

Town of Andrews, North Carolina
Financial Statements
June 30, 2018

Turner & Company CPAs P.A.

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Town of Andrews, North Carolina

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Introductory Information

Town of Andrews, North Carolina

Mayor and Board of Aldermen

James Reid, Mayor

Steve Jordan

Richelle Phillips

Mike Sheidy

Scott Stalcup

Administrative and Financial Staff

William Green; Town Administrator, Finance Officer

Anita D. Lackey; Town Clerk, 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, 2018, 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 27 percent, 22 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, 2018, 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.

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 and the other auditors 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, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of 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 31, 2018 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.

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

October 31, 2018

Management's Discussion and Analysis

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

June 30, 2018

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, 2018. 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.

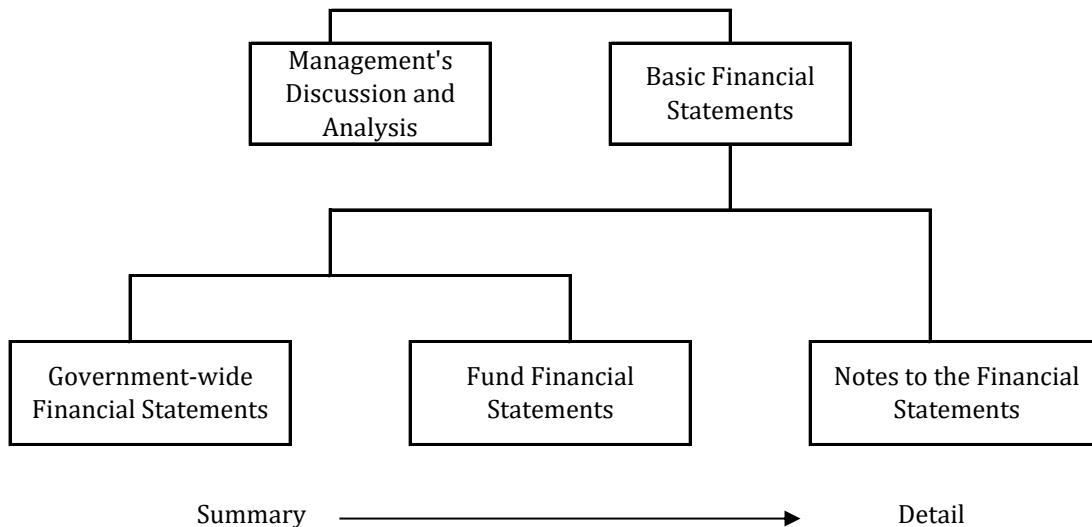
Financial Highlights

- 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 \$8,977,837(net position).
- The government's total net position increased by \$1,173,641 based on increases 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 \$757,241 with a net increase of \$162,656 in fund balance. Approximately 73.13 percent of this total amount, or \$553,796, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$102,741, or 7.50 percent of total general fund expenditures for the fiscal year.
- The Town of Andrews' total debt increased by 929,318 (156.01) during the current fiscal year. The primary factor in the net debt increase resulted from the receipt of a state revolving loan in the amount of \$1,007,783 from the North Carolina Department of Environmental Quality to be used for the Waste Water Treatment Plant upgrade. The Town reduced the balance of the notes payable by debt service payments of \$34,761.

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 Statues. 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 862,555	\$ 743,574	\$ 386,024	\$ 78,128	\$ 1,248,579	\$ 821,702
Capital assets	1,012,976	1,052,409	8,908,835	6,747,034	9,921,811	7,799,443
Deferred outflows of resources	102,258	149,799	95,263	143,921	197,521	293,720
Total assets and deferred outflows of resources	1,977,789	1,945,782	9,390,122	6,969,083	11,367,911	8,914,865
Long-term liabilities outstanding	194,749	265,193	1,519,439	637,615	1,714,188	902,808
Other liabilities	17,072	35,447	621,298	123,276	638,370	158,723
Deferred inflows of resources	28,712	21,035	8,804	14,503	37,516	35,538
Total liabilities and deferred inflows of resources	240,533	321,675	2,149,541	775,394	2,390,074	1,097,069
Net investment in capital assets	977,467	982,139	7,419,361	6,221,639	8,396,828	7,203,778
Restricted	654,500	570,355	-	-	654,500	570,355
Unrestricted	105,289	71,613	(178,780)	(27,950)	(73,491)	43,663
Total net position	\$ 1,737,256	\$ 1,624,107	\$ 7,240,581	\$ 6,193,689	\$ 8,977,837	\$ 7,817,796

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 \$8,977,837 as of June 30, 2018. The Town's net position increased by \$1,173,641 for the fiscal year ended June 30, 2018. The largest portion (93.53%) 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 \$654,500 (7.29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(73,491) 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 93.45%, excluding motor vehicles. The statewide average for Municipalities with populations of 1,000 to 2,499 in the fiscal year 2017 was 97.70%.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 170,346	\$ 143,928	\$ 890,301	\$ 961,987	\$ 1,060,647	\$ 1,105,915
Operating grants and contributions	57,114	59,328	100,432	-	157,546	59,328
Capital grants and contributions	-	50,000	1,537,000	335,788	1,537,000	385,788
General revenues:						
Property taxes	589,470	608,344	-	-	589,470	608,344
Grants and contributions not restricted to specific programs	684,476	650,704	-	-	684,476	650,704
Other	62,015	2,785	6	36,150	62,021	38,935
Total revenues	1,563,421	1,515,089	2,527,739	1,333,925	4,091,160	2,849,014
Expenses:						
General government	418,187	420,548	-	-	418,187	420,548
Public safety	369,008	520,596	-	-	369,008	520,596
Transportation	167,848	190,096	-	-	167,848	190,096
Economic and physical development	102,528	208,467	-	-	102,528	208,467
Environmental protection	119,154	115,304	-	-	119,154	115,304
Cultural recreation	240,036	279,612	-	-	240,036	279,612
Interest on long-term debt	1,511	2,242	-	-	1,511	2,242
Water and sewer	-	-	1,499,247	1,592,956	1,499,247	1,592,956
Total expenses	1,418,272	1,736,865	1,499,247	1,592,956	2,917,519	3,329,821
Increase (decrease) in net position before transfers	145,149	(221,776)	1,028,492	(259,031)	1,173,641	(480,807)
Transfers	(5,000)	-	5,000	-	-	-
Increase (decrease) in net position	140,149	(221,776)	1,033,492	(259,031)	1,173,641	(480,807)
Net position, beginning, restated	1,597,107	1,845,883	6,207,089	6,452,720	7,804,196	8,298,603
Net position, ending	\$ 1,737,256	\$ 1,624,107	\$ 7,240,581	\$ 6,193,689	\$ 8,977,837	\$ 7,817,796

Governmental Activities. Governmental activities increased the Town's net position by \$140,149. Key elements of this decrease are as follows:

- Grants and contributions not restricted to specific programs increased by \$33,772 primarily due to increased local option sales tax and the ABC profit distribution.
- There was a decrease in the amount spent for economic and physical development in the current fiscal year, primarily in the area of professional services. Despite this decrease, this was the area which experienced a budget violation.
- Total governmental expenditures decreased somewhat due primarily to decreases in payroll and related personnel costs.

