Statement of
CITY OF LAURINBURG
Laurinburg, North Carolina
June 30, 2017

City of Laurinburg, North Carolina
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June 30, 2017

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FINANCIAL SECTION

Roche, Head & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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 of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States of America. 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

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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, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on Pages 4 through 14 and the Law Enforcement Officers' Special Separation Allowances, and the Other Post Employment Benefit's Schedules of Funding Progress, and Schedules of Employer Contributions on pages 56 through 57 and 52 through 53, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 54 and 55, 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 basic financial statements of the City of Laurinburg, North Carolina. The combining and individual fund financial statements, budgetary schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017 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.

Roche, Head + Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina
November 20, 2017

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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

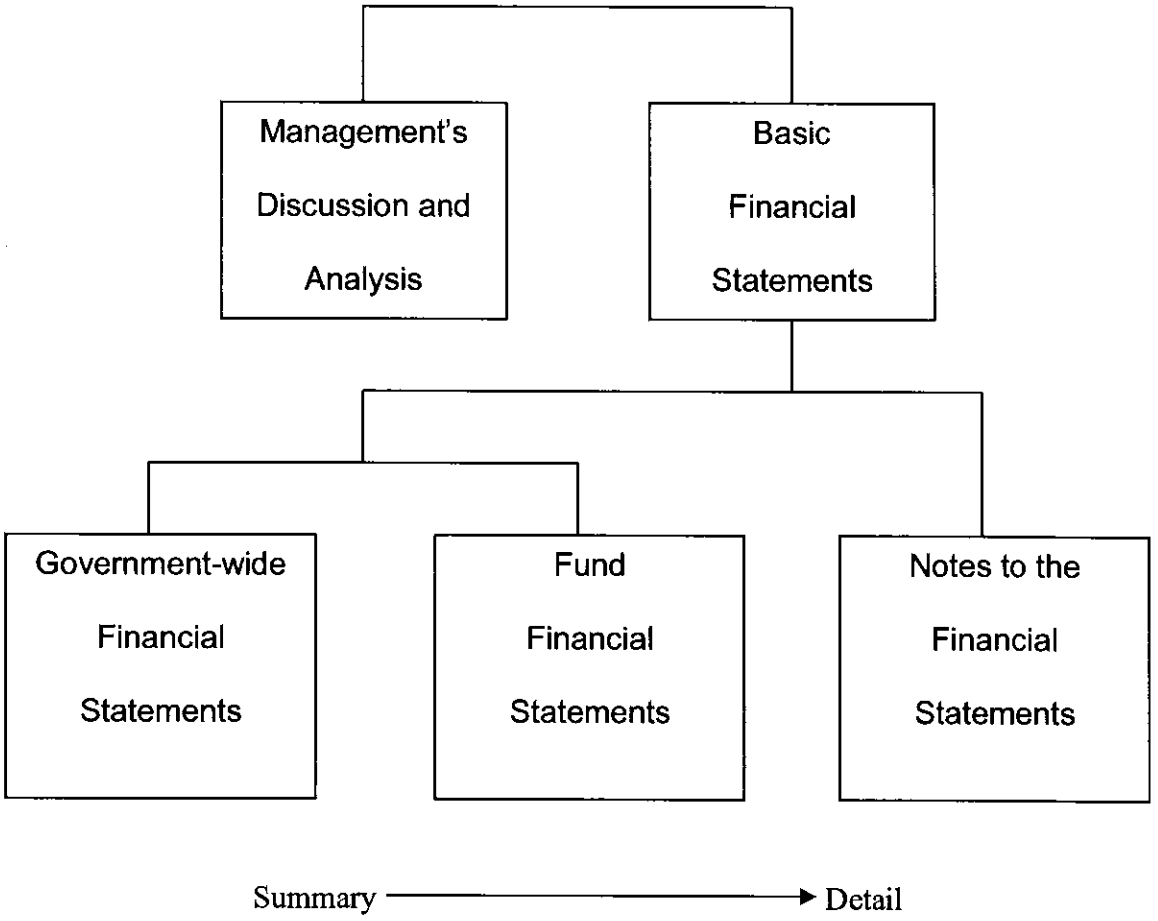
- The assets and the deferred outflows of the City of Laurinburg exceeded its liabilities and deferred inflows at the close of the fiscal year by $48,225,668 (*net position*).
- The government's total net position increased by $3,846,869 primarily due to increased revenues in the general and enterprise funds.
- As of the close of the current fiscal year, the City of Laurinburg's governmental funds reported combined ending fund balances of $4,111,055 a decrease of $358,556. Approximately 22.69% of this total amount or $932,667 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,392,608 or 18.11% of total general fund expenditures for the fiscal year.
- The City of Laurinburg's total debt increased by $1,123,177, 11.03% during the current fiscal year. The key factor in this is an increase in the LGERS and LEO plans.
- The City of Laurinburg maintained its Baa1 bond rating. The rating was published July 21, 2009.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements and 3) the proprietary fund statements.

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

Government-wide Financial Statements
The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

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

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

Fund Financial Statements
The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Laurinburg, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Laurinburg can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or

less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Laurinburg adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. **The notes to the financial statements are on pages 26-51 of this** report.

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

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

The City of Laurinburg's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 4,664,614	$ 5,249,897	$ 9,831,477	$ 6,776,495	$ 14,496,091	$ 12,026,392
Capital assets	3,631,229	2,754,013	41,374,221	42,827,609	45,005,450	45,581,622
Deferred outflows of resources	1,322,979	270,708	798,954	188,120	2,121,933	458,828
Total assets and deferred outflows of resources	9,618,822	8,274,618	52,004,652	49,792,224	61,623,474	58,066,842
Long-term liabilities outstanding	3,425,080	2,173,553	6,832,912	7,014,575	10,257,992	9,188,128
Other liabilities	174,619	323,510	2,784,926	3,882,860	2,959,545	4,206,370
Deferred inflows of resources	119,642	175,361	60,627	118,184	180,269	293,545
Total liabilities and deferred inflows of resources	3,719,341	2,672,424	9,678,465	11,015,619	13,397,806	13,688,043
Net position:						
Net investment in capital assets	3,428,704	2,513,538	35,107,307	35,158,205	38,536,011	37,671,743
Restricted	511,824	859,145	-	-	511,824	859,145
Unrestricted	1,958,953	2,229,511	7,218,880	3,618,400	9,177,833	5,847,911
Total net position	$ 5,899,481	$ 5,602,194	$ 42,326,187	$ 38,776,605	$ 48,225,668	$ 44,378,799

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 $48,225,668 as of June 30, 2017. The City's net position increased by $3,846,869 for the fiscal year ended June 30, 2017. However, the largest portion 79.91% reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Laurinburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Laurinburg's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Laurinburg's net position 1.06% represents resources that are subject to external restrictions on how they may be used. The remaining balance of $9,177,833 is unrestricted.

Particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence and improvement in the collection of property taxes.
- Continued increases in operating income from enterprise funds improved cash flows from operations and operating income.

City of Laurinburg Changes in Net Position
Figure 3

CITY OF LAURINBURG'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 206,712	$ 200,153	$ 24,982,484	$ 25,194,579	$ 25,189,196	$ 25,394,732
Operating grants and contributions	816,004	470,844	1,118,808	-	1,934,812	470,844
Capital grants and contributions	-	-	7,545	550,000	7,545	550,000
General revenues:						
Property taxes	3,332,414	3,408,085	-	-	3,332,414	3,408,085
Other taxes	2,668,940	2,613,644	-	-	2,668,940	2,613,644
Other	174,880	152,620	405,492	616,641	580,372	769,261
Total revenues	7,198,950	6,845,346	26,514,329	26,361,220	33,713,279	33,206,566
Expenses:						
General government	750,036	210,064	-	-	750,036	210,064
Public safety	3,817,614	4,083,185	-	-	3,817,614	4,083,185
Public works	577,977	471,075	-	-	577,977	471,075
Transportation	593,378	666,348	-	-	593,378	666,348
Animal control	62,064	65,935	-	-	62,064	65,935
Cemetery	169,129	152,951	-	-	169,129	152,951
Community development	988,466	981,584	-	-	988,466	981,584
Electric	-	-	14,448,012	13,951,876	14,448,012	13,951,876
Water and sewer	-	-	6,160,834	5,035,182	6,160,834	5,035,182
Interest on long-term debt	5,242	6,587	-	-	5,242	6,587
Solid waste	-	-	2,293,658	2,425,254	2,293,658	2,425,254
Total expenses	6,963,906	6,637,729	22,902,504	21,412,312	25,298,760	28,050,041
Increase in net position before transfers	235,044	207,617	3,611,825	4,948,908	8,414,519	5,156,525
Transfers	62,243	61,351	(62,243)	(61,351)	-	-
Increase in net position	297,287	268,968	3,549,582	4,887,557	3,846,869	5,156,525
Net position, July 1	5,602,194	5,850,961	38,776,605	33,889,048	44,378,799	39,740,009
Net position, June 30	$ 5,899,481	$ 6,119,928	$ 42,326,187	$ 38,776,605	$ 48,225,668	$ 44,896,533

Governmental activities. Governmental activities increased the City's governmental net position by $297,287. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Increased efforts to maximize tax collections and control expenditures contributed to the increase.

