

Town of Andrews, North Carolina
Financial Statements
June 30, 2017

Turner & Company CPAs P.A.

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Town of Andrews, North Carolina

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June 30, 2017

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Introductory Information

Town of Andrews, North Carolina

Mayor and Board of Aldermen

Nancy Curtis, Mayor

Ray Frazier

Philip Horton

Jerry Pullium

Gary James

Administrative and Financial Staff

Bill Bailey, Interim Town Administrator

Denise Bowden, Town Clerk, Deputy Finance Officer

Anita D. Lackey, Tax Collector

Financial Section

Turner & Company CPAs P.A.

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Independent Auditors' Report

To the Honorable Mayor and Board of Aldermen
Town of Andrews, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Andrews, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Andrews' 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Andrews ABC Board which is a discretely presented component unit and represents 25 percent, 19 percent, and 75 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for all component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Andrews ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Andrews, North Carolina, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, 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.

Emphasis of Matter

As described in Note VII to the financial statements, for the year ended June 30, 2017, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 51 and 52, 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 53 and 54 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 consisted 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 Town of Andrews. The introductory information, combining and individual fund financial statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 on our consideration of the Town of Andrews' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the Town of Andrews' internal control over financial reporting and compliance.



TURNER & COMPANY CPAs P.A.
Murphy, North Carolina

October 30, 2017

Management's Discussion and Analysis

Town of Andrews, North Carolina
Management's Discussion and Analysis

June 30, 2017

As management of the Town of Andrews, we offer readers of the Town of Andrews' financial statements this narrative overview and analysis of the financial activities of the Town of Andrews for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

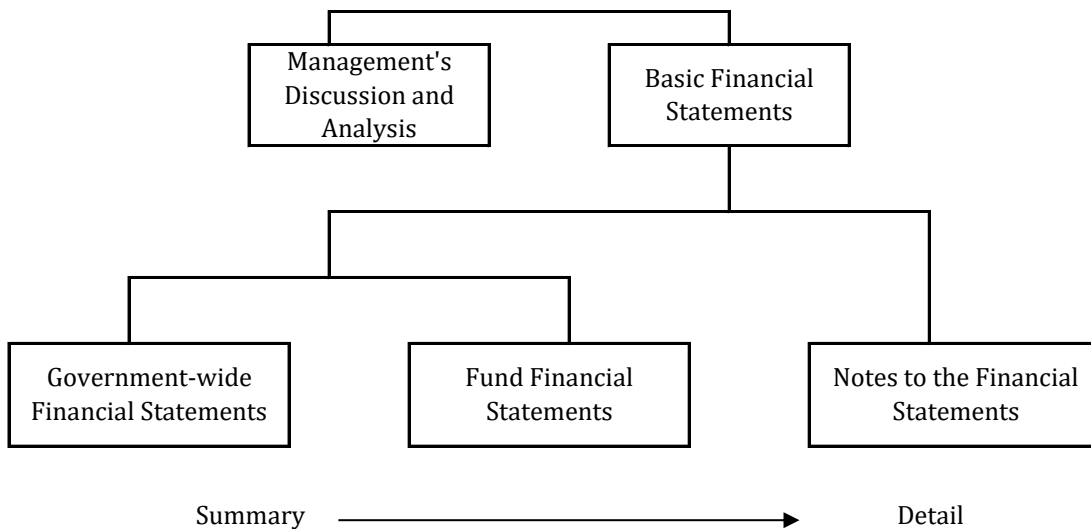
- The assets and deferred outflows of resources of the Town of Andrews exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,817,796 (net position).
- The government's total net position decreased by \$480,807 based on decreases in both the governmental activities net position and the business type activities net position.
- As of the close of the current fiscal year, the Town of Andrews' governmental funds reported combined ending fund balances of \$621,585 with a net decrease of \$365,172 in fund balance. Approximately 73.31 percent of this total amount, or \$455,660, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$51,230, or 2.69 percent of total general fund expenditures for the fiscal year.
- The Town of Andrews' total debt increased by \$208,570 (29.06%) during the current fiscal year, primarily due to the \$286,304 increase for its proportionate share of the net pension liabilities during the fiscal year ended June 30, 2017. The Town reduced the balance of the notes payable and the outstanding revolving loans by the debt service payments of \$77,734.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Andrews' basic financial statements. The Town'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 Town 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 Town of Andrews.

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 Town's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town'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 Town'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 Town's finances, similar in format to financial statements of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town'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 Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Andrews. The final category is the component units. Although legally separate from the Town, the ABC Board and Andrews Housing Authority are important to the Town. The Town exercises control over the ABC Board and the Andrews Housing Authority by appointing its members and the ABC Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town'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 Town of Andrews, 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 Town's budget ordinance. All of the funds of the Town of Andrews 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 Town'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 Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Andrews 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 Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 board; 2) the final budget as amended by the board; 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 – Town of Andrews has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Andrews uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 begin on page 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 50 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Andrews, North Carolina's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 743,574	\$ 1,163,192	\$ 78,128	\$ 521,443	\$ 821,702	\$ 1,684,635
Capital assets	1,052,409	900,065	6,747,034	6,671,081	7,799,443	7,571,146
Deferred outflows of resources	149,799	32,401	143,921	31,130	293,720	63,531
Total assets and deferred outflows of resources	1,945,782	2,095,658	6,969,083	7,223,654	8,914,865	9,319,312
Long-term liabilities outstanding	265,193	136,110	637,615	556,459	902,808	692,569
Other liabilities	35,447	44,656	123,276	173,215	158,723	217,871
Deferred inflows of resources	21,035	37,425	14,503	24,474	35,538	61,899
Total liabilities and deferred inflows of resources	321,675	218,191	775,394	754,148	1,097,069	972,339
Net investment in capital assets	982,139	795,766	6,221,639	6,101,981	7,203,778	6,897,747
Restricted	570,355	924,460	-	-	570,355	924,460
Unrestricted	71,613	157,241	(27,950)	367,525	43,663	524,766
Total net position	\$ 1,624,107	\$ 1,877,467	\$ 6,193,689	\$ 6,469,506	\$ 7,817,796	\$ 8,346,973

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 Town of Andrews exceeded liabilities and deferred inflows by \$7,817,796 as of June 30, 2017. The Town's net position decreased by \$480,807 for the fiscal year ended June 30, 2017. However, the largest portion (92.15%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Andrews uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Andrews' 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 Town of Andrews' net position \$570,355 (7.30%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$43,663 is unrestricted.

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

- Continued diligence in the collection of property taxes resulted in a tax collection percentage of 92.66%, excluding motor vehicles. The statewide average for Municipalities with populations of 1,000 to 2,499 in the fiscal year 2016 was 97.53%.

Town of Andrews, North Carolina's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 143,928	\$ 141,030	\$ 961,987	\$ 803,393	\$ 1,105,915	\$ 944,423
Operating grants and contributions	59,328	56,087	-	-	59,328	56,087
Capital grants and contributions	50,000	-	335,788	265,347	385,788	265,347
General revenues:						
Property taxes	608,344	611,598	-	-	608,344	611,598
Other taxes	-	25	-	-	-	25
Grants and contributions not restricted to specific programs	650,704	619,195	-	-	650,704	619,195
Other	2,785	6,726	36,150	42,744	38,935	49,470
Total revenues	1,515,089	1,434,661	1,333,925	1,111,484	2,849,014	2,546,145
Expenses:						
General government	420,548	450,439	-	-	420,548	450,439
Public safety	520,596	499,993	-	-	520,596	499,993
Transportation	190,096	131,567	-	-	190,096	131,567
Economic and physical development	208,467	35,585	-	-	208,467	35,585
Environmental protection	115,304	109,364	-	-	115,304	109,364
Cultural recreation	279,612	288,502	-	-	279,612	288,502
Interest on long-term debt	2,242	-	-	-	2,242	-
Water and sewer	-	-	1,592,956	1,387,973	1,592,956	1,387,973
Total expenses	1,736,865	1,515,450	1,592,956	1,387,973	3,329,821	2,903,423
Increase (decrease) in net position before transfers	(221,776)	(80,789)	(259,031)	(276,489)	(480,807)	(357,278)
Increase (decrease) in net position	(221,776)	(80,789)	(259,031)	(276,489)	(480,807)	(357,278)
Net position, beginning, restated	1,845,883	1,958,256	6,452,720	6,745,995	8,298,603	8,704,251
Net position, ending	\$ 1,624,107	\$ 1,877,467	\$ 6,193,689	\$ 6,469,506	\$ 7,817,796	\$ 8,346,973

Governmental Activities. Governmental activities decreased the Town's net position by \$221,776. Key elements of this decrease are as follows:

- The Town received \$50,000 from the NC Department of Transportation in State Highway Construction Program Funds.
- Grants and contributions not restricted to specific programs increased by \$31,509, primarily due to an increase in local option sales tax.
- There was an increase in the amount spent for economic and physical development in the current fiscal year, especially in the area of professional services.
- Total governmental expenditures increased somewhat due to construction expenditures for capital projects and increased personnel costs.

