

Town of Andrews, North Carolina
Financial Statements
June 30, 2021

Turner & Company CPAs P.A.

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

Town of Andrews, North Carolina

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Introductory Information

Town of Andrews, North Carolina
Town Government and Key Staff
As of the Date of the Auditors' Report

Mayor and Board of Aldermen

James Reid, Mayor

Brandi Smith, Mayor pro tempore

Jonathan Ellison

Steve Jordan

Mike Sheidy

Administrative and Financial Staff

Sandy Dobson, CPA - Town Administrator

Larissa Dooley, Finance Officer

Natasha Whitaker - Town Clerk, Tax Collector

Financial Section

Turner & Company CPAs P.A.

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Andrews, North Carolina, as of and for the year ended June 30, 2021, 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 39 percent, 31 percent, and 73 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, 2021, 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 51 and 52, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 53 and 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 June 29, 2022 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

June 29, 2022

Management's Discussion and Analysis

Town of Andrews, North Carolina
Management's Discussion and Analysis
June 30, 2021

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, 2021. 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.

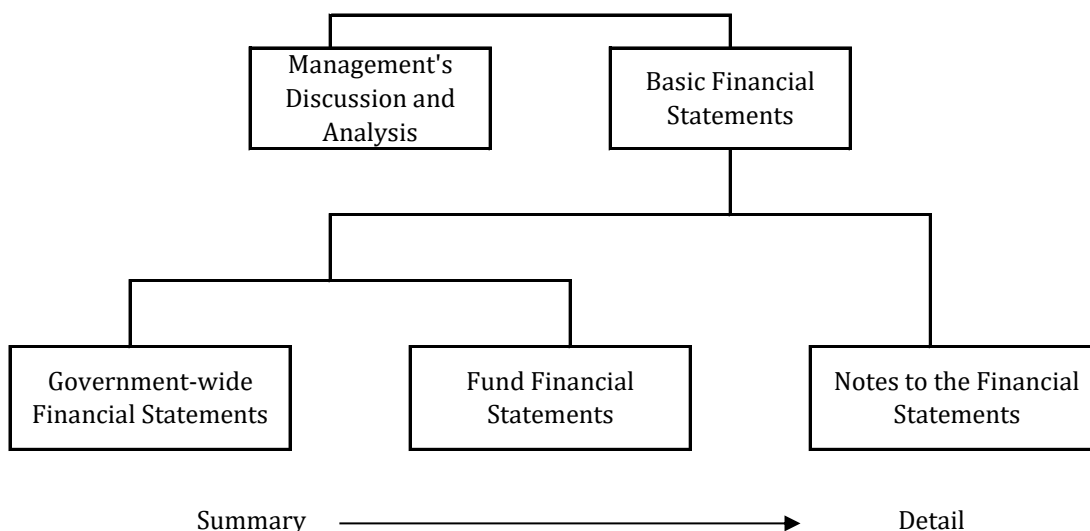
Financial Highlights

- 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 \$11,529,570 (net position).
- The government's total net position increased by \$711,312 primarily due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Andrews' governmental funds reported combined ending fund balances of \$2,184,003 with a net increase of \$555,326 in fund balance. Approximately 32.46 percent of this total amount, or \$708,924, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,374,375, or 86.48 percent of total general fund expenditures for the fiscal year.
- The Town of Andrews' total debt decreased by \$98,317 (7.14%) 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 50 of this report.

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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,320,201	\$ 1,845,932	\$ 665,121	\$ 456,073	\$ 2,985,322	\$ 2,302,005
Capital assets	1,276,562	944,510	9,184,269	9,538,871	10,460,831	10,483,381
Deferred outflows of resources	133,829	97,905	112,059	88,225	245,888	186,130
Total assets and deferred outflows of resources	3,730,592	2,888,347	9,961,449	10,083,169	13,692,041	12,971,516
Long-term liabilities outstanding	245,669	162,130	1,385,811	1,422,313	1,631,480	1,584,443
Other liabilities	58,787	123,362	394,124	341,124	452,911	464,486
Deferred inflows of resources	59,953	79,325	18,127	25,004	78,080	104,329
Total liabilities and deferred inflows of resources	364,409	364,817	1,798,062	1,788,441	2,162,471	2,153,258
Net investment in capital assets	1,276,562	944,510	7,905,278	8,161,563	9,181,840	9,106,073
Restricted	766,374	740,836	-	-	766,374	740,836
Unrestricted	1,323,247	838,184	258,109	133,165	1,581,356	971,349
Total net position	\$ 3,366,183	\$ 2,523,530	\$ 8,163,387	\$ 8,294,728	\$ 11,529,570	\$ 10,818,258

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 \$11,529,570 as of June 30, 2021. The Town's net position increased by \$711,312 for the fiscal year ended June 30, 2021. The largest portion (79.64%) 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 \$766,374 (6.65%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,581,386 is unrestricted.

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

- Diligence in the collection of property taxes was demonstrated by maintaining a tax collection percentage of 95.86%, excluding motor vehicles. The statewide average for Municipalities with a population of 1,000 to 2,499 in the fiscal year 2020 was 97.86%.

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 162,172	\$ 159,418	\$ 1,328,645	\$ 1,297,887	\$ 1,490,817	\$ 1,457,305
Operating grants and contributions	288,716	74,968	26,120	23,367	314,836	98,335
Capital grants and contributions	-	-	144,000	905,707	144,000	905,707
General revenues:						
Property taxes	729,407	698,160	-	-	729,407	698,160
Grants and contributions not restricted to specific programs	866,537	753,944	-	-	866,537	753,944
Other	87,580	18,300	-	1	87,580	18,301
Total revenues	2,134,412	1,704,790	1,498,765	2,226,962	3,633,177	3,931,752
Expenses:						
General government	363,051	369,565	-	-	363,051	369,565
Public safety	495,027	462,008	-	-	495,027	462,008
Transportation	104,988	206,805	-	-	104,988	206,805
Environmental protection	142,782	132,168	-	-	142,782	132,168
Cultural recreation	185,911	214,001	-	-	185,911	214,001
Water and sewer	-	-	1,630,106	1,485,299	1,630,106	1,485,299
Total expenses	1,291,759	1,384,547	1,630,106	1,485,299	2,921,865	2,869,846
Increase (decrease) in net position before transfers	842,653	320,243	(131,341)	741,663	711,312	1,061,906
Increase (decrease) in net position	842,653	320,243	(131,341)	741,663	711,312	1,061,906
Net position, beginning	2,523,530	2,203,287	8,294,728	7,553,065	10,818,258	9,756,352
Net position, ending	\$ 3,366,183	\$ 2,523,530	\$ 8,163,387	\$ 8,294,728	\$ 11,529,570	\$ 10,818,258

Governmental Activities. Governmental activities increased the Town's net position by \$842,653. Key elements of this increase are as follows:

- The decrease in the property tax rate coupled with an increase in the property valuation resulted in an increase in property tax revenue.
- Operating grants and contributions increased primarily due to funding from the Coronavirus Relief Fund passed through Cherokee County, and funding received from Cherokee County for one-half the cost of the new playground equipment for the parks and recreation department.
- Grants and contributions not restricted to specific programs increased by \$112,593 primarily due to increased local option sales tax.
- Expenditures decreased by \$92,788 primarily because of a reduction in expenses for transportation, cultural recreation, and general government.