Business-type activities: Business-type activities increased the City of Laurinburg's net position by $3,549,582. The key element of this increase is as follows:

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

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Laurinburg. At the end of the current fiscal year, fund balance available in the General Fund was $3,308,421, while total fund balance reached $3,636,081. The governing body of the City of Laurinburg strives to keep the available fund balance at a level of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 42.90% of general fund expenditures, while total fund balance represents 47.27% of the same amount.

At June 30, 2017, the governmental funds of City of Laurinburg reported a combined fund balance of $4,111,055 with a net decrease in fund balance of $358,556. Included in this change in fund balance is a decrease in fund balance in the General 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.

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

Proprietary Funds. The City of Laurinburg's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to $4,452,777 and those for the Electric Fund amounted to $2,421,063, and those for the Solid Waste Fund amounted to $345,040. 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, 2017 totals $45,005,450 (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:

- Construction of Water Mains $275,395.
- Construction of City Hall $430,420.
- Equipment $645,588.
- Vehicles $315,916.
- Other Infrastructure $219,274.

City of Laurinburg Changes in Net Position
Figure 4

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 280,014	$ 280,014	$ 291,931	$ 291,931	$ 571,945	$ 571,945
Construction in progress	560,428	127,008	299,468	11,090,667	859,896	11,217,675
Buildings and system	484,877	514,022	38,279,157	28,719,088	38,764,034	29,233,110
Improvements other than buildings	531,985	394,890	-	-	531,985	394,890
Machinery and equipment	271,678	63,419	1,349,396	1,307,446	1,621,074	1,370,865
Infrastructure	365,714	405,278	-	-	365,714	405,278
Vehicles and motorized equipment	1,136,533	969,382	1,154,269	1,418,477	2,290,802	2,387,859
	$ 3,631,229	$ 2,754,013	$ 41,374,221	$ 42,827,609	$ 45,005,450	$ 45,581,622

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

The City of Laurinburg's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment debt	$ 202,525	$ 240,475	$ 6,266,915	$ 7,669,404	$ 6,469,440	$ 7,909,879
OPEB	605,085	547,505	420,149	383,783	1,025,234	931,288
Pension liability (LGERS)	1,481,309	309,909	947,067	215,361	2,428,376	525,270
Pension related debt (LEO)	961,796	383,506	-	-	961,796	383,506
Compensated absences	266,424	265,467	151,877	164,560	418,301	430,027
Total	$ 3,517,139	$ 1,746,862	$ 7,786,008	$ 8,433,108	$ 11,303,147	$ 10,179,970

City of Laurinburg's Outstanding Debt
The City of Laurinburg's total debt increased by $1,123,177, 11.03% during the past fiscal year.

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Laurinburg is $67,739,240.

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

Economic Factors and Next Year's Budgets and Rates
The City of Laurinburg continues to show a strong commitment to Economic Development by continuing to fund the County for the Scotland County Economic Development Corporation at $32,000; and the Chamber of Commerce at $13,000.

The City has finalized the construction and closed the capital project for infrastructure funded by the Electric and Water/Sewer Enterprise Funds. This construction extended water, sewer, electrical and fiber optic services as well as the installation of groundwater wells for the purpose of expanding industrial opportunities, improving the City's utility systems and offering better fire protection to the northern side of the city limits. Grant funding in the amount of $3,050,000 was obtained through joint efforts of the Economic Development Corporation, Scotland County, and the City of Laurinburg. This project will increase revenues in the general fund by increasing the tax base as well as in all the Enterprise Funds through increasing the utility commercial customer base.

The City just started an infrastructure improvements project to land owned by the City to help create another Industrial Park and enhance economic development. This project was made possible by approval of a $708,000 IDF Grant in fiscal 2017. This project, once completed, will provide sewer and an access road to the 200+ acre property, in order to make the property more marketable for potential clients.

In October of 2017, the City secured another $1,500,000 IDF Grant for infrastructure improvements to land recently purchased by the SCEDC (Scotland County Economic Development Corporation). The SCEDC is a partnership between the City and County to provide economic development efforts to our community. These grant funds will fund the project to extend water, sewer and electric infrastructure to a future Incubator/Industrial Park on the north side of the City.

The City was also awarded an Asset Inventory and Assessment (AIA) Projects Grant for $225,356. These funds will go toward assessing our water and sewer infrastructure for determining future capital improvement needs.

The City continues to support the downtown area through contributions and in kind services to help attract businesses to the downtown locations. The City understands the importance of a thriving downtown and was accepted into the NC Downtown Associate Community Program, which is a program of the NC Main Street Center. The City is on track to being named a NC Main Street City in July 2018.

Budget Highlights for the Fiscal Year Ending June 30, 2017
Governmental activities: Property tax rate remains at $.40 per $100.00 evaluation.

Budgeted expenditures in the General Fund are expected to remain flat in FY 2017. To continue to be good stewards of funds, the City has elected to keep expenditures flat for the General Fund and keep the property tax rate at its current position.

Business-type activities: The Enterprise Funds financial condition has improved as a result of increased fees. Management, with Council approval, has kept fees the same going forward to continue to strengthen the Enterprise Funds for future capital needs to recover from previous years deficits.

Request for Information
This report is designed to provide overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Laurinburg, 303 West Church Street, P. O. Box 249, Laurinburg, NC 28353-0249.

Special Mention
The City would like to extend a special Thank You to Curtis Pouncy, Jr., Accounting Intern, for his exemplary service while participating in an internship during the summer of 2017.

Basic Financial Statements

City of Laurinburg, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,658,354	$ 5,489,538	$ 9,147,892
Receivables (net)	467,631	2,091,133	2,558,764
Due from other governments	300,855	216,934	517,789
Inventories	26,805	1,209,413	1,236,218
Prepaid items	-	54,313	54,313
Restricted cash	210,969	770,146	981,115
Total current assets	4,664,614	9,831,477	14,496,091
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	840,442	591,399	1,431,841
Other capital assets, net of depreciation	2,790,787	40,782,822	43,573,609
Total capital assets	3,631,229	41,374,221	45,005,450
Total assets	$ 8,295,843	$ 51,205,698	$ 59,501,541
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,322,979	798,954	2,121,933
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	$ 82,560	$ 1,061,682	$ 1,144,242
Current portion of long-term liabilities	92,059	953,098	1,045,157
Customer deposits	-	770,146	770,146
Total current liabilities	174,619	2,784,926	2,959,545
Long-term liabilities:			
Net pension liability-LGERS	1,481,309	947,067	2,428,376
Total pension liability-LEO	961,796	-	-
Due in more than one year	981,975	5,885,845	6,867,820
Total liabilities	3,599,699	9,617,838	13,217,537
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	3,909	-	3,909
Pension deferrals	115,733	60,627	176,360
Total deferred inflows of resources	119,642	60,627	180,269
NET POSITION			
Net investment in capital assets	3,428,704	35,107,307	38,536,011
Restricted for:			
Downtown revitalization	41,829	-	41,829
Stabilization by state statute	300,855	-	300,855
Streets	169,140	-	169,140
Unrestricted	1,958,953	7,218,880	9,177,833
Total net position	$ 5,899,481	$ 42,326,187	$ 48,225,668

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

City of Laurinburg, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

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	$ 750,036	$ 12,365	$ 255,798	$ -	$ (481,873)	$ -	$ (481,873)
Public safety	3,817,614	103,124	-	-	(3,714,490)	-	(3,714,490)
Public works	577,977	-	-	-	(577,977)	-	(577,977)
Transportation	593,378	-	461,807	-	(131,571)	-	(131,571)
Animal control	62,064	-	-	-	(62,064)	-	(62,064)
Cemetery	169,129	80,890	-	-	(88,239)	-	(88,239)
Community development	988,466	10,333	98,399	-	(879,734)	-	(879,734)
Interest on long-term debt	5,242	-	-	-	(5,242)	-	(5,242)
Total governmental activities	6,963,906	206,712	816,004	-	(5,941,190)	-	(5,941,190)
Business-type activities:							
Electric	14,448,012	15,441,981	233,891	-	-	1,227,860	1,227,860
Water and sewer	6,160,834	7,211,861	684,559	7,545	-	1,743,131	1,743,131
Solid waste	2,293,658	2,328,642	200,358	-	-	235,342	235,342
Total business-type activities	$ 22,902,504	$ 24,982,484	$ 1,118,808	$ 7,545	$ -	$ 3,206,333	$ 3,206,333
Total primary government							
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,332,414	-	3,332,414
Other taxes					2,668,940	-	2,668,940
Unrestricted investment earnings					6,052	32,262	38,314
Miscellaneous					168,828	373,230	542,058
Total general revenues not including transfers					6,176,234	405,492	6,581,726
Transfers					62,243	(62,243)	-
Change in net position					297,287	3,549,582	3,846,869
Restatement					(517,734)		(517,734)
Net position beginning					6,119,928	38,776,605	44,896,533
Net position ending					$ 5,899,481	$ 42,326,187	$ 48,225,668