Business-Type Activities. Business-type activities decreased the Town of Andrews' net position by \$259,031. Key elements of this decrease are as follows:

- The water and sewer rates in the Town were increased resulting in an additional \$158,594 in charges for services.
- There was an increase of approximately \$98,098 in salaries and wages.
- There was an increase of approximately \$30,494 related to the maintenance and supplies related to the water treatment and distribution equipment.
- Although not a cash item, depreciation expense was greater in the current fiscal year by approximately \$51,631.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Andrews' government funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Andrews' financing requirements.

The general fund is the chief operating fund of the Town of Andrews. At the end of the current fiscal year, the Town of Andrews' fund balance available in the General Fund was \$313,761, while total fund balance reached \$621,585. The Board has determined that the Town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 16.47% of general fund expenditures, while total fund balance represents 32.62% of the same amount.

At June 30, 2017, the governmental funds of the Town of Andrews reported a combined fund balance of \$621,585 with a net decrease in fund balance of \$365,172.

General Fund Budgetary Highlights. During the fiscal year, the Town 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 Town revised its budget throughout the year. Total amendments to the General Fund increased all revenues by \$250. Actual revenues fell short of the budgeted amounts by \$4,599. Although expenditures were held in check overall to comply with its budgetary requirements, the Town did increase budgeted expenditures by \$272,024.

Proprietary Funds. The Town of Andrews' 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 (\$27,950). The total change in net position for the Water and Sewer Fund was (\$259,031). Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Andrews' business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Andrews' investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$7,799,443 (net of accumulated depreciation). These assets include buildings and improvements, land, furniture, machinery and equipment, vehicles, plants and distribution systems, and construction in progress.

Governmental Activities. The significant additions to capital assets during the fiscal year resulted primarily from the following:

- \$36,775 for Town Hall renovations
- \$5,468 for computer software for the police department
- \$25,078 for basketball court improvements
- \$30,450 for tennis court improvements
- \$8,250 for baseball field improvements
- \$28,246 for Town pool restroom improvements
- \$8,700 for a truck for the streets department
- \$72,000 for paving
- \$35,000 was added to construction in progress for the Library entrance renovation

Business-Type Activities. The significant additions to capital assets during the fiscal year resulted primarily from the following:

Water and Sewer Fund:

- \$28,034 for paving
- \$6,300 for a Hach high speed turbidimeter
- \$275,888 was added to construction in progress for the Payne Street Area Sewer Improvement Project
- \$87,719 was added to construction in progress for the Automated Meter Reading Project
- \$82,052 was added to construction in progress for the Andrews Wastewater Treatment Plant Improvement Project

**Town of Andrews, North Carolina's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital assets						
Land	\$ 90,810	\$ 90,810	\$ 132,340	\$ 132,340	\$ 223,150	\$ 223,150
Construction in progress	35,000	-	718,987	273,328	753,987	273,328
Building improvements	792,793	647,452	-	-	792,793	647,452
Other improvements	-	-	-	-	-	-
Plant & distribution systems	-	-	5,802,057	6,155,633	5,802,057	6,155,633
Furniture & maintenance equipment	-	-	92,422	107,212	92,422	107,212
Machinery & equipment	51,384	66,130	-	-	51,384	66,130
Vehicles & motorized equipment	82,422	95,673	1,228	2,568	83,650	98,241
Total capital assets	\$ 1,052,409	\$ 900,065	\$ 6,747,034	\$ 6,671,081	\$ 7,799,443	\$ 7,571,146

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

Long-Term Obligations. Debt totals include general obligation bonds, revenue bonds, installment financings, capital leases, certificates of participation and bond anticipation notes. As of June 30, 2017, the Town of Andrews had total debt outstanding of \$595,665. The entire debt is backed by the full faith and credit of the Town. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

Town of Andrews, North Carolina's Long-Term Obligations
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ 70,270	\$ 104,299	\$ -	\$ -	\$ 70,270	\$ 104,299
Revolving loans	-	-	525,395	569,100	525,395	569,100
Compensated absences	24,382	18,152	14,732	17,793		
Net pension liability (LGERS)	154,240	22,659	148,192	21,770	302,432	44,429
Total pension liability (LEO)	28,301	21,958	-	-	28,301	21,958
Total	\$ 277,193	\$ 167,068	\$ 688,319	\$ 608,663	\$ 926,398	\$ 739,786

- The Town of Andrews' total debt increased by \$208,570 (29.06%) during the current fiscal year, primarily due to the \$286,304 increase for its proportionate share of the net pension liabilities during the fiscal year ended June 30, 2017. The Town reduced the balance of the notes payable and the outstanding revolving loans by the debt service payments of \$77,734.
- North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Andrews is \$9,212,707.
- Additional information regarding the Town of Andrews' long-term debt can be found in Note III.B.7 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicator reflects the growth and prosperity of the Town.

- The Town does not anticipate any significant change in current economic factors that affect Town operations. One area that is anticipated to generate additional revenue is related to the fact that Andrews will be in the path of totality for the Total Solar Eclipse of August 21, 2017.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: The completion of several capital projects caused management to budget significantly less expenditures in the 2017-18 year. The Town has chosen not to appropriate fund balance in the fiscal year 2018 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position.

Business-Type Activities: The water and sewer rate structure was revised to provide for a slight increase in revenue.

Requests for Information

This report is designed to provide an overview of the Town'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, Town of Andrews, 1101 Main Street, Andrews, NC 28901. One can also call (828)-321-5111, visit our website <http://www.andrewsnc.com> or send an email to townadministrator@andrewsnc.com for more information.

Basic Financial Statements

Town of Andrews, North Carolina

Statement of Net Position

June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Andrews ABC Board	Andrews Housing Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 79,379	\$ 76,082	\$ 155,461	\$ 66,387	\$ 130,780
Restricted cash and cash equivalents	262,532	51,186	313,718	-	-
Investments	-	-	-	25,148	-
Taxes receivable (net)	81,056	-	81,056	-	-
Accrued interest receivable on taxes	12,783	-	12,783	-	-
Accounts receivable (net)	8,928	76,146	85,074	-	1,741
Due from other governments	113,710	59,900	173,610	-	-
Internal balances	185,186	(185,186)	-	-	-
Inventories	-	-	-	87,183	-
Prepaid items	-	-	-	876	2,771
Total current assets	743,574	78,128	821,702	179,594	135,292
Non-current assets:					
Intangibles, net of accumulated amortization	-	-	-	6,384	-
Capital assets:					
Land, non-depreciable improvements, and construction in progress	125,810	851,327	977,137	-	21,192
Other capital assets, net of depreciation	926,599	5,895,707	6,822,306	21,653	474,974
Total capital assets	1,052,409	6,747,034	7,799,443	21,653	496,166
Total non-current assets	1,052,409	6,747,034	7,799,443	28,037	496,166
Total assets	1,795,983	6,825,162	8,621,145	207,631	631,458
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	149,799	143,921	293,720	-	-
Total deferred outflows of resources	149,799	143,921	293,720	-	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	23,447	21,421	44,868	68,124	15,295
Unearned revenue	-	-	-	-	155
Customer deposits	-	-	-	-	12,076
Current portion of long-term liabilities	12,000	50,704	62,704	-	1,000
Payable from restricted assets	-	51,151	51,151	-	-
Total current liabilities	35,447	123,276	158,723	68,124	28,526
Long-term liabilities:					
Net pension liability	154,240	148,192	302,432	-	-
Total pension liability	28,301	-	28,301	-	-
Due in more than one year	82,652	489,423	572,075	-	5,363
Total long-term liabilities	265,193	637,615	902,808	-	5,363
Total liabilities	300,640	760,891	1,061,531	68,124	33,889

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

Town of Andrews, North Carolina

Statement of Net Position

June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Andrews ABC Board	Andrews Housing Authority
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	4,703	-	4,703	-	-
Pension deferrals	16,332	14,503	30,835	-	-
Total deferred inflows of resources	21,035	14,503	35,538	-	-
NET POSITION					
Net investment in capital assets	982,139	6,221,639	7,203,778	21,653	496,166
Restricted for:					
Streets	33,071	-	33,071	-	-
Public safety	114,765	-	114,765	-	-
Cemetery maintenance	114,695	-	114,695	-	-
Stabilization by State Statute	307,824	-	307,824	-	-
Other functions	-	-	-	21,246	-
Unrestricted	71,613	(27,950)	43,663	96,608	101,403
Total net position	\$ 1,624,107	\$ 6,193,689	\$ 7,817,796	\$ 139,507	\$ 597,569

