better fire protection to the citizens of the City. The total cost of the project is estimated to be $11,350,000. Grants will reimburse the City in the amount of $3,050,000 and the City entered into a financing contract at 2.24% for ten years for the additional amount of $8,300,000.

VIII. Prior Period Adjustment

A correction was made to the beginning of year net assets of the water sewer fund for the cumulative effect of depreciation on various fixed assets. The assets lives of sewer lines were improperly determined and depreciated. The net effect on net position is a decrease of 2,077,940. The accumulated depreciation has been increased by the same amount.

IX. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and Statement 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

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.

Exhibit A

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%

Exhibit A-1

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%

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	12/31/2012
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

Exhibit A-2

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%

Exhibit A-3

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	192,759	21.55%
2012	192,759	43.50%
2013	204,398	31.37%

Exhibit B

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		$ 3,092,303	
Penalties and interest		36,304	
Total	3,232,700	3,128,607	(104,093)
Other taxes and licenses:			
Local option sales tax		778,216	
Animal taxes		1,003	
Privilege licenses		94,934	
Total	1,111,400	874,153	(237,247)
Unrestricted intergovernmental:			
Utility franchise tax		1,077,543	
Beer and wine tax		63,639	
Cable franchise		277,870	
Tax refunds - sales and gasoline		253,337	
Total	1,485,000	1,672,388	187,388
Restricted intergovernmental:			
Federal government grants		40,121	
State government grants		14,100	
Local grants		180,150	
Powell Bill allocation		469,065	
Total	703,450	703,435	(15)
Permits and fees:			
Court fees		5,232	
Inspection fees		9,386	
Total	14,000	14,618	618

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Fire protection		38,679	
Cemetery lots		51,367	
Total	111,000	90,046	(20,954)
Investment earnings	1,500	1,583	83
Miscellaneous:			
Sale of materials and other assets		26,002	
Concessions and rentals		11,830	
Other		244,864	
Total	231,506	282,695	51,189
Total revenues	6,890,556	6,767,525	(123,031)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		125,411	
Membership dues and subscriptions		21,390	
Other operating expenditures		127,592	
Reimbursement-proprietary funds		(81,898)	
Total	206,229	192,495	13,734
Administration:			
Salaries and employee benefits		195,267	
Other operating expenditures		29,768	
Capital outlay		7,900	
Reimbursement-proprietary funds		(104,434)	
Total	142,264	128,501	13,763

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Personnel/safety:			
Salaries and employee benefits		101,329	
Other operating expenditures		124,163	
Reimbursement-proprietary funds		(40,846)	
Total	198,388	184,645	13,743
Finance:			
Salaries and employee benefits		254,653	
Other operating expenditures		30,446	
Reimbursement-proprietary funds		(204,138)	
Total	94,769	80,961	13,808
Tax:			
Salaries and employee benefits		55,677	
Collection fees		4,609	
Other operating expenditures		20,434	
Capital outlay		9,367	
Total	132,337	90,086	42,251
Public buildings:			
Salaries and employee benefits		33,092	
Other operating expenditures		22,678	
Capital outlay		5,700	
Total	65,236	61,470	3,766
Total general government	839,223	738,160	101,063

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Community development:			
Administration:			
Salaries and employee benefits		107,177	
Other operating expenditures		418,495	
Total	527,249	525,672	1,577
Planning:			
Salaries and employee benefits		64,724	
Other operating expenditures		54,842	
Total	131,011	119,566	11,445
Engineering:			
Salaries and employee benefits		79,563	
Other operating expenditures		20,871	
Reimbursement-proprietary funds		(60,294)	
Total	45,590	40,139	5,451
Beautification:			
Salaries and employee benefits		78,375	
Other operating expenditures		96,243	
Total	227,156	174,619	52,537
Total community development	931,006	859,996	71,010

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		2,514,574	
Vehicle maintenance		182,858	
Other operating expenditures		301,002	
Capital outlay		130,886	
Total	3,146,871	3,129,320	17,551
Fire:			
Salaries and employee benefits		359,557	
Vehicle maintenance		34,542	
Other operating expenditures		195,679	
Capital outlay		25,218	
Total	774,229	614,996	159,233
Rescue units:			
Operating expenditures		72,053	
Total	72,200	72,053	147
Total public safety	3,993,300	3,816,369	176,931
Transportation:			
Streets and highways:			
Salaries and employee benefits		326,871	
Other operating expenditures		208,334	
Capital outlay		181,638	
Total	894,800	716,842	177,958

