

Town of Andrews, North Carolina
Financial Statements
June 30, 2019

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

Town Government and Key Staff

As of June 30, 2019

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

Emily Malin - Town Clerk

Larissa Dooley - 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, and each major fund of the Town of Andrews, North Carolina, as of and for the year ended June 30, 2019, 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 32 percent, 24 percent, and 76 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, and each major fund of the Town of Andrews, North Carolina, as of June 30, 2019, 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, and the Local Government Employees' Retirement System Schedules of the Town's Proportionate Share of the Net Pension Liability (Asset) and the Town's Contributions, on pages 50 and 51, 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 52 and 53 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Andrews. The individual fund statements, budgetary schedules, and other schedules are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 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, 2019

Management's Discussion and Analysis

Town of Andrews, North Carolina
Management's Discussion and Analysis
June 30, 2019

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, 2019. 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.

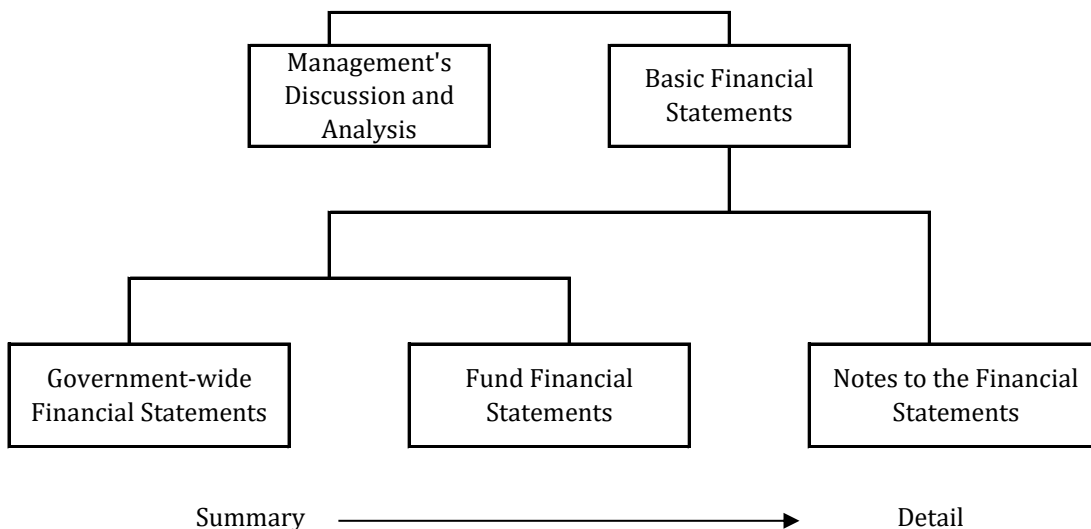
Financial Highlights

- 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 \$9,756,352 (net position).
- The government's total net position increased by \$778,515 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 \$1,272,446 with a net increase of \$515,205 in fund balance. Approximately 46.92 percent of this total amount, or \$596,984, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$574,758, or 48.45 percent of total general fund expenditures for the fiscal year.
- The Town of Andrews' total debt decreased by \$48,636 (3.19%) during the current fiscal year. The primary factor in the net debt decrease was due to the scheduled principal repayments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
 Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Andrews, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Andrews can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds – Town of Andrews has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Andrews uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 49 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,396,590	\$ 862,555	\$ 254,645	\$ 386,024	\$ 1,651,235	\$ 1,248,579
Capital assets	964,923	1,012,976	8,935,866	8,908,835	9,900,789	9,921,811
Deferred outflows of resources	142,150	102,258	130,387	95,263	272,537	197,521
Total assets and deferred outflows of resources	2,503,663	1,977,789	9,320,898	9,390,122	11,824,561	11,367,911
Long-term liabilities outstanding	220,491	194,749	1,551,634	1,519,439	1,772,125	1,714,188
Other liabilities	45,473	17,072	203,677	621,298	249,150	638,370
Deferred inflows of resources	34,412	28,712	12,522	8,804	46,934	37,516
Total liabilities and deferred inflows of resources	300,376	240,533	1,767,833	2,149,541	2,068,209	2,390,074
Net investment in capital assets	964,923	977,467	7,459,519	7,419,361	8,424,442	8,396,828
Restricted	697,688	654,500	-	-	697,688	654,500
Unrestricted	540,676	105,289	93,546	(178,780)	634,222	(73,491)
Total net position	\$ 2,203,287	\$ 1,737,256	\$ 7,553,065	\$ 7,240,581	\$ 9,756,352	\$ 8,977,837

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 \$9,756,352 as of June 30, 2019. The Town's net position increased by \$778,515 for the fiscal year ended June 30, 2019. The largest portion (86.35%) 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 \$697,688 (7.15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$634,222 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 94.05%, excluding motor vehicles. The statewide average for Municipalities with populations of 1,000 to 2,499 in the fiscal year 2018 was 97.95% .

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 188,824	\$ 170,346	\$ 1,345,749	\$ 890,301	\$ 1,534,573	\$ 1,060,647
Operating grants and contributions	55,624	57,114	118,081	100,432	173,705	157,546
Capital grants and contributions	-	-	327,919	1,537,000	327,919	1,537,000
General revenues:						
Property taxes	709,011	589,470	-	-	709,011	589,470
Grants and contributions not restricted to specific programs	718,995	684,476	-	-	718,995	684,476
Other	23,898	62,015	2,672	6	26,570	62,021
Total revenues	1,696,352	1,563,421	1,794,421	2,527,739	3,490,773	4,091,160
Expenses:						
General government	400,816	418,187	-	-	400,816	418,187
Public safety	291,999	369,008	-	-	291,999	369,008
Transportation	168,422	167,848	-	-	168,422	167,848
Economic and physical development	-	102,528	-	-	-	102,528
Environmental protection	114,908	119,154	-	-	114,908	119,154
Cultural recreation	253,412	240,036	-	-	253,412	240,036
Interest on long-term debt	764	1,511	-	-	764	1,511
Water and sewer	-	-	1,481,937	1,499,247	1,481,937	1,499,247
Total expenses	1,230,321	1,418,272	1,481,937	1,499,247	2,712,258	2,917,519
Increase (decrease) in net position before transfers	466,031	145,149	312,484	1,028,492	778,515	1,173,641
Transfers	-	(5,000)	-	5,000	-	-
Increase (decrease) in net position	466,031	140,149	312,484	1,033,492	778,515	1,173,641
Net position, beginning, restated	1,737,256	1,597,107	7,240,581	6,207,089	8,977,837	7,804,196
Net position, ending	\$ 2,203,287	\$ 1,737,256	\$ 7,553,065	\$ 7,240,581	\$ 9,756,352	\$ 8,977,837

Governmental Activities. Governmental activities increased the Town's net position by \$466,031. Key elements of this increase are as follows:

- Property tax revenue increased by \$119,541 due to an increase in the property tax rate and an increase in the collection percentage.
- Grants and contributions not restricted to specific programs increased by \$34,519 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.
- 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 \$312,484. Key elements of this increase are as follows:

- Charges for services increased by \$455,448 from the prior fiscal year, primarily due to rate increases.
- There was a decrease of \$1,209,081 in capital grants and contributions because the majority of the revenue for the Water & Sewer Capital Project Funds was received in the prior fiscal year.
- There was a slight decrease of approximately \$17,310 in expenditures due to the Town's efforts to control spending.