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

City of Laurinburg, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds General	Total Non-Major Fund	Total Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,225,209	$ 433,145	$ 3,658,354
Restricted cash	169,140	41,829	210,969
Taxes receivable (net)	467,631	-	467,631
Due from other governments	300,855	-	300,855
Inventories	26,805	-	26,805
Total assets	4,189,640	474,974	4,664,614
LIABILITIES			
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	82,019	-	82,019
Total liabilities	82,019	-	82,019
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	467,631	-	467,631
Prepaid taxes	3,909	-	3,909
Total deferred inflows of resources	471,540	-	471,540
Fund balances			
Non spendable:			
Inventories	26,805	-	26,805
Perpetual maintenance	-	394,038	394,038
Restricted:			
Stabilization by state statute	300,855	-	300,855
Streets	169,140	-	169,140
Downtown revitalization	-	41,829	41,829
Assigned			
Subsequent year's expenditures	295,717	-	295,717
Future bond debt	1,450,956	-	1,450,956
Downtown revitalization	-	39,107	39,107
Unassigned	1,392,608	-	1,392,608
Total fund balances	3,636,081	474,974	4,111,055
Total liabilities, deferred inflows of resources and fund balances	$ 4,189,640	$ 474,974	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total Fund Balance, Governmental Funds			$ 4,111,055
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost		10,666,549	
Accumulated depreciation		(7,035,320)	3,631,229
Deferred outflows of resources related to pensions are not reported in the funds			1,322,979
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			
Deferred taxes			467,089
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Gross long-term debt -financing agreements		(202,525)	
Other post employment benefits		(605,085)	
Other retirement liabilities for LEO		(961,796)	
Compensated absences		(266,424)	
Net pension liability-LGERS		(1,481,309)	(3,517,139)
Deferred inflows of resources related to pensions are not reported in the funds			(115,732)
Net position of governmental activities			$ 5,899,481

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, 2017

	Major Funds General Fund	Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	$ 3,385,412	$ 22,444	$ 3,407,856
Other taxes and licenses	1,119,035	-	1,119,035
Unrestricted intergovernmental	1,549,905	-	1,549,905
Restricted intergovernmental	560,206	-	560,206
Permits and fees	10,333	-	10,333
Sales and services	165,409	18,605	184,014
Investment earnings	4,956	1,096	6,052
Miscellaneous	436,989	-	436,989
Total revenues	7,232,245	42,145	7,274,390
EXPENDITURES			
Current:			
General government	770,320	-	770,320
Community development	1,108,692	3,601	1,112,293
Public safety	3,976,160	-	3,976,160
Transportation	1,032,201	-	1,032,201
Public works	513,310	-	513,310
Animal control	65,529	-	65,529
Cemetery	182,184	-	182,184
Debt service:			
Principal payments	37,950	-	37,950
Interest and other charges	5,242	-	5,242
Total expenditures	7,691,588	3,601	7,695,189
Excess of revenues over (under) expenditures	(459,343)	38,544	(420,799)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	62,243	-	62,243
Transfers to other funds	(20,056)	20,056	-
Total other financing sources	42,187	20,056	62,243
Net change in fund balance	(417,156)	58,600	(358,556)
Fund balances -beginning	4,053,237	416,374	4,469,611
Fund balances-ending	$ 3,636,081	$ 474,974	$ 4,111,055

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, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ (358,556)
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	1,327,121	
Depreciation expense for governmental assets	(449,905)	877,216
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		279,366
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		73,333
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(75,442)
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		37,950
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.		
Compensated absences	(957)	
Pension expense (LGERS)	(396,583)	
Pension expense (LEO)	(81,462)	
Other postemployment benefits	(57,578)	(536,580)
Total changes in net position of governmental activities		$ 297,287

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

City of Laurinburg, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	General Fund			
	Budget		Actual	Variance with Final Budget-Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Ad valorem taxes	$ 3,336,000	$ 3,336,000	$ 3,385,412	$ 49,412
Other taxes and licenses	1,385,900	1,385,900	1,119,035	(266,865)
Unrestricted intergovernmental	1,530,000	1,530,000	1,549,905	19,905
Restricted intergovernmental	578,340	578,340	560,206	(18,134)
Permits and fees	9,100	9,100	10,333	1,233
Sales and services	131,000	131,000	165,409	34,409
Investment earnings	699	699	4,956	4,257
Miscellaneous	100,550	395,065	436,989	41,924
Total revenues	7,071,589	7,366,104	7,232,245	(133,859)
EXPENDITURES				
General government	226,323	878,317	770,320	107,997
Community development	1,471,517	1,485,812	1,108,692	377,120
Public safety	4,026,686	4,102,789	3,976,160	126,629
Transportation	897,532	1,081,130	1,032,201	48,929
Public works	454,734	594,107	513,310	80,797
Animal control	72,049	72,049	65,529	6,520
Cemetery	204,158	210,258	182,184	28,074
Debt service:				
Principal retirement	37,950	37,950	37,950	-
Interest and other charges	5,242	5,242	5,242	-
Total expenditures	7,396,191	8,467,654	7,691,588	776,066
Excess (deficiency) of revenues over expenditures	(324,602)	(1,101,550)	(459,343)	642,207
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	79,000	79,000	62,243	(16,757)
Transfers to other funds	(42,500)	(42,500)	(20,056)	22,444
Total other financing sources (uses)	36,500	36,500	42,187	5,687
Appropriated fund balance	324,602	1,065,050	-	1,065,050
Net change in fund balance	$ -	$ -	(417,156)	$ (417,156)
Fund balances-beginning of year			4,053,237	
Fund balances-end of year			$ 3,636,081	

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, 2017

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	June 30, 2017
Assets				
Current assets:				
Cash and cash equivalents	$ 1,264,642	$ 3,839,212	$ 385,684	$ 5,489,538
Accounts receivable (net)	1,239,609	628,469	223,055	2,091,133
Due from other governments	29,201	163,919	23,814	216,934
Inventories	1,059,046	141,882	8,485	1,209,413
Prepaid items	53,604	709	-	54,313
Restricted cash and equivalents	633,333	136,813	-	770,146
Total current assets	4,279,435	4,911,004	641,038	9,831,477
Land and construction in progress	-	567,326	24,073	591,399
Other capital assets net of depreciation	5,842,935	34,038,575	901,312	40,782,822
Capital assets	5,842,935	34,605,901	925,385	41,374,221
Total noncurrent assets	5,842,935	34,605,901	925,385	41,374,221
Total assets	$ 10,122,370	$ 39,516,905	$ 1,566,423	$ 51,205,698
Deferred Outflows of Resources				
Pension deferrals	$ 204,860	$ 368,748	$ 225,346	$ 798,954
Liabilities and fund equities				
Current liabilities:				
Accounts payable and accrued liabilities	990,371	28,122	43,189	1,061,682
Compensated absences	8,825	13,395	8,793	31,013
Installment financing notes payable	58,112	771,887	92,086	922,085
Liabilities payable from restricted assets:				
Customer deposits	633,333	136,813	-	770,146
Total current liabilities	1,690,641	950,217	144,068	2,784,926
Non-current liabilities:				
Other post employment benefits	137,017	133,163	149,970	420,150
Compensated absences payable	35,302	50,392	35,171	120,865
Net pension liability	242,838	437,108	267,121	947,067
Installment financing notes payable	348,671	4,631,330	364,829	5,344,830
Total non-current liabilities	763,828	5,251,993	817,091	6,832,912
Total liabilities	2,454,469	6,202,210	961,159	9,617,838
Deferred Inflows of Resources				
Pension deferrals	15,545	27,982	17,100	60,627
Net position				
Net investment in capital assets	5,436,153	29,202,684	468,470	35,107,307
Unrestricted	2,421,063	4,452,777	345,040	7,218,880
Total net position	$ 7,857,216	$ 33,655,461	$ 813,510	$ 42,326,187

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 Position
For the Fiscal Year Ended June 30, 2017

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	June 30, 2017
Operating revenues:				
Charges for services	$ 15,088,496	$ 7,120,825	$ 2,328,642	$ 24,537,963
Water and sewer taps	-	91,036	-	91,036
Fiber optic rental	353,485	-	-	353,485
Other operating revenues	348,201	882,051	253,226	1,483,478
Total operating revenues	15,790,182	8,093,912	2,581,868	26,465,962
Operating expenses:				
Administration	624,989	852,086	-	1,477,075
Finance	446,414	-	-	446,414
Electric operations	1,500,511	-	-	1,500,511
Electric power purchases	11,400,132	-	-	11,400,132
Water and sewer treatment and distribution	-	1,512,471	-	1,512,471
Waste collection and treatment	-	1,992,805	-	1,992,805
Solid waste operations	-	-	2,041,939	2,041,939
Depreciation	464,173	1,666,294	239,733	2,370,200
Total operating expenses	14,436,219	6,023,656	2,281,672	22,741,547
Operating income	1,353,963	2,070,256	300,196	3,724,415
Nonoperating revenues (expenses):				
Investment earnings	30,745	1,353	164	32,262
Gain on sale of fixed assets	-	4,855	3,704	8,559
Interest and fees	(11,793)	(137,177)	(11,986)	(160,956)
Total nonoperating revenues (expenses)	18,952	(130,969)	(8,118)	(120,135)
Income before contributions and transfers	1,372,915	1,939,287	292,078	3,604,280
Capital contributions	-	7,545	-	7,545
Transfers to other funds	(62,243)	-	-	(62,243)
Change in net position	1,310,672	1,946,832	292,078	3,549,582
Net position-beginning	6,546,544	31,708,629	521,432	38,776,605
Net position-ending	$ 7,857,216	$ 33,655,461	$ 813,510	$ 42,326,187