Business-Type Activities. Business-type activities decreased the Town of Andrews' net position by \$131,341. Key elements of this increase are as follows:

- Capital grants and contributions in Water and Sewer decreased \$761,707 between 2020 and 2021. The primary cause of this being that the Town has only one active capital project, Higdon, Higdon, and Sherrill Mobile Home Parks Sewer Improvements Project, which is funded by the North Carolina Department of Commerce Community Development Block Grant Program.
- The Water and Sewer Fund expenses increased by \$144,807 from the preceding year. The largest portion of this increase of expenditures is related to operating expenditures in both water treatment and distribution and water and sewer administration.

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 \$1,732,960, while total fund balance reached \$2,184,003. 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 109.04% of general fund expenditures, while total fund balance represents 137.42% of the same amount.

At June 30, 2021, the governmental funds of the Town of Andrews reported a combined fund balance of \$2,184,003 with a net increase in fund balance of \$555,326.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

There were several reasons the Town revised its budget throughout the year. Total amendments to the General Fund increased expenditures by \$477,028. Actual revenues exceeded the budgeted amounts by \$90,418. Total amendments to the General Fund increased expenditures by \$637,778. The amounts budgeted for total expenditures exceeded the actual expenses by \$554,908.

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 \$258,109. The total change in net position for the Water and Sewer Fund was \$(131,341). 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, 2021, totals \$10,460,831 (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:

- \$40,326 for an industrial park for the administration department
- \$39,500 for a fire truck for the fire department
- \$62,997.26 for four vehicles for the police office
- \$39,771 for a community center roof for the parks and recreation department
- \$9,929 for a vehicle for the parks and recreation department
- \$89,364 for playground equipment for the parks and recreation department
- \$156,349 for a trash truck for the solid waste department

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

Water and Sewer Fund:

- \$1,356 was added to construction in progress for the Automated Meter Reading Project
- \$23,332 for a compact excavator for the Water and Sewer
- \$8,939 for a roof replacement for the Wastewater Treatment
- \$9,400 for a disinfection system conversion for the Wastewater Treatment Plant

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital assets						
Land	\$ 131,136	\$ 90,810	\$ 132,340	\$ 132,340	\$ 263,476	\$ 223,150
Construction in progress	-	-	516,435	371,079	516,435	371,079
Buildings and system	716,281	733,833	-	-	716,281	733,833
Plants and distribution systems	-	-	8,354,957	8,841,601	8,354,957	8,841,601
Equipment and furniture	129,782	36,637	151,759	157,878	281,541	194,515
Vehicles and motorized equipment	299,363	83,230	28,778	35,973	328,141	119,203
Total capital assets	\$ 1,276,562	\$ 944,510	\$ 9,184,269	\$ 9,538,871	\$ 10,460,831	\$ 10,483,381

Construction commitments

The government has active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Automated Meter Reader Project	\$ 372,435	\$ 7,617
Higdon, Higdon, and Sherrill Mobile Home Parks Sewer Improvements Project	144,000	1,672,925
Total	\$ 516,435	\$ 1,680,542

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 direct placement installment purchases and direct borrowing State revolving loans. As of June 30, 2021, the Town of Andrews had total debt outstanding of \$1,278,991. 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	
	2021	2020	2021	2020	2021	2020
Direct borrowing						
State revolving loans	\$ -	\$ -	\$ 1,278,991	\$ 1,377,308	\$ 1,278,991	\$ 1,377,308
Total debt outstanding	-	-	1,278,991	1,377,308	1,278,991	1,377,308
Compensated absences	12,652	11,331	21,425	19,282	34,077	30,613
Net pension liability (LGERS)	209,946	146,798	201,713	141,041	411,659	287,839
Total pension liability (LEO)	33,071	13,001	-	-	33,071	13,001
Total long-term obligations	\$ 255,669	\$ 171,130	\$ 1,502,129	\$ 1,537,631	\$ 1,757,798	\$ 1,708,761

- The Town of Andrews' total debt decreased by \$98,317 (7.14%) 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 \$9,563,928.
- 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.

- Sales tax collections continue to increase, showing that consumer spending within the County is on the rise.
- The property tax rate for the Town is expected to decrease for the coming budget year.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The property tax rate was reduced to \$.52 per \$100 valuation. The Board has budgeted a 39% increase, or approximately \$175,000, in sales tax revenue. The budget provides only for critical and essential capital outlay across various departments.

Business-Type Activities: The Town has chosen to maintain existing fee and rate schedules. \$562,500 has been budgeted for capital improvements to the Wastewater Treatment Plant and the Water Treatment Plant. \$540,000 has been provided by the American Rescue Act to help pay for these improvements.

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:

Larissa Dooley, Finance Officer
 1101 Main Street, Andrews, NC 28901
l.dooley@andrewsnc.org
 (828)-321-5111
www.andrewsnc.com

Basic Financial Statements

Town of Andrews, North Carolina
Statement of Net Position
June 30, 2021

	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	\$ 1,433,633	\$ 419,201	\$ 1,852,834	\$ 138,996	\$ 199,762
Restricted cash and cash equivalents	358,585	94,289	452,874	-	11,895
Investments	972	-	972	25,362	-
Taxes receivable (net)	66,697	-	66,697	-	-
Accrued interest receivable on taxes	9,271	-	9,271	-	-
Accounts receivable (net)	11,583	155,618	167,201	-	1,049
Due from other governments	209,933	144,000	353,933	-	-
Internal balances	186,273	(186,273)	-	-	-
Inventories	-	-	-	124,920	-
Prepaid items	43,254	38,286	81,540	6,018	2,926
Total current assets	2,320,201	665,121	2,985,322	295,296	215,632
Non-current assets:					
Intangibles, net of accumulated amortization	-	-	-	1,520	-
Capital assets:					
Land and construction in progress	131,136	648,775	779,911	-	21,192
Other capital assets, net of depreciation	1,145,426	8,535,494	9,680,920	33,454	271,312
Total capital assets	1,276,562	9,184,269	10,460,831	33,454	292,504
Total non-current assets	1,276,562	9,184,269	10,460,831	34,974	292,504
Total assets	3,596,763	9,849,390	13,446,153	330,270	508,136
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	133,829	112,059	245,888	-	-
Total deferred outflows of resources	133,829	112,059	245,888	-	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	48,787	183,517	232,304	126,801	22,823
Unearned revenue	-	-	-	-	75
Customer deposits	-	-	-	-	11,895
Current portion of long-term liabilities	10,000	116,318	126,318	-	4,000
Payable from restricted assets	-	94,289	94,289	-	-
Total current liabilities	58,787	394,124	452,911	126,801	38,793
Long-term liabilities:					
Due in more than one year	245,669	1,385,811	1,631,480	-	16,431
Total liabilities	304,456	1,779,935	2,084,391	126,801	55,224

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

Town of Andrews, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Andrews ABC Board	Andrews Housing Authority
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	11,443	-	11,443	-	-
Pension deferrals	48,510	18,127	66,637	-	-
Total deferred inflows of resources	59,953	18,127	78,080	-	-
NET POSITION					
Net investment in capital assets	1,276,562	7,905,278	9,181,840	33,454	292,504
Restricted for:					
Streets	147,858	-	147,858	-	-
Public safety	110,023	-	110,023	-	-
Cemetery maintenance	100,704	-	100,704	-	-
Stabilization by State Statute	407,789	-	407,789	-	-
Other functions	-	-	-	35,559	-
Unrestricted	1,323,247	258,109	1,581,356	134,456	160,408
Total net position	\$ 3,366,183	\$ 8,163,387	\$ 11,529,570	\$ 203,469	\$ 452,912