Business-Type Activities. Business-type activities increased the Town of Andrews' net position by \$1,033,492. Key elements of this increase are as follows:

- Charges for services decreased by \$64,472 from the prior fiscal year.
- There was a decrease of approximately \$118,227 in salaries and wages.
- There was a decrease of approximately \$30,845 related to the maintenance for water treatment and distribution.
- The Town received \$267,100 from the Appalachian Regional Commission Grant for use on the Andrews Wastewater Treatment Plant Improvement Project.
- The Town received \$1,269,900 in Community Development Block Grant money for use on the Payne Street Area Sewer Improvement Project.

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 \$381,525 while total fund balance reached \$757,241. 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 27.78% of general fund expenditures, while total fund balance represents 55.09% of the same amount.

At June 30, 2018, the governmental funds of the Town of Andrews reported a combined fund balance of \$757,241 with a net increase in fund balance of \$162,656.

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 \$19,000. Actual revenues fell short of the budgeted amounts by \$82,587. Although the Town also increased the budget for expenditures by \$19,000, the area of economic and physical development exceeded its budgetary requirements by \$15,978.

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 (\$178,780). The total change in net position for the Water and Sewer Fund was 1,033,492. 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, 2018, totals \$9,921,811 (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:

- \$5,293 for Town Hall HVAC
- \$4,320 for a dock flex system for the police department
- \$6,188 for Community Center HVAC
- \$77,968 for the completed 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:

- \$1,269,900 was added to construction in progress for the Payne Street Area Sewer Improvement Project
- \$1,231 was added to construction in progress for the Automated Meter Reading Project
- \$1,280,475 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	
	2018	2017	2018	2017	2018	2017
Capital assets						
Land	\$ 90,810	\$ 90,810	\$ 132,340	\$ 132,340	\$ 223,150	\$ 223,150
Construction in progress	-	35,000	3,283,993	732,387	3,283,993	767,387
Building improvements	823,879	792,793	-	-	823,879	792,793
Plant & distribution systems	-	-	5,421,244	5,802,057	5,421,244	5,802,057
Furniture & maintenance equipment	-	-	71,258	92,422	71,258	92,422
Machinery & equipment	38,106	51,384	-	-	38,106	51,384
Vehicles & motorized equipment	60,181	82,422	-	1,228	60,181	83,650
Total capital assets	<u>\$ 1,012,976</u>	<u>\$ 1,052,409</u>	<u>\$ 8,908,835</u>	<u>\$ 6,760,434</u>	<u>\$ 9,921,811</u>	<u>\$ 7,812,843</u>

Construction commitments

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

Project	Spent-to-date	Remaining Commitment
Automated Meter Reader Project	\$ 362,278	\$ 17,772
Andrews Wastewater Treatment Plant Improvement Project	1,375,927	116,053
Payne Street Area Sewer Improvement Project	1,545,788	454,212
Total	<u>\$ 3,283,993</u>	<u>\$ 588,037</u>

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, 2018, the Town of Andrews had total debt outstanding of \$1,524,983. The entire debt is backed by the full faith and credit of the Town. Compensated absences and unpaid pension related liabilities 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	
	2018	2017	2018	2017	2018	2017
Notes payable	\$ 35,509	\$ 70,270	\$ -	\$ -	\$ 35,509	\$ 70,270
Revolving loans	-	-	1,489,474	525,395	1,489,474	525,395
Total debt outstanding	35,509	70,270	1,489,474	525,395	1,524,983	595,665
Compensated absences	5,718	24,382	23,903	14,732	29,621	39,114
Net pension liability (LGRS)	122,947	154,240	118,128	148,192	241,075	302,432
Total pension liability (LEO)	33,075	28,301	-	-	33,075	28,301
Total long-term obligations	\$ 197,249	\$ 277,193	\$ 1,631,505	\$ 688,319	\$ 1,828,754	\$ 965,512

- The Town of Andrews' total debt increased by 929,318 (156.01) during the current fiscal year. The primary factor in the net debt increase resulted from the receipt of a state revolving loan in the amount of \$1,007,783 from the North Carolina Department of Environmental Quality to be used for the Waste Water Treatment Plant upgrade. The Town reduced the balance of the notes payable by debt service payments of \$34,761.
- 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 \$9,257,305.
- 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.
- Both the tax rate and the water sewer rates have increased for the next fiscal year to increase revenues in these areas and to address the shortfalls that the Town has experienced in past years.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Management has chosen to budget revenues and expenditures similar to those of the 2017-18 year. The Town has chosen not to appropriate fund balance in the fiscal year 2019 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position.

Business-Type Activities: The Town increased its water and sewer budget as it is anticipated that the increase in the rate structure will generate increased 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, 2018

	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	\$ 131,043	\$ 45,078	\$ 176,121	\$ 62,777	\$ 108,059
Restricted cash and cash equivalents	279,084	46,754	325,838	-	-
Investments	327	-	327	25,175	-
Taxes receivable (net)	67,806	-	67,806	-	-
Accrued interest receivable on taxes	9,206	-	9,206	-	-
Accounts receivable (net)	9,380	86,483	95,863	-	1,098
Due from other governments	119,436	453,982	573,418	-	-
Internal balances	246,273	(246,273)	-	-	-
Inventories	-	-	-	93,574	-
Prepaid items	-	-	-	1,491	2,805
Total current assets	862,555	386,024	1,248,579	183,017	111,962
Non-current assets:					
Intangibles, net of accumulated amortization	-	-	-	5,168	-
Capital assets:					
Land, non-depreciable improvements, and construction in progress	90,810	3,416,333	3,507,143	-	21,192
Other capital assets, net of depreciation	922,166	5,492,502	6,414,668	17,308	412,499
Total capital assets	1,012,976	8,908,835	9,921,811	17,308	433,691
Total non-current assets	1,012,976	8,908,835	9,921,811	22,476	433,691
Total assets	1,875,531	9,294,859	11,170,390	205,493	545,653
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	102,258	95,263	197,521	-	-
Total deferred outflows of resources	102,258	95,263	197,521	-	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	14,572	462,478	477,050	64,126	20,163
Unearned revenue	-	-	-	-	225
Customer deposits	-	-	-	-	12,826
Current portion of long-term liabilities	2,500	112,066	114,566	-	1,000
Payable from restricted assets	-	46,754	46,754	-	-
Total current liabilities	17,072	621,298	638,370	64,126	34,214
Long-term liabilities:					
Due in more than one year	194,749	1,519,439	1,714,188	-	11,432
Total liabilities	211,821	2,140,737	2,352,558	64,126	45,646

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

Town of Andrews, North Carolina

Statement of Net Position

June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Andrews ABC Board	Andrews Housing Authority
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	13,730	-	13,730	-	-
Pension deferrals	14,982	8,804	23,786	-	-
Total deferred inflows of resources	28,712	8,804	37,516	-	-
NET POSITION					
Net investment in capital assets	977,467	7,419,361	8,396,828	17,308	433,691
Restricted for:					
Streets	63,333	-	63,333	-	-
Public safety	115,047	-	115,047	-	-
Cemetery maintenance	100,704	-	100,704	-	-
Stabilization by State Statute	375,416	-	375,416	-	-
Other functions	-	-	-	23,132	-
Unrestricted	105,289	(178,780)	(73,491)	100,927	66,316
Total net position	\$ 1,737,256	\$ 7,240,581	\$ 8,977,837	\$ 141,367	\$ 500,007