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. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balance available may be comprised of amounts shown as restricted, committed, assigned or unassigned.

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 for appropriation was \$907,709, while total fund balance reached \$1,272,446. 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 76.52% of general fund expenditures, while total fund balance represents 107.27% of the same amount.

At June 30, 2019, the governmental funds of the Town of Andrews reported a combined fund balance of \$1,272,446 with a net increase in fund balance of \$515,205.

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. No amendments to the General Fund affected revenues in the current fiscal year. Actual revenues exceeded the budgeted amounts by \$105,391. The Town reallocated the budget for expenditures between departments, with no overall change. The amounts budgeted for total expenditures exceeded the actual expenses by \$429,814.

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 \$93,546. The total change in net position for the Water and Sewer Fund was 312,484. 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, 2019, totals \$9,900,789 (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:

- \$9,850 for a heat pump for the Library
- \$39,417 for vehicles for the police department

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

Water and Sewer Fund:

- \$236,439 was added to construction in progress for the Payne Street Area Sewer Improvement Project
- \$8,250 was added to construction in progress for the Automated Meter Reading Project
- \$84,468 was added to construction in progress for the Andrews Wastewater Treatment Plant Improvement Project and then \$1,460,395 in construction in progress was capitalized at the completion of the project
- \$91,480 was added to construction in progress for Project Wildcat

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital assets						
Land	\$ 90,810	\$ 90,810	\$ 132,340	\$ 132,340	\$ 223,150	\$ 223,150
Construction in progress	-	-	2,244,235	3,283,993	2,244,235	3,283,993
Buildings and system	771,980	823,879	-	-	771,980	823,879
Plants and distribution systems	-	-	6,505,635	5,421,244	6,505,635	5,421,244
Equipment and furniture	24,776	38,106	53,656	71,258	78,432	109,364
Vehicles and motorized equipment	77,357	60,181	-	-	77,357	60,181
Total capital assets	\$ 964,923	\$ 1,012,976	\$ 8,935,866	\$ 8,908,835	\$ 9,900,789	\$ 9,921,811

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Automated Meter Reader Project	\$ 370,528	\$ 9,523
Payne Street Area Sewer Improvement Project	1,782,227	136,836
Project Wildcat	91,480	858,418
Total	\$ 2,244,235	\$ 1,004,777

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, direct placement installment financings, capital leases, certificates of participation and bond anticipation notes. As of June 30, 2019, the Town of Andrews had total debt outstanding of \$1,476,347. 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	
	2019	2018	2019	2018	2019	2018
Direct placement installment purchase	\$ -	\$ 35,509	\$ -	\$ -	\$ -	\$ 35,509
Revolving loans	-	-	1,476,347	1,489,474	1,476,347	1,489,474
Total debt outstanding	-	35,509	1,476,347	1,489,474	1,476,347	1,524,983
Compensated absences	9,371	5,718	25,654	23,903	35,025	29,621
Net pension liability (LGERS)	175,556	122,947	168,671	118,128	344,227	241,075
Total pension liability (LEO)	42,564	33,075	-	-	42,564	33,075
Total long-term obligations	\$ 227,491	\$ 197,249	\$ 1,670,672	\$ 1,631,505	\$ 1,898,163	\$ 1,828,754

- The Town of Andrews' total debt decreased by \$48,636 (3.19%) during the current fiscal year. The primary factor in the net debt decrease was due to the scheduled principal repayments.
- 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 \$9,106,492.
- 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 were increased for the prior fiscal year to increase revenues in these areas and to address the shortfalls that the Town has experienced in past years. No additional rate increases have been enacted for the next year.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Management has chosen to budget an increase of approximately \$340,000 in revenues and expenditures for the 2019-20 year. This would put the budget more in line with the actual revenue for the current fiscal year. The property tax increase that was enacted for the fiscal year end June 30, 2019, allowed the Town to experience increased revenue, with this trend expected to continue into the next fiscal year. 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 initiated in the prior year will continue to 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, 2019

	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	\$ 625,964	\$ 256,596	\$ 882,560	\$ 74,655	\$ 102,593
Restricted cash and cash equivalents	332,951	62,207	395,158	-	-
Investments	959	-	959	25,198	-
Taxes receivable (net)	64,811	-	64,811	-	-
Accrued interest receivable on taxes	7,168	-	7,168	-	-
Accounts receivable (net)	9,109	151,615	160,724	-	8,388
Due from other governments	129,355	10,500	139,855	-	-
Internal balances	226,273	(226,273)	-	-	-
Inventories	-	-	-	107,169	-
Prepaid items	-	-	-	1,410	2,840
Total current assets	1,396,590	254,645	1,651,235	208,432	113,821
Non-current assets:					
Intangibles, net of accumulated amortization	-	-	-	3,952	-
Capital assets:					
Land, non-depreciable improvements, and construction in progress	90,810	2,376,575	2,467,385	-	21,192
Other capital assets, net of depreciation	874,113	6,559,291	7,433,404	14,904	355,930
Total capital assets	964,923	8,935,866	9,900,789	14,904	377,122
Total non-current assets	964,923	8,935,866	9,900,789	18,856	377,122
Total assets	2,361,513	9,190,511	11,552,024	227,288	490,943
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	142,150	130,387	272,537	-	-
Total deferred outflows of resources	142,150	130,387	272,537	-	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	38,473	22,432	60,905	85,177	21,066
Unearned revenue	-	-	-	-	393
Customer deposits	-	-	-	-	12,740
Current portion of long-term liabilities	7,000	119,038	126,038	-	8,511
Payable from restricted assets	-	62,207	62,207	-	-
Total current liabilities	45,473	203,677	249,150	85,177	42,710
Long-term liabilities:					
Due in more than one year	220,491	1,551,634	1,772,125	-	8,022
Total liabilities	265,964	1,755,311	2,021,275	85,177	50,732

