



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

CITY OF ANDREWS, TEXAS

For the Fiscal Year
October 1, 2015 through September 30, 2016

Issued by:
Finance Department
Steve Eggleston, Director

City of Andrews, Texas
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2016

Table of Contents

	<u>Page</u>
Part I – Introductory Section	
Letter of Transmittal	3
City of Andrews Principal Officials	8
City of Andrews Departmental Organization Chart	9
Certificate of Achievement for Excellence in Financial Reporting	10
Part II – Financial Section	
Independent Auditors' Report	13
Management's Discussion and Analysis (Unaudited)	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet – Governmental Funds	28
Reconciliation of the Governmental Funds Balance Sheet to Government-wide Statement of Net Position	29
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	31
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	32
Statement of Net Position – Proprietary Funds	33
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	35
Statement of Fiduciary Net Position – Fiduciary Funds	36
Notes to Basic Financial Statements	37
Required Supplementary Information	
Schedule of Budgeted and Actual Revenues and Expenditures	72
Required Notes to the Supplementary Information	73
Schedule of Changes in the City's Net Pension Liability and Related Ratios - TMRS	74
Schedule of Employer Contributions - TMRS	75
Schedule of the City's Proportionate Share of the Net Pension Liability - TESRS	76
Schedule of Employer Contributions - TESRS	77
Combining and Individual Fund Financial Statements and Schedules	
Governmental Funds	
General Fund	
Comparative Balance Sheet	83
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	84
Schedule of Revenues – Budget and Actual	85
Schedule of Expenditures – Budget and Actual	86
Debt Service Fund	
Comparative Balance Sheet	88
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
Non Major Governmental Funds	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	91
Proprietary Funds	
Water & Sewer Fund	
Comparative Statements of Net Position	94
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position	95
Comparative Statements of Cash Flows	96

City of Andrews, Texas
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2016

Table of Contents

	<u>Page</u>
Schedule of Operating and Non-Operating Revenues - Budget and Actual	97
Schedule of Operating Expenses - Budget and Actual.	98
Sanitation Fund	
Comparative Statements of Net Position	99
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Position	100
Comparative Statements of Cash Flows	101
Schedule of Operating and Non-Operating Revenues - Budget and Actual	102
Schedule of Operating and Non-Operating Expenses - Budget and Actual	103
Agency Funds	
Combining Statement of Net Position	106
Combining Statement of Changes in Assets and Liabilities	107
Component Unit – Andrews Economic Development Corporation	
Comparative Statements of Net Position	110
Comparative Statements of Revenues, Expenses and Changes in Net Position	111
Comparative Statements of Cash Flows	112
Capital Assets – Governmental Funds	
Comparative Schedules By Source	114
Schedule By Function and Activity	115
Schedule of Changes By Function and Activity	116
 Part III – Statistical Section 	
Financial Trends:	
Net Position by Component	118
Changes in Net Position	119
Fund Balances of Governmental Funds	121
Changes in Fund Balances of Governmental Funds	122
Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property	123
Property Tax Rates - All Direct and Overlapping Governments	124
Principal Property Taxpayers – Current Year and Nine Years Ago	125
Property Tax Levies and Collections	126
Calendar Year Sales Tax Collections	127
Taxable Sales by Category	128
Sales Tax Revenue by Industry – Current year and nine years ago	129
Debt Capacity:	
Ratios of Outstanding Debt by Type	130
Computation of Direct and Overlapping Debt	131
Legal Debt Margin	132
Debt to Expense Ratio	133
Demographic and Economic Information:	
Demographic Statistics	134
Principal Employers	135
Operating Information:	
Full-time and Part-time City Employees by Function	136
Operating Indicators by Function	137
Capital Asset Statistics	138

INTRODUCTORY SECTION

INTENTIONALLY LEFT BLANK



February 9, 2017

To the Honorable Mayor, City Council, and Citizens of Andrews, Texas:

The Finance Department and the City Manager's Office are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Andrews, Texas, for the fiscal year ended September 30, 2016. The purpose of the CAFR is to provide accurate and meaningful information concerning the City's financial condition and performance. Independent auditors have verified that the City has fairly presented its financial position, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

The CAFR satisfies Section 103.001 of the Texas Local Government Code requiring annual audits of all municipalities. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Independent audits are an essential element of financial control and accountability. Federal guidelines established for local governments receiving federal assistance require that programs receiving federal assistance be audited in conjunction with the local government's annual audit under the "single audit" concept. The City has complied with these requirements. The independent auditors report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management discussion and analysis complement this letter of transmittal and should be read in conjunction with it.