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, 2018

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	\$ 418,187	\$ 20,032	\$ -	\$ -	\$ (398,155)	\$ -	\$ (398,155)	\$ -	\$ -
Public safety	369,008	1,296	1,303	-	(366,409)	-	(366,409)	-	-
Transportation	167,848	-	54,602	-	(113,246)	-	(113,246)	-	-
Economic and physical development	102,528	-	-	-	(102,528)	-	(102,528)	-	-
Environmental protection	119,154	135,912	1,209	-	17,967	-	17,967	-	-
Cultural and recreation	240,036	13,106	-	-	(226,930)	-	(226,930)	-	-
Interest on long-term debt	1,511	-	-	-	(1,511)	-	(1,511)	-	-
Total governmental activities	1,418,272	170,346	57,114	-	(1,190,812)	-	(1,190,812)	-	-
Business-type activities:									
Water and sewer	1,499,247	890,301	100,432	1,537,000	-	1,028,486	1,028,486	-	-
Total business-type activities	1,499,247	890,301	100,432	1,537,000	-	1,028,486	1,028,486	-	-
Total primary government	\$ 2,917,519	\$ 1,060,647	\$ 157,546	\$ 1,537,000	(1,190,812)	1,028,486	(162,326)	-	-
Component units:									
ABC Board	\$ 774,935	\$ 776,768	\$ -	\$ -	-	-	-	1,833	-
Housing Authority	362,388	147,013	117,703	-	-	-	-	-	(97,672)
Total component units	\$ 1,137,323	\$ 923,781	\$ 117,703	\$ -	-	-	-	1,833	(97,672)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					589,470	-	589,470	-	-
Grants and contributions not restricted to specific programs					684,476	-	684,476	-	-
Unrestricted investment earnings					99	6	105	27	110
Miscellaneous					61,916	-	61,916	-	-
Total general revenues excluding transfers and special items					1,335,961	6	1,335,967	27	110
Transfers					(5,000)	5,000	-	-	-
Total general revenues, special items, and transfers					1,330,961	5,006	1,335,967	27	110
Change in net position					140,149	1,033,492	1,173,641	1,860	(97,562)
Net position, beginning, previously reported					1,624,107	6,193,689	7,817,796	139,507	597,569
Restatement					(27,000)	13,400	(13,600)	-	-
Net position, beginning restated					1,597,107	6,207,089	7,804,196	139,507	597,569
Net position, ending					\$ 1,737,256	\$ 7,240,581	\$ 8,977,837	\$ 141,367	\$ 500,007

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

Town of Andrews, North Carolina

Balance Sheet

Governmental Funds

June 30, 2018

	Major General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 131,043	\$ 131,043
Restricted cash	279,084	279,084
Investments	327	327
Receivables, net:		
Taxes	67,806	67,806
Accounts	9,380	9,380
Due from other funds	246,273	246,273
Due from other governments	119,436	119,436
Total assets	<u>\$ 853,349</u>	<u>\$ 853,349</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 14,572	\$ 14,572
Total liabilities	<u>14,572</u>	<u>14,572</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	67,806	67,806
Prepaid taxes	13,730	13,730
Total deferred inflows of resources	<u>81,536</u>	<u>81,536</u>
FUND BALANCE		
Restricted		
Stabilization by state statute	375,416	375,416
Streets	63,333	63,333
Public safety	115,047	115,047
Assigned		
Cemetery maintenance	100,704	100,704
Unassigned	102,741	102,741
Total fund balance	<u>757,241</u>	<u>757,241</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 853,349</u>	<u>\$ 853,349</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, 2018

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

Total Fund Balance, Governmental Funds		\$ 757,241
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	3,223,003	
Accumulated depreciation	<u>(2,210,027)</u>	
		1,012,976
Net pension asset		
Deferred outflows of resources related to pensions are not reported in the funds		102,258
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		9,206
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)		(41,227)
Net pension liability		(122,947)
Total pension liability		(33,075)
Deferred inflows of resources related to pensions are not reported in the funds		(14,982)
Earned revenues considered deferred inflows of resources in fund statements		<u>67,806</u>
Net position of governmental activities		<u>\$ 1,737,256</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, 2018

	Major General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 606,297	\$ 606,297
Unrestricted intergovernmental	684,476	684,476
Restricted intergovernmental	57,114	57,114
Permits and fees	1,100	1,100
Sales and services	169,246	169,246
Investment earnings	99	99
Miscellaneous	18,950	18,950
Total revenues	<u>1,537,282</u>	<u>1,537,282</u>
EXPENDITURES		
Current:		
General government	407,005	407,005
Economic and physical development	102,528	102,528
Public safety	341,317	341,317
Transportation	147,695	147,695
Environmental protection	117,903	117,903
Cultural and recreation	216,906	216,906
Debt service:		
Principal	34,761	34,761
Interest and other charges	1,511	1,511
Total expenditures	<u>1,369,626</u>	<u>1,369,626</u>
Excess (deficiency) of revenues over expenditures	<u>167,656</u>	<u>167,656</u>
OTHER FINANCING SOURCES (USES)		
Transfers (to) other funds		
Water and Sewer fund	<u>(5,000)</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>
Net change in fund balance	162,656	162,656
Fund balances, beginning as previously reported	621,585	621,585
Prior period adjustment	<u>(27,000)</u>	<u>(27,000)</u>
Fund balances, beginning as restated	<u>594,585</u>	<u>594,585</u>
Fund balance, ending	<u>\$ 757,241</u>	<u>\$ 757,241</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, 2018

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

Net change in fund balance - total governmental funds		\$ 162,656
<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	15,801	
Depreciation expense for governmental assets	<u>(98,202)</u>	(82,401)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		29,101
<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	(16,827)	
Fair value of assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	<u>42,968</u>	26,141
<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>34,761</u>	34,761
<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	18,664	
Pension expense	<u>(48,773)</u>	<u>(30,109)</u>
Total changes in net position of governmental activities		<u>\$ 140,149</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, 2018

	General Fund			Variance Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 647,000	\$ 647,000	\$ 606,297	\$ (40,703)
Unrestricted intergovernmental	660,000	660,000	684,476	24,476
Restricted intergovernmental	54,000	54,000	57,114	3,114
Permits and fees	4,000	4,000	1,100	(2,900)
Sales and services	170,650	189,650	169,246	(20,404)
Investment earnings	500	500	99	(401)
Miscellaneous	64,719	64,719	18,950	(45,769)
Total revenues	<u>1,600,869</u>	<u>1,619,869</u>	<u>1,537,282</u>	<u>(82,587)</u>
EXPENDITURES				
Current:				
General government	466,891	510,279	407,005	103,274
Economic and physical development	99,050	86,550	102,528	(15,978)
Public safety	504,509	495,009	377,589	117,420
Transportation	160,479	161,891	147,695	14,196
Environmental protection	109,310	119,010	117,903	1,107
Cultural and recreation	255,630	242,130	216,906	25,224
Total expenditures	<u>1,595,869</u>	<u>1,614,869</u>	<u>1,369,626</u>	<u>245,243</u>
Revenues over (under) expenditures	5,000	5,000	167,656	162,656
OTHER FINANCING SOURCES (USES)				
Transfers to other funds				
Water and Sewer fund	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Revenues over (under) expenditures and other uses	-	-	162,656	162,656
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	162,656	<u>\$ 162,656</u>
Fund balance, beginning			<u>621,585</u>	
Fund balances, beginning as previously reported			(27,000)	
Prior period adjustment			<u>594,585</u>	
Fund balances, beginning as restated			<u>\$ 757,241</u>	
Fund balance, ending				