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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		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	\$ 363,051	\$ 35,500	\$ -	\$ -	\$ (327,551)	\$ -	\$ (327,551)	\$ -	\$ -
Public safety	495,027	91	176,769	-	(318,167)	-	(318,167)	-	-
Transportation	104,988	-	50,594	-	(54,394)	-	(54,394)	-	-
Environmental protection	142,782	120,930	1,372	-	(20,480)	-	(20,480)	-	-
Cultural and recreation	185,911	5,651	59,981	-	(120,279)	-	(120,279)	-	-
Total governmental activities	1,291,759	162,172	288,716	-	(840,871)	-	(840,871)	-	-
Business-type activities:									
Water and sewer	1,630,106	1,328,645	26,120	144,000	-	(131,341)	(131,341)	-	-
Total business-type activities	1,630,106	1,328,645	26,120	144,000	-	(131,341)	(131,341)	-	-
Total primary government	\$ 2,921,865	\$ 1,490,817	\$ 314,836	\$ 144,000	(840,871)	(131,341)	(972,212)	-	-
Component units:									
ABC Board	\$ 1,159,085	\$ 1,195,107	\$ -	\$ -	-	-	-	36,022	-
Housing Authority	412,587	165,873	122,309	136,935	-	-	-	-	12,530
Total component units	\$ 1,571,672	\$ 1,360,980	\$ 122,309	\$ 136,935	-	-	-	36,022	12,530
General revenues:									
Taxes:									
Property taxes, levied for general purpose					729,407	-	729,407	-	-
Grants and contributions not restricted to specific programs					866,537	-	866,537	-	-
Unrestricted investment earnings					391	-	391	-	120
Miscellaneous					87,189	-	87,189	-	-
Gain on sale of capital assets					-	-	-	6,598	14,652
Total general revenues not including transfers					1,683,524	-	1,683,524	6,598	14,772
Change in net position					842,653	(131,341)	711,312	42,620	27,302
Net position, beginning					2,523,530	8,294,728	10,818,258	160,849	425,610
Net position, ending					\$ 3,366,183	\$ 8,163,387	\$ 11,529,570	\$ 203,469	\$ 452,912

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

Town of Andrews, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 1,433,633	\$ 1,433,633
Restricted cash	358,585	358,585
Investments	972	972
Receivables, net		
Taxes	66,697	66,697
Accounts	11,583	11,583
Due from other funds	186,273	186,273
Due from other governments	209,933	209,933
Prepaid items	43,254	43,254
Total assets	<u>\$ 2,310,930</u>	<u>\$ 2,310,930</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 48,787	\$ 48,787
Total liabilities	<u>48,787</u>	<u>48,787</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	66,697	66,697
Prepaid taxes	11,443	11,443
Total deferred inflows of resources	<u>78,140</u>	<u>78,140</u>
FUND BALANCE		
Nonspendable		
Prepaid items	43,254	43,254
Restricted		
Stabilization by state statute	407,789	407,789
Streets	147,858	147,858
Public safety	110,023	110,023
Assigned		
Cemetery maintenance	100,704	100,704
Unassigned	1,374,375	1,374,375
Total fund balance	<u>2,184,003</u>	<u>2,184,003</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,310,930</u>	<u>\$ 2,310,930</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, 2021

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

Total Fund Balance, Governmental Funds	\$ 2,184,003
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Gross capital assets at historical cost	3,633,018
Accumulated depreciation	<u>(2,356,456)</u>
	1,276,562
Deferred outflows of resources related to pensions are not reported in the funds	133,829
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	9,271
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)	(12,652)
Net pension liability	(209,946)
Total pension liability	(33,071)
Deferred inflows of resources related to pensions are not reported in the funds	(48,510)
Earned revenues considered deferred inflows of resources in fund statements	<u>66,697</u>
Net position of governmental activities	<u><u>\$ 3,366,183</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, 2021

	Major General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 739,582	\$ 739,582
Unrestricted intergovernmental	866,537	866,537
Restricted intergovernmental	288,716	288,716
Permits and fees	550	550
Sales and services	161,622	161,622
Investment earnings	391	391
Miscellaneous	16,439	16,439
Total revenues	<u>2,073,837</u>	<u>2,073,837</u>
EXPENDITURES		
Current:		
General government	380,265	380,265
Public safety	533,564	533,564
Transportation	84,018	84,018
Environmental protection	294,590	294,590
Cultural and recreation	296,824	296,824
Total expenditures	<u>1,589,261</u>	<u>1,589,261</u>
Excess (deficiency) of revenues over expenditures	<u>484,576</u>	<u>484,576</u>
OTHER FINANCING SOURCES (USES)		
Insurance recovery	70,750	70,750
Total other financing sources (uses)	<u>70,750</u>	<u>70,750</u>
Net change in fund balance	555,326	555,326
Fund balance, beginning	<u>1,628,677</u>	<u>1,628,677</u>
Fund balance, ending	<u><u>\$ 2,184,003</u></u>	<u><u>\$ 2,184,003</u></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, 2021

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

Net change in fund balance - total governmental funds		\$ 555,326
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	431,466	
Depreciation expense for governmental assets	<u>(99,414)</u>	
		332,052
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		39,633
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues	<u>(10,175)</u>	
		(10,175)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(1,321)	
Pension expense	<u>(72,862)</u>	<u>(74,183)</u>
Total changes in net position of governmental activities		<u><u>\$ 842,653</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
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	General Fund			Variance
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 657,720	\$ 657,720	\$ 739,582	\$ 81,862
Unrestricted intergovernmental	572,000	804,000	866,537	62,537
Restricted intergovernmental	75,271	315,299	288,716	(26,583)
Permits and fees	1,000	1,000	550	(450)
Sales and services	178,600	178,600	161,622	(16,978)
Investment earnings	200	200	391	191
Miscellaneous	21,600	26,600	16,439	(10,161)
Total revenues	<u>1,506,391</u>	<u>1,983,419</u>	<u>2,073,837</u>	<u>90,418</u>
EXPENDITURES				
Current:				
General government	417,290	447,790	380,265	67,525
Public safety	576,050	859,684	533,564	326,120
Transportation	205,857	165,857	84,018	81,839
Environmental protection	136,790	301,790	294,590	7,200
Cultural and recreation	170,404	369,048	296,824	72,224
Total expenditures	<u>1,506,391</u>	<u>2,144,169</u>	<u>1,589,261</u>	<u>554,908</u>
Revenues over (under) expenditures	-	(160,750)	484,576	645,326
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	70,750	70,750	-
Total other financing sources (uses)	<u>-</u>	<u>70,750</u>	<u>70,750</u>	<u>-</u>
Revenues over (under) expenditures and other uses	-	(90,000)	555,326	645,326
Fund balance appropriated	-	90,000	-	(90,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	555,326	<u>\$ 555,326</u>
Fund balance, beginning			<u>1,628,677</u>	
Fund balance, ending			<u>\$ 2,184,003</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, 2021