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

Town of Andrews, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Andrews ABC Board	Andrews Housing Authority
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 420,548	\$ -	\$ -	\$ -	\$ (420,548)	\$ -	\$ (420,548)	\$ -	\$ -
Public safety	520,596	198	3,313	-	(517,085)	-	(517,085)	-	-
Transportation	190,096	-	54,816	50,000	(85,280)	-	(85,280)	-	-
Economic and physical development	208,467	-	-	-	(208,467)	-	(208,467)	-	-
Environmental protection	115,304	124,427	1,199	-	10,322	-	10,322	-	-
Cultural and recreation	279,612	19,303	-	-	(260,309)	-	(260,309)	-	-
Interest on long-term debt	2,242	-	-	-	(2,242)	-	(2,242)	-	-
Total governmental activities	1,736,865	143,928	59,328	50,000	(1,483,609)	-	(1,483,609)	-	-
Business-type activities:									
Water and sewer	1,592,956	961,987	-	335,788	-	(295,181)	(295,181)	-	-
Total business-type activities	1,592,956	961,987	-	335,788	-	(295,181)	(295,181)	-	-
Total primary government	\$ 3,329,821	\$ 1,105,915	\$ 59,328	\$ 385,788	(1,483,609)	(295,181)	(1,778,790)	-	-
Component units:									
ABC Board	\$ 750,366	\$ 740,312	\$ -	\$ -	-	-	-	(10,054)	-
Housing Authority	403,848	139,277	108,502	66,603	-	-	-	-	(89,466)
Total component units	\$ 1,154,214	\$ 879,589	\$ 108,502	\$ -	-	-	-	(10,054)	(89,466)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					608,344	-	608,344	-	-
Grants and contributions not restricted to specific programs					650,704	-	650,704	-	-
Unrestricted investment earnings					98	706	804	-	692
Miscellaneous					2,687	35,444	38,131	25	-
Total general revenues, special items, and transfers					1,261,833	36,150	1,297,983	25	692
Change in net position					(221,776)	(259,031)	(480,807)	(10,029)	(88,774)
Net position, beginning, previously reported					1,877,467	6,469,506	8,346,973	149,536	686,343
Restatement					(31,584)	(16,786)	(48,370)	-	-
Net position, beginning restated					1,845,883	6,452,720	8,298,603	149,536	686,343
Net position, ending					\$ 1,624,107	\$ 6,193,689	\$ 7,817,796	\$ 139,507	\$ 597,569

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

Town of Andrews, North Carolina

Balance Sheet

Governmental Funds

June 30, 2017

	Major General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 79,379	\$ 79,379
Restricted cash	262,532	262,532
Receivables, net:		
Taxes	81,056	81,056
Accounts	8,928	8,928
Due from other funds	185,186	185,186
Due from other governments	113,710	113,710
Total assets	<u>\$ 730,791</u>	<u>\$ 730,791</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 23,447</u>	<u>\$ 23,447</u>
Total liabilities	<u>23,447</u>	<u>23,447</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	81,056	81,056
Prepaid taxes	4,703	4,703
Total deferred inflows of resources	<u>85,759</u>	<u>85,759</u>
FUND BALANCE		
Restricted		
Stabilization by state statute	307,824	307,824
Streets	33,071	33,071
Public safety	114,765	114,765
Assigned		
Cemetery maintenance	114,695	114,695
Unassigned	51,230	51,230
Total fund balance	<u>621,585</u>	<u>621,585</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 730,791</u>	<u>\$ 730,791</u>

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

Town of Andrews, North Carolina

Balance Sheet

Governmental Funds

June 30, 2017

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	621,585
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost		3,164,234
Accumulated depreciation		<u>(2,111,825)</u>
		1,052,409
Deferred outflows of resources related to pensions are not reported in the funds		149,799
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		12,783
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)		(94,652)
Net pension liability		(154,240)
Total pension liability		(28,301)
Deferred inflows of resources related to pensions are not reported in the funds		(16,332)
Earned revenues considered deferred inflows of resources in fund statements		<u>81,056</u>
Net position of governmental activities	\$	<u><u>1,624,107</u></u>

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

Town of Andrews, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	Major General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 633,706	\$ 633,706
Unrestricted intergovernmental	650,704	650,704
Restricted intergovernmental	109,328	109,328
Permits and fees	2,750	2,750
Sales and services	141,178	141,178
Investment earnings	98	98
Miscellaneous	2,687	2,687
Total revenues	<u>1,540,451</u>	<u>1,540,451</u>
EXPENDITURES		
Current:		
General government	440,227	440,227
Economic and physical development	208,467	208,467
Public safety	474,316	474,316
Transportation	252,532	252,532
Environmental protection	113,583	113,583
Cultural and recreation	380,227	380,227
Debt service:		
Principal	34,029	34,029
Interest and other charges	2,242	2,242
Total expenditures	<u>1,905,623</u>	<u>1,905,623</u>
Excess (deficiency) of revenues over expenditures	<u>(365,172)</u>	<u>(365,172)</u>
Net change in fund balance	(365,172)	(365,172)
Fund balances, beginning as previously reported	996,383	996,383
Prior period adjustment	(9,626)	(9,626)
Fund balances, beginning as restated	<u>986,757</u>	<u>986,757</u>
Fund balance, ending	<u>\$ 621,585</u>	<u>\$ 621,585</u>

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

Town of Andrews, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balance - total governmental funds		\$ (365,172)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	249,967	
Depreciation expense for governmental assets	<u>(97,623)</u>	152,344
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		37,229
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	<u>(25,362)</u>	(25,362)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt	<u>34,029</u>	34,029
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(6,230)	
Pension expense	<u>(48,614)</u>	<u>(54,844)</u>
Total changes in net position of governmental activities		<u>\$ (221,776)</u>

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

Town of Andrews, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2017

	General Fund			Variance Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 628,000	\$ 628,000	\$ 633,706	\$ 5,706
Unrestricted intergovernmental	665,000	665,000	650,704	(14,296)
Restricted intergovernmental	77,300	77,300	109,328	32,028
Permits and fees	500	500	2,750	2,250
Sales and services	136,700	136,950	141,178	4,228
Investment earnings	500	500	98	(402)
Miscellaneous	36,800	36,800	2,687	(34,113)
Total revenues	<u>1,544,800</u>	<u>1,545,050</u>	<u>1,540,451</u>	<u>(4,599)</u>
EXPENDITURES				
Current:				
General government	432,751	485,471	440,227	45,244
Economic and physical development	125,720	199,720	208,467	(8,747)
Public safety	532,825	585,969	510,587	75,382
Transportation	264,016	264,016	252,532	11,484
Environmental protection	117,617	117,617	113,583	4,034
Cultural and recreation	328,051	420,211	380,227	39,984
Total expenditures	<u>1,800,980</u>	<u>2,073,004</u>	<u>1,905,623</u>	<u>167,381</u>
Revenues over (under) expenditures	(256,180)	(527,954)	(365,172)	162,782
OTHER FINANCING SOURCES (USES)				
Transfers from other funds				
Water and Sewer fund	27,500	27,500	-	(27,500)
Transfers to other funds				
Water and Sewer fund	(13,657)	(13,657)	-	13,657
Principal payments from note receivable	42,780	42,780	-	(42,780)
Total other financing sources (uses)	<u>56,623</u>	<u>56,623</u>	<u>-</u>	<u>(56,623)</u>
Revenues over (under) expenditures and other uses	(199,557)	(471,331)	(365,172)	106,159
Fund balance appropriated	199,557	471,331	-	(471,331)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(365,172)	<u>\$(365,172)</u>
Fund balances, beginning as previously reported			996,383	
Prior period adjustment			<u>(9,626)</u>	
Fund balances, beginning as restated			986,757	
Fund balance, ending			<u>\$ 621,585</u>	