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, 2018

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 45,078	\$ 45,078
Accounts receivable (net) - billed	86,483	86,483
Due from other governments	453,982	453,982
Restricted cash and cash equivalents	46,754	46,754
Total current assets	632,297	632,297
Noncurrent assets:		
Capital assets:		
Land and construction in progress	3,416,333	3,416,333
Other capital assets, net of depreciation	5,492,502	5,492,502
Capital assets	8,908,835	8,908,835
Total noncurrent assets	8,908,835	8,908,835
Total assets	\$ 9,541,132	\$ 9,541,132
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	95,263	95,263
Total deferred outflows of resources	95,263	95,263
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 462,478	\$ 462,478
Due to other funds	246,273	246,273
Compensated absences - current	11,500	11,500
Note payable - current	100,566	100,566
Liabilities payable from restricted assets:		
Customer deposits	46,754	46,754
Total current liabilities	867,571	867,571
Noncurrent liabilities:		
Compensated absences	12,403	12,403
Net pension liability	118,128	118,128
Note payable - noncurrent	1,388,908	1,388,908
Total noncurrent liabilities	1,519,439	1,519,439
Total liabilities	2,387,010	2,387,010
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	8,804	8,804
	8,804	8,804
NET POSITION		
Net investment in capital assets	7,419,361	7,419,361
Unrestricted	(178,780)	(178,780)
Total net position	\$ 7,240,581	\$ 7,240,581

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, 2018

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 886,976	\$ 886,976
Water and sewer taps	3,325	3,325
Other operating revenues	36,414	36,414
Total operating revenues	<u>926,715</u>	<u>926,715</u>
OPERATING EXPENSES		
Administration	226,744	226,744
Water treatment and distribution	642,917	642,917
Waste collection and treatment	223,261	223,261
Depreciation	403,205	403,205
Total operating expenses	<u>1,496,127</u>	<u>1,496,127</u>
Operating income (loss)	<u>(569,412)</u>	<u>(569,412)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	6	6
Interest and other charges	(3,120)	(3,120)
Non-capital grants	64,018	64,018
Total nonoperating revenue (expenses)	<u>60,904</u>	<u>60,904</u>
Income (loss) before contributions and transfers	(508,508)	(508,508)
Capital contributions	1,537,000	1,537,000
Transfers from other funds	5,593	5,593
Transfers to other funds	<u>(593)</u>	<u>(593)</u>
Change in net position	1,033,492	1,033,492
Total net position, beginning		
Total net position, previously reported	6,193,689	6,193,689
Restatement	<u>13,400</u>	<u>13,400</u>
Total net position, beginning as restated	<u>6,207,089</u>	<u>6,207,089</u>
Total net position, ending	<u>\$ 7,240,581</u>	<u>\$ 7,240,581</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, 2018

	Major Enterprise Fund	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 879,964	\$ 879,964
Cash paid for goods and services	4,844	4,844
Cash paid to or on behalf of employees for services	(634,643)	(634,643)
Customer deposits received	(4,397)	(4,397)
Other operating revenues	36,414	36,414
Net cash provided (used) by operating activities	<u>282,182</u>	<u>282,182</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-capital grants	64,018	64,018
Due to other funds	61,087	61,087
Transfers from other funds	5,593	5,593
Transfers to other funds	(593)	(593)
Net cash provided (used) by noncapital financing activities	<u>130,105</u>	<u>130,105</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,551,606)	(2,551,606)
Proceeds from capital debt	1,007,783	1,007,783
Principal paid on bond maturities and equipment contracts	(43,704)	(43,704)
Due to (from) other governments	(394,082)	(394,082)
Interest paid on bond maturities and equipment contracts	(3,120)	(3,120)
Capital contributions	1,537,000	1,537,000
Net cash provided (used) by capital and related financing activities	<u>(447,729)</u>	<u>(447,729)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>6</u>	<u>6</u>
Net increase (decrease) in cash and cash equivalents	(35,436)	(35,436)
Cash and cash equivalents at beginning of year	<u>127,268</u>	<u>127,268</u>
Cash and cash equivalents at end of year	<u>\$ 91,832</u>	<u>\$ 91,832</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, 2018

	<u>Water and Sewer Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (569,412)	\$ (569,412)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	403,205	403,205
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(10,337)	(10,337)
(Increase) decrease in deferred outflows of resources - pensions	48,658	48,658
Increase (decrease) in net pension liability	(30,064)	(30,064)
Increase (decrease) in deferred inflows of resources for pensions	(5,699)	(5,699)
Increase (decrease) in accounts payable and accrued liabilities	441,057	441,057
Increase (decrease) in customer deposits	(4,397)	(4,397)
Increase (decrease) in accrued vacation pay	9,171	9,171
Total adjustments	<u>851,594</u>	<u>851,594</u>
Net cash provided by operating activities	<u>\$ 282,182</u>	<u>\$ 282,182</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, 2018

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Town of Andrews, North Carolina
Notes to the Financial Statements
June 30, 2018

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Town of Andrews, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 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. The Water and Sewer Grant Project Fund and the Water and Sewer Capital Project Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for these funds have been included in the supplemental information.

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 Grant Project Fund and 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 investment 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	\$ 63,333
Public Safety - Police drug forfeiture	8,047
Public Safety - Firemen's local relief funds	105,806
Public Safety - Fire department	1,194
Cultural and recreation - Valletown Cemetery	100,704
Total Governmental Activities	<u>\$ 279,084</u>

Business-type Activities

Water and Sewer Fund

Customer deposits	\$ 46,754
Total Business-type Activities	<u>\$ 46,754</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, 2017. 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. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life 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 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The 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

- a. The Town is not in accordance with G.S. 159-26(a) which states that each local government or public authority shall establish and maintain an accounting system designed to show in detail its assets, liabilities, equities, revenues, and expenditures. A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been made had the audit not occurred. The existence of such material adjustments indicated that the Town's system of controls did not detect and prevent such errors. We have provided management with a list of these adjustments. The finance officer will see that the entries are posted, and accounting personnel will continue to receive training in governmental accounting.

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, 2018, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for economic development (planning) activities by \$15,978. 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, 2018, the Town's deposits had a carrying amount of \$501,585 and a bank balance of \$527,359. 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, 2018, the Town's petty cash fund totaled \$374.

At September 30, 2017, the Andrews Housing Authority's deposits had a carrying amount of \$107,959 and a bank balance of \$109,630. All of the bank balance was fully covered by federal depository insurance. The Authority had \$100 cash on hand at September 30, 2017.

At June 30, 2018, the ABC Board's deposits had a carrying amount of \$86,884 and a bank balance of \$93,260. All of the bank balance was fully covered by federal depository insurance. The ABC Board had \$1,068 cash on hand at June 30, 2018.

2. Investments

At June 30, 2018, the Town's investment balance was as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2018	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 327	N/A	AAAm
Total		\$ 327		

The Town has no formal investment policy regarding interest rate and credit risk.