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, 2017

	Business-type Activities Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 15,490,015	$ 7,026,235	$ 2,322,649	$ 24,838,899
Cash paid for goods and services	(13,879,594)	(2,720,864)	(1,105,806)	(17,706,264)
Cash paid to or on behalf of employees for services	(862,348)	(1,464,571)	(960,388)	(3,287,307)
Customer deposits received	164,796	15,281	-	180,077
Customer deposits returned	(135,810)	(12,470)	-	(148,280)
Other operating revenues	319,000	718,132	229,412	1,266,544
Net cash provided by operating activities	1,096,059	3,561,743	485,867	5,143,669
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(62,243)	-	-	(62,243)
Total cash flows (used in) noncapital financing activities	(62,243)	-	-	(62,243)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(132,861)	(636,497)	(126,158)	(895,516)
Interest paid on bond and installment financing contracts	(11,793)	(137,177)	(11,986)	(160,956)
Principal paid on bond and installment financing contracts	(161,183)	(1,152,589)	(88,717)	(1,402,489)
Cash received from sale of assets	-	4,855	3,704	8,559
Capital contributions-State grant	-	7,545	-	7,545
Net cash (used in) capital and related financing activities	(305,837)	(1,913,863)	(223,157)	(2,442,857)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	30,745	1,353	164	32,262
Net increase in cash and cash equivalents	758,724	1,649,233	262,874	2,670,831
Balances - beginning of the year	1,139,251	2,326,792	122,810	3,588,853
Balances - end of the year	$ 1,897,975	$ 3,976,025	$ 385,684	$ 6,259,684

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, 2017

	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 income	$ 1,353,963	$ 2,070,256	$ 300,196	$ 3,724,415
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	464,173	1,666,294	239,733	2,370,200
Changes in assets, deferred outflows of resources, and liabilities:				
(Increase) decrease in accounts receivable	55,171	(187,842)	1,865	(130,806)
(Decrease) increase in allowance for doubtful accounts	(7,135)	2,216	(7,858)	(12,777)
(Increase) decrease in inventory	(221,196)	3,422	4,541	(213,233)
(Increase) decrease in prepaid items	(46,783)	12,975	6,475	(27,333)
(Decrease) in deferred outflows of resources-pensions	(158,977)	(286,159)	(165,698)	(610,834)
Increase in net pension liability	190,311	342,559	198,836	731,706
(Decrease) in deferred inflows of resources-pensions	(13,280)	(23,904)	(20,373)	(57,557)
(Decrease) in accounts payable and accrued liabilities	(553,405)	(51,591)	(80,598)	(685,594)
Increase in customer deposits	28,986	2,811	-	31,797
(Decrease) in accrued vacation pay	(7,892)	(3,234)	(1,556)	(12,682)
Increase in OPEB liability	12,123	13,940	10,304	36,367
Total adjustment	(257,904)	1,491,487	185,671	1,419,254
Net cash provided by operating activities	$ 1,096,059	$ 3,561,743	$ 485,867	$ 5,143,669

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, 2017

	Agency Fund
Assets	
Cash and cash equivalents	$ 104,790
Liabilities	
Intergovernmental payable	104,790
Total liabilities	$ 104,790

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, 2017.

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:

Downtown Revitalization Special Revenue Fund. This fund is used to account for special revenue that is used for downtown revitalization.

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.

IDF Capital Project Fund. This fund is used to account for a capital project fund that is restricted for a capital project.

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

The City reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Laurinburg because the tax is levied by Scotland County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Perpetual Care Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than $2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

The Cemetery Permanent Fund is not required to be budgeted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

City of Laurinburg Restricted Cash

Governmental Activities	
General Fund	
Downtown revitalization	41,829
Streets	169,140
Total governmental activities	210,969
Business-Type Activities	
Electric fund customer deposits	633,333
Water & sewer fund customer deposits	136,813
Total business-type activities	770,146
Total restricted cash	981,115

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2005. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum cost for an asset to be capitalized is $5,000 with the exception of Infrastructure. Infrastructure is capitalized at a minimum cost of $50,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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. The City has one item that meets this criteria, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The government fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance and Accountability

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

1. Noncompliance with North Carolina General Statutes

In the Electric Fund, fund balance was appropriated for fiscal year June 30, 2017 when there was none available to appropriate which is a violation of General Statute Reference 159-8(a). See significant deficiency 17-002 listed on Page 89.

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. 159-30 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the City's deposits had a carrying amount of $333,225 and a bank balance of $610,744. Of the bank balance, $610,744 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2017, the City's petty cash fund totaled $1,700.

2. Investments

At June 30, 2017, the City of Laurinburg had $9,898,872 invested with the North Carolina Capital Management Trust's cash portfolio which carried a credit rating of AAAm by Standard and Poors. The City has no policy regarding credit risk.

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	06/30/17
General Fund:	
Taxes receivable	$ 148,148
Enterprise Funds	169,031
Total	$ 317,179

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	$ 127,008	$ 433,420	$ -	$ 560,428
Land	280,014	-	-	280,014
Total capital assets not being depreciated	407,022	433,420	-	840,442
Capital assets being depreciated:				
Buildings	2,029,532	-	-	2,029,532
Other improvements	775,422	137,095	-	912,517
Equipment	1,473,718	361,770	-	1,835,488
Vehicles and motorized equipment	3,897,009	259,956	157,055	3,999,910
Infrastructure	1,020,950	152,000	124,290	1,048,660
Total capital assets being depreciated	9,196,631	910,821	281,345	9,826,107
Less accumulated depreciation for:				
Buildings	1,515,510	29,145	-	1,544,655
Other improvements	380,532	-	-	380,532
Equipment	1,410,299	153,511	-	1,563,810
Vehicles and motorized equipment	2,927,627	199,975	264,225	2,863,377
Infrastructure	615,672	67,274	-	682,946
Total accumulated depreciation	6,849,640	449,905	264,225	7,035,320
Total capital assets being depreciated, net	$ 2,346,991			$ 2,790,787
Governmental activity capital assets, net	$ 2,754,013			$ 3,631,229

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

General government	$ 35,992
Public safety	251,947
Transportation	76,484
Public works	71,985
Cemetery	13,497
Total depreciation expense	$ 449,905

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Construction in progress	$ 678,185	$ -	$ 678,185	$ -
Total capital assets not being depreciated	678,185	-	678,185	-
Capital assets being depreciated:				
Substations, lines, and related equipment	13,725,097	690,623	-	14,415,720
Furniture and maintenance equipment	1,074,069	108,174	-	1,182,243
Vehicles	1,044,564	12,250	-	1,056,814
Total capital assets being depreciated	15,843,730	811,047	-	16,654,777
Less accumulated depreciation for:				
Substations, lines, and related equipment	8,900,765	354,061	-	9,254,826
Furniture and maintenance equipment	907,932	39,640	-	947,572
Vehicles	538,970	70,472	-	609,442
Total accumulated depreciation	10,347,667	464,173	-	10,811,840
Total capital assets being depreciated, net	5,496,063			5,842,937
Electric fund capital assets, net	6,174,248			5,842,937
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	291,931	-	-	291,931
Construction in progress	10,388,409	275,395	10,388,409	275,395
Total capital assets not being depreciated	10,680,340	275,395	10,388,409	567,326
Capital assets being depreciated:				
Plant and distribution systems	50,611,393	10,677,612	-	61,289,005
Furniture and maintenance equipment	2,425,037	49,486	-	2,474,523
Vehicles	1,867,888	43,710	62,837	1,848,761
Total capital assets being depreciated	54,904,318	10,770,808	62,837	65,612,289
Less accumulated depreciation for:				
Plant and distribution systems	26,718,855	1,451,885	-	28,170,740
Furniture and maintenance equipment	1,843,960	155,860	-	1,999,820
Vehicles	1,407,442	58,549	62,837	1,403,154
Total accumulated depreciation	29,970,257	1,666,294	62,837	31,573,714
Total capital assets being depreciated, net	24,934,061			34,038,575
Water and Sewer fund capital assets, net	35,614,401			34,605,901
Solid Waste Fund				
Capital assets not being depreciated:				
Construction in progress	24,073	-	-	24,073
Total capital assets not being depreciated	24,073	-	-	24,073
Capital assets being depreciated:				
Plant and distribution systems	123,246	-	-	123,246
Furniture and maintenance equipment	711,996	126,158	-	838,154
Vehicles	2,457,300	-	-	2,457,300
Total capital assets being depreciated	3,292,542	126,158	-	3,418,700
Less accumulated depreciation for:				
Plant and distribution systems	121,028	2,218	-	123,246
Furniture and maintenance equipment	151,764	46,368	-	198,132
Vehicles	2,004,863	191,147	-	2,196,010
Total accumulated depreciation	2,277,655	239,733	-	2,517,388
Total capital assets being depreciated, net	1,014,887			901,312
Solid Waste fund capital assets, net	1,038,960			925,385
Business-type activities capital assets, net	$ 42,827,609			$ 41,374,221

Construction Commitments

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
City Hall Project	$ 560,428	$ 8,526,924

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Laurinburg employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Laurinburg's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.32% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Laurinburg were $468,631 for the year ended June 30, 2017.