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Public works:			
Administration:			
Salaries and employee benefits		41,801	
Other operating expenditures		10,189	
Total	59,112	51,990	7,122
Storm drainage:			
Salaries and employee benefits		103,441	
Other operating expenditures		75,594	
Total	184,428	179,035	5,393
Garage:			
Salaries and employee benefits		332,588	
Other operating expenditures		58,347	
Capital outlay		39,648	
Total	440,916	430,583	10,333
Total public works	684,456	661,608	22,848
Animal control:			
Salaries and employee benefits		47,117	
Other operating expenditures		85,693	
Total	144,803	132,809	11,994

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Cemetery:			
Salaries and employee benefits		187,598	
Other operating expenditures		29,372	
Total	218,142	216,970	1,172
Debt service:			
Principal retirement		137,545	
Interest and other charges		14,596	
Total	152,141	152,141	-
Total expenditures	7,857,871	7,294,895	562,976
Revenues (under) expenditures	(967,315)	(527,370)	439,945
Other financing sources:			
Transfers from other funds:			
Enterprise funds:			
Electric fund	350,000	-	(350,000)
Cemetery	12,000	12,000	-
Solid waste	414,057	414,057	-
Total other financing sources (uses)	$ 776,057	$ 426,057	$ (350,000)
Fund balance appropriated	$ (191,258)		$ (191,258)
Net change in fund balance	$ -	(101,313)	$ (101,313)
Fund balances:			
Beginning of year, July 1		3,757,631	
End of year, June 30		3,656,317	

Exhibit C-1

City of Laurinburg, North Carolina
Combining Balance Sheet
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2013

	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
Assets					
Cash	$ 35,004	$ 375,207	$ 410,211	$ 325,476	$ 735,687
Due from other governments	-	130,750	130,750	-	130,750
Total assets	$ 35,004	$ 505,957	$ 540,961	$ 325,476	$ 866,437
Liabilities and Fund Balances					
Liabilities:					
Due to governmental funds	-	400,000	400,000	-	400,000
Total liabilities	-	400,000	400,000	-	400,000
Fund balance:					
Non spendable - perpetual maintenance	-	-	-	325,476	325,476
Restricted for:					
911 emergency telephone fund	35,004	-	35,004	-	35,004
Assigned	-	105,957	105,957	-	105,957
Total fund balances	35,004	105,957	140,961	325,476	466,437
Total liabilities and fund balances	$ 35,004	$ 505,957	$ 540,961	$ 325,476	$ 866,437

Exhibit C-2

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, 2013

	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	$ -	$ -	$ -	$ 14,010	$ 14,010
Grant revenues	-	140,851	140,851	-	140,851
Interest	16	-	16	92	108
Total revenues	16	140,851	140,867	14,102	154,969
Expenditures:					
Current:					
Legal, architect, engineering	-	34,894	34,894	-	34,894
Total expenditures	-	34,894	34,894	-	34,894
Revenues over expenditures	16	105,957	105,973	14,102	120,075
Other financing (uses)					
Transfers to General Fund (return on investment)	-	-	-	(12,000)	(12,000)
Net change in fund balance	16	105,957	105,973	2,102	108,075
Fund balances:					
Fund balance beginning of year	34,988	-	34,988	323,374	358,362
Fund balance end of year-June 30	$ 35,004	$ 105,957	$ 140,961	$ 325,476	$ 466,437

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, 2013

	Project Authorization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Other grants	$ 34,860	$ 34,860	$ -	$ 34,860	$ -
Interest	-	128	16	144	144
Total revenues	34,860	34,988	16	35,004	144
Expenditures:					
Public safety	34,860	-	-	-	34,860
Total expenditures	34,860	-	-	-	34,860
Revenues over expenditures	$ -	$ -	16	$ 35,004	$ 35,004
Fund balances - beginning			34,988		
Fund balances-ending			$ 35,004		