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 419,201	\$ 419,201
Accounts receivable (net) - billed	155,618	155,618
Due from other governments	144,000	144,000
Prepaid items	38,286	38,286
Restricted cash and cash equivalents	94,289	94,289
Total current assets	<u>851,394</u>	<u>851,394</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress	648,775	648,775
Other capital assets, net of depreciation	8,535,494	8,535,494
Capital assets	<u>9,184,269</u>	<u>9,184,269</u>
Total noncurrent assets	<u>9,184,269</u>	<u>9,184,269</u>
Total assets	<u>\$ 10,035,663</u>	<u>\$ 10,035,663</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	112,059	112,059
Total deferred outflows of resources	<u>112,059</u>	<u>112,059</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 183,517	\$ 183,517
Due to other funds	186,273	186,273
Compensated absences - current	18,000	18,000
State revolving loans - current	98,318	98,318
Liabilities payable from restricted assets:		
Customer deposits	94,289	94,289
Total current liabilities	<u>580,397</u>	<u>580,397</u>
Noncurrent liabilities:		
Compensated absences	3,425	3,425
Net pension liability	201,713	201,713
State revolving loans - noncurrent	1,180,673	1,180,673
Total noncurrent liabilities	<u>1,385,811</u>	<u>1,385,811</u>
Total liabilities	<u>1,966,208</u>	<u>1,966,208</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	18,127	18,127
	<u>18,127</u>	<u>18,127</u>
NET POSITION		
Net investment in capital assets	7,905,278	7,905,278
Unrestricted	258,109	258,109
Total net position	<u>\$ 8,163,387</u>	<u>\$ 8,163,387</u>

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

Town of Andrews, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 1,311,095	\$ 1,311,095
Water and sewer taps	17,550	17,550
Other operating revenues	26,120	26,120
Total operating revenues	<u>1,354,765</u>	<u>1,354,765</u>
OPERATING EXPENSES		
Administration	187,490	187,490
Water treatment and distribution	660,140	660,140
Waste collection and treatment	238,898	238,898
Depreciation	541,628	541,628
Total operating expenses	<u>1,628,156</u>	<u>1,628,156</u>
Operating income (loss)	<u>(273,391)</u>	<u>(273,391)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and other charges	<u>(1,950)</u>	<u>(1,950)</u>
Total nonoperating revenue (expenses)	<u>(1,950)</u>	<u>(1,950)</u>
Income (loss) before contributions and transfers	(275,341)	(275,341)
Capital contributions	<u>144,000</u>	<u>144,000</u>
Change in net position	(131,341)	(131,341)
Total net position, beginning	8,294,728	8,294,728
Total net position, ending	<u>\$ 8,163,387</u>	<u>\$ 8,163,387</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, 2021

	Major Enterprise Fund	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,319,076	\$ 1,319,076
Cash paid for goods and services	(580,386)	(580,386)
Cash paid to or on behalf of employees for services	(587,935)	(587,935)
Customer deposits received	17,955	17,955
Other operating revenues	26,120	26,120
Net cash provided (used) by operating activities	194,830	194,830
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to other funds	(40,000)	(40,000)
Net cash provided (used) by noncapital financing activities	(40,000)	(40,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(43,026)	(43,026)
Principal paid on bond maturities and equipment contracts	(98,317)	(98,317)
Due to (from) other governments	(93,747)	(93,747)
Interest paid on bond maturities and equipment contracts	(1,950)	(1,950)
Capital contributions	144,000	144,000
Net cash provided (used) by capital and related financing activities	(93,040)	(93,040)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	-	-
Net cash provided (used) by investing activities	-	-
Net increase (decrease) in cash and cash equivalents	61,790	61,790
Cash and cash equivalents at beginning of year	451,700	451,700
Cash and cash equivalents at end of year	\$ 513,490	\$ 513,490

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, 2021

	<u>Water and Sewer Fund</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (273,391)	\$ (273,391)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	541,628	541,628
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(9,569)	(9,569)
(Increase) decrease in prepaid items	(3,942)	(3,942)
(Increase) decrease in deferred outflows of resources - pensions	(23,834)	(23,834)
Increase (decrease) in net pension liability	60,672	60,672
Increase (decrease) in deferred inflows of resources for pensions	(6,877)	(6,877)
Increase (decrease) in accounts payable and accrued liabilities	(109,955)	(109,955)
Increase (decrease) in customer deposits	17,955	17,955
Increase (decrease) in accrued vacation pay	2,143	2,143
Total adjustments	<u>468,221</u>	<u>468,221</u>
Net cash provided by operating activities	<u>\$ 194,830</u>	<u>\$ 194,830</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, 2021

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Town of Andrews, North Carolina
Notes to the Financial Statements
June 30, 2021

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Town of Andrews, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 Capital Project Fund has 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, 2021, The Term portfolio has a duration of .15 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. Firefighters' 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

<u>Governmental Activities</u>	
General Fund	
Streets - Powell Bill funds	\$ 147,858
Public safety - Police drug forfeiture	8,106
Public safety - Firefighters' relief funds	100,870
Public safety - Fire department	1,047
Cultural and recreation - Valletown Cemetery	100,704
Total Governmental Activities	<u>\$ 358,585</u>
<u>Business-type Activities</u>	
Water and Sewer Fund	
Customer deposits	\$ 94,289
Total Business-type Activities	<u>\$ 94,289</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, 2020. 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
Plants and distribution systems	5 - 30

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>
Improvements to buildings and land	-	15 - 30
Leasehold improvements	7 - 15	-
Equipment and furniture	5 - 10	3 - 10

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 2021 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 by revenue source for fire safety and for the purpose of caring for firemen who are hurt in the line of duty or their dependents.

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 Plan

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

13. Estimates

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

- a. The audited financial statements were not submitted timely in accordance with State law. G.S. 159-34(a) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

The Town is working to develop and incorporate procedures to ensure that the data is collected, reviewed and reported accurately and timely.

- b. In accordance with North Carolina General Statutes 159.29(a), the finance officer must have a true accounting and faithful performance bond for an amount determined by the governing board. The amount may not be lower than \$50,000. In addition, in accordance with North Carolina General Statutes 105-349(c), the tax collector cannot begin or continue collecting taxes without having a bond conditioned upon their honesty and faithful performance in such amount as determined by the governing board.

Management will implement procedures to ensure statutory compliance with bonding at all times.

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, 2021, the Town's deposits had a carrying amount of \$2,305,333 and a bank balance of \$2,378,218. 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, 2021, the Town's petty cash fund totaled \$375.

At September 30, 2020, the Andrews Housing Authority's deposits had a carrying amount of \$211,557 and a bank balance of \$213,355. All of the bank balance was fully covered by federal depository insurance. The Authority had \$100 cash on hand at September 30, 2020.

At June 30, 2021, the ABC Board's deposits had a carrying amount of \$138,996 and a bank balance of \$95,024. All of the bank balance was fully covered by federal depository insurance. The ABC Board had \$1,040 cash on hand at June 30, 2021.