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

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

At June 30, 2017, the City reported a liability of $2,428,375 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the City's proportion was .114%, which was a decrease of .002% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of $649,163. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 45,625	$ 85,093
Changes of assumptions	166,322	-
Net difference between projected and actual earnings on pension plan investments	1,342,586	-
Changes in proportion and differences between City contributions and proportionate share of contributions	25,434	70,361
City contributions subsequent to the measurement date	468,631	-
Total	$ 2,048,598	$ 155,454

$468,631 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	216,556
2019	216,613
2020	618,780
2021	372,566
2022	-
	1,424,515

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

Inflation	3 percent
Salary increase	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	5,763,668	2,428,376	357,509

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

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 City law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	42
Total	47

2. Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actual cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid $74,872 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of $961,796. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of $81,462.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	20,906
County benefit payments and plan administrative expense made subsequent to the measurement date	73,333	-
Total	$ 73,333	$ 20,906

$73,333 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 3,828
2019	3,828
2020	3,828
2021	3,828
2022	3,828
Thereafter	1,532

$73,099 paid as benefits came due and $234 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease 2.86%	Discount Rate 3.86%	1% Increase 4.86%
Total pension liability	$ 1,049,127	$ 961,796	$ 882,314

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	976,112
Service cost	51,545
Interest on the total pension liability	33,511
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(24,500)
Benefit payments	(74,872)
Other changes	-
Ending balance of the total pension liability	961,796

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were $113,398, which consisted of $90,854 from the City and $22,544 from the law enforcement officers.

d. Firefighters' and Rescue Squad Workers' Pension Fund

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

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

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

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

e. Other Post-Employment Benefits

Healthcare Benefits

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

Membership of the FCC Plan consisted of the following at December 31, 2016, the date of the latest actuarial valuation:

Active members	
Law enforcement officers	38
Firefighters	6
General employees	98
Retired members	14
Total	156

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

The current ARC rate is 3.24% of annual covered payroll. For the current year, the City contributed $109,993 or 1.76% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a Board resolution, for employees represented 1.76% of covered payroll. The City's contributions totaled $109,993 in fiscal year 2017. There were no contributions made by employees, except for dependent coverage in the amount of $130,910.

Summary of Significant Accounting Policies.

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

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

Annual required contribution	202,274
Interest on net OPEB obligation	37,252
Adjustment to annual required contribution	(35,587)
Annual OPEB cost (expense)	203,939
Contributions made	109,993
Increase in net OPEB obligation	93,946
Net OPEB obligation, beginning of year	931,290
Net OPEB obligation, end of year	1,025,236

The city's annual OPEB cost, the percentage of annual OPEB cost contribution to the FCC Plan, and the net OPEB obligation for 2017 is as follows:

3 Year Trend Information

For Year End June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 218,048	48.90%	$ 783,804
2016	$ 197,784	25.43%	$ 931,290
2017	$ 203,939	53.90%	$1,025,236

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was $2,069,288. The covered payroll (annual payroll of active employees covered by the plan) was $6,092,861, and the ratio of the UAAL to the covered payroll was 33.96 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, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 7.5 and 5 percent. Both rates included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

Other Employment Benefits

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

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

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	$ 468,631
Benefit payments made and administrative expenses for LEOSSA	73,333
Differences between expected and actual experience	45,625
Changes of assumptions	166,322
Net difference between projected and actual	1,342,586
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,436
Total	$ 2,121,933

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	$ 3,909	$ 3,909
Taxes receivable, less penalties (General Fund)	-	467,631
Changes in assumptions	20,906	-
Differences between expected and actual experience	85,093	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,361	-
Total	$180,269	$471,540

3. Risk Management

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

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

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

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

4. Claims, Judgments and Contingent Liabilities

At the date of this report, the City was defendant to one lawsuit. In the opinion of City's management and the City's attorney, the ultimate effect of the lawsuit on the financial statements is unknown at the date of the report, but is expected that the lawsuit will not have a material adverse effect on the City's financial position.

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, 2017 is $202,525 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, 2017 is $170,343 and is being serviced by the Solid Waste 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, 2017 is $49,873. The loan is serviced by the Solid Waste Fund.

In October of 2013, the City entered into a $7,718,880 installment contract with PNC Bank to finance construction of a water tower infrastructure. The financing contract requires principal payments beginning in the fiscal year 2014-2015 with an interest rate of 2.24%. The loan requires interest only payments as well as principal and interest payments. The remaining principal balance owed at June 30, 2017 is $5,403,217. The loan is serviced by the Water Sewer Fund.

In October of 2013, the City entered into a $581,120 installment contract with PNC Bank to finance construction of an electric infrastructure. The financing contract requires principal payments beginning in the fiscal year 2014-2015 with an interest rate of 2.24%. The loan requires interest only payments as well as principal and interest payments. The remaining principal balance owed at June 30, 2017 is $406,783. The loan is serviced by the Electric Fund.

In November of 2015, the City entered into a $258,980 installment contract to finance the purchase of a side loader. The financing contract requires principal payments beginning in the fiscal year 2016-2017 with an interest rate of 1.80%. The loan is secured by the side loader as collateral. The remaining principal balance owed at June 30, 2017 is $236,699. The loan is serviced by the Solid Waste Fund.

Annual debt service payments of the installment purchases as of June 30, 2017, including $499,484 of interest, are as follows:

	Governmental Activities		Business-Type Activities	
Ending June 30	Principal	Interest	Principal	Interest
2018	$ 38,775	$ 4,415	$ 922,086	$ 129,465
2019	39,622	3,570	923,867	109,093
2020	40,486	2,706	925,683	88,684
2021	41,369	1,823	868,662	68,240
2022	42,273	922	856,178	48,838
2023-2027	-	-	1,770,439	41,728
Total	$ 202,525	$ 13,436	$ 6,266,915	$ 486,048

At June 30, 2017, the City of Laurinburg had a legal debt margin of $67,739,240.

c. Changes in Long-term Liabilities

	Beginning Balance July 1, 2016	Increases	Decreases	Ending Balance June 30, 2017	Current Portion of Balance
Governmental activities:					
Financing agreement	$ 240,475	$ -	$ 37,950	$ 202,525	$ 38,775
Net pension liability (LGERS)	309,909	1,171,400	-	1,481,309	-
Net pension obligation (LEO)	383,506	578,290	-	961,796	-
Other postemployment benefits	547,505	57,580	-	605,085	-
Compensated absences	265,467	178,559	177,602	266,424	53,284
Governmental activities long-term liabilities	$ 1,746,862	1,985,829	215,552	3,517,139	92,059
Business-type activities:					
Electric fund					
Financing agreement	$ 567,965	$ -	$ 161,182	$ 406,783	$ 58,112
Net pension liability (LGERS)	52,527	190,311	-	242,838	-
Other postemployment benefits	124,894	12,122	-	137,016	-
Compensated absences	52,019	36,655	44,547	44,127	8,825
Electric fund activity long-term liabilities	797,405	239,088	205,729	830,764	66,937
Water and sewer fund					
Financing agreement	$ 6,555,807	$ -	$ 1,152,590	$ 5,403,217	$ 771,887
Net pension liability (LGERS)	94,549	342,559	-	437,108	-
Other postemployment benefits	119,223	13,940	-	133,163	-
Compensated absences	67,021	47,922	51,156	63,787	13,395
Water and sewer activity long-term liabilities	6,836,600	404,421	1,203,746	6,037,275	785,282
Solid waste fund					
Financing agreement	$ 545,632	$ -	$ 88,717	$ 456,915	$ 92,086
Net pension liability (LGERS)	68,285	198,836	-	267,121	-
Other postemployment benefits	139,666	10,304	-	149,970	-
Compensated absences	45,520	37,333	38,890	43,963	8,795
Solid waste activity long-term liabilities	799,103	246,473	127,607	917,969	100,881
Business activity long-term liabilities	$ 8,433,108	$ 889,982	$ 1,537,082	$ 7,786,008	$ 953,100

Compensated absences typically have been liquidated in the General Fund.