Exhibit C-4

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, 2013

	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	1,102,586	140,000	1,242,586	42,586
RCC Foundation	400,000	363,371	-	363,371	(36,629)
NC Community College	900,000	899,149	851	900,000	-
Other	1,000	-	-	-	(1,000)
Total revenues	3,501,000	3,365,106	140,851	3,505,957	4,957
Expenditures:					
Current:					
Economic & physical development:					
Construction	3,246,730	2,803,771	-	2,803,771	442,959
Legal, architect, engineering	254,270	561,335	34,894	596,229	(341,959)
Total expenditures	3,501,000	3,365,106	34,894	3,400,000	101,000
Revenues over expenditures	$ -	$ -	105,957	$ 105,957	$ 105,957
Fund balance, beginning			-		
Fund balance, ending			$ 105,957		

Exhibit D-1

City of Laurinburg, North Carolina
Electric Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales		$15,063,912	
Municipal usage		680,716	
Other operating revenues		416,658	
Total operating revenues	17,848,293	16,161,286	(1,687,007)
Nonoperating revenues:			
Interest earnings		22,409	
Gain on sale of fixed assets		10,764	
Total nonoperating revenues	3,000	33,173	30,173
Total revenues	17,851,293	16,194,459	(1,656,834)
Expenditures:			
Administration:			
Salaries & employee benefits		135,532	
Supplies		2,335	
Utilities		401	
Management fees		97,448	
Other operating expenditures		170,573	
Total	502,969	406,289	96,680
Consumer billing and receiving:			
Salaries & employee benefits		265,220	
Other operating expenditures		184,300	
Total	453,386	449,521	3,865
Electrical operations:			
Salaries & employee benefits		449,009	
Supplies		37,330	
Contracted maintenance		223,965	
Vehicle maintenance		30,713	
Utilities		9,363	
Engineering - planning		240,304	
Other operating expenditures		920,083	
Total	1,911,539	1,910,766	773

City of Laurinburg, North Carolina
Electric Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Interest expense		10,152	
Principal retirement		103,070	
Total	113,222	113,222	-
Electrical power purchases	14,259,565	14,265,261	(5,696)
Capital outlay:			
Electrical fiber		17,669	
Electrical operations		493,883	
Total	515,000	511,552	3,448
Contingency	283	-	283
Total expenditures	17,755,964	17,656,612	99,352
Revenues over (under) expenditures	95,328	(1,462,153)	(1,557,480)
Other financing sources (uses):			
Loan to affiliate-collection of principal	-	57,953	57,953
Transfers to other funds:			
General Fund	(350,000)	-	350,000
Total other financing sources (uses)	(350,000)	57,953	407,953
Fund balance appropriated	254,672	-	(254,672)
Revenues (under) expenditures and other financing sources (uses)	$ -	$ (1,404,199)	$ (1,404,199)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		103,070	
Payment received on loan to affiliate		(57,953)	
Capital outlay		511,552	
Bad debts		(149,862)	
Decrease in accrued vacation		17,443	
Depreciation		(420,836)	
Increase in accrued OPEB liability		(21,897)	
Total		(18,483)	
Change in net assets		$ (1,422,682)	

Exhibit D-2

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		$ 2,451,415	
Sewer charges		1,879,729	
Water and sewer taps		100,168	
State government grants		40,000	
Other operating revenues		200,218	
Total operating revenues	5,256,000	4,671,530	(584,470)
Nonoperating revenues:			
Interest earnings	300	338	38
Gain on sale of fixed assets	-	6,493	6,493
Total nonoperating revenues	300	6,831	6,531
Total revenues	5,256,300	4,678,361	(577,939)
Expenditures:			
Administration:			
Salaries & employee benefits		269,773	
Travel		1,945	
Supplies		11,537	
Insurance		2,292	
Maintenance		52,511	
Utilities		2,915	
Management fees		314,548	
Other operating expenditures		105,211	
Total	813,610	760,732	52,878
Water treatment and distribution:			
Water production and treatment plant:			
Salaries & employee benefits		315,197	
Chemicals		163,343	
Supplies		16,179	
Utilities		228,944	
Management fees		147,988	
Other operating expenditures		30,227	
Total	1,479,756	901,877	577,879

