Statement of
CITY OF LAURINBURG
Laurinburg, North Carolina
June 30, 2018

City of Laurinburg, North Carolina
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June 30, 2018

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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, 2018, 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

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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, 2018, 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, the Other Post Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 58, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 54 and 55, respectively and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 56 and 57 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, other schedules and 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 28, 2018 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 28, 2018

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, 2018. 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

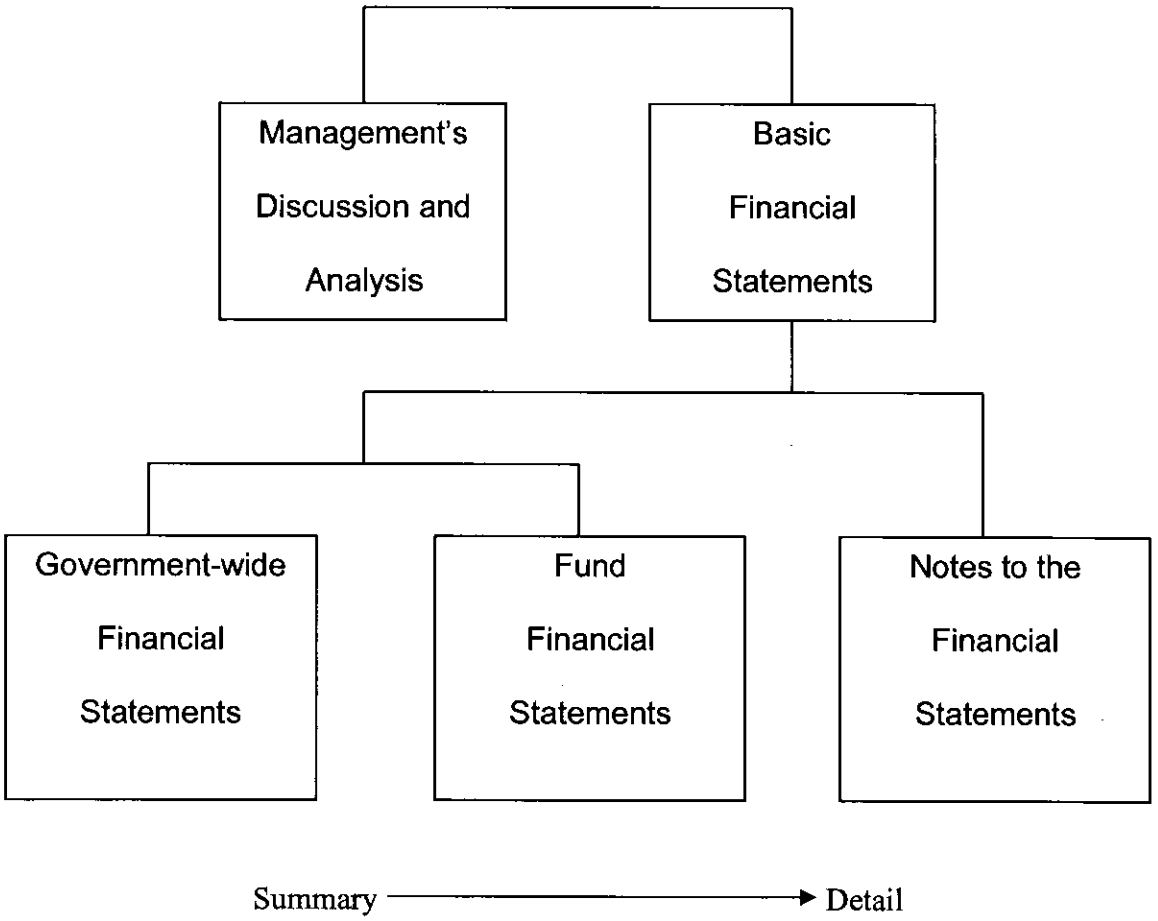
- The assets and the deferred outflows of the City of Laurinburg exceeded its liabilities and deferred inflows at the close of the fiscal year by $49,721,605 (*net position*).
- The government's total net position increased by $1,495,936 primarily due to increased revenues in the general and enterprise funds.
- As of the close of the current fiscal year, the City of Laurinburg's governmental funds reported combined ending fund balances of $8,752,152 an increase of $4,641,097. Approximately 62.84% of this total amount or $5,500,070 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,155,037 or 16.48% of total general fund expenditures for the fiscal year.
- The City of Laurinburg's total debt increased by $7,729,611, 67.90% during the current fiscal year. The key factor in this is an increase in installment financing to fund a new city hall.
- 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 26-53 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 54** 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 10,065,515	$ 4,664,614	$ 13,679,780	$ 9,831,477	$ 23,745,295	$ 14,496,091
Capital assets	7,948,672	3,631,229	40,172,019	41,374,221	48,120,691	45,005,450
Deferred outflows of resources	952,929	1,322,979	499,859	798,954	1,452,788	2,121,933
Total assets and deferred outflows of resources	18,967,116	9,618,822	54,351,658	52,004,652	73,318,774	61,623,474
Long-term liabilities outstanding	9,398,188	3,425,080	12,656,250	6,832,912	22,054,438	10,257,992
Other liabilities	1,270,885	174,619	3,769,791	2,784,926	5,040,676	2,959,545
Deferred inflows of resources	179,192	119,642	92,651	60,627	271,843	180,269
Total liabilities and deferred inflows of resources	10,848,265	3,719,341	16,518,692	9,678,465	27,366,957	13,397,806
Net position:						
Net investment in capital assets	1,674,921	3,428,704	34,827,289	35,107,307	36,502,210	38,536,011
Restricted	5,064,004	511,824	-	-	5,064,004	511,824
Unrestricted	1,379,926	1,958,953	6,775,465	7,218,880	8,155,391	9,177,833
Total net position	$ 8,118,851	$ 5,899,481	$ 41,602,754	$ 42,326,187	$ 49,721,605	$ 48,225,668

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 $49,721,605 as of June 30, 2018. The City's net position increased by $1,495,936 for the fiscal year ended June 30, 2018. However, the largest portion 73.41% 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 10.18% represents resources that are subject to external restrictions on how they may be used. The remaining balance of $8,155,391 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 194,330	$ 206,712	$ 24,614,209	$ 24,982,484	$ 24,808,539	$ 25,189,196
Operating grants and contributions	463,378	816,004	75,448	1,118,808	538,826	1,934,812
Capital grants and contributions	-	-	483,640	7,545	483,640	7,545
General revenues:						
Property taxes	3,414,625	3,332,414	-	-	3,414,625	3,332,414
Other taxes	2,854,246	2,668,940	-	-	2,854,246	2,668,940
Other	115,585	174,880	794,517	405,492	910,102	580,372
Total revenues	7,042,164	7,198,950	25,967,814	26,514,329	33,009,978	33,713,279
Expenses:						
General government	354,357	750,036	-	-	354,357	750,036
Public safety	4,205,750	3,817,614	-	-	4,205,750	3,817,614
Public works	502,144	577,977	-	-	502,144	577,977
Transportation	790,406	593,378	-	-	790,406	593,378
Animal control	75,081	62,064	-	-	75,081	62,064
Cemetery	193,716	169,129	-	-	193,716	169,129
Community development	1,089,012	988,466	-	-	1,089,012	988,466
Electric	-	-	14,061,309	14,448,012	14,061,309	14,448,012
Water and sewer	-	-	5,768,408	6,160,834	5,768,408	6,160,834
Interest on long-term debt	4,415	5,242	-	-	4,415	5,242
Solid waste	-	-	2,261,560	2,293,658	2,261,560	2,293,658
Total expenses	7,214,881	6,963,906	22,091,277	22,902,504	29,306,158	25,298,760
Increase (decrease) in net position before transfers	(172,717)	235,044	3,876,537	3,611,825	3,703,820	8,414,519
Transfers	3,120,429	62,243	(3,120,429)	(62,243)	-	-
Extraordinary item: impairment loss	(116,630)	-	(1,121,391)	-	(1,238,021)	(1,238,021)
Increase (decrease) in net position	2,831,082	297,287	(365,283)	3,549,582	2,465,799	3,846,869
Beginning net position	5,899,481	5,602,194	42,326,187	38,776,605	48,225,668	44,378,799
Net position beginning, restated	5,287,768	5,602,194	41,968,037	38,776,605	47,255,805	44,378,799
Net position, June 30	$ 8,118,851	$ 5,899,481	$ 41,602,754	$ 42,326,187	$ 49,721,605	$ 48,225,668

Governmental activities. Governmental activities increased the City's governmental net position by $2,219,369. The increase in net position was the result of transfers from other funds to fund the new city hall project and 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 decreased the City of Laurinburg's net position by $(723,433). The key element of this decrease is as follows:

- Impairment losses on meter reading equipment. However, continued efficiencies in the Enterprise Funds kept the decrease to a minimum.

- Change in accounting principles related to OPEB adjustments.

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 $3,330,022, while total fund balance reached $3,699,497. 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 47.51% of general fund expenditures, while total fund balance represents 52.78% of the same amount.