C. Revenues, Expenditures, and Expenses

On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of $1,860 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2017. Under State law the local board of trustees for the Fund received an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

	Governmental	Business-Type
Net Investment in Capital Assets		
Capital assets	$3,631,229	$ 41,374,223
Less: Long-term debt	202,525	6,266,915
Net investment in capital assets	$3,428,704	$ 35,107,307

D. 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	3,636,081
Less:	
Non-spendable - Inventories	26,805
Stabilization by State Statute	300,855
Streets	169,140
Appropriated fund balance in 2018 budget	295,717
Future bond debt	1,450,956
Remaining fund balance	3,636,081

Interfund Balances and Activity

Transfer to/from other funds at June 30, 2017, consists of the following:

From the Electric Fund to the General Fund for payment in lieu of taxes.	$ 62,243
From the General Fund to the Downtown Revitalization Fund for revitalization of downtown.	20,056
Total	$ 82,299

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, 2017 were $11,400,132.

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, 2017. 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, 2017 in the amount of $5,267.

V. Related Organization

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

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 20, 2017, the date which the financial statements were available to be issued.

On October 12, 2017, the City of Laurinburg incurred financing in the amount of $9,165,000 to be paid over 15 years at 2.6%. This financing will be used to build a new city hall. The total principal and interest is expected to be $11,064,039 over the life of the loan. The first payment of interest is due on April 1, 2018 of $111,863.92 and then a combined payment of principal and interest of $730,145 is due October 1, 2018.

VIII. Summary Disclosure of Significant Contingencies

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

IX. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased $517,734.

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 Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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)
12/31/14	-	2,069,288	2,069,288	0%	6,092,861	34.0%
12/31/15	-	2,069,288	2,069,288	0%	6,107,852	34.0%
12/31/16	-	2,069,288	2,069,288	0%	6,244,611	33.1%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	216,846	49.15%
2016	196,383	25.61%
2017	202,274	54.38%

Exhibit A-3

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

Local Government Employees' Retirement System

	2017	2016	2015
Laurinburg's proportion of the net pension liability (asset) (%)	0.11442%	0.11703%	0.11291%
Laurinburg's proportion of the net pension liability (asset) ($)	2,428,375	525,268	(665,882)
Laurinburg's covered-employee payroll	6,244,611	6,202,795	5,896,860
Laurinburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.89%	8.47%	-11.29%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%

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

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

Exhibit A-4

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

Local Government Employee's Retirement System

	2017	2016	2015
Contractually required contribution	468,631	420,613	422,356
Contributions in relation to the contractually required contribution	468,631	420,613	422,356
Contribution deficiency (excess)	-	-	-
Laurinburg's covered-employee payroll	6,244,611	6,202,795	5,896,860
Contributions as a percentage of covered-employee payroll	7.50%	6.78%	7.16%

Exhibit A-5

City of Laurinburg, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Beginning balance	976,112
Service cost	51,545
Interest on the total pension liability	33,511
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(24,500)
Benefits payments	(74,872)
Other changes	-
Ending balance of the total pension liability	961,796

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Exhibit A-6

City of Laurinburg, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Total pension liability	961,796
Covered payroll	1,983,614
Total pension liability as a percentage of covered payroll	48.49%

The City of Laurinburg has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		$ 3,351,483	
Penalties and interest		33,929	
Total	3,336,000	3,385,412	49,412
Other taxes and licenses:			
Local option sales tax		1,116,040	
Animal taxes		2,425	
Privilege licenses		570	
Total	1,385,900	1,119,035	(266,865)
Unrestricted intergovernmental:			
Utility franchise tax		1,137,255	
Beer and wine tax		70,817	
Cable franchise		341,834	
Total	1,530,000	1,549,905	19,905
Restricted intergovernmental:			
Federal government grants		4,059	
State government grants		94,340	
Powell Bill allocation		461,807	
Total	578,340	560,206	(18,134)
Permits and fees:			
Court fees		3,817	
Inspection fees		6,516	
Total	9,100	10,333	1,233

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Fire protection		103,124	
Cemetery lots		62,285	
Total	131,000	165,409	34,409
Investment earnings	699	4,956	4,257
Miscellaneous:			
Sale of materials and other assets		3,221	
Concessions and rentals		12,365	
Hurricane recovery reimbursement		255,798	
Other		165,604	
Total	395,065	436,988	41,923
Total revenues	7,366,104	7,232,245	(133,859)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		121,381	
Membership dues and subscriptions		24,657	
Other operating expenditures		36,392	
Reimbursement-proprietary funds		(148,442)	
Total	38,196	33,988	4,208
Administration:			
Salaries and employee benefits		205,713	
Other operating expenditures		36,464	
Reimbursement-proprietary funds		(205,134)	
Total	37,163	37,043	120

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Personnel/safety:			
Salaries and employee benefits		134,279	
Other operating expenditures		70,406	
Reimbursement-proprietary funds		(174,634)	
Total	32,067	30,052	2,015
Finance:			
Salaries and employee benefits		238,974	
Other operating expenditures		30,776	
Reimbursement-proprietary funds		(229,548)	
Total	46,813	40,203	6,610
Tax:			
Salaries and employee benefits		61,718	
Collection fees		87	
Other operating expenditures		15,524	
Total	105,345	77,328	28,017
Public buildings:			
Salaries and employee benefits		33,936	
Other operating expenditures		66,612	
Capital outlay		433,419	
Total	599,352	533,967	65,385
Information technology:			
Salaries and employee benefits		62,645	
Other operating expenditures		30,353	
Reimbursement-proprietary funds		(75,258)	
Total	19,381	17,740	1,641
Total general government	878,317	770,320	107,997

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Community development:			
Administration:			
Salaries and employee benefits		138,168	
Other operating expenditures		172,904	
Contributions to local organizations		296,637	
Capital outlay		85,363	
Total	989,990	693,072	296,918
Planning:			
Salaries and employee benefits		62,012	
Other operating expenditures		23,650	
Total	121,457	85,661	35,796
Engineering:			
Salaries and employee benefits		84,433	
Other operating expenditures		26,318	
Reimbursement-proprietary funds		(97,621)	
Total	17,227	13,130	4,097
Beautification:			
Salaries and employee benefits		214,400	
Other operating expenditures		68,733	
Capital outlay		33,695	
Total	357,138	316,827	40,311
Total community development	1,485,812	1,108,691	377,121

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		2,379,031	
Vehicle maintenance		118,031	
Other operating expenditures		415,189	
Capital outlay		171,773	
Total	3,151,240	3,084,025	67,215
Fire:			
Salaries and employee benefits		422,215	
Vehicle maintenance		33,216	
Other operating expenditures		318,060	
Capital outlay		79,878	
Total	887,280	853,368	33,912
Rescue units:			
Operating expenditures		31,905	
Capital outlay		6,862	
Total	64,269	38,767	25,502
Total public safety	4,102,789	3,976,160	126,629
Transportation:			
Streets and highways:			
Salaries and employee benefits		355,041	
Other operating expenditures		180,866	
Capital outlay		496,295	
Total	1,081,130	1,032,201	48,929

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Public works:			
Administration:			
Salaries and employee benefits		69,385	
Other operating expenditures		8,533	
Capital outlay		9,340	
Total	93,069	87,258	5,811
Storm drainage:			
Salaries and employee benefits		114,336	
Other operating expenditures		197,913	
Total	337,410	312,249	25,161
Garage:			
Salaries and employee benefits		96,560	
Other operating expenditures		17,243	
Total	163,628	113,804	49,824
Total public works	594,107	513,310	80,797
Animal control:			
Salaries and employee benefits		57,622	
Other operating expenditures		7,908	
Total	72,049	65,529	6,520

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Cemetery:			
Salaries and employee benefits		117,906	
Other operating expenditures		36,662	
Capital outlay		27,616	
Total	210,258	182,184	28,074
Debt service:			
Principal retirement		37,950	
Interest and other charges		5,242	
Total	43,192	43,192	-
Total expenditures	8,467,654	7,691,588	776,066
Revenues over (under) expenditures	(1,101,550)	(459,344)	642,207
Other financing sources (uses):			
Transfers from other funds:			
Enterprise funds:			
Electric fund	79,000	62,243	
Transfers to other funds:			
To special revenue fund	(42,500)	(20,056)	
Total other financing sources (uses)	$ 36,500	$ 42,187	$ 5,687
Fund balance appropriated	$ (1,065,050)		$ 1,065,050
Net change in fund balance	$ -	(417,156)	$ (417,156)
Fund balances:			
Beginning of year, July 1		4,053,237	
End of year, June 30		$ 3,636,081	

City of Laurinburg, North Carolina
Combining Balance Sheet
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2017

	Special Revenue Fund	Special Revenue Funds		
	Downtown Revitalization	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Assets				
Cash	$ 80,936	$ 80,936	$ 394,038	$ 474,974
Total assets	$ 80,936	$ 80,936	$ 394,038	$ 474,974
Liabilities and Fund Balances				
Liabilities:				
None	-	-	-	-
Total liabilities	-	-	-	-
Fund balance:				
Restricted:				
Downtown revitalization	41,829	41,829	-	41,829
Assigned:				
Downtown revitalization	39,107	39,107	-	39,107
Non spendable - perpetual maintenance	-	-	394,038	394,038
Total fund balances	80,936	80,936	394,038	474,974
Total liabilities and fund balances	$ 80,936	$ 80,936	$ 394,038	$ 474,974