2. Investments

At June 30, 2021, the Town's investment balance was as follows:

Investments by Type	Valuation Measurement Method	Book Value at June 30, 2021	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 972	N/A	AAAm
Total		\$ 972		

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, 2021, the ABC Board had an investment of two certificates of deposit, both with a maturity of twelve months. The value of the investments at June 30, 2021 was \$25,362. The certificates of deposits have interest rates at year end of 0.5% and 1.0%. 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, 2021 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 22,473
Sanitation receivable	3,066
Total General Fund	<u>\$ 25,539</u>
Enterprise Fund:	
Water and Sewer Fund - accounts receivable	\$ 36,651
Total Enterprise Fund	<u>\$ 36,651</u>

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government activities:				
Capital assets not being depreciated:				
Land	\$ 90,810	\$ 40,326	\$ -	\$ 131,136
Total capital assets not being depreciated	<u>90,810</u>	<u>40,326</u>	<u>-</u>	<u>131,136</u>
Capital assets being depreciated:				
Buildings and system	1,835,400	39,771	-	1,875,171
Equipment and furniture	782,230	103,510	-	885,740
Vehicles and motorized equipment	651,203	268,776	(179,008)	740,971
Total capital assets being depreciated	<u>3,268,833</u>	<u>412,057</u>	<u>(179,008)</u>	<u>3,501,882</u>
Less accumulated depreciation for:				
Buildings and system	1,101,567	57,323	-	1,158,890
Equipment and furniture	745,593	10,365	-	755,958
Vehicles and motorized equipment	567,973	31,726	(158,091)	441,608
Total accumulated depreciation	<u>2,415,133</u>	<u>99,414</u>	<u>(158,091)</u>	<u>2,356,456</u>
Total capital assets being depreciated, net	<u>853,700</u>			<u>1,145,426</u>
Governmental activity capital assets, net	<u>\$ 944,510</u>			<u>\$ 1,276,562</u>

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

General government	\$ 13,152
Public safety	30,867
Transportation	29,690
Cultural and recreational	25,705
Total depreciation expense	<u>\$ 99,414</u>

Business-type activities:	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	371,079	145,356	-	516,435
Total capital assets not being depreciated	<u>503,419</u>	<u>145,356</u>	<u>-</u>	<u>648,775</u>
Capital assets being depreciated:				
Plants and distribution systems	22,077,783	18,339	-	22,096,121
Equipment and furniture	539,419	23,332	-	562,751
Vehicles and motorized equipment	70,673	-	-	70,673
Total capital assets being depreciated	<u>22,687,875</u>	<u>41,671</u>	<u>-</u>	<u>22,729,545</u>
Less accumulated depreciation for:				
Plants and distribution systems	13,236,182	504,982	-	13,741,164
Equipment and furniture	381,541	29,451	-	410,992
Vehicles and motorized equipment	34,700	7,195	-	41,895
Total accumulated depreciation	<u>13,652,423</u>	<u>541,628</u>	<u>-</u>	<u>14,194,051</u>
Total capital assets being depreciated, net	<u>9,035,452</u>			<u>8,535,494</u>
Water and Sewer fund capital assets, net	<u>9,538,871</u>			<u>9,184,269</u>
Business-type activities capital assets, net	<u>\$ 9,538,871</u>			<u>\$ 9,184,269</u>

Construction commitments

The government has active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Automated Meter Reader Project	\$ 372,435	\$ 7,617
Higdon, Higdon, and Sherrill Mobile Home Parks Sewer Improvements Project	144,000	1,672,925
Total	<u>\$ 516,435</u>	<u>\$ 1,680,542</u>

Discretely presented component units

Capital asset activity for the ABC Board for the year ended June 30, 2021, was as follows:

ABC Board:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:				
Furniture and equipment	63,601	15,590	20,082	59,109
Leasehold improvements	15,647	12,580	8,725	19,502
Total capital assets being depreciated	<u>79,248</u>	<u>28,170</u>	<u>28,807</u>	<u>78,611</u>
Less accumulated depreciation for:				
Furniture and equipment	56,892	1,524	20,082	38,334
Leasehold improvements	9,825	1,021	4,023	6,823
Total accumulated depreciation	<u>66,717</u>	<u>2,545</u>	<u>24,105</u>	<u>45,157</u>
ABC Board capital assets, net	<u>\$ 12,531</u>			<u>\$ 33,454</u>

Capital asset activity for the Housing Authority for the year ended September 30, 2020, 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	3,238,505	-	-	3,238,505
Furniture and equipment	89,179	21,473	49,706	60,946
Total capital assets being depreciated	3,327,684	21,473	49,706	3,299,451
Less accumulated depreciation for:				
Building and improvements	2,938,126	57,639	-	2,995,765
Furniture and equipment	77,054	4,678	49,358	32,374
Total accumulated depreciation	3,015,180	62,317	49,358	3,028,139
Total capital assets being depreciated, net	312,504			271,312
Housing Authority capital assets, net	\$ 333,696			\$ 292,504

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2021, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 42,001	\$ 6,786	\$ 48,787
Total governmental activities	\$ 42,001	\$ 6,786	\$ 48,787
Business-type activities:			
Water and sewer	\$ -	\$ 183,517	\$ 183,517
Total business-type activities	\$ -	\$ 183,517	\$ 183,517

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 (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LERS. 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, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Andrews were \$77,711 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$411,659 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the Town's proportion was .012% (measured as of June 30, 2020), which was an increase of .001% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the Town recognized pension expense of \$138,786. At June 30, 2021, 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	\$ 51,985	\$ -
Changes of assumptions	30,635	-
Net differences between projected and actual earnings on pension plan investments	57,930	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,430	36,994
Town contributions subsequent to the measurement date	77,711	-
Total	<u>\$ 228,691</u>	<u>\$ 36,994</u>

\$77,711 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 30,831
2023	41,341
2024	24,671
2025	17,143
2026	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 valuation were based on the results of an actuarial experience study as of 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, 2021 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 2018 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)	\$ 835,211	\$ 411,659	\$ 59,657

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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 County law enforcement officers are covered by the Separation Allowance. At December 31, 2019, 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	<u>5</u>

2. Summary of Significant Accounting Policies.

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

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

3. Actuarial Assumptions.

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

Mortality Rate

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Beneficiary): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Before Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

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, 2021, the Town reported a total pension liability of \$33,071. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$2,043.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,057	\$ 27,221
Changes of assumptions	11,140	2,422
Net differences between projected and actual earnings on pension plan investments	-	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 17,197</u>	<u>\$ 29,643</u>

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

Year ended June 30:

2022	\$	(3,239)
2023		(3,239)
2024		(3,147)
2025		(2,832)
2026		(185)
Thereafter		196

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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 35,899	\$ 33,071	\$ 30,597

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

Total pension liability as of December 31, 2019	\$ 13,001
Changes for the year:	
Service cost	4,858
Interest on the total pension liability	424
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	4,092
Changes of assumptions or other inputs	10,696
Benefit payments	-
Other changes	-
Net changes	20,070
Total pension liability as of December 31, 2020	\$ 33,071

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.26% to 1.93% due to a change in the Municipal Bond Rate.

Changes in Benefit Terms. There were no changes in benefit terms since the prior Measurement Date.

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, 2019 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, 2019.