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Water distribution:			
Salaries and employee benefits		321,366	
Supplies		37,994	
Other operating expenditures		62,438	
Total	715,344	421,798	293,546
Cross connection:			
Salaries and employee benefits		45,047	
Supplies		1,495	
Other operating expenditures		13,527	
Total	85,631	60,070	25,561
Total water treatment and distribution	2,280,731	1,383,745	896,986
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits		204,028	
Supplies		35,686	
Total	286,080	239,714	46,366
Primary waste treatment:			
Salaries and employee benefits		277,553	
Chemicals		51,643	
Supplies		18,961	
Utilities		343,620	
Maintenance		103,141	
Other operating expenditures		307,711	
Total	1,609,537	1,102,629	506,908
Total waste collection & treatment	1,895,617	1,342,342	553,275
Debt service:			
Interest and fees		59,452	
Principal retirement		876,354	
Total debt service	935,806	935,806	-

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Water extensions:			
Water taps - consumer billing		6,463	
Water treatment and distribution		405,986	
Waste production		116,549	
Waste collection		134,380	
Misc. sewer - w.w. treatment		3,425	
Total capital outlay	666,803	666,803	-
Total expenditures	6,592,567	5,089,428	1,503,139
Revenues (under) expenditures	(1,336,267)	(411,067)	925,200
Fund balance appropriated	1,336,267	-	(1,336,267)
Revenues (under) expenditures	-	(411,067)	(411,067)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues (under) expenditures		$ (411,067)	
Reconciling items:			
Principal retirement		876,354	
Bad debts		(104,365)	
Capital outlay		666,803	
Capital contributions		249,375	
Decrease in accrued vacation pay		(3,468)	
Depreciation		(1,306,526)	
Increase in accrued OPEB liability		(11,771)	
Total reconciling items		366,402	
Net (loss)		$ (44,665)	

Exhibit D-3

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Sales:			
Residential		$ 1,528,964	
Commercial and industrial		625,442	
Total	2,141,000	2,154,406	13,406
Other operating income	16,568	23,812	7,244
Total operating income	2,157,568	2,178,218	20,650
Nonoperating revenues:			
Interest earnings		41	
Gain on sale of assets		13,432	
Total nonoperating revenues	13,632	13,473	(159)
Total revenues	2,171,200	2,191,691	20,491
Expenditures:			
Solid waste operations:			
Salaries and employee benefits		885,147	
Contracted services		2,426	
Supplies		4,941	
Tipping fee		620,235	
Maintenance		257,632	
Utilities		1,198	
Management fees		79,614	
Other operating expenditures		155,309	
Total	2,007,792	2,006,503	1,289
Debt service:			
Interest expense		12,362	
Principal retirement		119,514	
	131,876	131,876	-
Capital outlay:			
Equipment	242,221	242,221	-
Total expenditures	2,381,889	2,380,599	1,290
Revenues (under) expenditures	(210,689)	(188,908)	21,781

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, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Other financing sources:			
Transfer to other fund:			
General fund (return on investment)		414,057	
Total other financing sources	414,057	414,057	-
Fund balance appropriated	624,746	-	(624,746)
Revenues and other sources (under) expenditures and other financing sources	$ -	$ (602,965)	$ (602,965)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources (under) expenditures and other uses		(602,965)	
Reconciling items:			
Principal retirement		119,514	
Bad debts		(57,409)	
Capital outlay		242,221	
(Increase) in accrued vacation pay		(6,420)	
Depreciation		(164,356)	
Increase in accrued OPEB liability		(24,907)	
Total reconciling items		108,643	
Net (loss)		$ (494,322)	

Exhibit D-4

City of Laurinburg, North Carolina
Combining Balance Sheet
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2013

	Grant Project Funds	
	FCC Capital Project	Total Nonmajor Capital Projects
Assets		
Cash	$ -	$ -
Due from other governments	249,375	249,375
Total assets	249,375	249,375
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$ 249,375	$ 249,375
Due to other funds	-	-
Total liabilities	249,375	249,375
Net assets:		
Restricted for capital projects	-	-
Total liabilities and net assets	$ -	$ -