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, 2017

	Special Revenue Fund	Special Revenue Funds		
	Downtown Revitalization	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Ad Valorem tax	$ 22,444	$ 22,444	$ -	$ 22,444
Sales and services	-	-	18,605	18,605
Interest	-	-	1,096	1,096
Total revenues	22,444	22,444	19,701	42,145
Expenditures:				
Current:				
Downtown revitalization	3,601	3,601	-	3,601
Total expenditures	3,601	3,601	-	3,601
Revenues over expenditures	18,843	18,843	19,701	38,544
Other financing (uses)				
Transfers from General fund	20,056	20,056	-	20,056
Net change in fund balance	38,899	38,899	19,701	58,600
Fund balances:				
Fund balance beginning of year	42,037	42,037	374,337	416,374
Fund balance end of year-June 30	$ 80,936	$ 80,936	$ 394,038	$ 474,974

Exhibit C-3

City of Laurinburg, North Carolina
Downtown Revitalization
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget	Current Year	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	$ -	$ 22,444	$ 22,444
Total revenues	-	22,444	22,444
Expenditures:			
Downtown revitalization	2,502	3,601	(1,099)
Total expenditures	2,502	3,601	(1,099)
Revenues over (under) expenditures	(2,502)	18,843	21,345
Other Financing Sources			
Transfers from other funds:			
General fund	2,502	20,056	17,554
Total other financing sources	2,502	20,056	17,554
Net change in fund balance	$ -	38,899	$ 38,899
Fund balances - beginning		42,037	
Fund balances - ending		$ 80,936	

City of Laurinburg, North Carolina
Electric Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales		14,422,875	
Municipal usage		665,621	
Fiber optic rental		353,485	
Total	15,470,397	15,441,980	(28,417)
Other operating revenues			
Other hurricane recovery reimbursement		114,311	
Other operating revenues		233,891	
Total other operating revenues	339,613	348,201	8,588
Total operating revenues	15,810,010	15,790,182	(19,828)
Nonoperating revenues:			
Interest earnings		30,745	
Total nonoperating revenues	500	30,745	30,245
Total revenues	15,810,510	15,820,927	10,417
Expenditures:			
Administration:			
Salaries & employee benefits		93,970	
Supplies		624	
Utilities		274	
Management fees		437,947	
Other operating expenditures		61,628	
Total	783,765	594,443	189,322
Consumer billing and receiving:			
Salaries & employee benefits		231,034	
Maintenance		84,505	
Other operating expenditures		97,459	
Total	433,207	412,998	20,209
Electrical operations:			
Salaries & employee benefits		537,344	
Supplies		44,448	
Contracted maintenance		295,158	
Vehicle maintenance		24,973	
Utilities		95,262	
Other operating expenditures		503,326	
Total	2,617,505	1,500,511	1,116,994

City of Laurinburg, North Carolina
Electric Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Electrical power purchases	11,520,393	11,400,132	120,261
Debt Service:			
Interest expense		11,793	
Principal retirement		161,183	
Total	172,976	172,976	-
Capital outlay:			
Electrical operations		132,861	
Total	132,861	132,861	-
Contingency	121,648		121,648
Total expenditures	15,782,355	14,213,922	1,568,433
Revenues over expenditures	28,155	1,607,005	1,578,850
Other financing sources (uses):			
Transfers to other funds:			
General fund - (payment in lieu of taxes)	(63,000)	(62,243)	757
Total other financing sources (uses)	(63,000)	(62,243)	757
Fund balance appropriated	34,846		(34,846)
Revenues over expenditures and other financing sources	$ -	$ 1,544,762	$ 1,544,761
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		161,183	
Capital outlay		132,861	
Bad debts		7,100	
Decrease in accrued vacation		7,892	
Depreciation		(464,173)	
Increase in deferred outflows of resources- pensions		110,192	
(Increase) in net pension liability		(190,311)	
Decrease in deferred inflows of resources-pensions		13,288	
(Increase) in accrued OPEB liability		(12,122)	
Total		(234,090)	
Change in net position		$ 1,310,672	

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		$ 4,033,405	
Sewer charges		3,087,420	
Water and sewer taps		91,036	
Total	6,609,166	7,211,861	(602,695)
Other operating revenues			
Other hurricane recovery reimbursement		633,663	
Other operating revenues		248,389	
Total other operating revenues	869,559	882,052	12,493
Total operating revenues	7,478,725	8,093,912	(615,187)
Nonoperating revenues:			
Interest earnings	100	1,353	1,253
Gain on sale of fixed assets		4,855	4,855
Total nonoperating revenues	100	6,208	6,108
Total revenues	7,478,825	8,100,120	621,295
Expenditures:			
Administration:			
Salaries & employee benefits		223,520	
Supplies		8,178	
Insurance		2,045	
Maintenance		89,675	
Utilities		3,082	
Management fees		383,203	
Other operating expenditures		96,738	
Total	855,760	806,440	49,320
Water treatment and distribution:			
Water production and treatment plant:			
Salaries & employee benefits		302,744	
Chemicals		145,332	
Supplies		15,620	
Utilities		321,337	
Management fees		70,871	
Other operating expenditures		101,187	
Total	1,703,477	957,092	746,385

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Water distribution:			
Salaries and employee benefits		307,077	
Supplies		66,934	
Other operating expenditures		135,723	
Total	630,144	509,734	120,410
Total water treatment and distribution	2,333,621	1,466,826	866,795
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits		267,979	
Supplies		44,777	
Other operating expenditures		56,716	
Total	459,585	369,473	90,112
Primary waste treatment:			
Salaries and employee benefits		363,251	
Chemicals		51,126	
Supplies		51,618	
Utilities		462,297	
Maintenance		404,396	
Other operating expenditures		250,350	
Total	2,123,857	1,583,038	540,819
Total waste collection & treatment	2,583,442	1,952,511	630,931
Debt service:			
Interest and fees		137,177	
Principal retirement		1,152,589	
Total debt service	1,350,701	1,289,766	60,935

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Water extensions:			
Waste collection and treatment		628,952	
Total capital outlay	628,952	628,952	-
Total expenditures	7,752,476	6,144,495	1,607,981
Revenues over (under) expenditures	(273,651)	1,955,625	2,229,276
Fund balance appropriated	273,650	-	(273,650)
Revenues over expenditures	$ -	1,955,625	$ 1,955,626
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		$ 1,955,625	
Reconciling items:			
Principal retirement		1,152,589	
Bad debts		(3,862)	
Capital outlay		628,952	
Capital contributions		7,545	
Decrease in accrued vacation pay		3,234	
Depreciation		(1,666,294)	
Increase in deferred outflows of resources - pensions		201,638	
(Increase) in net pension liability		(342,559)	
Decrease in deferred inflows of resources - pensions		23,904	
(Increase) in accrued OPEB liability		(13,940)	
Total reconciling items		(8,793)	
Net income		$ 1,946,832	

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Sales:			
Residential		$ 1,543,057	
Commercial and industrial		785,585	
Total	2,323,360	2,328,642	5,282
Other operating revenues			
Other hurricane recovery reimbursement		201,080	
Other operating income		52,146	
Total other operating revenues	260,358	253,226	(7,132)
Total operating revenues	2,583,718	2,581,868	(1,850)
Nonoperating revenues:			
Interest earnings		164	
Gain on sale of assets		3,704	
Total nonoperating revenues	5,050	3,868	(1,182)
Total revenues	2,588,768	2,585,736	(3,032)
Expenditures:			
Solid waste operations:			
Salaries and employee benefits		960,388	
Contracted services		1,441	
Supplies		9,795	
Tipping fee		524,195	
Maintenance		272,770	
Utilities		4,238	
Management fees		109,487	
Other operating expenditures		90,022	
Total	2,363,854	1,972,336	391,518
Debt service:			
Interest expense		11,986	
Principal retirement		88,717	
	100,703	100,703	-
Capital outlay:			
Equipment	126,158	126,158	-
Total expenditures	2,590,715	2,199,197	391,518
Revenues over (under) expenditures	(1,947)	386,538	388,485

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, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Fund balance appropriated	1,947	-	1,947
Revenues and other sources over expenditures and other financing sources	$ -	$ 386,538	$ 386,538
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		$ 386,538	
Reconciling items:			
Principal retirement		88,717	
Bad debts		7,877	
Decrease in accrued vacation pay		1,557	
Depreciation		(239,733)	
Capital outlay		126,158	
Increase in deferred outflows of resources - pensions		109,731	
(Increase) in net pension liability		(198,836)	
Decrease in deferred inflows of resources - pensions		20,373	
(Increase) in accrued OPEB liability		(10,304)	
Total		(94,460)	
Net income		$ 292,078	

City of Laurinburg, North Carolina
Water-Sewer Capital Project Fund - IDF Capital Project
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorization	Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues-water-sewer project:					
Restricted intergovernmental:					
IDF Grant	$ 708,000	$ -	$ 7,545	$ 7,545	$ 700,455
Total revenues	708,000	-	7,545	7,545	700,455
Expenditures-water-sewer project:					
Sewer construction	657,700	-	-	-	657,700
Engineering/design	50,300	-	7,545	7,545	42,755
Total expenditures	708,000	-	7,545	7,545	700,455
Revenues over expenditures	$ -	$ -	$ -	$ -	$ -

City of Laurinburg, North Carolina
Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Scotland County-Water Districts				
Assets:				
Cash	$ 94,997	$1,249,161	$1,239,368	$ 104,790
Liabilities:				
Intergovernmental	$ 94,997	$1,249,161	$1,239,368	$ 104,790

OTHER SCHEDULES

This section includes additional information on property taxes.