City Profile

The City of Andrews, population 13,245, is located in the oil-rich Permian Basin in West Texas, thirty miles from the New Mexico border. It is approximately 100 miles south of Lubbock, Texas, and thirty-five miles north of Midland and Odessa, Texas. Located in Andrews County, it is the only town in the County and serves as the county seat. Commercial air travel is available through Midland International Airport.

The City is a home rule city (1959) operating under the Council-Manager form of government. The City Council is comprised of the Mayor and five Council Members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria Andrews Economic Development Corporation is a component unit and is discretely presented in this report.

The City provides to its citizens those services that have proven to be necessary and meaningful the City can provide at the least cost. Major services provided under general government and enterprise functions are: police and emergency medical service, water and sewer services, sanitation services, community services, and general administrative services. The emergency medical services are provided by the Police Department through a contract with Andrews Hospital District which provides the funding for the services. Billing and collection is done by Permian Regional Medical Center. The Fire Department is an all-volunteer, 45-member, department with the City providing funds for its operation. Equipment is provided by Andrews County. Economic Development is provided by Andrews Economic Development Corporation (AEDC), a 4A Corporation which reports to the City Council. AEDC began operations January 1, 2006 with funding provided by the economic sales tax the citizens of Andrews approved in the May, 2005 election.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

The City Charter provides that the City Council shall adopt the annual budget prepared by the City Manager. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between the line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City departmental management and to others on request. Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled item by item. Revenue budgets are reviewed monthly.

Local Economy

The City of Andrews is located in the oil-rich Permian Basin and has long been defined by periods of economic boom and bust, historically tied to fluctuations with the oil and gas industry. During periods of economic prosperity, the region experiences population growth and an increase in residential and business activity. During periods of economic bust very little growth, and in many cases population decline, are common.

We are currently two plus years into the fifth oil-related downturn in the past three decades. The price of West Texas Intermediate sweet crude oil is half of what it was during fiscal year 2014, dropping from \$100 a barrel to \$50 a barrel. Even so, recent growth in the rig count and the number of drilling permits issued, though moderate, suggests that producers are finding a way to drill prospects at current price levels. Andrews Independent School district enrollment figures and the number of residential water accounts also suggest that the current economic downturn has not significantly impacted the city's population.

City leaders also believe diversification efforts have strengthened the local economy and have provided much-needed stability. The local economy has been enhanced by major investments in nuclear technologies by the Waste Control Specialists (WCS) site in western Andrews County and the URENCO Uranium Enrichment Plant in adjacent Lea County NM. WCS is the only commercial facility in the United States licensed in the last 30 years to dispose of Class A, B and C low-level radioactive waste (LLRW) and URENCO is the first nuclear facility licensed in the U.S. over the last 30 years. These two projects have impacted the local economy significantly by bringing in hundreds of high-paying jobs and significant construction activity.

The City's unemployment rate as of September 2016 was 3.9%, well below the state level of 4.8% and the federal level of 5.0%, but slightly higher than the city's 3.3% level on September 2015. Sales tax collections decreased 27.6% from fiscal year 2015 with October–November, 2016 sales taxes figures showing a decrease of 19.8% from the same period in 2015.

Financial Policies

The financial management policies of the City are designed to ensure the financial integrity of the City's government and assist the City in achieving the following:

- Quality City services that meet the needs and desires of the citizens in a fair and consistent manner.
- A financial base sufficient to maintain or enhance City assets required to support community service demands.
- Prudent and professional financial management practices to assure citizens of Andrews and the financial community that City government is well managed and in sound fiscal condition.
- Cost effective services to citizens through cooperation with other government entities.
- A capital improvement program that maintains and enhances the public's assets.