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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 138,786	\$ 2,043	\$ 140,829
Pension Liability	411,659	33,071	444,730
Proportionate share of the net pension liability	0.01152%	n/a	

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	51,985	6,057	58,042
Changes of assumptions	30,635	11,140	41,775
Net difference between projected and actual earnings on pension plan investments	57,930	-	57,930
Changes in proportion and differences between contributions and proportionate share of contributions	10,430	-	10,430
Benefit payments and administrative costs paid subsequent to the measurement date	77,711	-	77,711
Deferred Inflows of Resources			
Differences between expected and actual experience	-	27,221	27,221
Changes of assumptions	-	2,422	2,422
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	36,994	-	36,994
Benefit payments and administrative costs paid subsequent to the measurement date	-	-	-

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 contributed \$10,270 for the year ended June 30, 2021. 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. 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. The Town considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 77,711
Differences between expected and actual experience	58,042
Changes of assumptions	41,775
Net difference between projected and actual	57,930
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,430
	<u>\$ 245,888</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)	\$ -	\$ 66,697
Prepaid taxes (General Fund)	11,443	11,443
Changes in assumptions	2,422	-
Differences between expected and actual experience	27,221	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,994	-
Total	<u>\$ 78,080</u>	<u>\$ 78,140</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 \$19,000,000. The Town obtains general liability and auto liability coverage of \$3 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 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 \$5,363,842, 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 million 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, 2021, 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. State Revolving Fund Loans

Serviced by the Water and Sewer Fund:

The Town's State Revolving Fund loans payable consisted of the following at June 30, 2021:

On March 30, 2005, the Town entered into a \$305,871 State Revolving Fund loan from direct borrowings to finance a drinking water project and is secured by the net revenues for the water and sewer system. The loan requires twenty annual installments of \$15,293, plus interest at 2.55%. The loan matures May 1, 2025. The loan contains provisions that an event of default could have further commitment of funds withdrawn.	\$	61,174
On February 15, 2011, the Town entered into a \$344,214 State Revolving Fund loan from direct borrowings to finance a drinking water project and is secured by the net revenues for the water and sewer system. The loan requires twenty annual installments of \$17,175, plus interest at 0.00%. The loan matures May 1, 2030. The loan contains provisions that an event of default could have further commitment of funds withdrawn.		154,578
On September 10, 2013, the Town entered into a \$224,710 State Revolving Fund loan from direct borrowings to finance a sewer project and is secured by the net revenues for the water and sewer system. The loan requires twenty annual installments of \$11,236, plus interest at 0.00%. The loan matures May 1, 2033. The loan contains provisions that an event of default could have further commitment of funds withdrawn.		134,826
On January 27, 2018, the Town entered into a \$1,092,251 State Revolving Fund loan from direct borrowings to finance a sewer project and is secured by the net revenues for the water and sewer system. 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. The loan contains provisions that an event of default could have further commitment of funds withdrawn.		928,413
	\$	<u>1,278,991</u>

Annual debt service payments of the State revolving fund loans as of June 30, 2021, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2022	\$ 98,318	\$ 1,560
2023	98,318	1,170
2024	98,317	780
2025	98,317	390
2026	83,024	-
2027 - 2031	397,944	-
2032 - 2036	295,530	-
2037 - 2041	109,223	-
Total	<u>\$ 1,278,991</u>	<u>\$ 3,900</u>

At June 30, 2021, the Town of Andrews had a legal debt margin of \$9,563,928.

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, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 11,331	\$ 21,656	\$ 20,335	\$ 12,652	\$ 10,000
Net pension liability (LGRS)	146,798	63,148	-	209,946	-
Total pension liability (LEO)	13,001	20,070	-	33,071	-
Total governmental activities	<u>\$ 171,130</u>	<u>\$ 104,874</u>	<u>\$ 20,335</u>	<u>\$ 255,669</u>	<u>\$ 10,000</u>
Business-type activities:					
<i>Water and Sewer Fund</i>					
Direct borrowing	\$ 1,377,308	\$ -	\$ 98,317	\$ 1,278,991	\$ 98,318
State revolving loans					
Compensated absences	19,282	20,270	18,127	21,425	18,000
Net pension liability (LGRS)	141,041	60,672	-	201,713	-
Total Water and Sewer Fund	<u>1,537,631</u>	<u>80,942</u>	<u>116,444</u>	<u>1,502,129</u>	<u>116,318</u>
Total business-type activities	<u>\$ 1,537,631</u>	<u>\$ 80,942</u>	<u>\$ 116,444</u>	<u>\$ 1,502,129</u>	<u>\$ 116,318</u>

No interest was capitalized during 2021; interest incurred and charged to expense totaled \$1,950.

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, 2021, consist of the following:

Due to the General Fund from:

Water and Sewer Fund for working capital	\$ 186,273
Total	<u>\$ 186,273</u>

In accordance with a resolution adopted by the Town on June 27, 2018, the Water and Sewer Fund is to repay no less than \$20,000 each year until the full amount is repaid to the General Fund. To catch up on the payment not made in the fiscal year ended June 30, 2020 because of the effects of the COVID-19 pandemic, two payments were made in the current fiscal year.

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, 2021.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,276,562	\$ 9,184,269
Less: long-term debt	-	1,278,991
Net investment in capital assets	<u>\$ 1,276,562</u>	<u>\$ 7,905,278</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	\$ 2,184,003
Less:	
Prepaid items	43,254
Stabilization by State Statute	407,789
Streets - Powell Bill	147,858
Public Safety - Firefighters' relief	110,023
Cemetery maintenance	100,704
Working Capital/Fund Balance Policy	214,417
Remaining Fund Balance	<u>1,159,958</u>

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

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

Encumbrances	General Fund	Non-Major Funds
	\$ -	\$ -

IV. Joint Ventures

Nantahala Regional Library

The Town also participates in a joint venture to operate the Nantahala Regional Library with five other local governments. Each participating county may appoint three board members to the nine member board of the Library. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2021. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$80,000 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 lightening 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, 2021, 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, 2021. 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.

Coronavirus Disease (COVID-19)

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. It is not possible to determine the extent to which the pandemic may materially impact the financial position, results of activities, and cash flows of the Town in subsequent years. Management believes the Town is taking appropriate actions to mitigate the impact of the pandemic. The full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

VI. New Accounting Pronouncements***Pronouncements effective for the 2021 Financial 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.

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.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR). The London Interbank Offered Rate (LIBOR) is the most often used. As a result of global reference rate reform, LIBOR is expected to no longer exist after December 31, 2021. This will cause governments to amend or replace financial instruments to replace LIBOR with other reference rates by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

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

In June 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 effective date of this Statement has been postponed for reporting periods beginning after June 15, 2021.

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 effective date of this Statement has been postponed for reporting periods beginning after December 15, 2020.

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 effective date of this Statement has been postponed for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are effective as follows:

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted.

VII. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2021 and June 29, 2022, 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, 2021.

1. In August 2021, the Town received \$294,158 of Coronavirus State and Local Fiscal Recovery Funds from the Treasury to meet pandemic response needs.
2. On October 1, 2021, the Town assumed management of the Recreation Park and Heritage Park from Cherokee County. Cherokee County agreed to give the Town of Andrews the .28 acres for Heritage Park and the \$128,000 per year for the next three years for the Recreation department.
3. On January 18, 2022, the Town voted to dissolve the Andrews Fire Department.
4. On January 18, 2022, the Town voted to approve the resolution for NC Viable Utilities Reserve funding in the amount of \$1,091,797 for Project Number VUR-D-ARP-0002 (Leatherwood Storage Tank).