Exhibit D-5

City of Laurinburg, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2013

	Grant Project Funds	
	FCC Capital Project	Total Nonmajor Capital Projects
Revenues:		
Local grant	$ 249,375	$ 249,375
Total revenues	249,375	249,375
Expenditures:		
Current:		
Engineering/design	249,375	249,375
Total expenditures	249,375	249,375
Revenues (under) expenditures	-	-
Other financing sources:		
None	-	-
Total other financing sources	-	-
Net change in fund balance	-	-
Net position:		
Beginning of year, July 1	-	-
End of year, June 30	$ -	$ -

Exhibit D-6

City of Laurinburg, North Carolina
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, 2013

	Project Authorization	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues-water-sewer project:				
Restricted intergovernmental:				
Local grant	$ 3,050,000	$ 249,375	$ 249,375	$(2,800,625)
Total revenues	3,050,000	249,375	249,375	(2,800,625)
Expenditures-water-sewer project:				
Sewer construction	4,067,118	-	-	(4,067,118)
Water construction	3,102,761	-	-	(3,102,761)
Water tank construction	1,757,001	-	-	(1,757,001)
Engineering/design	1,060,000	249,375	249,375	(810,625)
Miscellaneous/construction	272,000	-	-	(272,000)
Well construction	510,000	-	-	(510,000)
Total expenditures	10,768,880	249,375	249,375	(10,519,505)
Revenues (under) expenditures	(7,718,880)	-	-	7,718,880
Other financing sources:				
Transfers from other funds:				
From water-sewer fund	7,718,880	-	-	(7,718,880)
Total other sources	7,718,880	-	-	(7,718,880)
Revenues and other sources over expenditures	$ -	$ -	$ -	$ -

Exhibit D-7

City of Laurinburg, North Carolina
Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Scotland County-Water Districts				
Assets:				
Cash	$ -	$1,013,997	$ 934,861	$ 79,136
Liabilities:				
Intergovernmental	$ -	$1,013,997	$ 934,861	$ 79,136

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Exhibit E-1

City of Laurinburg, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Addition	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013	$ -	$ 3,185,021	$ 2,939,638	$ 245,383
2011-2012	224,372	31,173	135,811	119,734
2010-2011	78,583	1,785	21,780	58,588
2009-2010	65,252	1,785	9,559	57,478
2008-2009	53,724	-	7,314	46,410
2007-2008	37,618	-	3,382	34,236
2006-2007	26,234	-	2,027	24,207
2005-2006	21,521	-	692	20,829
2004-2005	16,504	-	652	15,852
2003-2004	14,374	-	332	14,042
Special	3,366	14,461	16,834	993
	$ 541,548	$ 3,234,225	$ 3,138,021	$ 637,752

Less: allowance for uncollectible accounts General Fund	110,201
Ad valorem taxes receivable - net	$ 527,551
Reconcilement with revenues:	
Ad valorem taxes - General Fund	3,128,607
Reconciling items:	
Penalties and interest collected	(36,304)
Discounts allowed	16,155
Taxes written off	29,563
Subtotal	9,414
Total collections and credits	$ 3,138,021

Exhibit E-2

City of Laurinburg, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For the Fiscal Year Ended June 30, 2013

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	781,606,000	.4	$ 3,126,424	$ 2,860,543	$ 265,881
Total	781,606,000	.4	3,126,424	2,860,543	265,881
Discoveries	15,873,500	.4	63,494	63,494	-
Abatements	(1,224,000)	.4	(4,896)	(4,896)	-
Total property valuation	$ 796,255,500				
Net levy			3,185,022	2,919,141	265,881
Uncollected taxes at June 30, 2013			245,383	170,135	75,248
Current year's taxes collected			$ 2,939,639	$ 2,749,006	$ 190,633
Current levy collection percentage			92.30%	94.17%	71.70%

COMPLIANCE SECTION

Gustaf C. Lundin & Company, LLP
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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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, 2013 [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 8, 2013.

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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: Finding 2013-1 and 2013-2.

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 accompanying schedule of findings and responses to be a significant deficiency: 2013-3.

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 8, 2013

Gustaf C. Lundin & Company, LLP
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WM. TED CURRIE, CPA
CARL L. HEAD, CPA

Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program
We have audited the City of Laurinburg, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Laurinburg's major state programs for the year ended June 30, 2013. The City of Laurinburg's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the City of Laurinburg's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Laurinburg's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Laurinburg's compliance.