At June 30, 2018, the governmental funds of City of Laurinburg reported a combined fund balance of $8,752,153 with a net increase in fund balance of $4,641,097. Included in this change in fund balance is an increase 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 $4,405,054 and those for the Electric Fund amounted to $2,034,878, and those for the Solid Waste Fund amounted to $335,533. 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, 2018 totals $34,827,289 (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 $483,640.
- Construction of City Hall $4,526,637.
- Equipment $555,529.
- Vehicles $399,714.
- Other Infrastructure $833,948.

City of Laurinburg Changes in Net Position
Figure 4

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 280,014	$ 280,014	$ 291,931	$ 291,931	$ 571,945	$ 571,945
Construction in progress	5,101,006	560,428	981,684	299,468	6,082,690	859,896
Buildings and system	457,575	484,877	36,280,168	38,279,157	36,737,743	38,764,034
Improvements other than buildings	528,119	531,985	-	-	528,119	531,985
Machinery and equipment	188,514	271,678	1,580,680	1,349,396	1,769,194	1,621,074
Infrastructure	365,714	365,714	-	-	365,714	365,714
Vehicles and motorized equipment	1,027,730	1,136,533	1,037,556	1,154,269	2,065,286	2,290,802
	$ 7,948,672	$ 3,631,229	$ 40,172,019	$ 41,374,221	$ 48,120,691	$ 45,005,450

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	
	2018	2017	2018	2017	2018	2017
Installment debt	$ 6,273,751	$ 202,525	$ 8,399,830	$ 6,266,915	$ 14,673,581	$ 6,469,440
OPEB	1,244,970	605,085	795,964	420,149	2,040,934	1,025,234
Pension liability (LGERS)	1,075,052	1,481,309	687,329	947,067	1,762,381	2,428,376
Pension related debt (LEO)	1,028,878	961,796	-	-	1,028,878	961,796
Compensated absences	278,115	266,424	163,587	151,877	441,702	418,301
Total	$ 9,900,766	$ 3,517,139	$ 10,046,710	$ 7,786,008	$ 19,947,476	$ 11,303,147

City of Laurinburg's Outstanding Debt

The City of Laurinburg's total debt increased by $8,644,329, 76.48% during the past fiscal year. Primarily due to new installment financing of $9,165,000 to build a new city hall.

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 $68,459,147.

Additional information regarding the City's long-term debt can be found in Note 5-a beginning on Page 49 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 increasing the funding in FY 19 to the County for the Scotland County Economic Development Corporation and to the Laurinburg/Scotland County Chamber of Commerce at $35,000 and $14,000, respectively.

The City just finalized 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 $214,625. These funds will go toward assessing our water and sewer infrastructure for determining future capital improvement needs.

The City was also awarded a Community Development Block Grant-Infrastructure in the amount of $2,000,000 for the sewer improvements needed in an existing low-income area of the City. This will be a multi-year project over the next couple of fiscal years.

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 was named a NC Main Street City on July 1, 2018.

Budget Highlights for the Fiscal Year Ending June 30, 2018
Governmental activities: Property tax rate remains at $.40 per $100.00 evaluation.

Overall, budgeted operating expenditures in the General Fund remained relatively flat in FY 18. To continue to be good stewards of funds, the City was able to keep expenditures flat for the General Fund and keep the property tax rate at its current position, while also providing funding for a litter pickup contract, the addition of two (2) police officers, street resurfacing, and continued maintenance of the capital improvement plan. The City also began the construction of a new City Hall and Police Department, which accounts for the majority of the increase in capital assets and outstanding debt in the General Fund.

Business-type activities: The Enterprise Funds financial condition has improved as a result of increased fees in previous fiscal years. Management, with Council approval, has kept water/sewer and solid waste fees the same going forward to continue to strengthen those Enterprise Funds and to provide needed funding for future capital projects to maintain and improve infrastructure. The electric rate schedule was restructured, resulting in an approximate 3% decrease in electric rates, while maintaining the financial condition of the fund and continuing to make needed equipment replacements and infrastructure improvements.

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

Basic Financial Statements

City of Laurinburg, North Carolina
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,785,347	$ 9,144,347	$ 12,929,694
Receivables (net)	537,870	1,819,525	2,357,395
Due from other governments	350,672	556,236	906,908
Inventories	10,163	1,227,494	1,237,657
Prepaid items	8,640	50,599	59,239
Restricted cash	5,372,823	881,579	6,254,402
Total current assets	10,065,515	13,679,780	23,745,295
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	5,381,020	1,273,615	6,654,635
Other capital assets, net of depreciation	2,567,652	38,898,404	41,466,056
Total capital assets	7,948,672	40,172,019	48,120,691
Total assets	$ 18,014,187	$ 53,851,799	$ 71,865,986
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	873,462	499,859	1,373,321
OPEB deferrals	79,467	-	79,467
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	$ 768,307	$ 1,727,961	$ 2,496,268
Current portion of long-term liabilities	502,578	1,160,251	1,662,829
Customer deposits	-	881,579	881,579
Total current liabilities	1,270,885	3,769,791	5,040,676
Long-term liabilities:			
Net pension liability-LGERS	1,075,052	687,329	1,762,381
Total pension liability-LEO	1,028,878	-	1,028,878
Total OPEB liability	1,244,970	795,964	2,040,934
Due in more than one year	6,049,288	7,403,166	13,452,454
Total liabilities	10,669,073	12,656,250	23,325,323
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	7,185	-	7,185
Pension deferrals	117,705	57,934	175,639
OPEB deferrals	54,302	34,717	89,019
Total deferred inflows of resources	179,192	92,651	271,843
NET POSITION			
Net investment in capital assets	1,674,921	34,827,289	36,502,210
Restricted for:			
Downtown revitalization	34,915	-	34,915
Stabilization by state statute	350,672	-	350,672
Streets	148,835	-	148,835
City hall project	4,529,582	-	4,529,582
Unrestricted	1,379,926	6,775,465	8,155,391
Total net position	$ 8,118,851	$ 41,602,754	$ 49,721,605

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, 2018

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	$ 354,357	$ 11,146	$ -	$ -	$ (343,211)	$ -	$ (343,211)
Public safety	4,205,750	102,755	-	-	(4,102,995)	-	(4,102,995)
Public works	502,144	-	-	-	(502,144)	-	(502,144)
Transportation	790,406	-	459,231	-	(331,175)	-	(331,175)
Animal control	75,081	-	-	-	(75,081)	-	(75,081)
Cemetery	193,716	73,248	-	-	(120,468)	-	(120,468)
Community development	1,089,012	7,181	4,147	-	(1,077,684)	-	(1,077,684)
Interest on long-term debt	4,415	-	-	-	(4,415)	-	(4,415)
Total governmental activities	7,214,881	194,330	463,378	-	(6,557,173)	-	(6,557,173)
Business-type activities:							
Electric	14,061,309	15,144,582	-	-	-	1,083,273	1,083,273
Water and sewer	5,768,408	7,128,375	75,448	483,640	-	1,919,055	1,919,055
Solid waste	2,261,560	2,341,252	-	-	-	79,692	79,692
Total business-type activities	$ 22,091,277	$ 24,614,209	$ 75,448	$ 483,640	$ -	$ 3,082,020	$ 3,082,020
Total primary government							
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,414,625	-	3,414,625
Other taxes					2,854,246	-	2,854,246
Unrestricted investment earnings					16,251	138,604	154,855
Miscellaneous					99,334	655,913	755,247
Extraordinary item: Impairment loss					(116,630)	(1,121,391)	(1,238,021)
Total general revenues not including transfers					6,267,826	(326,874)	5,940,952
Transfers					3,120,429	(3,120,429)	-
Total general revenues and transfers					9,388,255	(3,447,303)	5,940,952
Change in net position					2,831,082	(365,283)	2,465,799
Net position beginning, previously reported					5,899,481	42,326,187	48,225,668
Restatement					(611,713)	(358,150)	(969,863)
Net position beginning, restated					5,287,768	41,968,037	47,255,805
Net position ending					$ 8,118,851	$ 41,602,754	49,721,605

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

City of Laurinburg, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	City Hall Project Fund		
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,297,188	$ -	$ 488,159	$ 3,785,347
Restricted cash	148,835	5,177,073	46,915	5,372,823
Taxes receivable (net)	537,870	-	-	537,870
Prepaid insurance	8,640	-	-	8,640
Due from other governments	350,672	-	-	350,672
Inventories	10,163	-	-	10,163
Total assets	4,353,368	5,177,073	535,074	10,065,515
LIABILITIES				
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	108,816	647,491	12,000	768,307
Total liabilities	108,816	647,491	12,000	768,307
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	537,870	-	-	537,870
Prepaid taxes	7,185	-	-	7,185
Total deferred inflows of resources	545,055	-	-	545,055
Fund balances				
Non spendable:				
Inventories	10,163	-	-	10,163
Prepaid expenses	8,640	-	-	8,640
Perpetual maintenance	-	-	417,263	417,263
Restricted:				
Stabilization by state statute	350,672	-	-	350,672
Streets	148,835	-	-	148,835
City hall construction	-	4,529,582	-	4,529,582
Downtown revitalization	-	-	34,915	34,915
Assigned				
Subsequent year's expenditures	217,009	-	-	217,009
Future bond debt	1,559,141	-	-	1,559,141
Litigation settlement	250,000	-	-	250,000
Downtown revitalization	-	-	70,896	70,896
Unassigned	1,155,037	-	-	1,155,037
Total fund balances	3,699,497	4,529,582	523,074	8,752,153
Total liabilities, deferred inflows of resources and fund balances	$ 4,353,368	$ 5,177,073	$ 535,074	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:				
Total Fund Balance, Governmental Funds				$ 8,752,153
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				
Gross capital assets at historical cost			14,725,402	
Accumulated depreciation			(6,776,730)	7,948,672
Deferred outflows of resources related to pensions are not reported in the funds				873,462
Deferred outflows of resources related to OPEB are not reported in the funds				79,467
Liabilities for earned revenues considered deferred inflows of resources in fund statements.				
Deferred taxes				537,870
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			(6,273,751)	
Other post employment benefits			(1,244,970)	
Other retirement liabilities for LEO			(1,028,878)	
Compensated absences			(278,115)	
Net pension liability-LGERS			(1,075,052)	(9,900,766)
Deferred inflows of resources related to pensions are not reported in the funds				(117,705)
Deferred inflows of resources related to OPEB are not reported in the funds				(54,302)
Net position of governmental activities				$ 8,118,851