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

Town of Andrews, North Carolina

Statement of Fund Net Position

Proprietary Fund

June 30, 2017

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 76,082	\$ 76,082
Accounts receivable (net) - billed	76,146	76,146
Due from other governments	59,900	59,900
Restricted cash and cash equivalents	51,186	51,186
Total current assets	<u>263,314</u>	<u>263,314</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress	851,327	851,327
Other capital assets, net of depreciation	5,895,707	5,895,707
Capital assets	<u>6,747,034</u>	<u>6,747,034</u>
Total noncurrent assets	<u>6,747,034</u>	<u>6,747,034</u>
Total assets	<u>\$ 7,010,348</u>	<u>\$ 7,010,348</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	143,921	143,921
Total deferred outflows of resources	<u>143,921</u>	<u>143,921</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,421	\$ 21,421
Due to other funds	185,186	185,186
Compensated absences - current	7,000	7,000
Note payable - current	43,704	43,704
Liabilities payable from restricted assets:		
Customer deposits	51,151	51,151
Total current liabilities	<u>308,462</u>	<u>308,462</u>
Noncurrent liabilities:		
Compensated absences	7,732	7,732
Net pension liability	148,192	148,192
Note payable - noncurrent	481,691	481,691
Total noncurrent liabilities	<u>637,615</u>	<u>637,615</u>
Total liabilities	<u>946,077</u>	<u>946,077</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	14,503	14,503
	<u>14,503</u>	<u>14,503</u>
NET POSITION		
Net investment in capital assets	6,221,639	6,221,639
Unrestricted	(27,950)	(27,950)
Total net position	<u>\$ 6,193,689</u>	<u>\$ 6,193,689</u>

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

Town of Andrews, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 951,448	\$ 951,448
Water and sewer taps	9,350	9,350
Other operating revenues	36,633	36,633
Total operating revenues	<u>997,431</u>	<u>997,431</u>
OPERATING EXPENSES		
Administration	271,013	271,013
Water treatment and distribution	622,263	622,263
Waste collection and treatment	292,130	292,130
Depreciation	404,040	404,040
Total operating expenses	<u>1,589,446</u>	<u>1,589,446</u>
Operating income (loss)	<u>(592,015)</u>	<u>(592,015)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	706	706
Interest and other charges	<u>(3,510)</u>	<u>(3,510)</u>
Total nonoperating revenue (expenses)	<u>(2,804)</u>	<u>(2,804)</u>
Income (loss) before contributions and transfers	(594,819)	(594,819)
Capital contributions	<u>335,788</u>	<u>335,788</u>
Change in net position	(259,031)	(259,031)
Total net position, previously reported	6,469,506	6,469,506
Restatement	<u>(16,786)</u>	<u>(16,786)</u>
Total net position, beginning as restated	<u>6,452,720</u>	<u>6,452,720</u>
Total net position, ending	<u>\$ 6,193,689</u>	<u>\$ 6,193,689</u>

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

Town of Andrews, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 926,100	\$ 926,100
Cash paid for goods and services	(484,305)	(484,305)
Cash paid to or on behalf of employees for services	(752,271)	(752,271)
Customer deposits received	3,330	3,330
Other operating revenues	36,633	36,633
Net cash provided (used) by operating activities	<u>(270,513)</u>	<u>(270,513)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to other funds	<u>(300,276)</u>	<u>(300,276)</u>
Net cash provided (used) by noncapital financing activities	<u>(300,276)</u>	<u>(300,276)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(479,993)	(479,993)
Principal paid on bond maturities and equipment contracts	(43,705)	(43,705)
Due to (from) other governments	101,310	101,310
Interest paid on bond maturities and equipment contracts	(3,510)	(3,510)
Capital contributions	335,788	335,788
Net cash provided (used) by capital and related financing activities	<u>(90,110)</u>	<u>(90,110)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>706</u>	<u>706</u>
Net increase (decrease) in cash and cash equivalents	(660,193)	(660,193)
Cash and cash equivalents at beginning of year	<u>787,461</u>	<u>787,461</u>
Cash and cash equivalents at end of year	<u>\$ 127,268</u>	<u>\$ 127,268</u>

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

Town of Andrews, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Water and Sewer Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (592,015)	\$ (592,015)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	404,040	404,040
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(34,698)	(34,698)
(Increase) decrease in deferred outflows of resources - pensions	(112,791)	(112,791)
Increase (decrease) in net pension liability	126,422	126,422
Increase (decrease) in deferred inflows of resources for pensions	(9,971)	(9,971)
Increase (decrease) in accounts payable and accrued liabilities	(51,769)	(51,769)
Increase (decrease) in customer deposits	3,330	3,330
Increase (decrease) in accrued vacation pay	(3,061)	(3,061)
Total adjustments	<u>321,502</u>	<u>321,502</u>
Net cash provided by operating activities	<u>\$ (270,513)</u>	<u>\$ (270,513)</u>

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

Town of Andrews, North Carolina
Notes to the Financial Statements
June 30, 2017

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Town of Andrews, North Carolina
Notes to the Financial Statements
June 30, 2017

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Town of Andrews, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Andrews and its discretely presented component units 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 Town of Andrews is a municipal corporation that is governed by an elected mayor and a four-member board of aldermen. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The discretely presented component units presented below are reported in a separate column in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Town of Andrews ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative office at Town of Andrews ABC Board, 13934 US Hwy 19, Andrews, NC 28901.

Town of Andrews Housing Authority

The members of the Andrews Housing Authority's governing board are appointed by the Town, and the Town has the authority to remove a member for cause. The Town provides no financial support to the Authority, and is not obligated for the Andrews Housing Authority's debts or entitled to any surpluses of the Andrews Housing Authority. The Town is not financially accountable for the Andrews Housing Authority since there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the Town. The Andrews Housing Authority has a September 30 year-end, and is presented as if it were a proprietary fund (discrete presentation). Complete financial information may be obtained from the entity's administrative office at Town of Andrews Housing Authority, 291 Whitaker Lane, Andrews, NC 28901.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units. 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 Town. 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 Town and for each function of the Town'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 Town'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.

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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services. The Town budgeted and accounted for the Cemetery Fund in the General Fund. Therefore, the Cemetery Fund is reported in the General Fund.

The Town has no non-major governmental funds.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town 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. Non-exchange transactions, in which the Town 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 non-operating 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 Town's enterprise funds are charges to customers for sales and services. The Town 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 non-operating 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 Town 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 Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Andrews because the tax is levied by Cherokee 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 Town 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 Town'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 Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Water and Sewer Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The Town's financial officer is authorized by the budget ordinance to transfer appropriations within a department. Amendments are required for any revisions that alter total expenditures of any department or any fund. All amendments must be approved by the governing board. During the year, several 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.

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

1. Deposits and Investments

All deposits of the Town, ABC Board, and the Andrews Housing Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town, ABC Board, and the Andrews Housing Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town, ABC Board, and the Andrews Housing Authority 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 Town, ABC Board, and the Andrews Housing Authority 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 Town, ABC Board, and the Andrews Housing Authority's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

The Town, ABC Board, and the Andrews Housing Authority only invested in money market accounts, which are classified as cash and cash equivalents or certificates of deposits, which are classified as cash and cash equivalents or investments according to the amount of time before maturity of the certificates of deposits.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board and Andrews Housing Authority consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. The ABC Board and the Andrews Housing Authority's investments with a maturity of more than one (1) year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Cash restricted for special purposes has been segregated from cash available for general operations. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Firemen's local relief funds are also classified as restricted cash because it can be expended only for the purposes for the relief of firefighters and county fire marshals, who are members of this Association, who may be injured or rendered sick by disease contracted in the actual discharge of duty as firefighters or county fire marshals, and for the relief of surviving spouses, children, and if there be no surviving spouse or children, then dependent mothers of the firefighters and county fire marshals killed or dying from disease so contracted in the discharge of duty per G.S. 58-85-1.

Town of Andrews Restricted Cash

Governmental Activities

General Fund

Streets - Powell Bill funds	\$ 33,071
Public Safety - Police drug forfeiture	7,501
Public Safety - Firemen's local relief funds	105,785
Public Safety - Fire department	1,479
Cultural and recreation - Valletown Cemetery	114,695
Total Governmental Activities	<u>\$ 262,531</u>

Business-type Activities

Water and Sewer Fund

Customer deposits	\$ 51,151
Wastewater treatment plant capital reserve	35
Total Business-type Activities	<u>\$ 51,186</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town'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 inventory of the ABC Board is valued at cost (first-in, first-out), which approximates market value.

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 of greater than two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$10,000; equipment and furniture, \$2,000; vehicles and motorized equipment, \$5,000; computer software and computer equipment \$500. 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 road network and water and sewer system assets that were 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and system	30
Infrastructure	50
Equipment and furniture	10
Vehicles and motorized equipment	5
Computer equipment	5
Computer software	5
Substations, lines and related equipment	30
Other improvements	20

Property, plant, and equipment of the ABC Board and Andrews Housing Authority are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>ABC Board</u>	<u>Housing Authority</u>
Buildings	33	30
Improvements to buildings and land	3 - 33	15 - 30
Equipment and furniture	5 - 10	3 - 10
Vehicles	-	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 Town has one item that meets this criterion, pension deferrals for the 2017 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 Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

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 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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 policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned.

For the Town'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 Town 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 Town's sick leave policy provides 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 Town does not have any 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, 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 the fund balance can be spent.

The governmental 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.

Prepaid items - portion of fund balance that is not an available resource because it represents payments to vendors for costs applicable to future accounting periods, which are not spendable resources.

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

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

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety - Firemen's Relief portion of fund balance that is restricted for the purpose of caring for firemen who are hurt in the line of duty or their dependents. This amount represents the balance of the total unexpended Firemen Relief funds.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Andrews' Board of Aldermen. 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.

Assigned Fund Balance - portion of fund balance that the Town of Andrews intends to use for specific purposes.

Assigned Cemetery Maintenance - Cemetery resources that are required to be used for the maintenance of the Town's cemetery.

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 board approves the appropriation.

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

The Town of Andrews 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-town funds, town 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 Town.

The Town of Andrews has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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 Town of Andrews' employer contributions are recognized when due and the Town of Andrews 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.

13. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Deficit in Fund Balance or Net Position of Individual Funds

None Noted.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2017, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Economic development (planning) activities by \$8,747. The over-expenditure occurred because of additional professional services. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town, ABC Board and the Andrews Housing Authority 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 Town's, ABC Board's or Housing Authority'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 Town, ABC Board and the Andrews Housing Authority, these deposits are considered to be held by the Town's, ABC Board's and the Housing Authority'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 Town, the ABC Board, Housing Authority, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, ABC Board and the Housing Authority under the Pooling Method, the potential exists for under-collateralization. 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 Town 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 Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and Housing Authority have no formal policy regarding custodial risk for deposits.

At June 30, 2017, the Town's deposits had a carrying amount of \$468,803 and a bank balance of \$460,850. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2017, the Town's petty cash fund totaled \$375.

At September 30, 2016, the Andrews Housing Authority's deposits had a carrying amount of \$130,680 and a bank balance of \$137,680. All of the bank balance was fully covered by federal depository insurance. The Authority had \$100 cash on hand at September 30, 2016.

At June 30, 2017, the ABC Board's deposits had a carrying amount of \$90,496 and a bank balance of \$86,092. All of the bank balance was fully covered by federal depository insurance. The ABC Board had \$1,039 cash on hand at June 30, 2017.

2. Investments

At June 30, 2017, the Town had no investments.

The Andrews Housing Authority invests in accordance with HUD regulations and North Carolina Statutes. As of September 30, 2016, the Authority had an investment of a single Certificate of Deposit with a maturity of twelve months. The current interest rate is less than 1%. The value of the Certificate of Deposit at September 30, 2016 was \$84,895. Accrued interest is considered immaterial and therefore is not shown in the financial statements. The Authority has no policy regarding credit risk.

The Andrews ABC Board invests in accordance with North Carolina Statutes. As of June 30, 2017, the ABC Board had an investment of a single Certificate of Deposit with a maturity of twelve months. The current interest rate is less than 1%. The value of the Certificate of Deposit at June 30, 2017 was \$25,148. Accrued interest is considered immaterial and therefore is not shown in the financial statements. The Authority has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 20,600
Sanitation receivable	2,341
Total	<u>\$ 22,941</u>
Enterprise Funds:	
Water and Sewer Fund - accounts receivable	\$ 22,300
Total	<u>\$ 22,300</u>

4. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Government Activities:				
Capital assets not being depreciated:				
Land	\$ 90,810	\$ -	\$ -	\$ 90,810
Construction in progress	-	35,000	-	35,000
Total capital assets not being depreciated	<u>90,810</u>	<u>35,000</u>	<u>-</u>	<u>125,810</u>
Capital assets being depreciated:				
Buildings and improvements	1,510,073	200,799	-	1,710,872
Machinery and equipment	746,296	5,468	-	751,764
Vehicles and motorized equipment	567,088	8,700	-	575,788
Total capital assets being depreciated	<u>2,823,457</u>	<u>214,967</u>	<u>-</u>	<u>3,038,424</u>
Less accumulated depreciation for:				
Buildings and improvements	862,621	55,458	-	918,079
Machinery and equipment	680,166	20,214	-	700,380
Vehicles and motorized equipment	471,415	21,951	-	493,366
Total accumulated depreciation	<u>2,014,202</u>	<u>97,623</u>	<u>-</u>	<u>2,111,825</u>
Total capital assets being depreciated, net	<u>809,255</u>			<u>926,599</u>
Governmental activity capital assets, net	<u>\$ 900,065</u>			<u>\$ 1,052,409</u>

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

General government	\$ 18,797
Public safety	35,745
Transportation	16,820
Cultural and recreational	26,261
Total depreciation expense	<u>\$ 97,623</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 132,340	\$ -	\$ -	\$ 132,340
Construction in progress	273,328	445,659	-	718,987
Total capital assets not being depreciated	<u>405,668</u>	<u>445,659</u>	<u>-</u>	<u>851,327</u>
Capital assets being depreciated:				
Plants and distribution systems	17,809,941	28,034	-	17,837,975
Furniture maintenance equipment	415,210	6,300	-	421,510
Vehicles and motorized equipment	50,578	-	-	50,578
Total capital assets being depreciated	<u>18,275,729</u>	<u>34,334</u>	<u>-</u>	<u>18,310,063</u>
Less accumulated depreciation for:				
Plants and distribution systems	11,654,308	381,610	-	12,035,918
Furniture maintenance equipment	307,998	21,090	-	329,088
Vehicles and motorized equipment	48,010	1,340	-	49,350
Total accumulated depreciation	<u>12,010,316</u>	<u>404,040</u>	<u>-</u>	<u>12,414,356</u>
Total capital assets being depreciated, net	<u>6,265,413</u>			<u>5,895,707</u>
Water and Sewer fund capital assets, net	<u>6,671,081</u>			<u>6,747,034</u>
Business-type activities capital assets, net	<u>\$ 6,671,081</u>			<u>\$ 6,747,034</u>

Construction commitments

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

Project	Spent-to-date	Remaining Commitment
Automated Meter Reader Project	\$ 361,047	\$ 19,002
Andrews Wastewater Treatment Plant Improvement Project	82,052	1,377,928
Payne Street Area Sewer Improvement Project	275,888	1,724,112
Library Entrance Renovation	35,000	-
Total	<u>\$ 753,987</u>	<u>\$ 3,121,042</u>

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

ABC Board	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:				
Furniture and equipment	77,476	-	-	77,476
Total capital assets being depreciated	<u>77,476</u>	<u>-</u>	<u>-</u>	<u>77,476</u>
Less accumulated depreciation for:				
Furniture and equipment	48,674	7,149	-	55,823
Total accumulated depreciation	<u>48,674</u>	<u>7,149</u>	<u>-</u>	<u>55,823</u>
ABC capital assets, net	<u>\$ 28,802</u>			<u>\$ 21,653</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period. There were no additions or retirements of fixed asset for the ABC Board during the year.

Activity for the Housing Authority for the year ended September 30, 2016, was as follows:

Housing Authority	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 21,192	\$ -	\$ -	\$ 21,192
Total capital assets not being depreciated	<u>21,192</u>	<u>-</u>	<u>-</u>	<u>21,192</u>
Capital assets being depreciated:				
Building and improvements	3,214,703	-	-	3,214,703
Furniture and equipment	75,563	1,458	-	77,021
Total capital assets being depreciated	<u>3,290,266</u>	<u>1,458</u>	<u>-</u>	<u>3,291,724</u>
Less accumulated depreciation for:				
Building and improvements	2,616,600	92,060	-	2,708,660
Furniture and equipment	100,456	7,634	-	108,090
Total accumulated depreciation	<u>2,717,056</u>	<u>99,694</u>	<u>-</u>	<u>2,816,750</u>
Housing Authority capital assets, net	<u>\$ 594,402</u>			<u>\$ 496,166</u>

B. Liabilities1. Payables

Payables at the government-wide level at June 30, 2017, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 16,940	\$ 6,507	\$ 23,447
Total governmental activities	<u>\$ 16,940</u>	<u>\$ 6,507</u>	<u>\$ 23,447</u>
Business-type activities:			
Water and sewer	\$ 15,027	\$ 6,394	\$ 21,421
Total business-type activities	<u>\$ 15,027</u>	<u>\$ 6,394</u>	<u>\$ 21,421</u>

2. Pension Plan and Postemployment Obligationsa. Local Governmental Employees' Retirement System

Plan Description. The Town of Andrews is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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. Town of Andrews employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Andrews's contractually required contribution rate for the year ended June 30, 2017, was 8.0% of compensation for law enforcement officers and 7.25% for general employees, 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 Town of Andrews were \$72,996 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Town reported a liability of \$302,432 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.014%, which was an increase of 0.004% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$80,458. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,682	\$ 10,598
Changes of assumptions	20,714	-
Net differences between projected and actual earnings on pension plan investments	167,209	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	27,119	18,999
Town contributions subsequent to the measurement date	72,996	-
Total	<u>\$ 293,720</u>	<u>\$ 29,597</u>

\$72,996 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 26,952
2019	27,013
2020	83,081
2021	54,081
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an 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	100.00%	

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 717,814	\$ 302,433	\$ (44,525)

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 Town of Andrews administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance’s membership consisted of:

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

2. Summary of Significant Accounting Policies.

Basis of Accounting. The Town 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 outlined in GASB Statement 73.