Required Supplementary Financial Data

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

Local Government Employees' Retirement System

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Law Enforcement Officers' Special Separation Allowance

- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Andrews' proportion of the net pension liability (asset) (%)	0.01152%	0.01054%	0.01451%	0.01578%	0.01425%	0.00990%	0.01310%	0.01430%
Town of Andrews' proportion of the net pension liability (asset) (\$)	\$ 411,659	\$ 287,839	\$ 344,227	\$ 241,075	\$ 302,433	\$ 44,429	\$ (77,257)	\$ 172,370
Town of Andrews' covered-employee payroll*	\$ 717,508	\$ 679,135	\$ 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	57.37%	42.38%	46.12%	24.55%	32.38%	6.45%	(11.64%)	24.45%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	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 Eight Fiscal Years
Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 77,711	\$ 65,586	\$ 53,516	\$ 57,061	\$ 72,996	\$ 63,531	\$ 49,519	\$ 47,195
Contributions in relation to the contractually required contribution	77,711	65,586	53,516	57,061	72,996	63,531	49,519	47,195
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Andrews' covered-employee payroll	\$ 751,866	\$ 717,508	\$ 679,135	\$ 746,338	\$ 982,075	\$ 933,946	\$ 689,000	\$ 663,804
Contributions as a percentage of covered-employee payroll	10.34%	9.14%	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, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 13,001	\$ 42,564	\$ 33,075	\$ 28,301	\$ 21,958
Service cost	4,858	3,787	7,276	5,617	6,987
Interest on the total pension liability	424	1,549	1,045	1,092	784
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	4,092	(35,773)	4,438	(5,544)	-
Changes of assumptions or other inputs	10,696	874	(3,270)	3,609	(1,428)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 33,071</u>	<u>\$ 13,001</u>	<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, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 33,071	\$ 13,001	\$ 42,564	\$ 33,075	\$ 28,301
Covered payroll	204,225	148,300	250,366	223,214	225,448
Total pension liability as a percentage of covered payroll	16.19%	8.77%	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, 2021

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes - current year		\$ 729,346	
Interest		10,236	
Total	\$ 657,720	739,582	\$ 81,862
Unrestricted intergovernmental:			
Local option sales taxes		724,800	
Payments in lieu of taxes-outside sources		13,316	
Utility franchise tax		105,033	
Beer and wine tax		7,656	
ABC profit distribution		15,732	
Total	804,000	866,537	62,537
Restricted intergovernmental:			
Powell Bill allocation		50,594	
Controlled substance tax		54	
Solid waste disposal tax		1,372	
Other grants		236,696	
Total	315,299	288,716	(26,583)
Permits and fees:			
Zoning permits		550	
Total	1,000	550	(450)
Sales and services:			
Rents, concessions, and fees		35,500	
Sanitation fees		120,380	
Recreation fees		5,742	
Total	178,600	161,622	(16,978)
Investment earnings	200	391	191
Miscellaneous:			
Miscellaneous		16,439	
Total	26,600	16,439	(10,161)
Total revenues	1,983,419	2,073,837	90,418

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, 2021

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Salaries and employee benefits		39,903	
Other operating expenditures		63,405	
Professional services		24,088	
Total	<u>153,300</u>	<u>127,396</u>	<u>25,904</u>
Administration:			
Salaries and employee benefits		83,824	
Other operating expenditures		127,572	
Capital outlay		41,473	
Total	<u>294,490</u>	<u>252,869</u>	<u>41,621</u>
Total general government	<u>447,790</u>	<u>380,265</u>	<u>67,525</u>
Public safety:			
Police:			
Salaries and employee benefits		290,201	
Vehicle maintenance		39,179	
Other operating expenditures		24,639	
Capital outlay		42,080	
Professional services		24,429	
Total	<u>729,541</u>	<u>420,528</u>	<u>309,013</u>
Fire:			
Salaries and employee benefits		4,570	
Vehicle maintenance		25,870	
Other operating expenditures		43,096	
Capital outlay		39,500	
Total	<u>130,143</u>	<u>113,036</u>	<u>17,107</u>
Total public safety	<u>859,684</u>	<u>533,564</u>	<u>326,120</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		24,834	
Sidewalk maintenance		2,609	
Vehicle maintenance		9,140	
Street lights		31,281	
Other operating expenditures		3,154	
Capital outlay		13,000	
Total transportation	<u>165,857</u>	<u>84,018</u>	<u>81,839</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		106,154	
Vehicle maintenance		4,729	
Other operating expenditures		8,402	
Tipping fees		18,956	
Capital outlay		156,349	
Total	<u>301,790</u>	<u>294,590</u>	<u>7,200</u>
Total environmental protection	<u>301,790</u>	<u>294,590</u>	<u>7,200</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, 2021

	Budget	Actual	Variance Positive (Negative)
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits		17,926	
Maintenance		28,412	
Other operating expenditures		24,456	
Capital outlay		139,064	
Total	274,048	209,858	64,190
Libraries:			
Contribution to regional library		86,966	
Total	95,000	86,966	8,034
Total culture and recreation	369,048	296,824	72,224
Contingency	-	-	-
Total expenditures	2,144,169	1,589,261	554,908
Revenues over (under) expenditures	(160,750)	484,576	645,326
OTHER FINANCING SOURCES (USES)			
Insurance Recovery	70,750	70,750	-
Total	70,750	70,750	-
Fund balance appropriated	90,000	-	(90,000)
Net change in fund balance	\$ -	555,326	\$ 555,326
Fund balance, beginning		1,628,677	
Fund balance, ending		\$ 2,184,003	

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Operating revenues:			
Water and sewer charges		\$ 1,311,095	
Water and sewer taps		17,550	
Other operating revenues		26,120	
Total operating revenues	<u>\$ 1,343,100</u>	<u>1,354,765</u>	<u>\$ 11,665</u>
Nonoperating revenues:			
Interest earnings		-	-
Total nonoperating revenues	<u>200</u>	<u>-</u>	<u>(200)</u>
Total revenues	<u>1,343,300</u>	<u>1,354,765</u>	<u>11,465</u>
EXPENDITURES			
Water and sewer administration			
Salaries and employee benefits		122,265	
Contracted services		6,210	
Utilities		7,970	
Insurance		34,602	
Other operating expenditures		16,442	
Total water and sewer administration	<u>205,640</u>	<u>187,489</u>	<u>18,151</u>
Water treatment and distribution			
Debt service:			
Interest and other charges		1,950	
Principal retirement		98,317	
Total debt service		<u>100,267</u>	
Salaries and employee benefits		354,856	
Contracted services		19,205	
Maintenance		192,192	
Capital outlay		34,088	
Other operating expenditures		61,784	
Total water treatment and distribution	<u>803,082</u>	<u>762,392</u>	<u>40,690</u>
Waste collection and treatment			
Wastewater treatment:			
Salaries and employee benefits		110,814	
Maintenance		49,648	
Supplies		50,150	
Capital outlay		8,939	
Other operating expenditures		28,286	
Total waste collection and treatment	<u>397,610</u>	<u>247,837</u>	<u>149,773</u>
Total expenditures	<u>1,406,332</u>	<u>1,197,718</u>	<u>208,614</u>
Revenues over expenditures	(63,032)	157,047	220,079

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Reserve for future projects	63,032	-	(63,032)
Total other financing sources (uses)	<u>63,032</u>	<u>-</u>	<u>(63,032)</u>
 Revenues and other sources over expenditures and other uses	 <u>\$ -</u>	 <u>\$ 157,047</u>	 <u>\$ 157,047</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 157,047	
Reconciling items:			
Principal retirement		98,317	
Capital outlay		43,027	
Decrease in accrued vacation pay		(2,143)	
Increase in deferred outflows of resources - pensions		23,834	
Increase in net pension liability		(60,672)	
Decrease in deferred inflows of resources - pensions		6,877	
Depreciation		(541,628)	
Capital contributions		144,000	
Total reconciling items		<u>(288,388)</u>	
Change in net position		<u>\$ (131,341)</u>	

Water and Sewer Capital Projects Funds

Higdon, Higdon, and Sherrill Mobile Home Parks Sewer Improvements Project - This fund is used to account for the improvements to three existing mobile home park properties (Higdon Mobile Home Park, Dick Higdon Mobile Home Park, and Sherrill Mobile Home Park). The project is 100% funded by the North Carolina Department of Commerce Community Development Block Grant Program.