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, 2018

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	City Hall Project Fund		
REVENUES				
Ad valorem taxes	$ 3,324,598	$ -	$ 19,789	$ 3,344,387
Other taxes and licenses	1,285,987	-	-	1,285,987
Unrestricted intergovernmental	1,568,259	-	-	1,568,259
Restricted intergovernmental	463,378	-	-	463,378
Permits and fees	11,146	-	-	11,146
Sales and services	158,378	-	17,625	176,003
Investment earnings	10,098	553	5,600	16,251
Miscellaneous	99,334	-	-	99,334
Total revenues	6,921,178	553	43,014	6,964,745
EXPENDITURES				
Current:				
General government	406,789	-	-	406,789
Community development	1,105,764	4,526,637	17,625	5,650,026
Public safety	4,033,838	-	-	4,033,838
Transportation	735,652	-	-	735,652
Public works	442,285	-	-	442,285
Animal control	65,426	-	-	65,426
Cemetery	176,870	-	-	176,870
Debt service:				
Principal payments	38,777	-	-	38,777
Interest and other charges	4,415	-	-	4,415
Total expenditures	7,009,816	4,526,637	17,625	11,554,078
Excess of revenues over (under) expenditures	(88,638)	(4,526,084)	25,389	(4,589,333)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	174,764	9,165,000	22,711	9,362,475
Transfers to other funds	(6,132,710)	(109,335)	-	(6,242,045)
Financing note issued	6,110,000	-	-	6,110,000
Total other financing sources	152,054	9,055,665	22,711	9,230,430
Net change in fund balance	63,416	4,529,581	48,100	4,641,097
Fund balances -beginning	3,636,081	-	474,974	4,111,055
Fund balances-ending	$ 3,699,497	$ 4,529,581	$ 523,074	$ 8,752,152

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, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ 4,641,097
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	4,912,036	
Depreciation expense for governmental assets	(477,963)	
Asset impairment loss	(116,630)	4,317,443
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		297,937
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		34,212
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities		79,467
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		70,238
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.		
New long term debt issued	(6,110,000)	
Principal payments on long-term debt	38,777	(6,071,223)
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	(11,696)	
Pension expense (LGERS)	(355,284)	
Pension expense (LEO)	(89,179)	
OPEB plan expense	(81,929)	(538,088)
Total changes in net position of governmental activities		$ 2,831,083

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

City of Laurinburg, North Carolina
General Fund and Annually Budgeted Major Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	General Fund				City Hall Project Fund			
	Budget		Actual	Variance with Final Budget-Positive	Budget		Actual	Variance with Final Budget-Positive
	Original	Final	Amounts	(Negative)	Original	Final	Amounts	(Negative)
REVENUES								
Ad valorem taxes	$3,336,000	$3,336,000	$3,324,598	$ (11,402)	$ -	$ -	$ -	$ -
Other taxes and licenses	1,385,900	1,385,900	1,285,987	(99,913)	-	-	-	-
Unrestricted intergovernmental	1,535,485	1,530,000	1,568,259	38,259	-	-	-	-
Restricted intergovernmental	484,000	484,000	463,378	(20,622)	-	-	-	-
Permits and fees	9,100	9,100	11,146	2,046	-	-	-	-
Sales and services	131,000	131,000	158,378	27,378	-	-	-	-
Investment earnings	700	700	10,098	9,398	-	-	553	553
Miscellaneous	140,694	80,166	99,334	19,167	-	-	-	-
Total revenues	7,022,879	6,956,866	6,921,178	(35,689)	-	-	553	553
EXPENDITURES								
General government	435,892	535,892	406,789	129,104	-	-	-	-
Community development	1,159,460	1,184,945	1,105,764	79,181	9,055,665	9,055,665	4,526,637	4,529,028
Public safety	4,288,898	4,288,898	4,033,838	255,060	-	-	-	-
Transportation	793,728	793,728	735,652	58,076	-	-	-	-
Public works	459,243	497,293	442,285	55,008	-	-	-	-
Animal control	73,911	73,911	65,426	8,485	-	-	-	-
Cemetery	193,185	193,185	176,870	16,315	-	-	-	-
Debt service:								
Principal retirement	35,799	38,777	38,777	-	-	-	-	-
Interest and other charges	4,415	4,415	4,415	-	-	-	-	-
Total expenditures	7,444,531	7,611,044	7,009,816	601,229	9,055,665	9,055,665	4,526,637	4,529,028
Excess (deficiency) of revenues over expenditures	(421,652)	(654,178)	(88,638)	565,540	(9,055,665)	(9,055,665)	(4,526,084)	4,529,581
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	168,335	168,335	174,764	6,429	9,165,000	9,165,000	9,165,000	-
Transfers to other funds	(6,152,500)	(6,152,500)	(6,132,710)	19,789	(109,335)	(109,335)	(109,335)	-
Financing note issued	6,110,000	6,110,000	6,110,000	-	-	-	-	-
Total other financing sources (uses)	125,835	125,835	152,054	26,218	9,055,665	9,055,665	9,055,665	-
Appropriated fund balance	295,817	528,343	-	(528,343)	-	-	-	-
Net change in fund balance	$ -	$ -	63,416	$ 63,415	$ -	$ -	4,529,581	$ 4,529,581
Fund balances-beginning of year			3,636,081				-	
Fund balances-end of year			$3,699,497				$4,529,581	

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, 2018

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	June 30, 2018
Assets				
Current assets:				
Cash and cash equivalents	$ 2,747,253	$ 5,873,846	$ 523,248	$ 9,144,347
Accounts receivable (net)	1,136,764	494,128	188,633	1,819,525
Due from other governments	29,201	503,500	23,535	556,236
Inventories	1,078,552	134,024	14,918	1,227,494
Prepaid items	50,000	599	-	50,599
Restricted cash and equivalents	732,813	148,766	-	881,579
Total current assets	5,774,583	7,154,863	750,334	13,679,780
Land and construction in progress	-	1,249,542	24,073	1,273,615
Other capital assets net of depreciation	5,888,509	32,116,878	893,017	38,898,404
Capital assets	5,888,509	33,366,420	917,090	40,172,019
Total noncurrent assets	5,888,509	33,366,420	917,090	40,172,019
Total assets	$ 11,663,092	$ 40,521,283	$ 1,667,424	$ 53,851,799
Deferred Outflows of Resources				
Pension deferrals	$ 128,169	$ 230,704	$ 140,986	$ 499,859
Liabilities and fund equities				
Current liabilities:				
Accounts payable and accrued liabilities	1,151,847	515,124	60,991	1,727,962
Compensated absences-current	10,305	12,353	40,239	62,897
Installment financing notes payable	159,945	873,721	93,867	1,127,533
Liabilities payable from restricted assets:				
Customer deposits	732,813	148,766	-	881,579
Total current liabilities	2,054,910	1,549,964	195,097	3,799,971
Non-current liabilities:				
Compensated absences payable	41,219	49,410	10,060	100,689
Net pension liability	176,238	317,229	193,862	687,329
Total OPEB liability	204,093	367,368	224,503	795,964
Installment financing notes payable	1,716,226	5,285,109	270,962	7,272,297
Total non-current liabilities	2,137,776	6,019,116	699,387	8,856,279
Total liabilities	4,192,686	7,569,080	894,484	12,656,250
Deferred Inflows of Resources				
Pension deferrals	14,855	26,739	16,340	57,934
OPEB deferrals	8,902	16,023	9,792	34,717
Net position				
Net investment in capital assets	5,539,937	28,735,091	552,261	34,827,289
Unrestricted	2,034,878	4,405,054	335,533	6,775,465
Total net position	$ 7,574,815	$ 33,140,145	$ 887,794	$ 41,602,754