The Andrews ABC Board invests in accordance with North Carolina Statutes. As of June 30, 2018, 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, 2018 was \$25,175. 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, 2018 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 20,600
Sanitation receivable	3,256
Total General Fund	<u>\$ 23,856</u>
Enterprise Fund:	
Water and Sewer Fund - accounts receivable	\$ 26,246
Total Enterprise Fund	<u>\$ 26,246</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018 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	42,968	77,968	-
Total capital assets not being depreciated	<u>125,810</u>	<u>42,968</u>	<u>77,968</u>	<u>90,810</u>
Capital assets being depreciated:				
Buildings and improvements	1,710,872	89,449	-	1,800,321
Machinery and equipment	751,764	4,320	-	756,084
Vehicles and motorized equipment	575,788	-	-	575,788
Total capital assets being depreciated	<u>3,038,424</u>	<u>93,769</u>	<u>-</u>	<u>3,132,193</u>
Less accumulated depreciation for:				
Buildings and improvements	918,079	58,363	-	976,442
Machinery and equipment	700,380	17,598	-	717,978
Vehicles and motorized equipment	493,366	22,241	-	515,607
Total accumulated depreciation	<u>2,111,825</u>	<u>98,202</u>	<u>-</u>	<u>2,210,027</u>
Total capital assets being depreciated, net	<u>926,599</u>			<u>922,166</u>
Governmental activity capital assets, net	<u>\$ 1,052,409</u>			<u>\$ 1,012,976</u>

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

General government	\$ 16,107
Public safety	35,893
Transportation	17,410
Cultural and recreational	28,792
Total depreciation expense	<u>\$ 98,202</u>

<i>Water and Sewer Fund</i>	Beginning Balances as Restated	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 132,340	\$ -	\$ -	\$ 132,340
Construction in progress	732,387	2,551,606	-	3,283,993
Total capital assets not being depreciated	<u>864,727</u>	<u>2,551,606</u>	<u>-</u>	<u>3,416,333</u>
Capital assets being depreciated:				
Plants and distribution systems	17,837,975	-	-	17,837,975
Furniture maintenance equipment	421,510	-	-	421,510
Vehicles and motorized equipment	50,578	-	-	50,578
Total capital assets being depreciated	<u>18,310,063</u>	<u>-</u>	<u>-</u>	<u>18,310,063</u>
Less accumulated depreciation for:				
Plants and distribution systems	12,035,918	380,813	-	12,416,731
Furniture maintenance equipment	329,088	21,164	-	350,252
Vehicles and motorized equipment	49,350	1,228	-	50,578
Total accumulated depreciation	<u>12,414,356</u>	<u>403,205</u>	<u>-</u>	<u>12,817,561</u>
Total capital assets being depreciated, net	<u>5,895,707</u>			<u>5,492,502</u>
Water and Sewer fund capital assets, net	<u>6,760,434</u>			<u>8,908,835</u>
Business-type activities capital assets, net	<u>\$ 6,760,434</u>			<u>\$ 8,908,835</u>

Construction commitments

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

Project	Spent-to-date	Remaining Commitment
Automated Meter Reader Project	\$ 362,278	\$ 17,772
Andrews Wastewater Treatment Plant Improvement Project	1,375,927	116,053
Payne Street Area Sewer Improvement Project	1,545,788	454,212
Total	<u>\$ 3,283,993</u>	<u>\$ 588,037</u>

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2018, 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	55,823	4,345	-	60,168
Total accumulated depreciation	<u>55,823</u>	<u>4,345</u>	<u>-</u>	<u>60,168</u>
ABC capital assets, net	<u>\$ 21,653</u>			<u>\$ 17,308</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, 2017, 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	21,192	-	-	21,192
Capital assets being depreciated:				
Building and improvements	3,214,703	6,380	-	3,221,083
Furniture and equipment	77,021	2,691	-	79,712
Total capital assets being depreciated	3,291,724	9,071	-	3,300,795
Less accumulated depreciation for:				
Building and improvements	2,754,559	67,717	-	2,822,276
Furniture and equipment	65,191	3,829	-	69,020
Total accumulated depreciation	2,819,750	71,546	-	2,891,296
Total capital assets being depreciated, net	471,974			409,499
Housing Authority capital assets, net	\$ 493,166			\$ 430,691

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2018, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 12,538	\$ 2,034	\$ 14,572
Total governmental activities	\$ 12,538	\$ 2,034	\$ 14,572
Business-type activities:			
Water and sewer	\$ 28,363	\$ 434,115	\$ 462,478
Total business-type activities	\$ 28,363	\$ 434,115	\$ 462,478

2. Pension Plan and Postemployment Obligations

a. 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' contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Andrews were \$57,601 for the year ended June 30, 2018.

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, 2018, the Town reported a liability of \$241,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The 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, 2017, the Town's proportion was 0.016%, which was an increase of 0.002% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$83,374. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,888	\$ 6,824
Changes of assumptions	34,429	-
Net differences between projected and actual earnings on pension plan investments	58,533	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	30,504	11,142
Town contributions subsequent to the measurement date	57,061	-
Total	<u>\$ 194,415</u>	<u>\$ 17,966</u>

\$57,601 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 14,635
2020	76,239
2021	43,877
2022	(15,363)
2023	-
Thereafter	-

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of 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, 2017 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 723,712	\$ 241,075	\$ (161,775)

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, 2016, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	5
Total	5

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.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2014 Mortality tables base rates projected to the valuation date using MP-2016, 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, 2018, the Town reported a total pension liability of \$33,075. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$6,250.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,772
Changes of assumptions	3,106	1,048
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	<u>\$ 3,106</u>	<u>\$ 5,820</u>

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

Year ended June 30:

2019	\$	(459)
2020		(459)
2021		(459)
2022		(459)
2023		(459)
Thereafter		(419)

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

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 38,584	\$ 33,075	\$ 28,293

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

Total pension liability as of December 31, 2016	\$ 28,301
Changes for the year:	
Service cost	5,617
Interest on the total pension liability	1,092
Differences between expected and actual experience in the measurement of the total pension liability	(5,544)
Changes of assumptions or other inputs	3,609
Net changes	4,774
Total pension liability as of December 31, 2017	\$ 33,075

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, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERs	LEOSSA	Total
Pension Expense	\$ 83,374	\$ 6,250	\$ 89,624
Pension Liability	241,075	33,075	274,150
Proportionate share of the net pension liability	0.01578%	n/a	

	LGERS	LEOSSA	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	13,888	-	13,888
Changes of assumptions	34,429	3,106	37,535
Net difference between projected and actual earnings on pension plan investments	58,533	-	58,533
Changes in proportion and differences between contributions and proportionate share of contributions	30,504	-	30,504
Benefit payments and administrative costs paid subsequent to the measurement date	57,061	-	57,061
Deferred Inflows of Resources			
Differences between expected and actual experience	6,824	4,772	11,596
Changes of assumptions	-	1,048	1,048
Changes in proportion and differences between contributions and proportionate share of contributions	11,142	-	11,142

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 \$7,433 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, 2018, 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	\$ 57,061
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	13,888
Changes of assumptions	37,535
Net difference between projected and actual	58,533
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,504
	<u>\$ 197,521</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)	\$ -	\$ 67,806
Prepaid taxes (General Fund)	13,730	13,730
Changes in assumptions	1,048	-
Differences between expected and actual experience	11,596	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,142	-
Total	\$ 37,516	\$ 81,536

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 \$15,267,426. 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. The Bookkeeper is individually bonded for \$50,000. The Town Administrator, Financial Officer is 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 \$10 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. Claims, Judgments and Contingent Liabilities

At June 30, 2018, 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, 2018, including \$763 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 35,509	\$ 763
Total	\$ 35,509	\$ 763

The Town's revolving loans payable at June 30, 2018 are comprised of the following:

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. \$ 107,055

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. 206,104

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 sewer project. The loan requires twenty annual installments of \$11,236, plus interest at 0.00%. The loan matures May 1, 2033. 168,533

On January 27, 2018, the Town entered into a state revolving loan with the Water Pollution Control Revolving Fund for \$1,137,235 to finance a sewer project. The loan requires twenty annual installments of \$56,862, plus interest at 0.00%. The loan matures May 1, 2038. 1,007,782

\$ 1,489,474

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2019	\$ 100,566	\$ 2,730
2020	100,566	2,340
2021	100,566	1,950
2022	100,566	1,560
2023	100,566	1,170
2024 - 2028	456,950	1,170
2029 - 2033	374,837	-
2034 - 2038	154,857	-
Total	<u>\$ 1,489,474</u>	<u>\$ 10,920</u>

b. Long-Term Obligation Activity:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Notes payable	\$ 70,270	\$ -	\$ 34,761	\$ 35,509	\$ -
Compensated absences	24,382	17,744	36,408	5,718	2,500
Net pension liability (LGERs)	154,240	-	31,293	122,947	-
Total pension liability (LEO)	28,301	4,774	-	33,075	-
Total governmental activities	<u>\$ 277,193</u>	<u>\$ 22,518</u>	<u>\$ 102,462</u>	<u>\$ 197,249</u>	<u>\$ 2,500</u>
Business-type activities:					
<i>Water and Sewer Fund</i>					
Revolving loans	\$ 525,395	\$ 1,007,783	\$ 43,704	\$ 1,489,474	\$ 100,566
Compensated absences	14,732	23,859	14,688	23,903	11,500
Net pension liability (LGERs)	148,192	-	30,064	118,128	118,128
Total Water and Sewer Fund	<u>688,319</u>	<u>1,031,642</u>	<u>88,456</u>	<u>1,631,505</u>	<u>230,194</u>
Total business-type activities	<u>\$ 688,319</u>	<u>\$ 1,031,642</u>	<u>\$ 88,456</u>	<u>\$ 1,631,505</u>	<u>\$ 230,194</u>

No interest was capitalized during 2018; interest incurred and charged to expense totaled \$3,120.

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, 2018, consist of the following:

Due to the General Fund from:

Water and Sewer Fund	\$ 246,273
Total	<u>\$ 246,273</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.

Transfers to / from other funds at June 30, 2018 consisted of the following:

From the General Fund to the Water and Sewer Fund	\$ 5,000
Total	<u>\$ 5,000</u>

D. Prior Period Adjustment

During the fiscal year ended June 30, 2018, the Town determined that certain transactions were recorded incorrectly in the prior year.

General Fund Balance: It was determined that the fund balance was overstated by \$27,000 because the Town's portion of matching the Town's contribution to the Waste Water Treatment Plant project for grant administrator fees in the amount of \$27,000 was not reported.

General Fund balance, beginning as previously reported	\$ 621,585
Adjustment for the understated expenditures	<u>(27,000)</u>
	<u>(27,000)</u>
General Fund balance, beginning as restated	<u>\$ 594,585</u>

Governmental Activities: Due to the understatement of expenses related to the Town's contribution to the Waste Water Treatment Plant project for grant administrator fees, net position for the governmental activities decreased \$27,000.

Net position, beginning, previously reported	\$ 1,624,107
Prior period adjustment in General Fund	<u>(27,000)</u>
	<u>(27,000)</u>
Net position, beginning restated	<u>\$ 1,597,107</u>

Business-type Activities: It was determined that the design fees for the Waste Water Treatment Plant project were overstated by \$13,400, resulting in an increase in net position.

Net position, previously reported	\$ 6,193,689
Adjustment for the overstated expenses	<u>13,400</u>
	<u>13,400</u>
Net position, beginning as restated	<u>\$ 6,207,089</u>

E. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 1,012,976	\$ 8,908,835
Less: long-term debt	<u>35,509</u>	<u>1,489,474</u>
Net investment in capital assets	<u>\$ 977,467</u>	<u>\$ 7,419,361</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	\$ 757,241
Less:	
Stabilization by State Statute	375,416
Streets - Powell Bill	63,333
Public Safety - Firemen's Relief	115,047
Cemetery maintenance	100,704
Working Capital/Fund Balance Policy	161,487
Remaining Fund Balance	<u>(58,746)</u>

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, 2018. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$133,280 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, 2018, 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, 2018. 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 31, 2018, the date the financial statements were available to be issued.

VII. New Accounting Pronouncements

Pronouncements effective for the 2018 Financial 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 pronouncement did not impact the Town.

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. This pronouncement did not impact the Town.

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. This pronouncement did not impact the Town.

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). This pronouncement did not impact the Town.

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. This pronouncement did not impact the Town.

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.

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 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 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.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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 Five Fiscal Years*
Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Andrews' proportion of the net pension liability (asset) (%)	0.01578%	0.01425%	0.00990%	0.01310%	0.01430%
Town of Andrews' proportion of the net pension liability (asset) (\$)	\$ 241,075	\$ 302,433	\$ 44,429	\$ (77,257)	\$ 172,370
Town of Andrews' covered-employee payroll	\$ 982,075	\$ 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	24.55%	32.38%	6.45%	(11.64%)	24.45%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	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 Five Fiscal Years
Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 57,061	\$ 72,996	\$ 63,531	\$ 49,519	\$ 47,195
Contributions in relation to the contractually required contribution	\$ 57,061	\$ 72,996	\$ 63,531	\$ 49,519	\$ 47,195
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Andrews' covered-employee payroll	\$ 746,338	\$ 982,075	\$ 933,946	\$ 689,000	\$ 663,804
Contributions as a percentage of covered-employee payroll	7.65%	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, 2018

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 28,301	\$ 21,958
Service cost	5,617	6,987
Interest on the total pension liability	1,092	784
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(5,544)	-
Changes of assumptions or other inputs	3,609	(1,428)
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 33,075</u>	<u>\$ 28,301</u>

The amounts presented for each fiscal year were determined as of the prior 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, 2018

	2018	2017
Total pension liability	\$ 33,075	\$ 28,301
Covered payroll	223,214	225,448
Total pension liability as a percentage of covered payroll	14.82%	12.55%