In order to achieve the above policies, the City plans and follows its budget carefully. Capital improvements follow a ten-year long-range financial plan. The City strives to operate a revenue system that is simple and reliable so that assurances can be provided that the revenue base will materialize according to budget planning. Consistent monitoring and collection policies are maintained to insure the integrity of the revenue system. The City will periodically review its fee structure to insure that revenue collections are adequate to meet corresponding expenditures (cost

of service concept). Nonrecurring (i.e., “one-time”) resource inflows are not used for operating purposes. The City strives to budget realistically, but not “over anticipate” its revenues. Long-term needs are met through “pay-as-you-go” fiscal policies. Depreciation is fully-funded. The only debt of the City relates to the certificates of obligation for the construction of the Truck Reliever Route which are tied to a voter-approved, dedicated source of revenue (a one-quarter cent sales tax).

Long-term financial planning and major initiatives

Concurrent with the annual budget process, a ten-year long-range financial plan is prepared to forecast fund balances using projected capital investments and conservative assumptions regarding interest earnings and future operating budgets. The long-range financial plan enables the City leadership to focus on the “big picture” while meeting annual needs through the pay-as-you-go financial approach. In 2013, the City, with the assistance of a professional consulting firm, developed a Comprehensive Plan to direct the growth and physical development of the City for the next 10 to 20 years.

Major initiatives planned by the City for the coming years include:

Developing water fields – In 2010, the City purchased 934 acres with water rights to address long-term water needs of the City. In 2011, the City entered into a Letter of Intent with DCP Midstream for an additional 1,044 acres of water rights on adjacent lands. Development of these well fields has begun and should be completed over the next five years.

Addressing substandard dwellings – Through funds provided from a TDHCA HOME grant, the City will strive to improve the City housing stock and reduce unsafe living conditions through the replacement of substandard dwellings with new site-build homes. The City replaced eight homes between 2013 and 2015 through this program and plans to do likewise in subsequent years as state funding becomes available.

Further developing Business Park South - Andrews has a 50-acre site developed and ready for improvements with all utilities already in place. Land is free to qualified businesses. Several build-to-suit programs are possible with lease and lease-purchase options available.

Developing Energy Business Park - Andrews also has a 190-acre site located on the northwest side of town alongside the City’s newly constructed truck reliever route. The Energy Business Park offers many build-to-suit programs and may have free land available for qualified businesses focusing in the energy sector.

Ensuring future development enhances overall quality of life - By defining areas for residential and non-residential uses, determining appropriate land uses for vacant land along the Reliever Route, and preparing an annexation strategy for undeveloped areas inside the Reliever Route, the City will strive to ensure that future development is orderly, efficient and compatible with envisioned future land uses and enhances the overall quality of life in Andrews.

All of the aforementioned initiatives are an aggressive approach taken through the efforts of local citizens and led by the Andrews City Council and other interested groups in an effort to stem the flow of people away from West Texas and Andrews in particular. Citizens of Andrews think Andrews is a good place and want Andrews to be a City of choice in which to work, live and raise children.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Andrews for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the thirty-sixth consecutive year that the municipal government has received this award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate is valid for a period of one year only. However, we believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning October 1, 2016. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This was the fifth consecutive year that the municipal government has received this award.

In April 2016, the Texas Comptroller of Public Accounts City awarded the City the Traditional Finance Star for its continued progress towards achieving financial transparency.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Request for Information

This financial report is designed to provide a general overview of the City of Andrews' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 111 Logsdon, Andrews, Texas 79714. The CAFR is also accessible on the City's website.

Respectfully submitted,



Glen E. Hackler
City Manager



Steve Eggleston
Director of Finance

CITY OF ANDREWS, TEXAS
List of Elected and Appointed Officials
September 30, 2016

Elected Officials

Flora Braly	Mayor
Pam Brownlee	Mayor Pro Tem
Lynn Fisher	Council Member
Bradley Sears	Council Member
Carolyn Jones	Council Member
John McLeod	Council Member