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

City of Laurinburg, North Carolina
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	Major Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	June 30, 2018
Operating revenues:				
Charges for services	$ 14,773,966	$ 7,064,605	$ 2,341,252	$ 24,179,823
Water and sewer taps	-	63,770	-	63,770
Fiber optic rental	370,616	-	-	370,616
Other operating revenues	344,335	316,260	63,580	724,175
Total operating revenues	15,488,917	7,444,635	2,404,832	25,338,384
Operating expenses:				
Administration	922,490	1,025,098	-	1,947,588
Finance	391,965	-	-	391,965
Electric operations	1,349,646	-	-	1,349,646
Electric power purchases	10,969,298	-	-	10,969,298
Water and sewer treatment and distribution	-	1,580,405	-	1,580,405
Waste collection and treatment	-	1,508,102	-	1,508,102
Solid waste operations	-	-	2,032,248	2,032,248
Depreciation	400,805	1,523,824	220,695	2,145,324
Total operating expenses	14,034,204	5,637,429	2,252,943	21,924,576
Operating income	1,454,713	1,807,206	151,889	3,413,808
Nonoperating revenues (expenses):				
Investment earnings	134,908	3,234	462	138,604
Gain on sale of fixed assets	6,749	337	100	7,186
Interest and fees	(27,105)	(130,979)	(8,617)	(166,701)
Total nonoperating revenues (expenses)	114,552	(127,408)	(8,055)	(20,911)
Income before contributions and transfers	1,569,265	1,679,798	143,834	3,392,897
Capital contributions	-	483,640	-	483,640
Extraordinary item: Impairment loss	(196,189)	(925,202)	-	(1,121,391)
Transfers to other funds	(1,592,929)	(1,527,500)	-	(3,120,429)
Change in net position	(219,853)	(289,264)	143,834	(365,283)
Total Net position-previously reported	7,857,216	33,655,461	813,510	42,326,187
Beginning net position, restated	7,794,668	33,429,409	743,960	41,968,037
Total net position-ending	$ 7,574,815	$ 33,140,145	$ 887,794	$ 41,602,754

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, 2018

	Business-type Activities Enterprise Funds			
	Electric Fund	Water and Sewer Fund	Solid Waste Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 15,276,628	$ 7,262,716	$ 2,375,674	$ 24,915,018
Cash paid for goods and services	(12,570,515)	(2,380,080)	(941,342)	(15,891,937)
Cash paid to or on behalf of employees for services	(874,248)	(1,539,062)	(1,047,857)	(3,461,167)
Customer deposits received	189,486	16,785	-	206,271
Customer deposits returned	(90,006)	(4,832)	-	(94,838)
Other operating revenues	315,134	316,260	63,580	694,974
Net cash provided by operating activities	2,246,479	3,671,787	450,055	6,368,321
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(1,592,929)	(1,527,500)	-	(3,120,429)
Total cash flows (used in) noncapital financing activities	(1,592,929)	(1,527,500)	-	(3,120,429)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(642,566)	(1,209,545)	(212,350)	(2,064,461)
Interest paid on bond and installment financing contracts	(27,105)	(130,979)	(8,617)	(166,701)
Principal paid on bond and installment financing contracts	(70,945)	(771,887)	(92,086)	(934,918)
Cash received from installment financing note issues	1,527,500	1,527,500	-	3,055,000
Cash received from sale of assets	6,749	337	100	7,186
Capital contributions-State grant	-	483,640	-	483,640
Net cash provided by (used in) capital and related financing activities	793,633	(100,934)	(312,953)	379,746
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	134,908	3,234	462	138,604
Net increase in cash and cash equivalents	1,582,091	2,046,587	137,564	3,766,242
Balances - beginning of the year	1,897,975	3,976,025	385,684	6,259,684
Balances - end of the year	$ 3,480,066	$ 6,022,612	$ 523,248	$ 10,025,926

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, 2018

	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	$ 1,454,713	$ 1,807,206	$ 151,889	$ 3,413,808
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	400,805	1,523,824	220,695	2,145,324
Changes in assets, deferred outflows of resources, and liabilities:				
Decrease in accounts receivable	133,066	170,480	34,422	337,968
(Decrease) in allowance for doubtful accounts	(30,221)	(36,139)	-	(66,360)
(Increase) decrease in inventory	(19,506)	7,858	(6,433)	(18,081)
Decrease in prepaid items	3,604	110	-	3,714
Increase in deferred outflows of resources-pensions	76,691	138,044	84,360	299,095
(Decrease) in net pension liability	(66,600)	(119,879)	(73,259)	(259,738)
(Decrease) in deferred inflows of resources-pensions	(690)	(1,243)	(760)	(2,693)
(Decrease) increase in accounts payable and accrued liabilities	111,762	(78,631)	(51,519)	(18,388)
Increase in customer deposits	99,480	11,953	-	111,433
(Decrease) increase in accrued vacation pay	7,397	(2,024)	6,335	11,708
Increase in deferred inflows of resources-OPEB	8,902	16,023	9,792	34,717
Increase in OPEB liability	67,076	234,205	74,533	375,814
Total adjustment	791,766	1,864,581	298,166	2,954,513
Net cash provided by operating activities	$ 2,246,479	$ 3,671,787	$ 450,055	$ 6,368,321

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, 2018

	Agency Fund
Assets	
Cash and cash equivalents	$110,308
Liabilities	
Intergovernmental payable	110,308
Total liabilities	$110,308

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, 2018.

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 funds:

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.

City Hall Project Fund: The City Hall Project Fund is used to account for the construction of a new city hall. It is funded by debt proceeds which are paid for by the General, Electric, and Water Sewer Funds.

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. Revitalization Funds are restricted because the funds are contributed by an outside party and restricted for downtown projects. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

City of Laurinburg Restricted Cash	
Governmental Activities	
General Fund - streets	148,835
Downtown revitalization	46,915
City hall project	5,177,073
Total governmental activities	5,372,823
Business-Type Activities	
Electric fund customer deposits	732,813
Water & sewer fund customer deposits	148,766
Total business-type activities	881,579
Total restricted cash	6,254,402

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, which is pension deferrals made in the 2018 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

None were noted.

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, 2018, the City's deposits had a carrying amount of $5,772,906 and a bank balance of $2,157,884. Of the bank balance, $500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the City's petty cash fund totaled $1,700.

2. Investments

At June 30, 2018, the City of Laurinburg had $13,519,798 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	06/30/18
General Fund:	
Taxes receivable	$ 161,374
Enterprise Funds	71,092
Total	$ 232,466

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	$ 560,428	$ 4,623,800	$ 83,222	$ 5,101,006
Land	280,014	-	-	280,014
Total capital assets not being depreciated	840,442	4,623,800	83,222	5,381,020
Capital assets being depreciated:				
Buildings	2,029,532	-	78,061	1,951,471
Other improvements	912,517	66,889	60,587	918,819
Equipment	1,835,488	118,710	311,127	1,643,071
Vehicles and motorized equipment	3,999,910	102,637	320,186	3,782,361
Infrastructure	1,048,660	-	-	1,048,660
Total capital assets being depreciated	9,826,107	288,236	769,961	9,344,382
Less accumulated depreciation for:				
Buildings	1,544,655	25,966	76,725	1,493,896
Other improvements	380,532	70,755	60,587	390,700
Equipment	1,563,810	169,902	279,155	1,454,557
Vehicles and motorized equipment	2,863,377	211,340	320,086	2,754,631
Infrastructure	682,946	-	-	682,946
Total accumulated depreciation	7,035,320	477,963	736,553	6,776,730
Total capital assets being depreciated, net	$ 2,790,787			$ 2,567,652
Governmental activity capital assets, net	$ 3,631,229			$ 7,948,672

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

General government	$ 38,237
Public safety	267,659
Transportation	81,254
Public works	76,474
Cemetery	14,339
Total depreciation expense	$ 477,963

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Construction in progress	$ -	$ -	$ -	$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Substations, lines, and related equipment	14,415,720	486,846	527,040	14,375,526
Furniture and maintenance equipment	1,182,243	135,694	546,955	770,982
Vehicles	1,056,814	20,026	102,600	974,240
Total capital assets being depreciated	16,654,777	642,566	1,176,595	16,120,748
Less accumulated depreciation for:				
Substations, lines, and related equipment	9,254,826	272,500	353,673	9,173,653
Furniture and maintenance equipment	947,572	54,071	534,533	467,110
Vehicles	609,442	74,234	92,200	591,476
Total accumulated depreciation	10,811,840	400,805	980,406	10,232,239
Total capital assets being depreciated, net	5,842,937			5,888,509
Electric fund capital assets, net	5,842,937			5,888,509
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	291,931	-	-	291,931
Construction in progress	275,395	682,216	-	957,611
Total capital assets not being depreciated	567,326	682,216	-	1,249,542
Capital assets being depreciated:				
Plant and distribution systems	61,289,005	161,503	1,347,947	60,102,561
Furniture and maintenance equipment	2,474,523	266,625	117,730	2,623,418
Vehicles	1,848,761	99,201	432,817	1,515,145
Total capital assets being depreciated	65,612,289	527,329	1,898,494	64,241,124
Less accumulated depreciation for:				
Plant and distribution systems	28,170,740	1,320,863	467,337	29,024,266
Furniture and maintenance equipment	1,999,820	118,092	117,730	2,000,182
Vehicles	1,403,154	84,869	388,225	1,099,798
Total accumulated depreciation	31,573,714	1,523,824	973,292	32,124,246
Total capital assets being depreciated, net	34,038,575			32,116,878
Water and Sewer fund capital assets, net	34,605,901			33,366,420
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	838,154	34,500	92,736	779,918
Vehicles	2,457,300	177,850	-	-
Total capital assets being depreciated	3,418,700	212,350	92,736	3,538,314
Less accumulated depreciation for:				
Plant and distribution systems	123,246	17,431	-	140,677
Furniture and maintenance equipment	198,132	3,569	92,786	108,915
Vehicles	2,196,010	199,695	-	2,395,705
Total accumulated depreciation	2,517,388	220,695	92,786	2,645,297
Total capital assets being depreciated, net	901,312			893,017
Solid Waste fund capital assets, net	925,385			917,090
Business-type activities capital assets, net	$ 41,374,221			$ 40,172,019

Construction Commitments

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
City Hall Project	$ 4,526,637	$ 4,529,028
Water Sewer Project	$ 491,185	$ 1,716,815

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, 2018, was 7.56% of compensation for law enforcement officers and 8.25% 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 $487,905 for the year ended June 30, 2018.

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, 2018, the City reported a liability of $1,762,381 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability 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, 2017, the City's proportion was .115%, which was a decrease of .00094% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of $581,914. At June 30, 2018, 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	$ 101,529	$ 49,887
Changes of assumptions	251,692	-
Net difference between projected and actual earnings on pension plan investments	427,908	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,653	98,661
City contributions subsequent to the measurement date	487,905	-
Total	$ 1,281,687	$ 148,548

$1,281,687 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	75,208
2020	480,770
2021	232,494
2022	(143,237)
2023	-
	645,235

Actuarial Assumptions. The total pension liability in the December 31, 2016 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 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%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	5,290,708	1,762,381	1,182,658

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 .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, 2017, 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	40
Total	45

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, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 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 $68,424 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, 2018, the City reported a total pension liability of $1,028,878. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of $89,179.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	$ -	$ 10,247
Changes of assumptions	54,921	16,844
County benefit payments and plan administrative expense made subsequent to the measurement date	36,712	-
Total	$ 91,633	$ 27,091

$36,482 paid as benefits came due and $230 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 4,698
2020	4,698
2021	4,698
2022	4,698
2023	6,994
Thereafter	2,044

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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease 2.16%	Discount Rate 3.16%	1% Increase 4.16%
City's proportionate share of the net pension liability	$ 1,125,188	$ 1,028,878	$941,230

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

	2018
Beginning balance	961,796
Service cost	48,244
Interest on the total pension liability	35,772
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,202)
Changes of assumptions or other inputs	65,402
Benefit payments	(70,134)
Other changes	-
Ending balance of the total pension liability	1,028,878

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Total expense, liabilities, and deferred outflows and inflows of resources related to pensions.
Following is information related to the proportionate share and pension expense for all pension plans.

	LGERS	LEOSSA	Total
Pension expense	$ 581,917	$ 89,179	$ 671,096
Pension liability	1,762,381	1,028,878	2,791,259
Proportionate share of the net pension liability	0.11536%	N/A	-
Deferred outflows of resources			
Differences between expected and actual experience	101,529	-	101,529
Changes of assumptions	251,692	54,921	306,613
Net difference between projected and actual earnings on plan investments	427,908	-	427,908
Changes in proportion and differences between contributions and proportionate share of contributions	12,653	-	12,653
Benefit payments and administrative costs paid subsequent to the measurement date	487,905	36,712	524,617
Deferred inflows of resources			
Differences between expected and actual experience	49,887	10,247	60,134
Changes of assumptions	-	16,844	16,844
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	98,661	-	98,661

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, 2018 were $124,227, which consisted of $98,217 from the City and $26,010 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 June 30, 2017 the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	10	5
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	102	40
Total	112	45

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 has chosen to fund the healthcare benefits on a pay as you go basis.

Total OPEB Liability

The City's total OPEB liability of $2,040,934 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Medical - 7.5% Prescription - 7.5% Admin Expenses - 3.00%

The discount rate is based on the yield of the General Obligation 20 Year Municipal Bond Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	2,106,133
Changes for the year	
Service cost	83,635
Interest	61,751
Changes of benefit terms	-
Differences between expected and actual experience	(685)
Changes in assumptions or other inputs	(99,907)
Benefit payments	(109,993)
Net changes	(65,199)
Balances at July 30, 2018	2,040,934

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvement using scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

		Discount Rate	
	1% Decrease	(3.56%)	1% Increase
Total OPEB liability	$ 1,837,849	$ 2,040,934	$ 2,279,325

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher that the current healthcare cost trend rates:

		Discount Rate	
	(Medical-6.5%, Prescription-6.5%, Admin Expenses 2.00%)	(Medical-7.5%, Prescription-7.5%, Admin Expenses-3.00%)	(Medical - 8.5%, Prescription - 8.5%, Admin Expenses - 4.00%)
Total OPEB liability	$ 1,180,535	$ 1,197,321	$ 1,258,785

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of $81,929. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (606)
Changes of assumptions	-	(88,410)
Benefit payments and administrative costs made subsequent to the measurement date	79,467	-
Total	$ 79,467	$ (89,016)

$79,467 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	(11,576)
2020	(11,576)
2021	(11,576)
2022	(11,576)
2023	(11,576)
Thereafter	(31,136)

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	$ 487,905
Benefit payments made and administrative expenses for LEOSSA	24,212
LEOSSA made subsequent to measurement date	44,212
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	79,467
Differences between expected and actual experience	415,100
Changes of assumptions	372,015
Net difference between projected and actual Changes in proportion and differences between employer contributions and proportionate share of contributions	29,877
Total	$ 1,452,788

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	7,185	7,185
Taxes receivable, less penalties (General Fund)	-	-
Changes in assumptions	105,255	537,870
Differences between expected and actual experience	60,742	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,661	-
Total	271,843	545,055

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 and subsequent to June 30, 2018, the City settled a potential lawsuit. The settlement was reached with parties involved and the total cost to the City after insurance coverage will be $250,000, to be paid in two installments over the next two fiscal years, with the first installment being $100,000 to be paid in fiscal 2019 and the second installment to be paid in fiscal 2020 for $150,000. At the date of this report, approval by a federal judge was still needed to complete the settlement.

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, 2018 is $163,750 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, 2018 is $114,589 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, 2018 is $37,884. 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, 2018 is $4,631,330. 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, 2018 is $348,670. 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, 2018 is $212,356. The loan is serviced by the Solid Waste Fund.

In fiscal 2018, the City entered into a $9,165,000 non-general obligation bond financing agreement to to build a new City Hall at a fixed rate of 2.60 percent. Interest only payments are made in fiscal 2018 with interest and principal payments to begin in fiscal 2019. $6,110,000 of the total debt is serviced by the General Fund. This note is secured by a deed of trust and security interest in the new City Hall.

In fiscal 2018, the City entered into a $9,165,000 non-general obligation bond financing agreement to to build a new City Hall at a fixed rate of 2.60 percent. Interest only payments are made in fiscal 2018 with interest and principal payments to begin in fiscal 2019. $1,527,500 of the total debt is serviced by the Electric Fund. This note is secured by a deed of trust and security interest in the new City Hall.

In fiscal 2018, the City entered into a $9,165,000 non-general obligation bond financing agreement to to build a new City Hall at a fixed rate of 2.60 percent. Interest only payments are made in fiscal 2018 with interest and principal payments to begin in fiscal 2019. $1,527,500 of the total debt is serviced by the Water Fund. This note is secured by a deed of trust and security interest in the new City Hall.

Annual debt service payments of the installment purchases as of June 30, 2018, including $2,152,910 of interest, are as follows:

	Governmental Activities		Business-Type Activities	
Ending June 30	Principal	Interest	Principal	Interest
2019	$ 446,956	$ 157,135	$ 1,127,533	$ 185,875
2020	447,819	145,680	1,129,349	160,172
2021	448,702	139,502	1,072,328	134,432
2022	449,606	122,715	1,059,844	109,734
2023	407,333	111,202	1,060,324	85,368
2024-2028	2,036,667	397,150	1,932,115	210,668
2029-2033	2,036,668	127,087	1,018,336	66,190
Total	$ 6,273,751	$1,200,471	$ 8,399,829	$ 952,439

At June 30, 2018, the City of Laurinburg had a legal debt margin of $68,459,147.

c. Changes in Long-term Liabilities

	Beginning Balance July 1, 2017	Increases	Decreases	Ending Balance June 30, 2018	Current Portion of Balance
Governmental activities:					
Financing agreement	$ 202,525	$ 6,110,000	$ 38,774	$ 6,273,751	$ 446,955
Net pension liability (LGERS)	1,481,309	-	406,257	1,075,052	-
Net pension obligation (LEO)	961,796	67,082	-	1,028,878	-
Total OPEB liability	1,284,741	-	39,771	1,244,970	55,623
Compensated absences	266,424	186,092	174,401	278,115	-
Governmental activities long-term liabilities	$ 4,196,795	6,363,174	659,203	9,900,766	502,578
Business-type activities:					
Electric fund					
Financing agreement	$ 406,783	$ 1,527,500	$ 58,112	$ 1,876,171	$ 159,945
Net pension liability (LGERS)	242,838	-	66,600	176,238	-
Total OPEB liability	210,613	-	6,520	204,093	-
Compensated absences	44,127	41,007	33,610	51,524	10,305
Electric fund activity long-term liabilities	904,361	1,568,507	164,842	2,308,026	170,250
Water and sewer fund					
Financing agreement	$ 5,403,217	$ 1,527,500	$ 771,887	$ 6,158,830	$ 873,721
Net pension liability (LGERS)	437,108	-	119,879	317,229	-
Total OPEB liability	379,104	-	11,736	367,368	-
Compensated absences	63,787	47,001	49,024	61,764	12,353
Water and sewer activity long-term liabilities	6,283,216	1,574,501	952,526	6,905,191	886,074
Solid waste fund					
Financing agreement	$ 456,915	$ -	$ 92,086	$ 364,829	$ 93,867
Net pension liability (LGERS)	267,121	-	73,259	193,862	-
Total OPEB Liability	231,675	-	7,172	224,503	-
Compensated absences	43,963	39,215	32,879	50,299	10,060
Solid waste activity long-term liabilities	999,674	39,215	205,396	833,493	103,927
Business activity long-term liabilities	$ 8,187,251	$ 3,182,223	$ 1,322,764	$ 10,046,710	$ 1,160,251

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 $1,980 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, 2018. 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	$7,948,672	$ 40,172,117
Less: Long-term debt	(6,273,751)	(5,344,828)
Net investment in capital assets	$1,674,921	$ 34,827,289

Because the City Hall Project is not carried in the business-type activities, the related debt is not netted against the capital assets of the business-type activities.

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	3,699,497
Less:	
Non-spendable - Prepaid expenses	8,640
Non-spendable - Inventories	10,163
Stabilization by State Statute	350,672
Streets	148,835
Appropriated fund balance in 2018 budget	217,009
Future bond debt	1,559,141
Litigation settlement	250,000
Remaining fund balance	1,155,037

Interfund Balances and Activity

Transfer to/from other funds at June 30, 2018, consists of the following:

From the Electric Fund to the General Fund for payment in lieu of taxes.	$ 65,429
From the General Fund to the Downtown Revitalization Fund for revitalization of downtown.	22,711
From the City Hall Project Fund to reimburse the General Fund for prior year expenses	109,335
From the General Fund to fund the City Hall Project Fund	6,110,000
From the Electric Fund to fund the City Hall Project Fund	1,527,500
From the Water Sewer Fund to fund the City Hall Project Fund	1,527,500
Total	$9,362,475

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, 2018 were $10,969,298.

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, 2018. 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, 2018 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 28, 2018, the date which the financial statements were available to be issued.

- The City of Laurinburg sustained substantial damage as a result of Hurricane Florence in September 2018, and was included in the federal declared disaster area. The City is working to secure FEMA Grant funding, but the estimated amount is unknown at the date of this report.

- In July of 2018, the City approved a project ordinance to build a $2,700,000 electric substation

- In June of 2018, the City authorized a sewer improvement project for $2,000,000 funded by a CDBG grant to be received in fiscal 2019.

VIII. Change in Accounting Principles

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending December 31, 2017). As a result, net position for the governmental activities decreased $611,713 and $358,150 for the business-type activities. Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement.

IX. Extraordinary Event

During the year, electronic meter reader equipment that was purchased in a previous year for $196,189 in the Electric Fund and $925,202 in the water sewer fund was considered impaired. The meters were defective and were removed from the books resulting in a loss. In addition, miscellaneous assets including equipment and construction in progress in the General Fund for infrastructure were considered unusable and resulted in a loss of $116,630.

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 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 for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage Of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liabilities

Exhibit A-1

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

	2018	2017	2016
Laurinburg's proportion of the net pension liability (asset) (%)	0.11536%	0.11442%	0.11703%
Laurinburg's proportion of the net pension liability (asset) ($)	1,762,381	2,428,375	525,268
Laurinburg's covered-employee payroll	6,295,300	6,244,611	6,202,795
Laurinburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.00%	38.89%	8.47%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%

*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.

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

Local Government Employee's Retirement System

	2018	2017	2016
Contractually required contribution	487,905	468,631	420,613
Contributions in relation to the contractually required contribution	487,905	468,631	420,613
Contribution deficiency (excess)	-	-	-
Laurinburg's covered-employee payroll	6,295,300	6,244,611	6,202,795
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	6.78%

City of Laurinburg, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	2018	2017
Beginning balance	961,796	976,112
Service cost	48,244	51,545
Interest on the total pension liability	35,772	33,511
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(12,202)	-
Changes of assumptions or other inputs	-	-
Benefits payments	65,402	(24,500)
Other changes	(70,134)	(74,872)
Ending balance of the total pension liability	1,028,878	961,796

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

Exhibit A-4

City of Laurinburg, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	2018	2017
Total pension liability	1,028,878	961,796
Covered payroll	1,936,174	1,983,614
Total pension liability as a percentage of covered payroll	53.14%	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.

Exhibit A-5

City of Laurinburg, North Carolina
Schedule of Changes in Total OPEB Liabilities and Related Ratios
June 30, 2018

	2018
Total OPEB Liability	
Service cost	83,635
Interest	61,751
Changes of benefit terms	-
Differences between expected and actual experience	(685)
Changes of assumptions	(99,907)
Benefit payments	(109,993)
Net change in total OPEB liability	(65,199)
Total OPEB liability-beginning	2,106,133
TOTAL OPEB LIABILITY-ENDING	2,040,934
Covered payroll	5,846,417
Total OPEB liability as a percentage of covered payroll	34.91%

Notes to Schedule
Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

Fiscal Year	Rate
2018	3.56%

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		$ 3,292,466	
Penalties and interest		32,132	
Total	3,336,000	3,324,598	(11,402)
Other taxes and licenses:			
Local option sales tax		1,283,752	
Animal taxes		1,770	
Privilege licenses		465	
Total	1,385,900	1,285,987	(99,913)
Unrestricted intergovernmental:			
Utility franchise tax		1,120,831	
Beer and wine tax		67,875	
Cable franchise		379,552	
Total	1,530,000	1,568,259	38,259
Restricted intergovernmental:			
Federal government grants		4,147	
Powell Bill allocation		459,231	
Total	484,000	463,378	(20,622)
Permits and fees:			
Court fees		3,506	
Inspection fees		7,641	
Total	9,100	11,146	2,046

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Fire protection		102,755	
Cemetery lots		55,623	
Total	131,000	158,378	27,378
Investment earnings	700	10,098	9,398
Miscellaneous:			
Sale of materials and other assets		21,587	
Concessions and rentals		7,181	
Other		70,566	
Total	80,166	99,334	19,168
Total revenues	6,956,866	6,921,177	(35,689)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		180,500	
Membership dues and subscriptions		23,998	
Other operating expenditures		49,637	
Reimbursement-proprietary funds		(149,890)	
Total	141,494	104,246	37,248
Administration:			
Salaries and employee benefits		200,819	
Other operating expenditures		35,414	
Capital outlay		62,298	
Reimbursement-proprietary funds		(268,192)	
Total	64,084	30,339	33,745

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Personnel/safety:			
Salaries and employee benefits		151,603	
Other operating expenditures		59,667	
Reimbursement-proprietary funds		(179,627)	
Total	43,214	31,643	11,571
Finance:			
Salaries and employee benefits		253,232	
Other operating expenditures		31,108	
Reimbursement-proprietary funds		(239,962)	
Total	64,080	44,379	19,702
Taxes:			
Salaries and employee benefits		62,188	
Collection fees		131	
Other operating expenditures		22,704	
Total	108,157	85,022	23,135
Public buildings:			
Salaries and employee benefits		35,969	
Other operating expenditures		19,094	
Capital outlay		38,469	
Total	97,167	93,532	3,635
Information technology:			
Salaries and employee benefits		24,330	
Other operating expenditures		93,546	
Reimbursement-proprietary funds		(100,249)	
Total	17,696	17,627	69
Total general government	535,892	406,789	129,104

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Community development:			
Administration:			
Salaries and employee benefits		130,070	
Other operating expenditures		63,770	
Contributions to local organizations		462,076	
Capital outlay		15,234	
Total	682,273	671,149	11,124
Planning:			
Salaries and employee benefits		63,251	
Other operating expenditures		22,782	
Total	111,741	86,032	25,709
Engineering:			
Salaries and employee benefits		87,441	
Other operating expenditures		19,311	
Capital outlay		9,700	
Reimbursement-proprietary funds		(103,196)	
Total	18,215	13,256	4,959
Beautification:			
Salaries and employee benefits		220,045	
Other operating expenditures		94,952	
Capital outlay		20,330	
Total	372,716	335,327	37,389
Total community development	1,184,945	1,105,764	79,181