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes - current year		\$ 593,757	
Interest		12,540	
Total	<u>\$ 647,000</u>	<u>606,297</u>	<u>\$ (40,703)</u>
Unrestricted intergovernmental:			
Local option sales taxes		549,757	
Payments in lieu of taxes-outside sources		13,114	
Utility franchise tax		108,726	
Beer and wine tax		7,879	
ABC profit distribution		5,000	
Total	<u>660,000</u>	<u>684,476</u>	<u>24,476</u>
Restricted intergovernmental:			
Powell Bill allocation		54,602	
Controlled substance tax		545	
Solid waste disposal tax		1,209	
Other grants		758	
Total	<u>54,000</u>	<u>57,114</u>	<u>3,114</u>
Permits and fees:			
Zoning permits		1,100	
Total	<u>4,000</u>	<u>1,100</u>	<u>(2,900)</u>
Sales and services:			
Rents, concessions, and fees		20,032	
Cemetery fees		6,750	
Sanitation fees		128,062	
Recreation fees		14,402	
Total	<u>189,650</u>	<u>169,246</u>	<u>(20,404)</u>
Investment earnings	<u>500</u>	<u>99</u>	<u>(401)</u>
Miscellaneous:			
Miscellaneous		18,950	
Total	<u>64,719</u>	<u>18,950</u>	<u>(45,769)</u>
Total revenues	<u>1,619,869</u>	<u>1,537,282</u>	<u>(82,587)</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General government:			
Salaries and employee benefits		21,747	
Other operating expenditures		78,194	
Professional services		64,524	
Total	<u>163,583</u>	<u>164,465</u>	<u>(882)</u>
Administration:			
Salaries and employee benefits		106,234	
Other operating expenditures		131,013	
Capital outlay		5,293	
Total	<u>346,696</u>	<u>242,540</u>	<u>104,156</u>
Total general government	<u>510,279</u>	<u>407,005</u>	<u>103,274</u>
Economic development (planning):			
Other operating expenditures		15,283	
Professional services		87,245	
Total economic development	<u>86,550</u>	<u>102,528</u>	<u>(15,978)</u>
Public safety:			
Police:			
Salaries and employee benefits		268,948	
Vehicle maintenance		21,827	
Other operating expenditures		15,083	
Capital outlay		4,320	
Debt service:			
Principal retirement		34,761	
Interest and other charges		1,511	
Total	<u>461,909</u>	<u>346,450</u>	<u>115,459</u>
Fire:			
Salaries and employee benefits		3,062	
Vehicle maintenance		4,436	
Other operating expenditures		23,641	
Total	<u>33,100</u>	<u>31,139</u>	<u>1,961</u>
Total public safety	<u>495,009</u>	<u>377,589</u>	<u>117,420</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		82,208	
Sidewalk maintenance		15,298	
Vehicle maintenance		5,702	
Street lights		39,305	
Other operating expenditures		5,182	
Total transportation	<u>161,891</u>	<u>147,695</u>	<u>14,196</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		82,361	
Vehicle maintenance		4,365	
Other operating expenditures		6,268	
Tipping fees		24,909	
Total	<u>119,010</u>	<u>117,903</u>	<u>1,107</u>
Total environmental protection	<u>119,010</u>	<u>117,903</u>	<u>1,107</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		29,587	
Maintenance		9,956	
Other operating expenditures		29,257	
Capital outlay		6,188	
Total	<u>95,250</u>	<u>74,988</u>	<u>20,262</u>
Libraries:			
Contribution to regional library		141,918	
Total	<u>146,880</u>	<u>141,918</u>	<u>4,962</u>
Total culture and recreation	<u>242,130</u>	<u>216,906</u>	<u>25,224</u>
Total expenditures	<u>1,614,869</u>	<u>1,369,626</u>	<u>245,243</u>
Revenues over (under) expenditures	5,000	167,656	162,656
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Water and Sewer fund	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	162,656	<u>\$ 162,656</u>
Fund balance, beginning as previously reported		621,585	
Fund balances, beginning			
Prior period adjustment		<u>(27,000)</u>	
Fund balances, beginning as restated		<u>594,585</u>	
Fund balance, ending		<u>\$ 757,241</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, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues:			
Water and sewer charges		\$ 886,976	
Water and sewer taps		3,325	
Other operating revenues		36,414	
Total operating revenues	<u>\$ 1,169,200</u>	<u>926,715</u>	<u>\$ (242,485)</u>
Nonoperating revenues:			
Interest earnings		6	-
Total nonoperating revenues	<u>800</u>	<u>6</u>	<u>(794)</u>
Total revenues	<u>1,170,000</u>	<u>926,721</u>	<u>(243,279)</u>
EXPENDITURES			
Water and sewer administration			
Salaries and employee benefits		134,107	
Utilities		58,614	
Insurance		22,396	
Other operating expenditures		11,627	
Total water and sewer administration	<u>250,680</u>	<u>226,744</u>	<u>23,936</u>
Water treatment and distribution			
Debt service:			
Interest and other charges		3,120	
Principal retirement		43,705	
Total debt service		<u>46,825</u>	
Salaries and employee benefits		390,972	
Contracted services		23,929	
Maintenance		107,033	
Other operating expenditures		34,899	
Total water treatment and distribution	<u>677,158</u>	<u>603,658</u>	<u>73,500</u>
Waste collection and treatment			
Waste water treatment:			
Salaries and employee benefits		109,564	
Maintenance		42,213	
Supplies		67,330	
Other operating expenditures		4,154	
Total waste collection and treatment	<u>257,861</u>	<u>223,261</u>	<u>34,600</u>
Total expenditures	<u>1,185,699</u>	<u>1,053,663</u>	<u>132,036</u>
Revenues over expenditures	(15,699)	(126,942)	(111,243)

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long term debt			
Transfer from other funds			
Transfer to other funds:			
Water and Sewer Capital Projects Fund - Andrews Wastewater Treatment Plant Improvement Project	(2,801)	(593)	2,208
Water and Sewer Grant Project Fund - Asset Inventory and Assessment Grant	(7,500)	-	7,500
Transfer from other funds:			
General Fund	26,000	-	(26,000)
Total other financing sources (uses)	<u>15,699</u>	<u>(593)</u>	<u>(16,292)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (127,535)</u>	<u>\$ (127,535)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ (127,535)	
Reconciling items:			
Principal retirement		43,705	
Decrease in accrued vacation pay		(9,171)	
Increase in deferred outflows of resources - pensions		(48,658)	
Increase in net pension liability		30,064	
Decrease in deferred inflows of resources - pensions		5,699	
Grant project expenditures (not capital outlay)		(64,018)	
Pension expense			
Depreciation		(403,205)	
Non-capital grants		64,018	
Capital contributions		1,537,000	
Transfer from other funds:			
General Fund		5,000	
Water and Sewer Capital Projects Fund - Andrews Wastewater Treatment Plant Improvement Project		593	
Total reconciling items		<u>1,161,027</u>	
Change in net position		<u>\$ 1,033,492</u>	

Water and Sewer Grant Projects Fund

Asset Inventory and Assessment Grant - This fund is used to account for the \$150,000 grant from the North Carolina Department of Environmental Quality. This grant program provides for developing asset inventories, condition assessment of critical assets, and other components of comprehensive asset management.

Town of Andrews, North Carolina

Water and Sewer Grant Project Fund - Asset Inventory and Assessment Grant

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

From Inception and For the Fiscal Year Ended June 30, 2018

			Actual		Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year			
REVENUES						
Restricted intergovernmental:						
NC Department of Environmental Quality	\$ 150,000	\$ -	\$ 64,018	\$ 64,018	\$ (85,982)	
Total revenues	150,000	-	64,018	64,018	(85,982)	
EXPENDITURES						
Asset inventory and assessment	150,000	-	64,018	64,018	85,982	
Total expenditures	150,000	-	64,018	64,018	85,982	
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	-

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 Environmental Quality 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, 2018