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

Town of Andrews, North Carolina

Statement of Net Position

June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Andrews ABC Board	Andrews Housing Authority
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	13,692	-	13,692	-	-
Pension deferrals	20,720	12,522	33,242	-	-
Total deferred inflows of resources	34,412	12,522	46,934	-	-
NET POSITION					
Net investment in capital assets	964,923	7,459,519	8,424,442	14,904	369,611
Restricted for:					
Streets	117,420	-	117,420	-	-
Public safety	114,827	-	114,827	-	-
Cemetery maintenance	100,704	-	100,704	-	-
Stabilization by State Statute	364,737	-	364,737	-	-
Other functions	-	-	-	24,196	-
Unrestricted	540,676	93,546	634,222	103,011	70,600
Total net position	\$ 2,203,287	\$ 7,553,065	\$ 9,756,352	\$ 142,111	\$ 440,211

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, 2019

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	\$ 400,816	\$ 30,000	\$ -	\$ -	\$ (370,816)	\$ -	\$ (370,816)	\$ -	\$ -
Public safety	291,999	809	196	-	(290,994)	-	(290,994)	-	-
Transportation	168,422	-	54,068	-	(114,354)	-	(114,354)	-	-
Environmental protection	114,908	123,030	1,360	-	9,482	-	9,482	-	-
Cultural and recreation	253,412	34,985	-	-	(218,427)	-	(218,427)	-	-
Interest on long-term debt	764	-	-	-	(764)	-	(764)	-	-
Total governmental activities	1,230,321	188,824	55,624	-	(985,873)	-	(985,873)	-	-
Business-type activities:									
Water and sewer	1,481,937	1,345,749	118,081	327,919	-	309,812	309,812	-	-
Total business-type activities	1,481,937	1,345,749	118,081	327,919	-	309,812	309,812	-	-
Total primary government	\$ 2,712,258	\$ 1,534,573	\$ 173,705	\$ 327,919	(985,873)	309,812	(676,061)	-	-
Component units:									
ABC Board	\$ 812,872	\$ 813,593	\$ -	\$ -	-	-	-	721	-
Housing Authority	397,086	159,843	103,774	73,571	-	-	-	-	(59,898)
Total component units	\$ 1,209,958	\$ 973,436	\$ 103,774	\$ -	-	-	-	721	(59,898)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					709,011	-	709,011	-	-
Other taxes					-	-	-	-	-
Grants and contributions not restricted to specific programs					718,995	-	718,995	-	-
Unrestricted investment earnings					202	2	204	23	102
Miscellaneous					23,696	-	23,696	-	-
Gain on sale of capital assets					-	2,670	2,670	-	-
Total general revenues excluding transfers and special items					1,451,904	2,672	1,454,576	23	102
Change in net position					466,031	312,484	778,515	744	(59,796)
Net position, beginning					1,737,256	7,240,581	8,977,837	141,367	500,007
Net position, ending					\$ 2,203,287	\$ 7,553,065	\$ 9,756,352	\$ 142,111	\$ 440,211

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

Town of Andrews, North Carolina

Balance Sheet

Governmental Funds

June 30, 2019

	Major General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 625,964	\$ 625,964
Restricted cash	332,951	332,951
Investments	959	959
Receivables, net:		
Taxes	64,811	64,811
Accounts	9,109	9,109
Due from other funds	226,273	226,273
Due from other governments	129,355	129,355
Total assets	<u>\$ 1,389,422</u>	<u>\$ 1,389,422</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 38,473	\$ 38,473
Total liabilities	<u>38,473</u>	<u>38,473</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	64,811	64,811
Prepaid taxes	13,692	13,692
Total deferred inflows of resources	<u>78,503</u>	<u>78,503</u>
FUND BALANCE		
Restricted		
Stabilization by state statute	364,737	364,737
Streets	117,420	117,420
Public safety	114,827	114,827
Assigned		
Cemetery maintenance	100,704	100,704
Unassigned	574,758	574,758
Total fund balance	<u>1,272,446</u>	<u>1,272,446</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,389,422</u>	<u>\$ 1,389,422</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, 2019

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

Total Fund Balance, Governmental Funds	\$	1,272,446
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost		3,272,270
Accumulated depreciation		<u>(2,307,347)</u>
		964,923
Deferred outflows of resources related to pensions are not reported in the funds		142,150
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		7,168
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)		(9,371)
Net pension liability		(175,556)
Total pension liability		(42,564)
Deferred inflows of resources related to pensions are not reported in the funds		(20,720)
Earned revenues considered deferred inflows of resources in fund statements		<u>64,811</u>
Net position of governmental activities	\$	<u><u>2,203,287</u></u>

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

Town of Andrews, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	<u>Major General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 714,044	\$ 714,044
Unrestricted intergovernmental	718,995	718,995
Restricted intergovernmental	55,624	55,624
Permits and fees	500	500
Sales and services	188,324	188,324
Investment earnings	202	202
Miscellaneous	23,696	23,696
Total revenues	<u>1,701,385</u>	<u>1,701,385</u>
EXPENDITURES		
Current:		
General government	376,362	376,362
Public safety	281,116	281,116
Transportation	149,812	149,812
Environmental protection	111,009	111,009
Cultural and recreation	231,608	231,608
Debt service:		
Principal	35,509	35,509
Interest and other charges	764	764
Total expenditures	<u>1,186,180</u>	<u>1,186,180</u>
Excess (deficiency) of revenues over expenditures	<u>515,205</u>	<u>515,205</u>
OTHER FINANCING SOURCES (USES)		
Transfers (to) other funds		
Water and Sewer fund	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	515,205	515,205
Fund balance, beginning	<u>757,241</u>	<u>757,241</u>
Fund balance, ending	<u>\$ 1,272,446</u>	<u>\$ 1,272,446</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, 2019

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

Net change in fund balance - total governmental funds		\$ 515,205
<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	49,267	
Depreciation expense for governmental assets	<u>(97,320)</u>	(48,053)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		27,293
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	<u>(5,033)</u>	(5,033)
<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>35,509</u>	35,509
<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	(3,653)	
Pension expense	<u>(55,237)</u>	<u>(58,890)</u>
Total changes in net position of governmental activities		<u>\$ 466,031</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, 2019