3. Actuarial Assumptions.

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

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

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

4. *Contributions.*

The Town 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 Town’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 Town did not pay any benefits for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$28,301. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$7,581.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	1,238
Net differences between projected and actual earnings on pension plan investments	-	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ -	\$ 1,238

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ (190)
2019	(190)
2020	(190)
2021	(190)
2022	(190)
Thereafter	(288)

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

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 33,512	\$ 28,301	\$ 23,853

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

Total pension liability as of December 31, 2015	\$	21,958
Changes for the year:		
Service cost		6,987
Interest on the total pension liability		784
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		-
Changes of assumptions or other inputs		(1,428)
Benefit payments		-
Other changes		-
Net changes		<u>6,343</u>
Total pension liability as of December 31, 2016	\$	<u><u>28,301</u></u>

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

The actuarial assumptions used in the December 31, 2015 valuation were in the aggregate reasonably relative to the experience under the program and to reasonable expectations of anticipated experience under the program.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$10,435 for the reporting year. No amounts were forfeited.

3. Other Employment Benefits

The Town has elected to provide death benefits to employees through a life insurance policy. If an employee dies before age seventy while still in active service with at least one year as a contributing member of the Local Governmental Employees' Retirement System, the employee's beneficiary will receive a lump-sum payment equal to the employee's highest twelve months consecutive salary during the preceding twenty-four months, not to exceed \$20,000. This benefit is also paid if the employee dies within one hundred eighty days of the last day for which he or she was paid a salary. The Town has no liability beyond the payment of monthly contributions. Contributions are determined currently at a flat rate of \$9 a month per employee. Because the benefit payments are made by the life insurance company and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2017, the Town considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 72,996
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	5,682
Changes of assumptions	20,714
Net difference between projected and actual	167,209
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,119
	<u>\$ 293,720</u>

Deferred inflows of resources at year-end is comprised of the following:

Source	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 81,056
Prepaid taxes (General Fund)	4,703	4,703
Changes in assumptions	1,238	-
Differences between expected and actual experience	10,598	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,999	
Total	<u>\$ 35,538</u>	<u>\$ 85,759</u>

5. Risk Management

The Town 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 Town participates in one self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through the pool, the Town obtains workers' compensation coverage up to statutory limits.

The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town participates with the Glatfelter Insurance Group in their Glatfelter Public Practice with blanket coverage of \$14,232,579. The Town obtains general liability and auto liability coverage of \$1 million per occurrence and property coverage up to the total insurance values of the property policy. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. 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.

The Town does not hold any flood insurance due to analysis showing only pump stations are in flood prone areas.

In accordance with G.S. 159-29 the town employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Tax Collector is individually bonded for \$25,000 and the remaining employees that have access to funds are bonded under a blanket bond for \$25,000. The Town Clerk, City Clerk, and Bookkeeper are individually bonded for \$50,000.

The Fire Department has insurance coverage through the Volunteer Firemen's Insurance Services, Inc. The Fire Department carries general liability coverage of \$3 million general aggregate and auto liability coverage of \$1 million each accident.

The Town of Andrews ABC Board 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 ABC Board has commercial property, general liability, workmen's compensation, and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

The Andrews Housing Authority 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 Authority participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Authority has worker's compensation coverage up to statutory limits and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims in excess of \$250,000 for worker's compensation, up to \$5 million limit and reinsured for annual employee health claims in excess of \$150,000.

In accordance with G.S. 159-42, the Authority's finance officer is individually bonded for \$50,000.

The Authority carries commercial insurance against all other risks of loss, including property and general liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

6. Contingent Liabilities

At June 30, 2017, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

7. Long-Term Obligations

a. Notes Payable

Serviced by the General Fund:

In February 2016, the Town of Andrews borrowed \$104,299 from BB&T Governmental Finance to purchase three vehicles for Police Department. The 3 payments, in the amount of \$36,272, including interest at 2.15% are due annually through February 10, 2019.

Annual debt service payments of the installment purchase as of June 30, 2017, including \$2,242 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 34,761	\$ 1,511
2019	35,509	763
Total	<u>\$ 70,270</u>	<u>\$ 2,274</u>

Serviced by the Water and Sewer Fund:

On March 30, 2005, the Town entered into a state revolving loan with the Division of Water Infrastructure for \$305,871 to finance a drinking water project. The loan requires twenty annual installments of \$15,293, plus interest at 2.55%. The loan matures May 1, 2025.	\$ 122,348
On February 15, 2011, the Town entered into a state revolving loan with the Division of Water Infrastructure for \$344,214 to finance a drinking water project. The loan requires twenty annual installments of \$17,175, plus interest at 0.00%. The loan matures May 1, 2030.	223,279
On September 10, 2013, the Town entered into a state revolving loan with the Water Pollution Control Revolving Fund for \$224,710 to finance a drinking water project. The loan requires twenty annual installments of \$11,236, plus interest at 0.00%. The loan matures May 1, 2033.	179,768
	\$ 525,395

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2018	\$ 43,704	\$ 3,120
2019	43,704	3,120
2020	43,704	2,730
2021	43,704	2,340
2022	43,704	1,950
2023 - 2027	187,935	2,340
2028 - 2032	107,704	-
2033 - 2037	11,236	-
Total	\$ 525,395	\$ 15,600

b. Long-Term Obligation Activity:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Notes payable	\$ 104,299	\$ -	\$ 34,029	\$ 70,270	\$ 34,761
Compensated absences	18,152	22,127	15,897	24,382	12,000
Net pension liability (LGERS)	22,659	131,581	-	154,240	-
Total pension liability (LEO)	21,958	6,343	-	28,301	-
Total governmental activities	\$ 167,068	\$ 160,051	\$ 49,926	\$ 277,193	\$ 46,761
Business-type activities:					
<i>Water and Sewer Fund</i>					
Revolving loans	\$ 569,100	\$ -	\$ 43,705	\$ 525,395	\$ 43,704
Compensated absences	17,793	19,078	22,139	14,732	7,000
Net pension liability (LGERS)	21,770	126,422	-	148,192	148,192
Total Water and Sewer Fund	608,663	145,500	65,844	688,319	198,896
Total business-type activities	\$ 608,663	\$ 145,500	\$ 65,844	\$ 688,319	\$ 198,896

No interest was capitalized during 2017; interest incurred and charged to expense totaled \$3,510.

Compensated absences for governmental activities have typically been liquidated in the General Fund.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2017, consist of the following:

Due to the General Fund from:

Water and Sewer Fund	\$	185,186
Total	<u>\$</u>	<u>185,186</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

There were no transfers between funds during the fiscal year ended June 30, 2017.

D. Prior Period Adjustment

During the fiscal year ended June 30, 2017, the Town determined that certain transactions were recorded incorrectly in the prior year.

General Fund Balance: It was determined that the sales tax refund was overstated by \$4,479 and accounts payable was understated by \$5,147, both in the general fund. The combined effect decreased fund balance by \$9,626.

General Fund balance, beginning as previously reported		\$	996,383
Adjustment for the overstated receivable	(4,479)		
Adjustment for the understated payable	<u>(5,147)</u>		
			<u>(9,626)</u>
General Fund balance, beginning as restated		<u>\$</u>	<u>986,757</u>

Governmental Activities: Due to the implementation of Governmental Accounting Standards Board (GASB) No. Statement 73, as described in Note VII, net position for the governmental activities decreased \$21,958. The restatement to record the total pension liability and the aforementioned fund balance adjustment of \$9,626 decreased net position by \$31,584.

Net position, beginning, previously reported		\$	1,877,467
Prior period adjustment in General Fund	(9,626)		
Implementation of GASB Statement 73	<u>(21,958)</u>		
			<u>(31,584)</u>
Net position, beginning restated		<u>\$</u>	<u>1,845,883</u>

Business-type Activities: It was determined that the sales tax refund was overstated by \$16,786 resulting in a decrease in net position.