Town of Andrews, North Carolina
Water and Sewer Capital Projects Fund -
Higdon, Higdon, and Sherrill Mobile Home Parks Sewer Improvements Project
Schedules of Revenues and Expenditures - Budget and Actual - (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2021

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental:					
Community Development Building Grant	\$ 1,816,925	\$ -	\$ 144,000	\$ 144,000	\$ (1,672,925)
Total revenues	1,816,925	-	144,000	144,000	(1,672,925)
EXPENDITURES					
Administration	165,175	-	59,000	59,000	106,175
Public sewer improvements	1,651,750	-	85,000	85,000	1,566,750
Total expenditures	1,816,925	-	144,000	144,000	1,672,925
Revenues over (under) expenditures	-	-	-	-	-
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

This section contains additional information on property taxes.

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

Town of Andrews, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 721,430	\$ 693,693	\$ 27,737
2019-2020	45,012	-	25,335	19,677
2018-2019	24,625	-	7,504	17,121
2017-2018	10,186	-	2,958	7,228
2016-2017	6,129	-	1,942	4,187
2015-2016	3,855	-	1,233	2,622
2014-2015	3,183	-	1,050	2,133
2013-2014	3,222	-	380	2,842
2012-2013	3,270	-	95	3,175
2011-2012	2,493	-	45	2,448
2010-2012	2,264	-	2,264	-
	<u>\$ 104,239</u>	<u>\$ 721,430</u>	<u>\$ 736,499</u>	<u>89,170</u>
Less: allowance for uncollectible accounts General Fund				<u>(22,473)</u>
Ad valorem taxes receivable - net				<u>\$ 66,697</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 739,582
Reconciling items:				
Taxes written off				(1,864)
Less: interest collected				(10,236)
Other adjustments				9,017
Subtotal				<u>(3,083)</u>
Total collections and credits				<u>\$ 736,499</u>

Town of Andrews, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 120,102,176	0.6019	\$ 722,895	\$ 661,473	\$ 61,422
Registered motor vehicles taxed at prior year's rate	-	0.6019	-	-	-
Penalties	-		-	-	-
Total	<u>120,102,176</u>		<u>722,895</u>	<u>661,473</u>	<u>61,422</u>
Discoveries:					
Current year taxes	66,290	0.6019	399	399	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements	<u>(309,686)</u>	0.6019	<u>(1,864)</u>	<u>(1,815)</u>	<u>(49)</u>
Total property valuation	<u>\$ 119,858,780</u>				
Net levy			721,430	660,057	61,373
Unpaid (by taxpayer) taxes at June 30, 2021			<u>27,737</u>	<u>27,329</u>	<u>408</u>
Current year's taxes collected			<u>\$ 693,693</u>	<u>\$ 632,728</u>	<u>\$ 60,965</u>
Current levy collection percentage			<u>96.16%</u>	<u>95.86%</u>	<u>99.34%</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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Andrews' basic financial statements, and have issued our report thereon dated June 29, 2022. 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) as a basis for designing the audit procedures that are appropriate in the circumstances for 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Town of Andrews' Response to Findings

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

Purpose of this Report

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

Turner & Company CPAs P.A.

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

June 29, 2022

Town of Andrews, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) X yes none reported

Noncompliance material to financial statements noted yes X no

II. Financial Statement Findings

Finding: 2021-001

SIGNIFICANT DEFICIENCY

Criteria: G.S. 159-34(a) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

Condition: The audited financial statements were not submitted by the due date of October 31, 2021.

Effect: Financial and/or operational problems could go undetected in the current fiscal year. Pertinent information may be inaccessible by various external groups such as the North Carolina General Assembly, federal and state funding agencies, and other public associations.

Cause: The impact of the COVID-19 pandemic created mutual scheduling and logistical difficulties, impeding the completion of the work necessary to deliver the audited financial statements on the due date of October 31, 2021. Despite being able to work remotely, lack of quality, dependable, high-speed internet throughout most of the far western part of the state caused tremendous delays in the exchange of information. By the time the Town staff was able to submit the required information to the audit firm, the audit firm was required to focus on other duties and deadlines.

Identification of a repeat finding: This is not a repeat finding.

Recommendation: The Town should implement procedures to ensure that required reporting is completed timely and accurately.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Please refer to the corrective action plan.

Town of Andrews, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

Finding: 2021-002

SIGNIFICANT DEFICIENCY

Criteria: In accordance with North Carolina General Statutes 159.29(a), the finance officer must have a true accounting and faithful performance bond for an amount determined by the governing board. The amount may not be lower than \$50,000. In addition, in accordance with North Carolina General Statutes 105-349(c), the tax collector cannot begin or continue collecting taxes without having a bond conditioned upon their honesty and faithful performance in such amount as determined by the governing board.

Condition: Based on our review of the policies and discussion with management, it was discovered that the Town of Andrews did not have bond coverage on the current Tax Collector, Natasha Whitaker, until June 2021. The Finance Officer, Larissa Dooley, did not have bond coverage during the year under audit.

Effect: The Town is not in compliance with State bonding requirements.

Cause: Administrative oversight.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2020-002.

Recommendation: We recommend that the Board implement procedures to ensure statutory compliance with bonding at all times.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Please refer to the corrective action plan.

Town Of Andrews

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

James D. Reid, MAYOR
Brandi Smith, Mayor pro tempore

BOARD OF ALDERMEN

Michael G. Sheidy
Jonathan Ellison
Steve Jordan

Corrective Action Plan For the Fiscal Year Ended June 30, 2021

Section II. Financial Statement Findings

Finding: 2021-001

Name of contact person: James Reid, Mayor; Sandy Dobson, Town Administrator; and Larissa Dooley, Finance Officer

Corrective Action: The Town is working to develop and incorporate procedures to ensure that the data is collected, reviewed, and reported accurately and timely. However, the implementation is a challenge because of the continued impact of the COVID-19 pandemic on daily operations.

Proposed Completion Date: The implementation of procedures is ongoing.

Finding: 2021-002

Name of contact person: James Reid, Mayor; Sandy Dobson, Town Administrator; and Larissa Dooley, Finance Officer

Corrective Action: Bonding coverage on the finance officer and the tax collector began July 8, 2021, and June 10, 2021, respectively. The Town is in the process of implementing procedures to ensure statutory compliance with bonding at all times.

Proposed Completion Date: July 1, 2022.

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BOARD OF ALDERMEN
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Prior Year Audit Findings For the Fiscal Year Ended June 30, 2021

Finding: 2020-001

Status: Corrected.

Finding: 2020-002

Status: Corrected July 1, 2022.