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		2,475,614	
Vehicle maintenance		147,689	
Other operating expenditures		441,527	
Capital outlay		102,637	
Total	3,364,172	3,167,467	196,705
Fire:			
Salaries and employee benefits		420,276	
Vehicle maintenance		41,914	
Other operating expenditures		281,391	
Capital outlay		67,158	
Total	867,956	810,739	57,217
Rescue units:			
Operating expenditures		55,630	
Total	56,769	55,630	1,139
Total public safety	4,288,898	4,033,836	255,061
Transportation:			
Streets and highways:			
Salaries and employee benefits		347,145	
Other operating expenditures		352,352	
Capital outlay		36,155	
Total	793,728	735,652	58,076

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Public works:			
Administration:			
Salaries and employee benefits		73,018	
Other operating expenditures		18,598	
Total	93,800	91,616	2,184
Storm drainage:			
Salaries and employee benefits		113,480	
Other operating expenditures		93,821	
Total	222,193	207,301	14,892
Garage:			
Salaries and employee benefits		92,270	
Other operating expenditures		24,828	
Capital outlay		26,270	
Total	181,300	143,367	37,933
Total public works	497,293	442,285	55,008
Animal control:			
Salaries and employee benefits		58,725	
Other operating expenditures		6,701	
Total	73,911	65,426	8,485

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Cemetery:			
Salaries and employee benefits		128,250	
Other operating expenditures		41,472	
Capital outlay		7,148	
Total	193,185	176,870	16,315
Debt service:			
Principal retirement		38,777	
Interest and other charges		4,415	
Total	43,192	43,192	-
Total expenditures	7,611,044	7,009,815	601,229
Revenues over (under) expenditures	(654,178)	(88,638)	565,540
Other financing sources (uses):			
Transfers from other funds:			
Enterprise funds:			
Electric fund	59,000	65,429	
From capital project fund - city hall	109,335	109,335	
Transfers to other funds:			
To special revenue fund	(42,500)	(22,710)	
To capital project fund - city hall	(6,110,000)	(6,110,000)	
Other financing sources-financing note issued	6,110,000	6,110,000	
Total other financing sources (uses)	$ 125,835	$ 152,053	$ 26,218
Fund balance appropriated	$ 528,343		$ (528,343)
Net change in fund balance	$ -	63,416	$ 63,416
Fund balances:			
Beginning of year, July 1		3,636,081	
End of year, June 30		$ 3,699,497	

City of Laurinburg, North Carolina
Capital Projects Fund - City Hall
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Actual Prior Year	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues					
City Hall Project:					
Investment earnings	$ -	$ -	$ 553	$ 553	$ 553
Total revenues	-	-	553	553	553
Expenditures					
City Hall Project:					
Capital outlay:					
City hall construction	9,055,665	-	4,526,637	4,526,637	4,529,028
Total expenditures	9,055,665	-	4,526,637	4,526,637	4,529,028
Revenues (under) expenditures	(9,055,665)	-	(4,526,084)	(4,526,084)	(4,529,581)
Transfers from other funds:					
General fund	6,110,000	-	6,110,000	6,110,000	-
Electric fund	1,527,500	-	1,527,500	1,527,500	-
Water sewer fund	1,527,500	-	1,527,500	1,527,500	-
Total other financing sources	9,165,000	-	9,165,000	9,165,000	-
Transfers to other funds-general fund	(109,335)	-	(109,335)	(109,335)	-
Total other financing uses	(109,335)	-	(109,335)	(109,335)	-
Net change in fund balance	$ -	$ -	4,529,581	$4,529,581	$ 4,529,581
Fund balance, beginning			-		
Fund balance, ending			$4,529,581		

City of Laurinburg, North Carolina
Combining Balance Sheet
Nonmajor Governmental Fund
For the Fiscal Year Ended June 30, 2018

	Special Revenue Fund	Special Revenue Funds		
	Downtown Revitalization	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Assets				
Cash	$ 117,811	$ 117,811	$ 417,263	$ 535,074
Total assets	$ 117,811	$ 117,811	$ 417,263	$ 535,074
Liabilities and Fund Balances				
Liabilities	12,000	12,000	-	12,000
Total liabilities	12,000	12,000	-	12,000
Fund balance:				
Restricted:				
Downtown revitalization	34,915	34,915	-	34,915
Assigned:				
Downtown revitalization	70,896	70,896	-	70,896
Non spendable - perpetual maintenance	-	-	417,263	417,263
Total fund balances	105,811	105,811	417,263	523,074
Total liabilities and fund balances	$ 117,811	$ 117,811	$ 417,263	$ 535,074

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, 2018

	Special Revenue Fund	Special Revenue Funds		
	Downtown Revitalization	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Ad valorem tax	$ 19,789	$ 19,789	$ -	$ 19,789
Sales and services	-	-	17,625	17,625
Interest	-	-	5,600	5,600
Total revenues	19,789	19,789	23,225	43,014
Expenditures:				
Current:				
Downtown revitalization	17,625	17,625	-	17,625
Total expenditures	17,625	17,625	-	17,625
Revenues over expenditures	2,164	2,164	23,225	25,389
Other financing (uses)				
Transfers from General fund	22,711	22,711	-	22,711
Net change in fund balance	24,875	24,875	23,225	48,100
Fund balances:				
Fund balance beginning of year	80,936	80,936	394,038	474,974
Fund balance end of year-June 30	$ 105,811	$ 105,811	$ 417,263	$ 523,074

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, 2018

	Budget	Current Year	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	$ 22,291	$ 19,789	$ (2,502)
Total revenues	22,291	19,789	(2,502)
Expenditures:			
Downtown revitalization	45,002	17,625	27,377
Total expenditures	45,002	17,625	27,377
Revenues over (under) expenditures	(22,711)	2,164	24,875
Other Financing Sources			
Transfers from other funds:			
General fund	22,711	22,711	-
Total other financing sources	22,711	22,711	-
Net change in fund balance	$ -	24,875	$ 24,875
Fund balances - beginning		8,096	
Fund balances - ending		$ 32,971	

City of Laurinburg, North Carolina
Electric Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales		14,190,099	
Municipal usage		583,867	
Fiber optic rental		370,616	
Total	15,007,701	15,144,582	136,881
Other operating revenues			
Other operating revenues		344,335	
Total other operating revenues	214,500	344,335	129,835
Total operating revenues	15,222,201	15,488,916	266,715
Nonoperating revenues:			
Interest earnings		134,908	
Gain on sale of fixed assets		6,749	
Total nonoperating revenues	500	141,657	141,157
Total revenues	15,222,701	15,630,573	407,872
Expenditures:			
Administration:			
Salaries & employee benefits		151,978	
Supplies		1,334	
Utilities		327	
Management fees		489,937	
Other operating expenditures		104,119	
Total	860,118	747,695	112,423
Consumer billing and receiving:			
Salaries & employee benefits		238,611	
Maintenance		42,821	
Other operating expenditures		100,457	
Total	410,538	381,889	28,649
Electrical operations:			
Salaries & employee benefits		483,659	
Supplies		117,133	
Contracted maintenance		283,269	
Vehicle maintenance		4,719	
Utilities		68,391	
Other operating expenditures		382,399	
Total	2,074,419	1,339,570	734,849

City of Laurinburg, North Carolina
Electric Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Electrical power purchases	11,203,870	10,969,298	
Debt Service:			
Interest expense		27,105	
Principal retirement		70,945	
Total	98,050	98,050	-
Capital outlay:			
Electrical fiber		17,160	
Electrical consumer billing		101,253	
Electrical operations		524,153	
Total	642,566	642,566	-
Total expenditures	15,289,561	14,179,068	1,110,493
Revenues over (under) expenditures	(66,860)	1,451,505	1,524,794
Other financing sources (uses):			
Transfers to other funds:			
General fund - (payment in lieu of taxes)	(65,429)	(65,429)	-
Capital project fund	(1,527,500)	(1,527,500)	-
Total other financing sources (uses)	(1,592,929)	(1,592,929)	-
Installment financing notes issued	1,527,500	1,527,500	-
Total other financing sources (uses)	(65,429)	(65,429)	-
Fund balance appropriated	132,289		(132,289)
Revenues and other sources over expenditures and other financing sources	$ -	$ 1,386,076	$ 1,386,076
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		70,945	
Installment financing note issued		(1,527,500)	
Capital outlay		642,566	
Bad debts		(164,718)	
Increase in accrued vacation		(7,397)	
Depreciation		(400,805)	
Loss on asset impairment		(196,189)	
Increase in deferred outflows of resources- pensions		55,956	
(Increase) in net pension liability		(66,599)	
Decrease in deferred inflows of resources-pensions		1,243	
(Increase) in deferred inflows of resources - OPEB		(19,951)	
Decrease in net OPEB liability		6,520	
Total		(1,605,929)	
Change in net position		$ (219,853)	

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		$ 4,450,583	
Sewer charges		2,614,022	
Water and sewer taps		63,770	
Total	6,609,166	7,128,375	(519,209)
Other operating revenues			
Other operating revenues		240,812	
State grants		75,448	
Total other operating revenues	399,625	316,260	83,365
Total operating revenues	7,008,791	7,444,635	(435,844)
Nonoperating revenues:			
Interest earnings	100	3,234	3,134
Gain on sale of fixed assets		337	337
Total nonoperating revenues	100	3,571	3,471
Total revenues	7,008,891	7,448,205	439,314
Expenditures:			
Administration:			
Salaries & employee benefits		238,049	
Supplies		6,762	
Insurance		39	
Maintenance		47,822	
Utilities		2,249	
Management fees		428,695	
Other operating expenditures		102,260	
Total	987,223	825,877	161,346
Water treatment and distribution:			
Water production and treatment plant:			
Salaries & employee benefits		295,674	
Chemicals		176,629	
Supplies		19,291	
Utilities		226,991	
Management fees		113,753	
Other operating expenditures		125,075	
Total	1,578,385	957,413	620,972

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Water distribution:			
Salaries and employee benefits		336,846	
Supplies		34,159	
Other operating expenditures		240,008	
Total	707,143	611,013	96,130
Total water treatment and distribution	2,285,528	1,568,426	717,102
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits		302,974	
Supplies		78,207	
Other operating expenditures		42,013	
Total	605,854	423,194	182,660
Primary waste treatment:			
Salaries and employee benefits		365,519	
Chemicals		46,412	
Supplies		30,344	
Utilities		339,196	
Maintenance		84,272	
Other operating expenditures		207,776	
Total	1,623,026	1,073,518	549,508
Total waste collection & treatment	2,228,880	1,496,712	732,168
Debt service:			
Interest and fees		130,979	
Principal retirement		771,887	
Total debt service	913,644	902,866	10,778

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Admin		27,234	
Water production and treatment		250,170	
Waste distribution		79,175	
Waste collection and treatment		156,245	
Primary waste treatment		213,081	
Total capital outlay	725,905	725,905	-
Total expenditures	7,141,180	5,519,786	1,621,394
Revenues over (under) expenditures	(132,289)	1,928,419	2,060,708
Other financing sources (uses):			
Transfer to other fund:			
Capital project fund		(1,527,500)	
Total net transfers	(1,527,500)	(1,527,500)	-
Installment financing note issued	1,527,500	1,527,500	
Total other financing sources (uses)	-	-	-
Fund balance appropriated	132,289		(132,289)
Revenues and other sources over expenditures and other financing sources (uses)	$ -	1,928,419	$ 1,928,419
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		771,887	
Installment financing note issued		(1,527,500)	
Bad debts		(183,513)	
Capital outlay		725,905	
Loss on asset impairment		(925,202)	
Capital contributions		483,640	
Decrease in accrued vacation pay		2,023	
Depreciation		(1,523,824)	
Increase in deferred outflows of resources-pensions		104,200	
(Increase) in net pension liability		(119,879)	
Decrease in deferred inflows of resources-pensions		(1,243)	
(Increase) in deferred inflows of resources-OPEB		(35,913)	
Decrease in OPEB liability		11,736	
Total reconciling items		(2,217,683)	
Net income		$ (289,264)	

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Sales:			
Residential		$ 1,626,682	
Commercial and industrial		714,570	
Total	2,323,360	2,341,252	17,892
Other operating revenues			
Other operating revenues		63,580	
Total other operating revenues	60,000	63,580	3,580
Total operating revenues	2,383,360	2,404,831	21,471
Nonoperating revenues:			
Interest earnings		462	
Gain on sale of assets		100	
Total nonoperating revenues	5,050	562	(4,488)
Total revenues	2,388,410	2,405,393	16,983
Expenditures:			
Solid waste operations:			
Salaries and employee benefits		1,047,857	
Contracted services		40,894	
Supplies		10,904	
Tipping fee		441,139	
Maintenance		200,050	
Utilities		4,552	
Management fees		122,484	
Other operating expenditures		93,190	
Total	2,075,357	1,961,069	114,288
Debt service:			
Interest expense		8,617	
Principal retirement		92,086	
	100,703	100,703	-
Capital outlay:			
Equipment	212,350	212,350	
Total expenditures	2,388,410	2,274,122	114,288
Revenues over expenditures	-	131,271	131,271

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, 2018

	2018		
	Budget	Actual	Variance Positive (Negative)
Revenues and other sources over expenditures and other financing sources	$ -	$ 131,271	$ 131,271
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		$ 131,271	
Reconciling items:			
Principal retirement		92,086	
Bad debts		(39,726)	
Decrease in accrued vacation pay		(6,336)	
Depreciation		(220,695)	
Capital outlay		212,350	
Increase in deferred outflows of resources - pensions		62,157	
(Increase) in net pension liability		(73,259)	
Decrease in deferred inflows of resources - pensions		760	
(Increase) in deferred inflows of resources - OPEB		(21,946)	
Decrease in accrued OPEB liability		7,172	
Total		12,563	
Net income		$ 143,834	

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, 2018

	Project Authorization	Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues-water-sewer project:					
Restricted intergovernmental:					
IDF Grant-Sewer	$ 708,000	$ 7,545	$ 436,779	$ 444,324	(263,676)
IDF Grant-Water	1,500,000	-	46,861	46,861	(1,453,139)
Total revenues	2,208,000	7,545	483,640	491,185	(1,716,815)
Expenditures-water-sewer project:					
Construction-Sewer	657,700	-	368,530	368,530	289,170
Engineering/design-Sewer	50,300	7,545	68,249	75,794	(25,494)
Construction-Water	1,320,000	-	-	-	1,320,000
Engineering/design-Water	96,600	-	46,861	46,861	49,739
Administration-Water	83,400	-	-	-	83,400
Total expenditures	2,208,000	7,545	483,640	491,185	1,716,815
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, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Scotland County-Water Districts				
Assets:				
Cash	$ 104,790	$1,335,483	$1,329,965	$ 110,308
Liabilities:				
Intergovernmental	$ 104,790	$1,335,483	$1,329,965	$ 110,308

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, 2018

Fiscal Year	Uncollected Balance June 30, 2017	Addition	Collections and Credits	Uncollected Balance June 30, 2018
2017-2018	-	3,422,957	3,225,417	197,540
2016-2017	164,221	13	42,884	121,350
2015-2016	119,978	14	24,224	95,768
2014-2015	87,574	10	12,404	75,180
2013-2014	65,651	-	7,412	58,239
2012-2013	51,853	-	3,578	48,275
2011-2012	37,731	-	3,119	34,612
2010-2011	28,473	-	2,340	26,133
2009-2010	24,747	-	1,227	23,520
2008-2009	20,120	-	1,494	18,626
	600,348	3,422,994	3,324,099	699,243

Less: allowance for uncollectible accounts General Fund	161,374
Ad valorem taxes receivable - net	$ 537,869
Reconcilement with revenues:	
Ad valorem taxes - General Fund	3,324,099
Reconciling items:	
Penalties and interest collected	(32,132)
Discounts allowed	17,039
Taxes written off	14,594
Subtotal	(499)
Total collections and credits	$ 3,323,600

City of Laurinburg, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For the Fiscal Year Ended June 30, 2018

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	$ 838,233,083	.4	$ 3,352,932	$ 2,989,497	$ 363,435
Discoveries	17,802,750		71,211	71,211	-
Abatements	(296,500)		(1,186)	(1,186)	-
Total property valuation	$ 855,739,333				
Net levy			3,422,957	3,059,522	363,435
Unpaid (by taxpayer) taxes at June 30, 2018			197,540	197,540	-
Current year's taxes collected			$ 3,225,417	$ 2,861,982	$ 363,435
Current levy collection percentage			94.23%	93.54%	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, 2018, 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 28, 2018.

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 a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. Finding 2018-001.

Compliance and Other Matters

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

City of Laurinburg's Response to Findings

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

Purpose of this Report

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

Roche, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina
November 28, 2018

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, 2018. 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 State statutes, regulations, and the terms and conditions of its State awards 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, 2018.

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.

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. 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 28, 2018

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

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?	____ yes	__X__ 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?	____ yes	__X__ no

Identification of major State programs:

Program Name

Powell Bill

Section II - Financial Statement Findings

Finding: 2018-001

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 make correcting journal entries for some accounting transactions.

Recommendation: Accounting personnel should obtain experience correcting significant accounts and correcting 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.

Section III- State Award Findings and Questioned Costs

None Reported.

City of Laurinburg, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

Finding: 2018-001

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.

Section III - Federal Award Findings and Questioned Costs

None Reported.

Section IV - State Award Findings and Questioned Costs

None Reported.

City of Laurinburg, North Carolina
Summary of Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2018

Financial Statement Findings

Finding 2017-001

Status: Journal entries of significant amounts are still needed to correct accounts and financial statements are prepared by the Independent Accountant. See Finding 2018-001.

Finding 2017-002

Corrected.

State Award Findings and Questioned Costs

Finding 2017-003

Corrected.

CITY OF LAURINBURG, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures
State Grants:				
Cash Assistance:				
N.C. Department of Commerce:				
Rural Economic Development Division				
Industrial Development		U464	-	436,779
Industrial Development		U478	-	46,861
N.C. Department of Environmental Quality:				
Division of Water Infrastructure				
Drinking Water		H-AIA-D-17-0098	-	49,306
Wastewater Project		E-AIA-W-17-0095	-	41,344
N.C. Department of Transportation:				
Powell Bill			-	479,535
Total assistance - State programs			-	1,053,825
Total assistance			$ -	$ 1,053,825

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, 2018. 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.

Note 3: Indirect Cost Rate

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