	Actual		Total to Date	Variance Positive (Negative)	
	Project Authorization	Prior Years			Current Year
REVENUES					
Restricted intergovernmental:					
Appalachian Regional Commission Grant	\$ 300,000	\$ 32,900	\$ 267,100	\$ 300,000	\$ -
Total revenues	<u>300,000</u>	<u>32,900</u>	<u>267,100</u>	<u>300,000</u>	<u>-</u>
EXPENDITURES					
Construction, equipment & materials	1,035,000	-	1,008,308	1,008,308	26,692
Engineering	228,000	46,300	163,189	209,489	18,511
Contingency	51,750	-	-	-	51,750
Legal, testing, etc.	19,100	-	-	-	19,100
Loan administration	135,385	27,000	108,385	135,385	-
Closing cost	22,745	22,152	593	22,745	-
Total expenditures	<u>1,491,980</u>	<u>95,452</u>	<u>1,280,475</u>	<u>1,375,927</u>	<u>116,053</u>
Revenues over (under) expenditures	<u>(1,191,980)</u>	<u>(62,552)</u>	<u>(1,013,375)</u>	<u>(1,075,927)</u>	<u>116,053</u>
Other financing sources (uses):					
Proceeds from long term debt	1,137,235	-	1,007,782	1,007,782	(129,453)
Transfers from other funds:					
Water and Sewer	22,745	35,552	593	36,145	13,400
General Fund	32,000	27,000	5,000	32,000	-
Total other financing sources (uses)	<u>1,191,980</u>	<u>62,552</u>	<u>1,013,375</u>	<u>1,075,927</u>	<u>(116,053)</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, 2018

	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	\$ 1,269,900	\$ 1,545,788	\$ (454,212)
Total revenues	2,000,000	275,888	1,269,900	1,545,788	(454,212)
EXPENDITURES					
Administration	200,000	117,000	67,188	184,188	15,812
Public sewer improvements	1,800,000	158,888	1,202,712	1,361,600	438,400
Total expenditures	2,000,000	275,888	1,269,900	1,545,788	454,212
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, 2018

<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	Uncollected Balance <u>June 30, 2018</u>
2017-2018	\$ -	\$ 595,939	\$ 559,617	\$ 36,322
2016-2017	40,078	-	26,594	13,484
2015-2016	14,116	-	4,695	9,421
2014-2015	11,666	-	3,987	7,679
2013-2014	7,976	-	2,104	5,872
2012-2013	8,439	-	3,451	4,988
2011-2012	4,959	-	1,874	3,085
2010-2011	3,812	-	1,442	2,370
2009-2010	3,055	-	536	2,519
2008-2009	3,764	-	1,098	2,666
2007-2008	3,791	-	3,791	-
	<u>\$ 101,656</u>	<u>\$ 595,939</u>	<u>\$ 609,189</u>	<u>88,406</u>
	Less: allowance for uncollectible accounts			
	General Fund			<u>(20,600)</u>
	Ad valorem taxes receivable - net			<u>\$ 67,806</u>
	<u>Reconcilement with revenues:</u>			
	Ad valorem taxes - General Fund			\$ 606,297
	Reconciling items:			
	Taxes written off and prior year taxes released			(1,366)
	Less: interest collected			(12,540)
	Other adjustments			16,798
	Subtotal			<u>2,892</u>
	Total collections and credits			<u>\$ 609,189</u>

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 116,160,194	0.515	\$ 598,225	\$ 545,552	\$ 52,673
Registered motor vehicles taxed at prior year's rate	-	0.515	-	-	-
Penalties	-		-	-	-
Total	<u>116,160,194</u>		<u>598,225</u>	<u>545,552</u>	<u>52,673</u>
Discoveries:					
Current year taxes	1,165	0.515	6	6	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements	<u>(445,049)</u>	0.515	<u>(2,292)</u>	<u>(2,292)</u>	-
Total property valuation	<u><u>\$ 115,716,310</u></u>				
Net levy			595,939	543,266	52,673
Unpaid (by taxpayer) taxes at June 30, 2018			<u>36,322</u>	<u>35,596</u>	<u>726</u>
Current year's taxes collected			<u>\$ 559,617</u>	<u>\$ 507,670</u>	<u>\$ 51,947</u>
Current levy collection percentage			<u>93.91%</u>	<u>93.45%</u>	<u>98.62%</u>

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
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, 2018, 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 31, 2018. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. [2018-001]

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*.

Town of Andrews' Response to Findings

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

Purpose of this Report

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina

October 31, 2018

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Andrews, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Andrews' major federal programs for the year ended June 30, 2018. The Town of Andrews' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Andrews' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Andrews' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Andrews complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Town of Andrews is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Andrews' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina

October 31, 2018

Town of Andrews, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

II. Financial Statement Findings

Finding: 2018-001
SIGNIFICANT DEFICIENCY

Criteria: NC State Statute 159-26 requires local governments to establish and maintain an accounting system to show detail in assets, liabilities, equities, revenues and expenditures.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been made had the audit not occurred. The existence of such material adjustments indicated that the Town's system of controls did not detect and prevent such errors.

Effect: Financial reports used for budget monitoring throughout the year do not properly reflect the account balances.

Cause: This condition could result from inadequate monitoring by management. In addition, the Town of Andrews was short staffed and had experienced significant turnover.

Recommendation: We recommend that the Board implement controls to ensure that required reporting is completed timely and accurately. In addition, adequate resources should be dedicated to allow professional staff time to complete assigned tasks and to continue to receive training in governmental accounting.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan on page 77 in this audit report.

Town Of Andrews
1101 Main Street
PO Box 1210
Andrews, NC 28901
Phone: 828-321-3113 Fax: 828-321-4159

James D. Reid, Mayor
Steve Jordan, Mayor Pro Tem

BOARD OF ALDERMEN
Richelle Phillips
Scott Stalcup
Michael G. Sheidy

Corrective Action Plan
For the Fiscal Year Ended June 30, 2018

Section II. Financial Statement Findings

Finding: 2018-001

Name of contact person: James Reid, Mayor and William Green, Town Administrator/Finance Officer

Corrective Action: The Town is in the process of examining the systems and processes in place regarding financial reporting. Management is implementing policies to strengthen existing controls. Town Management and the Board are working to develop and incorporate measures to ensure that the data is collected, reconciled, reviewed and reported accurately. Accounting personnel continue to receive training in governmental accounting. Management is confident this finding will be corrected by the end of the next fiscal year.

Proposed Completion Date: The Town will implement the above procedures immediately.

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

None reported.

Town of Andrews, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to subrecipients	Local Expenditures
Federal Grants:						
Cash Programs:						
<u>U.S. Department of Housing and Urban Development</u>						
Passed-through N.C. Department of Environmental Quality: Community Development Block Grant, State's Program	14.228	15-I-2757	\$ 1,269,900	\$ -	\$ -	\$ -
<u>Appalachian Regional Commission</u>						
Passed-through N.C. Department of Commerce: Division of Rural Development Appalachian Area Development	23.002	NC-18367	267,100			
<u>U.S. Environmental Protection Agency</u>						
Passed-through N.C. Department of Environmental Quality: Capitalization Grants for Clean Water State Revolving Funds (note 4)	66.458	CS370537-03	1,007,782	-	-	5,593
Total assistance - federal programs			2,544,782	-	-	5,593
State Grants:						
Cash Assistance:						
<u>North Carolina Department of Environmental Quality</u>						
Division of Water Infrastructure Asset and Inventory Assessment Grants	N/A	E-AIA-W-17-0085	-	64,018	-	-
<u>N.C. Department of Transportation:</u>						
Powell Bill	N/A	32570	-	24,348	-	-
Total assistance - State programs			-	88,366	-	-
Total assistance			\$ 2,544,782	\$ 88,366	\$ -	\$ 5,593

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Andrews under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in the SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Andrews, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Andrews.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Loans Outstanding

Town of Andrews had the following loan balances outstanding at June 30, 2018 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loan balances outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2018 consist of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	C6-00536111-4	\$ 1,007,782