Opinion on Each Major State Program
In our opinion, the City of Laurinburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance
Management of the City of Laurinburg is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Laurinburg's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gustaf C. Lundin & Company, LLP
GUSTAF C. LUNDIN & COMPANY, LLP
Laurinburg, North Carolina
November 8, 2013

City of Laurinburg, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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

State Awards

Internal control over major State Programs:		
*Material weakness(es) identified?	____ yes	_X_ no
*Significant deficiencies identified that are not considered to be material weaknesses	____ yes	_X_ none reported

Type of auditor's report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act	____ yes	_X_ no

Identification of major State programs:

Program Name
Powell Bill

City of Laurinburg, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding: 13-1
Material Weakness
Financial statement preparation and journal entries completed by Independent Auditor.

Criteria: 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.

Condition: 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.

Finding: 13-2
Material Weakness

Criteria: A prior period adjustment is indicative of at least a significant deficiency in the financial reporting controls of the entity.

Condition: Fixed assets required a prior period adjustment because of improper depreciation of assets in the water sewer fund.

Effect: A prior period adjustment in the amount of $2,077,940 was needed to correct the net fixed assets in the Water Sewer Fund.

Cause: Misclassification of fixed assets and depreciation methods of fixed assets.

Recommendation: Controls should be implemented to insure fixed assets are properly depreciated and reviewed periodically for accuracy.

Views of responsible officials and planned corrective actions: The City of Laurinburg agrees with this finding. The City will implement procedures and review proprietary fixed asset software to possibly utilize in the future.

City of Laurinburg, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding: 13-3
Significant Deficiency

Criteria: Expenditures within departments should be monitored to insure expenditures do not exceed budgeted amounts.

Condition: Purchases of power within the Electric Fund had an excess of expenditures over budgeted amounts.

Effect: Budgetary violations occurred.

Cause: Oversight of budget to actual expenditures.

Recommendation: Better oversight is needed for actual to budgeted expenditures in the Electric Fund and budget amendments should be made as needed.

Views of responsible officials and planned corrective actions: The City of Laurinburg agrees with this finding and will implement procedures to insure expenditures do not exceed budgeted amounts.

City of Laurinburg, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding: 13-1

Name of Contact Person: Cindy Carpenter, Finance Officer.

Corrective Action: The Finance Officer will continue to obtain the experience necessary to prepare or accurately interpret the information in the financial statements. Journal entries will be prepared and posted before the start of the independent audit.

Proposed Completion Date: Immediately.

Finding: 13-2

Name of Contact Person: Cindy Carpenter, Finance Officer.

Corrective Action: Fixed assets will be reviewed periodically and checked for proper lives, depreciation category, and spreadsheet errors. Proprietary depreciation software will be reviewed for possible implementation

Proposed Completion Date: Immediately.

Finding: 13-3

Name of Contact Person: Cindy Carpenter, Finance Officer.

Corrective Action: Expenditures will be reviewed and compared to actual amounts and amendments will be made as necessary to prevent over expenditures

Proposed Completion Date: Immediately.

City of Laurinburg, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2013

Section IV-State Award Findings and Questioned Costs

None reported

City of Laurinburg, North Carolina
Summary of Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2013

Financial Statement Findings

Finding 12-1
Status: Journal entries of material amounts are still needed to correct accounts. See Finding 13-1.

Finding 12-2
Status: Corrected

Finding 12-3
Corrected, however see current year material weakness 13-2.

City of Laurinburg, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Cash Programs					
U.S. Dept. of Transportation					
National Highway Traffic Safety Administration					
Passed-through the N.C. Department of Transportation:					
State and Community Highway Safety	20.600	PT-2012-03-04-14	9,730	-	-
Highway Planning and Construction	20.205-1		30,385	-	-
			40,115	-	-
TOTAL ASSISTANCE FEDERAL PROGRAMS			40,115	-	-
State Grants:					
N.C. Dept of Transportation					
Powell Bill			-	469,065	-
North Carolina Rural Economic Development Center		2012-119-40101-102	-	40,000	-
North Carolina Urban Community Forestry Grant		UCF-13-10	-	14,100	-
TOTAL ASSISTANCE STATE PROGRAMS			-	523,165	-
TOTAL ASSISTANCE			40,115	523,165	-

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

1. Basis of Presentation

   The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Laurinburg, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.