	General Fund			Variance Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 703,032	\$ 703,032	\$ 714,044	\$ 11,012
Unrestricted intergovernmental	670,700	670,700	718,995	48,295
Restricted intergovernmental	58,202	58,202	55,624	(2,578)
Permits and fees	1,000	1,000	500	(500)
Sales and services	141,650	141,650	188,324	46,674
Investment earnings	100	100	202	102
Miscellaneous	21,310	21,310	23,696	2,386
Total revenues	<u>1,595,994</u>	<u>1,595,994</u>	<u>1,701,385</u>	<u>105,391</u>
EXPENDITURES				
Current:				
General government	618,228	571,328	376,362	194,966
Public safety	405,985	423,185	317,389	105,796
Transportation	228,729	238,929	149,812	89,117
Environmental protection	119,726	130,726	111,009	19,717
Cultural and recreation	243,326	251,826	231,608	20,218
Total expenditures	<u>1,615,994</u>	<u>1,615,994</u>	<u>1,186,180</u>	<u>429,814</u>
Revenues over (under) expenditures	(20,000)	(20,000)	515,205	535,205
OTHER FINANCING SOURCES (USES)				
Transfers from other funds				
Water and Sewer fund	20,000	20,000	-	(20,000)
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Revenues over (under) expenditures and other uses	-	-	515,205	515,205
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	515,205	<u>\$ 515,205</u>
Fund balance, beginning			<u>757,241</u>	
Fund balance, ending			<u>\$ 1,272,446</u>	

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

Town of Andrews, North Carolina

Statement of Fund Net Position

Proprietary Fund

June 30, 2019

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 256,596	\$ 256,596
Accounts receivable (net) - billed	151,615	151,615
Due from other governments	10,500	10,500
Restricted cash and cash equivalents	62,207	62,207
Total current assets	480,918	480,918
Noncurrent assets:		
Capital assets:		
Land and construction in progress	2,376,575	2,376,575
Other capital assets, net of depreciation	6,559,291	6,559,291
Capital assets	8,935,866	8,935,866
Total noncurrent assets	8,935,866	8,935,866
Total assets	\$ 9,416,784	\$ 9,416,784
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	130,387	130,387
Total deferred outflows of resources	130,387	130,387
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,432	\$ 22,432
Due to other funds	226,273	226,273
Compensated absences - current	20,000	20,000
Revolving loans - current	99,038	99,038
Liabilities payable from restricted assets:		
Customer deposits	62,207	62,207
Total current liabilities	429,950	429,950
Noncurrent liabilities:		
Compensated absences	5,654	5,654
Net pension liability	168,671	168,671
Revolving loans - noncurrent	1,377,309	1,377,309
Total noncurrent liabilities	1,551,634	1,551,634
Total liabilities	1,981,584	1,981,584
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	12,522	12,522
	12,522	12,522
NET POSITION		
Net investment in capital assets	7,459,519	7,459,519
Unrestricted	93,546	93,546
Total net position	\$ 7,553,065	\$ 7,553,065

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, 2019

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 1,341,749	\$ 1,341,749
Water and sewer taps	4,000	4,000
Other operating revenues	33,119	33,119
Total operating revenues	<u>1,378,868</u>	<u>1,378,868</u>
OPERATING EXPENSES		
Administration	153,347	153,347
Water treatment and distribution	682,380	682,380
Waste collection and treatment	249,873	249,873
Depreciation	393,606	393,606
Total operating expenses	<u>1,479,206</u>	<u>1,479,206</u>
Operating income (loss)	<u>(100,338)</u>	<u>(100,338)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	2	2
Interest and other charges	(2,731)	(2,731)
Gain on sale of capital assets	2,670	2,670
Non-capital grants	84,962	84,962
Total nonoperating revenue (expenses)	<u>84,903</u>	<u>84,903</u>
Income (loss) before contributions and transfers	(15,435)	(15,435)
Capital contributions	<u>327,919</u>	<u>327,919</u>
Change in net position	312,484	312,484
Total net position, beginning	7,240,581	7,240,581
Total net position, ending	<u>\$ 7,553,065</u>	<u>\$ 7,553,065</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 Year Ended June 30, 2019

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,280,617	\$ 1,280,617
Cash paid for goods and services	(925,043)	(925,043)
Cash paid to or on behalf of employees for services	(579,715)	(579,715)
Customer deposits received	15,453	15,453
Other operating revenues	33,119	33,119
Net cash provided (used) by operating activities	<u>(175,569)</u>	<u>(175,569)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-capital grants	84,962	84,962
Due to other funds	(20,000)	(20,000)
Net cash provided (used) by noncapital financing activities	<u>64,962</u>	<u>64,962</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(420,637)	(420,637)
Proceeds from capital debt	84,469	84,469
Principal paid on bond maturities and equipment contracts	(97,596)	(97,596)
Due to (from) other governments	443,482	443,482
Proceeds from sale of assets	2,670	2,670
Interest paid on bond maturities and equipment contracts	(2,731)	(2,731)
Capital contributions	327,919	327,919
Net cash provided (used) by capital and related financing activities	<u>337,576</u>	<u>337,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	<u>2</u>	<u>2</u>
Net increase (decrease) in cash and cash equivalents	226,971	226,971
Cash and cash equivalents at beginning of year	<u>91,832</u>	<u>91,832</u>
Cash and cash equivalents at end of year	<u>\$ 318,803</u>	<u>\$ 318,803</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 Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (100,338)	\$ (100,338)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	393,606	393,606
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(65,132)	(65,132)
(Increase) decrease in deferred outflows of resources - pensions	(35,124)	(35,124)
Increase (decrease) in net pension liability	50,543	50,543
Increase (decrease) in deferred inflows of resources for pensions	3,718	3,718
Increase (decrease) in accounts payable and accrued liabilities	(440,046)	(440,046)
Increase (decrease) in customer deposits	15,453	15,453
Increase (decrease) in accrued vacation pay	1,751	1,751
Total adjustments	<u>(75,231)</u>	<u>(75,231)</u>
Net cash provided by operating activities	<u>\$ (175,569)</u>	<u>\$ (175,569)</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, 2019

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Town of Andrews, North Carolina
Notes to the Financial Statements
June 30, 2019

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Town of Andrews, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2019

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 (the "Town") 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 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 fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 are 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	\$ 117,420
Public Safety - Police drug forfeiture	8,048
Public Safety - Firemen's local relief funds	105,827
Public Safety - Fire department	952
Cultural and recreation - Valletown Cemetery	100,704
Total Governmental Activities	<u>\$ 332,951</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	\$ 62,207
Total Business-type Activities	<u>\$ 62,207</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, 2018. 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. Allowance 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 the lower of cost (first-in, first-out) or market. 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, and plants and distribution systems, \$15,000; 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	10 - 30
Equipment and furniture	5 - 15
Vehicles and motorized equipment	5 - 7
Computer equipment	3
Computer software	5
Plants and distribution systems	5 - 30
Other improvements	25

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	-	30
Improvements to buildings and land	-	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 2019 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 withheld from the actual debt proceeds received or not, 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 externally imposed either 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets – 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 – 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 – portion of fund balance that is required to be used for the maintenance of the Town's cemetery.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing board approves the appropriation.

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

13. Estimates

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year's Budget Ordinance

None Noted.

C. Excess of Expenditures over Appropriations

None Noted.

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 the entity's 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, 2019, the Town's deposits had a carrying amount of \$1,277,343 and a bank balance of \$1,198,024. 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, 2019, the Town's petty cash fund totaled \$375.

At September 30, 2018, the Andrews Housing Authority's deposits had a carrying amount of \$102,493 and a bank balance of \$103,050. All of the bank balance was fully covered by federal depository insurance. The Authority had \$100 cash on hand at September 30, 2018.

At June 30, 2019, the ABC Board's deposits had a carrying amount of \$98,813 and a bank balance of \$88,740. All of the bank balance was fully covered by federal depository insurance. The ABC Board had \$1,040 cash on hand at June 30, 2019.

2. Investments

At June 30, 2019, the Town's investment balance was as follows:

Investments by Type	Valuation Measurement Method	Book Value at June 30, 2019	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 959	N/A	AAAm
Total		\$ 959		

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, 2019, 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, 2019 was \$25,198. Accrued interest is not shown in the financial statements because it is considered immaterial. 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, 2019 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 20,600
Sanitation receivable	3,017
Total General Fund	<u>\$ 23,617</u>
Enterprise Fund:	
Water and Sewer Fund - accounts receivable	\$ 37,111
Total Enterprise Fund	<u>\$ 37,111</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government Activities:				
Capital assets not being depreciated:				
Land	\$ 90,810	\$ -	\$ -	\$ 90,810
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>90,810</u>	-	-	<u>90,810</u>
Capital assets being depreciated:				
Buildings and system	1,800,321	9,850	-	1,810,171
Equipment and furniture	756,084	-	-	756,084
Vehicles and motorized equipment	575,788	39,417	-	615,205
Total capital assets being depreciated	<u>3,132,193</u>	<u>49,267</u>	-	<u>3,181,460</u>
Less accumulated depreciation for:				
Buildings and improvements	976,442	61,749	-	1,038,191
Equipment and furniture	717,978	13,330	-	731,308
Vehicles and motorized equipment	515,607	22,241	-	537,848
Total accumulated depreciation	<u>2,210,027</u>	<u>97,320</u>	-	<u>2,307,347</u>
Total capital assets being depreciated, net	<u>922,166</u>			<u>874,113</u>
Governmental activity capital assets, net	<u>\$ 1,012,976</u>			<u>\$ 964,923</u>

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

General government	\$ 15,492
Public safety	34,326
Transportation	17,410
Cultural and recreational	30,092
Total depreciation expense	<u>\$ 97,320</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 132,340	\$ -	\$ -	\$ 132,340
Construction in progress	3,283,993	420,637	1,460,395	2,244,235
Total capital assets not being depreciated	3,416,333	420,637	1,460,395	2,376,575
Capital assets being depreciated:				
Plants and distribution systems	17,837,975	1,460,395	-	19,298,370
Equipment and furniture	421,510	-	-	421,510
Vehicles and motorized equipment	50,578	-	15,878	34,700
Total capital assets being depreciated	18,310,063	1,460,395	15,878	19,754,580
Less accumulated depreciation for:				
Plants and distribution systems	12,416,731	376,004	-	12,792,735
Equipment and furniture	350,252	17,602	-	367,854
Vehicles and motorized equipment	50,578	-	15,878	34,700
Total accumulated depreciation	12,817,561	393,606	15,878	13,195,289
Total capital assets being depreciated, net	5,492,502			6,559,291
Water and Sewer fund capital assets, net	8,908,835			8,935,866
Business-type activities capital assets, net	\$ 8,908,835			\$ 8,935,866

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Automated Meter Reader Project	\$ 370,528	\$ 9,523
Payne Street Area Sewer Improvement Project	1,782,227	136,836
Project Wildcat	91,480	858,418
Total	\$ 2,244,235	\$ 1,004,777

Discretely presented component units

Capital asset activity for the ABC Board for the year ended June 30, 2019, was as follows:

ABC Board	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Furniture and equipment	77,476	1,118	-	78,594
Total capital assets being depreciated	77,476	1,118	-	78,594
Less accumulated depreciation for:				
Furniture and equipment	60,168	3,522	-	63,690
Total accumulated depreciation	60,168	3,522	-	63,690
ABC capital assets, net	\$ 17,308			\$ 14,904

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 retirements of fixed asset for the ABC Board during the year.

Capital asset activity for the Housing Authority for the year ended September 30, 2018, 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	3,221,083	-	-	3,221,083
Furniture and equipment	79,712	9,468	-	89,180
Total capital assets being depreciated	3,300,795	9,468	-	3,310,263
Less accumulated depreciation for:				
Building and improvements	2,819,276	62,057	-	2,881,333
Furniture and equipment	69,020	3,980	-	73,000
Total accumulated depreciation	2,888,296	66,037	-	2,954,333
Total capital assets being depreciated, net	412,499			355,930
Housing Authority capital assets, net	\$ 433,691			\$ 377,122

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 35,472	\$ 3,001	\$ 38,473
Total governmental activities	\$ 35,472	\$ 3,001	\$ 38,473
Business-type activities:			
Water and sewer	\$ 15,943	\$ 6,489	\$ 22,432
Total business-type activities	\$ 15,943	\$ 6,489	\$ 22,432

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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$53,516 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$344,227 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the Town's proportion was .015% (measured as of June 30, 2018), which was a decrease of .001% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of \$92,578. At June 30, 2019, 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	\$ 53,106	\$ 1,782
Changes of assumptions	91,345	-
Net differences between projected and actual earnings on pension plan investments	47,253	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,876	23,774
Town contributions subsequent to the measurement date	53,516	-
Total	\$ 266,096	\$ 25,556

\$53,516 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 92,933
2021	63,362
2022	8,405
2023	22,324
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 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	7.00 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, 2017 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, 2018 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 2017 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 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town’s proportionate share of the net pension liability (asset)	\$ 826,863	\$ 344,227	\$ (59,071)

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 the December 31, 2017 valuation date, 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, 2017 valuation. The total pension liability 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	3.64 percent

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

Mortality Rate

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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, 2019, the Town reported a total pension liability of \$42,564. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$8,338.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,838	\$ 4,000
Changes of assumptions	2,603	3,686
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	\$ 6,441	\$ 7,686

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

Year ended June 30:

2020	\$ (301)
2021	(301)
2022	(301)
2023	(301)
2024	(209)
Thereafter	168

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 49,631	\$ 42,564	\$ 36,432

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

Total pension liability as of December 31, 2017	\$ 33,075
Changes for the year:	
Service cost	7,276
Interest on the total pension liability	1,045
Differences between expected and actual experience in the measurement of the total pension liability	4,438
Changes of assumptions or other inputs	(3,270)
Net changes	9,489
Total pension liability as of December 31, 2018	\$ 42,564

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an 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

The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 92,578	\$ 8,338	\$ 100,916
Pension Liability	344,227	42,564	386,791
Proportionate share of the net pension liability	0.01451%	n/a	

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	53,106	3,838	56,944
Changes of assumptions	91,345	2,603	93,948
Net difference between projected and actual earnings on pension plan investments	47,253	-	47,253
Changes in proportion and differences between contributions and proportionate share of contributions	20,876	-	20,876
Benefit payments and administrative costs paid subsequent to the measurement date	53,516	-	53,516
Deferred Inflows of Resources			
Differences between expected and actual experience	1,782	4,000	5,782
Changes of assumptions	-	3,686	3,686
Changes in proportion and differences between contributions and proportionate share of contributions	23,774	-	23,774

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 \$6,046 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, 2019, 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	\$ 53,516
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	56,944
Changes of assumptions	93,948
Net difference between projected and actual	47,253
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,876
	<u>\$ 272,537</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)	\$ -	\$ 64,811
Prepaid taxes (General Fund)	13,692	13,692
Changes in assumptions	3,686	-
Differences between expected and actual experience	5,782	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,774	-
Total	<u>\$ 46,934</u>	<u>\$ 78,503</u>

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through the pool, the Town obtains workers' compensation coverage up to statutory limits.

The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town participates with the Glatfelter Insurance Group in their Glatfelter Public Practice with blanket coverage of \$15,878,125. 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 insurance. 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, general liability coverage of \$5 million each occurrence and \$5 million annual aggregate, property coverage of \$5,120,507, auto liability coverage of \$5 million each occurrence and annual aggregate, public officials' legal liability of \$5 for each loss and annual aggregate, tenant discrimination liability of \$5 million for each loss and annual aggregate, and terrorism liability of \$25,000 for each loss and annual aggregate.

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. 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, 2019, 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. Revolving Loans Payable

The Town's revolving loans payable at June 30, 2019, 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. \$ 91,761

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. 188,929

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. 157,297

On January 27, 2018, the Town entered into a state revolving loan with the Water Pollution Control Revolving Fund for \$1,092,251 to finance a sewer project. The loan requires annual installments, including interest of 0.00%, of \$53,891, \$55,334, and eighteen installments of \$54,613. The loan matures May 1, 2038. 1,038,360

\$ 1,476,347

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 99,038	\$ 2,340
2021	98,317	1,950
2022	98,317	1,560
2023	98,317	1,170
2024	98,317	780
2025 - 2029	430,410	390
2030 - 2034	335,180	-
2035 - 2039	218,451	-
Total	<u>\$ 1,476,347</u>	<u>\$ 8,190</u>

b. Long-Term Obligation Activity:

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement installment purchase	\$ 35,509	\$ -	\$ 35,509	\$ -	\$ -
Compensated absences	5,718	18,390	14,737	9,371	7,000
Net pension liability (LGRS)	122,947	52,609	-	175,556	-
Total pension liability (LEO)	33,075	9,489	-	42,564	-
Total governmental activities	<u>\$ 197,249</u>	<u>\$ 80,488</u>	<u>\$ 50,246</u>	<u>\$ 227,491</u>	<u>\$ 7,000</u>
Business-type activities:					
<i>Water and Sewer Fund</i>					
Revolving loans	\$ 1,489,474	\$ 84,469	\$ 97,596	\$ 1,476,347	\$ 99,038
Compensated absences	23,903	22,516	20,765	25,654	20,000
Net pension liability (LGRS)	118,128	50,543	-	168,671	168,671
Total Water and Sewer Fund	<u>1,631,505</u>	<u>157,528</u>	<u>118,361</u>	<u>1,670,672</u>	<u>287,709</u>
Total business-type activities	<u>\$ 1,631,505</u>	<u>\$ 157,528</u>	<u>\$ 118,361</u>	<u>\$ 1,670,672</u>	<u>\$ 287,709</u>

No interest was capitalized during 2019; interest incurred and charged to expense totaled \$2,731.

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, 2019, consist of the following:

Due to the General Fund from:	
Water and Sewer Fund	\$ 226,273
Total	<u>\$ 226,273</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.

There were no interfund transfers for the fiscal year ended June 30, 2019.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 964,923	\$ 8,935,866
Less: long-term debt	-	1,476,347
Net investment in capital assets	<u>\$ 964,923</u>	<u>\$ 7,459,519</u>

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 1,272,446
Less:	
Stabilization by State Statute	364,737
Streets - Powell Bill	117,420
Public Safety - Firemen's Relief	114,827
Cemetery maintenance	100,704
Working Capital/Fund Balance Policy	161,599
Remaining Fund Balance	413,159

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, 2019. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$129,401 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, 2019, 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, 2019. 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 ContingenciesFederal 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. New Accounting Pronouncements***Pronouncements effective for the 2019 Financial Statements:***

In November 2016, the Governmental Accounting Standards Board (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. This pronouncement did not impact the Town.

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 Town has implemented GASB No. 88 and modified the note disclosures related to debt.

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 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 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.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*. This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Most provisions will be applied on a retroactive basis; however, provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest will be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

VII. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2019 and October 31, 2019, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2019. No events have occurred which would have a material effect on the financial statements of the Town as of that date.

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 Six Fiscal Years*
Local Government Employees' Retirement System

	<u>2019</u>	<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) (%)	0.01451%	0.01578%	0.01425%	0.00990%	0.01310%	0.01430%
Town of Andrews' proportion of the net pension liability (asset) (\$)	\$ 344,227	\$ 241,075	\$ 302,433	\$ 44,429	\$ (77,257)	\$ 172,370
Town of Andrews' covered-employee payroll	\$ 746,338	\$ 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	46.12%	24.55%	32.38%	6.45%	(11.64%)	24.45%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 Six Fiscal Years
Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 53,516	\$ 57,061	\$ 72,996	\$ 63,531	\$ 49,519	\$ 47,195
Contributions in relation to the contractually required contribution	\$ 53,516	\$ 57,061	\$ 72,996	\$ 63,531	\$ 49,519	\$ 47,195
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Andrews' covered-employee payroll	\$ 679,135	\$ 746,338	\$ 982,075	\$ 933,946	\$ 689,000	\$ 663,804
Contributions as a percentage of covered-employee payroll	7.88%	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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 33,075	\$ 28,301	\$ 21,958
Service cost	7,276	5,617	6,987
Interest on the total pension liability	1,045	1,092	784
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	4,438	(5,544)	-
Changes of assumptions or other inputs	(3,270)	3,609	(1,428)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 42,564</u>	<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, 2019

	2019	2018	2017
Total pension liability	\$ 42,564	\$ 33,075	\$ 28,301
Covered payroll	250,366	223,214	225,448
Total pension liability as a percentage of covered payroll	17.00%	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 Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes - current year		\$ 704,257	
Interest		9,787	
Total	\$ 703,032	714,044	\$ 11,012
Unrestricted intergovernmental:			
Local option sales taxes		588,366	
Payments in lieu of taxes-outside sources		13,800	
Utility franchise tax		108,918	
Beer and wine tax		7,911	
Total	670,700	718,995	48,295
Restricted intergovernmental:			
Powell Bill allocation		54,068	
Solid waste disposal tax		1,360	
Other grants		196	
Total	58,202	55,624	(2,578)
Permits and fees:			
Zoning permits		500	
Total	1,000	500	(500)
Sales and services:			
Rents, concessions, and fees		30,000	
Cemetery fees		3,115	
Sanitation fees		119,415	
Recreation fees		35,794	
Total	141,650	188,324	46,674
Investment earnings	100	202	102
Miscellaneous:			
Miscellaneous		23,696	
Total	21,310	23,696	2,386
Total revenues	1,595,994	1,701,385	105,391

Town of Andrews, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Salaries and employee benefits		29,502	
Other operating expenditures		42,485	
Professional services		50,600	
Total	<u>196,223</u>	<u>122,587</u>	<u>73,636</u>
Administration:			
Salaries and employee benefits		127,508	
Other operating expenditures		126,267	
Total	<u>375,105</u>	<u>253,775</u>	<u>121,330</u>
Total general government	<u>571,328</u>	<u>376,362</u>	<u>194,966</u>
Public safety:			
Police:			
Salaries and employee benefits		190,649	
Vehicle maintenance		21,370	
Other operating expenditures		14,374	
Capital outlay		39,417	
Debt service:			
Principal retirement		35,509	
Interest and other charges		764	
Total	<u>382,285</u>	<u>302,083</u>	<u>80,202</u>
Fire:			
Salaries and employee benefits		4,959	
Vehicle maintenance		245	
Other operating expenditures		10,102	
Total	<u>40,900</u>	<u>15,306</u>	<u>25,594</u>
Total public safety	<u>423,185</u>	<u>317,389</u>	<u>105,796</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		82,028	
Sidewalk maintenance		14,392	
Vehicle maintenance		12,582	
Street lights		32,965	
Other operating expenditures		7,845	
Total transportation	<u>238,929</u>	<u>149,812</u>	<u>89,117</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		79,208	
Vehicle maintenance		5,081	
Other operating expenditures		8,975	
Tipping fees		17,745	
Total	<u>130,726</u>	<u>111,009</u>	<u>19,717</u>

Town of Andrews, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Perpetual care:			
Cemetery:			
Other operating expenditures	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total environmental protection	130,726	111,009	19,717
	<u> </u>	<u> </u>	<u> </u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		35,262	
Maintenance		20,548	
Other operating expenditures		26,182	
Total	102,175	81,992	20,183
	<u> </u>	<u> </u>	<u> </u>
Libraries:			
Contribution to regional library		139,766	
Capital outlay		9,850	
Total	149,651	149,616	35
	<u> </u>	<u> </u>	<u> </u>
Total culture and recreation	251,826	231,608	20,218
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	1,615,994	1,186,180	429,814
	<u> </u>	<u> </u>	<u> </u>
Revenues over (under) expenditures	(20,000)	515,205	535,205
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
Water and Sewer fund	20,000	-	(20,000)
Total	20,000	-	(20,000)
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	<u>\$ -</u>	515,205	<u>\$ 515,205</u>
Fund balances, beginning		757,241	
Fund balance, ending		<u>\$ 1,272,446</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 Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Operating revenues:			
Water and sewer charges		\$ 1,341,749	
Water and sewer taps		4,000	
Other operating revenues		33,119	
Total operating revenues	<u>\$ 1,374,346</u>	<u>1,378,868</u>	<u>\$ 4,522</u>
Nonoperating revenues:			
Gain on sale of capital assets		2,670	
Interest earnings		2	-
Total nonoperating revenues	<u>-</u>	<u>2,672</u>	<u>2,672</u>
Total revenues	<u>1,374,346</u>	<u>1,381,540</u>	<u>7,194</u>
EXPENDITURES			
Water and sewer administration			
Salaries and employee benefits		79,970	
Contracted services		5,460	
Utilities		14,073	
Insurance		29,861	
Other operating expenditures		23,982	
Total water and sewer administration	<u>167,334</u>	<u>153,346</u>	<u>13,988</u>
Water treatment and distribution			
Debt service:			
Interest and other charges		2,731	
Principal retirement		97,596	
Total debt service		<u>100,327</u>	
Salaries and employee benefits		385,819	
Contracted services		38,576	
Maintenance		114,108	
Other operating expenditures		40,278	
Total water treatment and distribution	<u>782,997</u>	<u>679,108</u>	<u>103,889</u>
Waste collection and treatment			
Waste water treatment:			
Salaries and employee benefits		113,926	
Maintenance		53,504	
Supplies		45,291	
Other operating expenditures		37,152	
Total waste collection and treatment	<u>303,779</u>	<u>249,873</u>	<u>53,906</u>
Total expenditures	<u>1,254,110</u>	<u>1,082,327</u>	<u>171,783</u>
Revenues over expenditures	120,236	299,213	178,977

Town of Andrews, North Carolina

Water and Sewer Fund

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

For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfer to other funds:			
General Fund	(120,236)	-	120,236
Total other financing sources (uses)	(120,236)	-	120,236
 Revenues and other sources over expenditures and other uses	\$ -	\$ 299,213	\$ 299,213
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 299,213	
Reconciling items:			
Principal retirement		97,596	
Decrease in accrued vacation pay		(1,751)	
Increase in deferred outflows of resources - pensions		35,124	
Increase in net pension liability		(50,543)	
Decrease in deferred inflows of resources - pensions		(3,718)	
Grant project expenditures (not capital outlay)		(82,712)	
Depreciation		(393,606)	
Non-capital grants		84,962	
Capital contributions		327,919	
Total reconciling items		13,271	
Change in net position		\$ 312,484	

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, 2019

	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	\$ 84,962	\$ 148,980	\$ (1,020)
Total revenues	150,000	64,018	84,962	148,980	(1,020)
EXPENDITURES					
Asset inventory and assessment	150,000	66,268	82,712	148,980	1,020
Total expenditures	150,000	66,268	82,712	148,980	1,020
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ (2,250)	\$ 2,250	\$ -	\$ -

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.