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

City of Laurinburg, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Addition	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	$ -	$ 3,449,469	$ 3,285,248	$ 164,221
2015-2016	165,456	105	45,582	119,979
2014-2015	140,364	105	52,895	87,574
2013-2014	88,217	105	22,671	65,651
2012-2013	72,489	105	20,740	51,854
2011-2012	56,252	105	18,625	37,732
2010-2011	41,758	-	13,285	28,473
2009-2010	37,517	-	12,770	24,747
2008-2009	34,277	74	14,231	20,120
2007-2008	28,131	-	12,703	15,428
	664,461	3,450,068	3,498,750	615,779

Less: allowance for uncollectible accounts	
General Fund	148,148
Ad valorem taxes receivable - net	$ 467,631
Reconcilement with revenues:	
Ad valorem taxes - General Fund	3,385,412
Reconciling items:	
Penalties and interest collected	(33,929)
Discounts allowed	137,998
Taxes written off	9,269
Subtotal	113,338
Total collections and credits	$ 3,498,750

City of Laurinburg, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For the Fiscal Year Ended June 30, 2017

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	$ 846,740,500	.40	$ 3,386,962	$ 3,013,556	$ 373,406
Discoveries	16,440,000		65,760	65,760	-
Abatements	(813,250)		(3,253)	(3,253)	-
Total property valuation	$ 862,367,250				
Net levy			3,449,469	3,076,063	373,406
Unpaid (by taxpayer) taxes at June 30, 2017			164,221	164,221	-
Current year's taxes collected			$ 3,285,248	$ 2,911,842	$ 373,406
Current levy collection percentage			95.24%	94.66%	100.00%

COMPLIANCE SECTION

Roche, Head & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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 20, 2017.

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.

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. 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.

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Our consideration of the internal control was for limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Findings 2017-001 and 2017-002.

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 and corrective action plan. 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.

Roche, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina
November 20, 2017

Roche, Head & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Laurinburg, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and 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 federal programs for the year ended June 30, 2017. The City of Laurinburg's major federal 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Laurinburg's major federal 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 federal 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.

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

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2017.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 federal 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 federal 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 federal 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Roche, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina
November 20, 2017

Roche, Head & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Laurinburg, North Carolina, 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, 2017. 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance 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.

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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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying Schedule of Findings and Questioned Costs as item Finding 2017-003. Our opinion on each major state program is not modified with respect to these matters.

The City of Laurinburg's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and the corrective action plan. The City of Laurinburg's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item Finding 2017-003 that we consider to be a significant deficiency.

The City of Laurinburg's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the corrective action plan. The City of Laurinburg's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Roche, Head + Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina
November 20, 2017

City of Laurinburg, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:		
• Material weakness(es) identified?	____ yes	_X_ no
• Significant deficiency(s) identified?	_X_ yes	___ none reported
Noncompliance material to financial statements noted	____ yes	_X_ no

Federal Awards

Internal control over major federal programs:

• Material weakness(es) identified?	____ yes	_X_ no
• Significant Deficiency(s) identified?	____ yes	_X_ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified for all federal programs, except for Magnet School Assistance which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	_X_ no

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
97.036	Department of Homeland Security-Disaster Grants - FEMA

Dollar threshold used to distinguish between type A and type B Programs	$ 750,000	
Auditee qualified as low-risk auditee?	____ yes	_X_ no

City of Laurinburg, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ____ yes __X__ no

- Significant Deficiency(s) identified that are not considered to be material weaknesses? __X__ yes ____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? __X__ yes ___ no

Identification of major State programs:

Program Name
Powell Bill

Section II - Financial Statement Findings

Finding: 17-001

Significant Deficiency

Financial statement preparation and journal entries completed by Independent Auditor.

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

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

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

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

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

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

Finding 17-002

Significant Deficiency

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

Condition: In the Electric Fund, fund balance was appropriated for fiscal year June 30, 2017 when there was none available to appropriate which is a violation of General Statute Reference 159-8(a).

Effect: Budgetary violations occurred.

Cause: Oversight during budget process.

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

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

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

N.C. Department of Transportation
Program Name: Non State System Street-Aid Allocation (Powell Bill)
Finding 2017-003

SIGNIFICANT DEFICIENCY
Reporting

Criteria: Accurate and correct amounts expended from Powell Bill funds should be carried to the Powell Bill expenditure report.

Condition: The City of Laurinburg personnel inadvertently included extra fringe benefits expenses on the Powell Bill expenditure report.

Effect: Total Powell Bill expenditures were inadvertently overstated by $76,958.

Cause: During the fiscal year, the City of Laurinburg made changes to the accounting software that tracks overhead costs and expenditures for Powell Bill funds. The software integrated the fringe benefits into the labor, in addition the fringe benefits were also reported in a separate column effectively double reporting the fringe amount. These amounts were summed up and reported on the annual Powell Bill expenditures report resulting in an overstatement of costs. Lack of internal controls in the financial reporting process for Powell Bill is the cause of the overstatement on the report.

Recommendation: We recommend that the City of Laurinburg implement increased controls during any change in accounting software to ensure it is functioning correctly. A sample of work orders should be reviewed by accounting personnel by reviewing rates, allocations and other charges and comparing to what is reported in the software program.

Views of responsible officials and planned corrective actions: The City of Laurinburg agrees with this finding. Please refer to the corrective action plan on page 91.

City of Laurinburg, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017

Section II - Financial Statement Findings

Finding: 2017-001

Name of contact person: Carrie Neal, Finance Officer

Corrective Action: Accounting personnel will continue to obtain the necessary experience to prepare the journal entries and financial statements. However, the cost of acquiring the technical expertise to comply with the financial reporting requirements under the full accrual, full disclosure requirements is not cost beneficial. Management and accounting personnel will continue to review the financial statements and journal entries posted by the independent auditor in order to provide assurance of accuracy.

Proposed Completion Date: Immediately.

Finding: 2017-002

Name of contact person: Carrie Neal, Finance Officer

Corrective Action: The City will implement procedures to ensure excess appropriations are not budgeted.

Proposed Completion Date: Immediately.

Section III - Federal Award Findings and Questioned Costs

None Reported.

Section IV - State Award Findings and Questioned Costs

Finding: 2017-003

Name of contact person: Carrie Neal, Finance Officer

Corrective Action: At random times during the year accounting personnel will randomly sample work orders and compare the timesheets, fringe amounts, labor and other charges to the reports produced by the software program.

Proposed Completion Date: Immediately.

City of Laurinburg, North Carolina
Summary of Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2017

Financial Statement Findings

Finding 16-1

Status: Journal entries of significant amounts are still needed to correct accounts and financial statements are prepared by the Independent Accountant. See Finding 17-001.

Finding 16-2

Corrected.

Finding 16-3

See current year Finding 17-002.

CITY OF LAURINBURG, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
Federal Grants:				
Cash Programs:				
U.S. Department of Homeland Security				
Passed-through N.C. Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-00989	973,870	230,982
Total assistance - federal programs			973,870	230,982
State Grants:				
Cash Assistance:				
N.C. Department of Transportation:				
Powell Bill (Note 3)		38570	-	530,080
N.C. Department of Commerce				
Rural Economic Development Division				
Downtown Revitalization		2017-030-0257-1534	-	94,340
Industrial Development		U464	-	7,545
Total assistance - State programs			-	631,965
Total assistance			$ 973,870	$ 862,947

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Laurinburg under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Laurinburg, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Laurinburg.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Laurinburg has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Reconciliation of Original Powell Bill Expenditures Report with Corrected Expenditures and Reserved for Powell Bill Balance on Hand

Amounts Per Powell Bill Expenditures Report at June 30, 2017:	
Summary as originally reported:	
Revenue total	$ 622,260.31
Less expenditures as originally reported on Powell Bill report	$ 530,079.83
Balance on Hand as of June 30, 2017 (Reserved for Powell Bill)	$ 92,180.48
CORRECTION TO POWELL BILL REPORT:	
Revenue total	$ 622,260.31
Less CORRECTED expenditures total	$ 453,121.46
Balance on hand as of June 30, 2017 (Reserved for Powell Bill) (As Corrected)	$ 169,138.85