Net position, previously reported		\$	6,469,506
Adjustment for the overstated receivable	<u>(16,786)</u>		
			<u>(16,786)</u>
Net position, beginning as restated		<u>\$</u>	<u>6,452,720</u>

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,052,409	\$ 6,747,034
Less: long-term debt	<u>70,270</u>	<u>525,395</u>
Net investment in capital assets	<u>\$ 982,139</u>	<u>\$ 6,221,639</u>

F. 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	\$ 621,585
Less:	
Stabilization by State Statute	307,824
Streets - Powell Bill	33,071
Public Safety - Firemen's Relief	114,765
Cemetery maintenance	114,695
Working Capital/Fund Balance Policy	207,300
Remaining Fund Balance	(156,070)

The Town of Andrews has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Non-Major Funds
\$	-	-

IV. Joint Ventures

Nantahala Regional Library

The Town also participates in a joint venture to operate the Nantahala Regional Library with five other local governments. Each participating county may appoint three board members to the nine member board of the Library. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$130,280 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 11 Blumenthal Avenue, Murphy, North Carolina 28906.

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2017, the Town reported revenues of \$21 and no expenditures made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2017. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town 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 monies 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 monies.

VI. Significant Effects of Subsequent Events

The Town has evaluated subsequent events through October 30, 2017, the date the financial statements were available to be issued.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$21,958.

VIII. New Accounting Pronouncements

Pronouncements effective for the 2017 Financial Statements:

In June 2015, the GASB issued, GASB Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees not within the scope of Statement 68. Requirements are also established for the assets accumulated for the purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet the criteria within the scope of Statement 67. The implementation of this pronouncement did require modification of the financial statements as described in Note VII.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This pronouncement did not impact the Town.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments to disclose tax abatement agreements entered by other governments and that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. The individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This pronouncement did not impact the Town.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not for-profit corporation in which the primary government is the sole corporate member. This pronouncement did not impact the Town.

Pronouncements issued, but not yet effective, which will be adopted by the Town in future years. As of the date of this report, the Town has not determined the financial impact of implementing the following Statements:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement is effective for financial statements with fiscal years beginning after June 15, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Governments receiving resources pursuant to an irrevocable split-interest agreement is to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations and sets the guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses issues related to blending component units, goodwill, fair value measurement and application, pensions, and other post-employment benefits (OPEB). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance

Town of Andrews, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Local Government Employees' Retirement System
Required Supplementary Information
Last Four Fiscal Years*
Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Andrews' proportion of the net pension liability (asset) (%)	0.01425%	0.00990%	0.01310%	0.01430%
Town of Andrews' proportion of the net pension liability (asset) (\$)	\$ 302,433	\$ 44,429	\$ (77,257)	\$ 172,370
Town of Andrews' covered-employee payroll	\$ 933,946	\$ 689,000	\$ 663,804	\$ 705,023
Town of Andrews' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.38%	6.45%	(11.64%)	24.45%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

Town of Andrews, North Carolina
Schedule of Contributions to Local Government Employees' Retirement System
Required Supplementary Information
Last Four Fiscal Years
Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 72,996	\$ 63,531	\$ 49,519	\$ 47,195
Contributions in relation to the contractually required contribution	\$ 72,996	\$ 63,531	\$ 49,519	\$ 47,195
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Andrews' covered-employee payroll	\$ 982,075	\$ 933,946	\$ 689,000	\$ 663,804
Contributions as a percentage of covered-employee payroll	7.43%	6.80%	7.19%	7.11%

Town of Andrews, North Carolina
Schedule of Changes in Total Pension Liability
Required Supplementary Information
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Beginning balance	\$ 21,958
Service cost	6,987
Interest on the total pension liability	784
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(1,428)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 28,301

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

Town of Andrews, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Required Supplementary Information
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	<u>2017</u>
Total pension liability	\$ 28,301
Covered payroll	257,648
Total pension liability as a percentage of covered payroll	10.98%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Town of Andrews, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes - current year		\$ 616,321	
Interest		17,385	
Total	<u>\$ 628,000</u>	<u>633,706</u>	<u>\$ 5,706</u>
Unrestricted intergovernmental:			
Local option sales taxes		519,027	
Payments in lieu of taxes-outside sources		13,600	
Utility franchise tax		109,998	
Beer and wine tax		8,079	
Total	<u>665,000</u>	<u>650,704</u>	<u>(14,296)</u>
Restricted intergovernmental:			
Powell Bill allocation		54,816	
Controlled substance tax		2,416	
Solid waste disposal tax		1,199	
Other grants		50,897	
Total	<u>77,300</u>	<u>109,328</u>	<u>32,028</u>
Permits and fees:			
Zoning permits		2,750	
Total	<u>500</u>	<u>2,750</u>	<u>2,250</u>
Sales and services:			
Charges and fees			
Cemetery fees		1,460	
Sanitation fees		120,217	
Recreation fees		19,501	
Total	<u>136,950</u>	<u>141,178</u>	<u>4,228</u>
Investment earnings	<u>500</u>	<u>98</u>	<u>(402)</u>
Miscellaneous:			
Library revenues and contributions			
Miscellaneous		2,687	
Total	<u>36,800</u>	<u>2,687</u>	<u>(34,113)</u>
Total revenues	<u>1,545,050</u>	<u>1,540,451</u>	<u>(4,599)</u>

Town of Andrews, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General government:			
Salaries and employee benefits		26,857	
Other operating expenditures		70,876	
Professional services		44,166	
Total	<u>186,236</u>	<u>141,899</u>	<u>44,337</u>
Administration:			
Salaries and employee benefits		144,075	
Other operating expenditures		117,479	
Capital outlay		36,774	
Total	<u>299,235</u>	<u>298,328</u>	<u>907</u>
Total general government	<u>485,471</u>	<u>440,227</u>	<u>45,244</u>
Economic development (planning):			
Salaries and employee benefits		2,261	
Other operating expenditures		37,192	
Professional services		169,014	
Total economic development	<u>199,720</u>	<u>208,467</u>	<u>(8,747)</u>
Public safety:			
Police:			
Salaries and employee benefits		398,675	
Vehicle maintenance		29,740	
Other operating expenditures		27,546	
Capital outlay		5,468	
Debt service:			
Principal retirement		34,029	
Interest and other charges		2,242	
Total	<u>501,691</u>	<u>497,700</u>	<u>3,991</u>
Fire:			
Salaries and employee benefits		2,599	
Vehicle maintenance		754	
Other operating expenditures		9,534	
Total	<u>84,278</u>	<u>12,887</u>	<u>71,391</u>
Total public safety	<u>585,969</u>	<u>510,587</u>	<u>75,382</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		74,385	
Sidewalk maintenance		6,594	
Vehicle maintenance		14,744	
Street lights		41,931	
Other operating expenditures		34,178	
Capital outlay		80,700	
Total transportation	<u>264,016</u>	<u>252,532</u>	<u>11,484</u>

Town of Andrews, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		84,796	
Vehicle maintenance		3,982	
Other operating expenditures		9,815	
Tipping fees		14,990	
Total	<u>117,617</u>	<u>113,583</u>	<u>4,034</u>
Total environmental protection	<u>117,617</u>	<u>113,583</u>	<u>4,034</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		31,892	
Maintenance		26,048	
Other operating expenditures		54,053	
Capital outlay		92,024	
Total	<u>243,431</u>	<u>204,017</u>	<u>39,414</u>
Libraries:			
Contribution to regional library		141,210	
Capital outlay		35,000	
Total	<u>176,780</u>	<u>176,210</u>	<u>570</u>
Total culture and recreation	<u>420,211</u>	<u>380,227</u>	<u>39,984</u>
Total expenditures	<u>2,073,004</u>	<u>1,905,623</u>	<u>167,381</u>
Revenues over (under) expenditures	<u>(527,954)</u>	<u>(365,172)</u>	<u>162,782</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
Water and Sewer fund	27,500	-	(27,500)
Transfers to other funds:			
Water and Sewer fund	(13,657)	-	13,657
Principal payments from note receivable	42,780	-	(42,780)
Total	<u>56,623</u>	<u>-</u>	<u>(56,623)</u>
Fund balance appropriated	<u>471,331</u>	<u>-</u>	<u>(471,331)</u>
Net change in fund balance	<u>\$ -</u>	<u>(365,172)</u>	<u>\$ (365,172)</u>
Fund balance, beginning as previously reported		996,383	
Prior period adjustment		<u>(9,626)</u>	
Fund balances, beginning as restated		986,757	
Fund balance, ending		<u>\$ 621,585</u>	

Proprietary Fund

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund.

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

Town of Andrews, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Operating revenues:			
Water and sewer charges		\$ 951,448	
Water and sewer taps		9,350	
Other operating revenues		36,633	
Total operating revenues	<u>\$ 1,096,200</u>	<u>997,431</u>	<u>\$ (98,769)</u>
Nonoperating revenues:			
Interest earnings		706	-
Total nonoperating revenues	<u>61,200</u>	<u>706</u>	<u>(60,494)</u>
Total revenues	<u>1,157,400</u>	<u>998,137</u>	<u>(159,263)</u>
EXPENDITURES			
Water and sewer administration			
Salaries and employee benefits		174,250	
Contracted services		420	
Utilities		58,978	
Insurance		24,681	
Other operating expenditures		11,769	
Total water and sewer administration	<u>270,176</u>	<u>270,098</u>	<u>78</u>
Water treatment and distribution			
Debt service:			
Interest and other charges		3,510	
Principal retirement		43,705	
Total debt service		<u>47,215</u>	
Salaries and employee benefits		445,969	
Contracted services		28,904	
Maintenance		137,878	
Capital outlay		122,053	
Other operating expenditures		8,863	
Total water treatment and distribution	<u>912,570</u>	<u>790,882</u>	<u>121,688</u>
Waste collection and treatment			
Waste water treatment:			
Salaries and employee benefits		132,051	
Maintenance		50,194	
Supplies		95,689	
Other operating expenditures		15,161	
Total waste collection and treatment	<u>311,748</u>	<u>293,095</u>	<u>18,653</u>
Total expenditures	<u>1,494,494</u>	<u>1,354,075</u>	<u>140,419</u>
Revenues over expenditures	(337,094)	(355,938)	(18,844)

Town of Andrews, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other funds:			
Water and Sewer Capital Projects Fund - Andrews Wastewater Treatment Plant Improvement Project		(22,152)	
Total other financing sources (uses)	<u>337,094</u>	<u>(22,152)</u>	<u>(359,246)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (378,090)</u>	<u>\$ (378,090)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ (378,090)	
Reconciling items:			
Principal retirement		43,705	
Capital outlay		122,053	
Decrease in accrued vacation pay		3,061	
Increase in deferred outflows of resources - pensions		112,791	
Increase in net pension liability		(126,422)	
Decrease in deferred inflows of resources - pensions		9,971	
Pension expense			
Depreciation		(404,040)	
Capital contributions		335,788	
Transfer from other funds:			
Water and Sewer Capital Projects Fund - Andrews Wastewater Treatment Plant Improvement Project		22,152	
Total reconciling items		<u>119,059</u>	
Change in net position		<u>\$ (259,031)</u>	

Water and Sewer Capital Projects Funds

Andrews Wastewater Treatment Plant Improvement Project - This fund is used to account for the improvements to the wastewater treatment facility in order to improve efficiency and support continued economic development activities. The project is funded by the Appalachian Regional Commission and the Department of Environmental Quality - Division of Water Infrastructure, Water Pollution Control Revolving Fund.

Payne Street Area Sewer Improvement Project - This fund is used to account for the improvements to the Payne Street Area Sewer System. The project is 100% funded by the North Carolina Department of Commerce Community Development Block Grant Program.

Town of Andrews, North Carolina

Water and Sewer Capital Projects Fund - Andrews Wastewater Treatment Plant Improvement Project

Schedules of Revenues and Expenditures - Budget and Actual - (Non-GAAP)

From Inception and For the Fiscal Year Ended June 30, 2017

			Actual		Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
Appalachian Regional Commission Grant	\$ 300,000	\$ -	\$ 59,900	\$ 59,900	\$ (240,100)
NC Department of Environmental Quality	1,137,235	-	-	-	(1,137,235)
Total revenues	<u>1,437,235</u>	-	<u>59,900</u>	<u>59,900</u>	<u>(1,377,335)</u>
EXPENDITURES					
Construction, equipment & materials	1,035,000	-	-	-	1,035,000
Engineering	228,000	-	32,900	32,900	195,100
Contingency	51,750	-	-	-	51,750
Legal, testing, etc.	19,100	-	-	-	19,100
Loan administration	103,385	-	27,000	27,000	76,385
Closing cost	22,745	-	22,152	22,152	593
Total expenditures	<u>1,459,980</u>	-	<u>82,052</u>	<u>82,052</u>	<u>1,377,928</u>
Revenues over (under) expenditures	<u>(22,745)</u>	-	<u>(22,152)</u>	<u>(22,152)</u>	<u>593</u>
Other financing sources (uses):					
Transfers from other funds:					
Water and Sewer	22,745	-	22,152	22,152	(593)
Total other financing sources (uses)	<u>22,745</u>	-	<u>22,152</u>	<u>22,152</u>	<u>(593)</u>
Revenues and other sources over (under) expenditures (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Andrews, North Carolina

Water and Sewer Capital Projects Fund - Payne Street Area Sewer Improvement Project

Schedules of Revenues and Expenditures- Budget and Actual - (Non-GAAP)

From Inception and For the Fiscal Year Ended June 30, 2017

			Actual		Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
Community Development Block Grant	\$ 2,000,000	\$ -	\$ 275,888	\$ 275,888	\$ (1,724,112)
Total revenues	2,000,000	-	275,888	275,888	(1,724,112)
EXPENDITURES					
Administration	200,000	-	117,000	117,000	83,000
Public sewer improvements	1,800,000	-	158,888	158,888	1,641,112
Total expenditures	2,000,000	-	275,888	275,888	1,724,112
Revenues over (under) expenditures	-	-	-	-	-
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy - Town-Wide Levy

Town of Andrews, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 593,068	\$ 552,990	\$ 40,078
2015-2016	38,611		24,495	14,116
2014-2015	25,887	-	14,221	11,666
2013-2014	15,997	-	8,021	7,976
2012-2013	12,090	-	3,651	8,439
2011-2012	9,271	-	4,312	4,959
2010-2011	7,129	-	3,317	3,812
2009-2010	5,686	-	2,631	3,055
2008-2009	5,155	-	1,391	3,764
2007-2008	4,200	-	409	3,791
2006-2007	3,521	-	3,521	-
2005-2006	-	-	-	-
	<u>\$ 127,547</u>	<u>\$ 593,068</u>	<u>\$ 618,959</u>	<u>101,656</u>
Less: allowance for uncollectible accounts General Fund				<u>(20,600)</u>
Ad valorem taxes receivable - net				<u>\$ 81,056</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 633,706
Reconciling items:				
Taxes written off and prior year taxes released				644
Less: interest collected				(17,385)
Other adjustments				1,994
Subtotal				<u>(14,747)</u>
Total collections and credits				<u>\$ 618,959</u>

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

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 115,608,155	0.515	\$ 595,382	\$ 548,020	\$ 47,362
Registered motor vehicles taxed at prior year's rate	-	0.515	-	-	-
Penalties	-		-	-	-
Total	115,608,155		595,382	548,020	47,362
Discoveries:					
Current year taxes	971	0.515	5	5	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements	(450,291)	0.515	(2,319)	(2,301)	(18)
Total property valuation	\$ 115,158,835				
Net levy			593,068	545,724	47,344
Unpaid (by taxpayer) taxes at June 30, 2017			(40,078)	(40,078)	-
Current year's taxes collected			\$ 552,990	\$ 505,646	\$ 47,344
Current levy collection percentage			93.24%	92.66%	100.00%

Compliance Section

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' 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*

To the Honorable Mayor and
The Board of Aldermen
Town of Andrews, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Andrews, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town of Andrews' basic financial statements, and have issued our report thereon dated October 30, 2017. Our report includes a reference to other auditors who audited the financial statements of the Town of Andrews ABC Board, as described in our report on the Town of Andrews' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Andrews ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Andrews' 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 Town of Andrews' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a 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.

Our consideration of internal control was for the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Andrews' financial statements are free of 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*.

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.

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.

Murphy, North Carolina

October 30, 2017

**Town of Andrews, North Carolina
 Schedule of Findings and Responses
 For the Fiscal Year Ended June 30, 2017**

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:		<u>Unmodified</u>
Internal control over financial reporting:		
● Material weakness(es) identified?	___ yes	<u>X</u> no
● Significant deficiency(s) identified that are not considered to be material weaknesses?	___ yes	<u>X</u> none reported
Noncompliance material to financial statements noted	___ yes	<u>X</u> no

Section II. Financial Statement Findings

None reported.

Town of Andrews, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017

Section II. Financial Statement Findings

None reported.

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

None reported.