Project Wildcat - This fund is used to account for the construction of a wastewater collection and pumping system. The project is funded by Snowbird Wilderness Outfitters, Golden Leaf Foundation, and the North Carolina Rural Infrastructure Authority (RIA) a division of the North Carolina Department of Commerce.

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, 2019

	Actual			Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
REVENUES					
Restricted intergovernmental:					
Appalachian Regional Commission Grant	\$ 300,000	\$ 300,000	\$ -	\$ 300,000	\$ -
Total revenues	300,000	300,000	-	300,000	-
EXPENDITURES					
Construction, equipment & materials	1,076,750	1,008,308	68,269	1,076,577	173
Engineering	228,000	209,489	16,199	225,688	2,312
Contingency	10,000	-	-	-	10,000
Legal, testing, etc.	19,100	-	-	-	19,100
Loan administration	135,385	135,385	-	135,385	-
Closing cost	22,745	22,745	-	22,745	-
Total expenditures	1,491,980	1,375,927	84,468	1,460,395	31,585
Revenues over (under) expenditures	(1,191,980)	(1,075,927)	(84,468)	(1,160,395)	31,585
Other financing sources (uses):					
Proceeds from long term debt	1,137,235	1,007,782	84,468	1,092,250	(44,985)
Transfers from other funds:					
Water and Sewer	22,745	36,145	-	36,145	13,400
General Fund	32,000	32,000	-	32,000	-
Total other financing sources (uses)	1,191,980	1,075,927	84,468	1,160,395	(31,585)
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2019

	Actual			Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
REVENUES					
Restricted intergovernmental:					
Community Development Block Grant	\$ 1,919,063	\$ 1,545,788	\$ 236,439	\$ 1,782,227	\$ (136,836)
Total revenues	1,919,063	1,545,788	236,439	1,782,227	(136,836)
EXPENDITURES					
Administration	200,000	184,188	10,000	194,188	5,812
Public sewer improvements	1,719,063	1,361,600	226,439	1,588,039	131,024
Total expenditures	1,919,063	1,545,788	236,439	1,782,227	136,836
Revenues over (under) expenditures	-	-	-	-	-
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Andrews, North Carolina

Water and Sewer Capital Projects Fund - Project Wildcat

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

From Inception and For the Fiscal Year Ended June 30, 2019

			Actual		Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year			
REVENUES						
Restricted intergovernmental:						
Snowbird Wilderness Outfitters	\$ 549,898	\$ -	\$ 91,480	\$ 91,480	\$ (458,418)	
Golden Leaf Foundation	200,000	-	-	-	(200,000)	
NC Department of Commerce - RIA	200,000	-	-	-	(200,000)	
Total revenues	<u>949,898</u>	-	<u>91,480</u>	<u>91,480</u>	<u>(858,418)</u>	
EXPENDITURES						
Engineering	91,000	-	91,000	91,000	-	
Conststruction observation administration	60,000	-	-	-	60,000	
Legal, adminisrative, easements	5,000	-	480	480	4,520	
Grant administration	10,000	-	-	-	10,000	
Construction	783,898	-	-	-	783,898	
Total expenditures	<u>949,898</u>	-	<u>91,480</u>	<u>91,480</u>	<u>858,418</u>	
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 701,769	\$ 661,513	\$ 40,256
2017-2018	36,322	-	23,401	12,921
2016-2017	13,484	-	5,361	8,123
2015-2016	9,421	-	4,442	4,979
2014-2015	7,679	-	3,840	3,839
2013-2014	5,872	-	1,622	4,250
2012-2013	4,988	-	1,331	3,657
2011-2012	3,085	-	487	2,598
2010-2011	2,370	-	46	2,324
2009-2010	2,519	-	55	2,464
2008-2009	2,666	-	2,666	-
	<u>\$ 88,406</u>	<u>\$ 701,769</u>	<u>\$ 704,764</u>	<u>85,411</u>
	Less: allowance for uncollectible accounts General Fund			<u>(20,600)</u>
	Ad valorem taxes receivable - net			<u>\$ 64,811</u>
	<u>Reconciliation with revenues:</u>			
	Ad valorem taxes - General Fund			\$ 714,044
	Reconciling items:			
	Taxes written off and prior year taxes released			(13,978)
	Less: interest collected			(9,787)
	Other adjustments			14,485
	Subtotal			<u>(9,280)</u>
	Total collections and credits			<u>\$ 704,764</u>

Town of Andrews, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 116,097,648	0.6165	\$ 715,742	\$ 662,304	\$ 53,438
Registered motor vehicles taxed at prior year's rate	-	0.6165	-	-	-
Penalties	-		-	-	-
Total	<u>116,097,648</u>		<u>715,742</u>	<u>662,304</u>	<u>53,438</u>
Discoveries:					
Current year taxes	811	0.6165	5	5	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements	<u>(2,267,315)</u>	0.6165	<u>(13,978)</u>	<u>(12,990)</u>	<u>(988)</u>
Total property valuation	<u>\$ 113,831,144</u>				
Net levy			701,769	649,319	52,450
Unpaid (by taxpayer) taxes at June 30, 2019			<u>40,256</u>	<u>38,632</u>	<u>1,624</u>
Current year's taxes collected			<u>\$ 661,513</u>	<u>\$ 610,687</u>	<u>\$ 50,826</u>
Current levy collection percentage			<u>94.26%</u>	<u>94.05%</u>	<u>96.90%</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, and each major fund of the Town of Andrews, North Carolina, as of and for the year ended June 30, 2019, 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, 2019. Our report includes a reference to other auditors who audited the financial statements of the Town of Andrews ABC Board, as described in our report on the Town of Andrews' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Andrews ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Andrews' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Andrews' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Turner & Company CPAs P.A.

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

October 31, 2019

Town Of Andrews

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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, 2019

Section II. Financial Statement Findings

None reported.

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

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Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2019

Finding 2018-001

Status: Corrected.