Appointed Officials

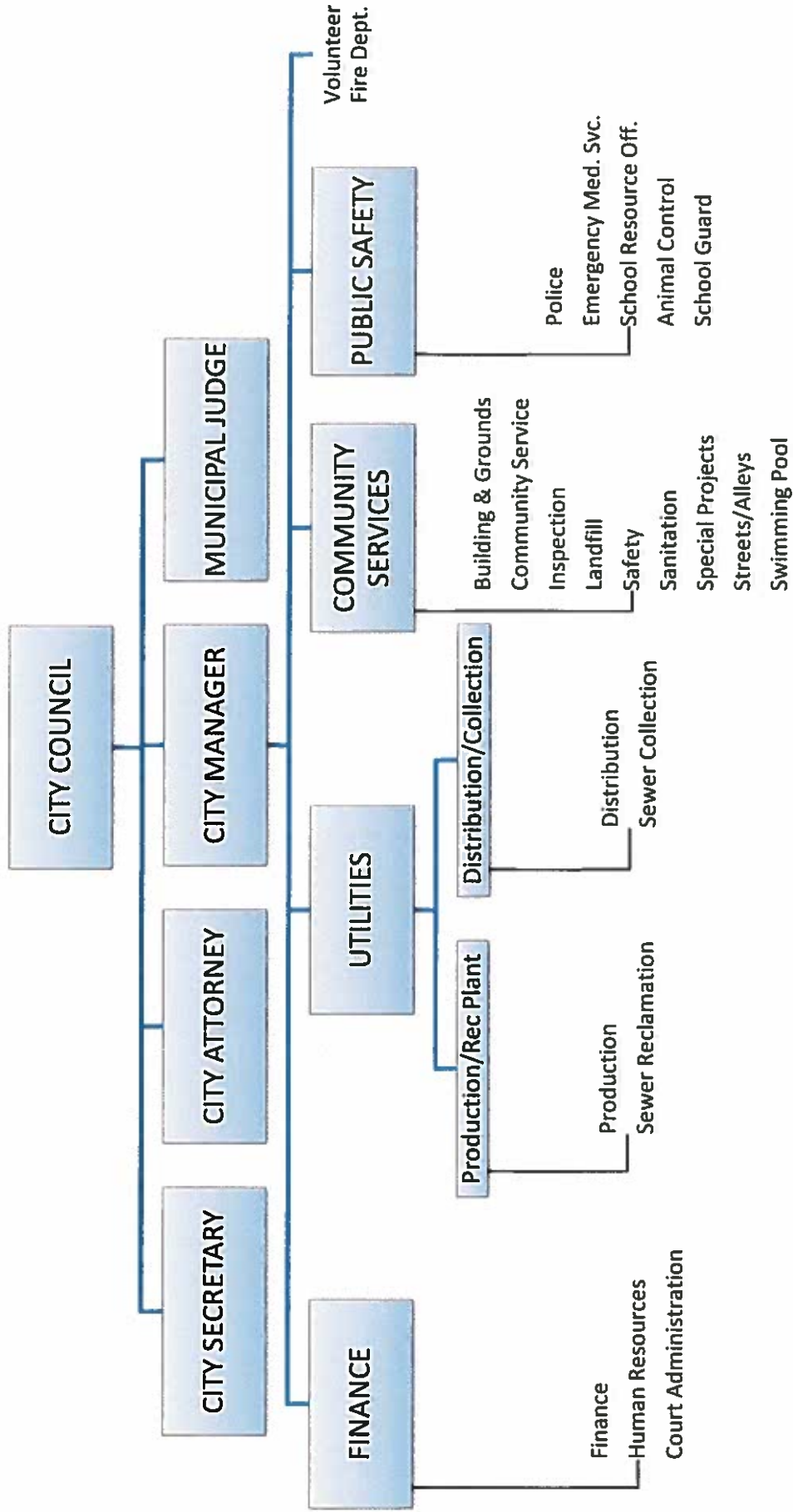
Glen E. Hackler	City Manager
John Pool	City Attorney
Sara Copeland	City Secretary
Debbie Gomez	Municipal Judge

Finance Staff

Steve Eggleston*	Director of Finance
Robyn Abney	Administrative Specialist
Alyson Sanders	Administrative Specialist
Sandra Reyes	Administrative Specialist
Cassandra Cornejo	Cashier
Maria Jimenez	Cashier

*Member of Government Finance Officers Association

CITY OF ANDREWS, TEXAS
 Departmental Organization Chart
 As of 9-30-16





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Andrews
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO