



COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT

---

CITY OF ANDREWS, TEXAS

For the Fiscal Year  
October 1, 2014 through September 30, 2015

Issued by:  
Finance Department  
Steve Eggleston, Director



City of Andrews, Texas  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended September 30, 2015

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# **INTRODUCTORY SECTION**

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[www.cityofandrews.org](http://www.cityofandrews.org)

February 11, 2016

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, 2015. 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 experiencing 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 at the beginning of the fiscal year, dropping from \$90 a barrel to \$45 a barrel. In January of 2016 prices have occasionally dropped below \$30 a barrel. Moody's Investor Services expects 2016 prices to average a mere \$33 a barrel, a 75% drop from June 2014. Moody's estimates prices for 2017 may only increase another \$5 a barrel, so the outlook is not particularly positive.

However, City leaders 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.

After being recognized by the U.S. Census as one of the fastest growing micropolitan areas in the country in 2014, the City's population appears to have leveled off at just over 13,000. This appears to be supported by public school enrollment figures. The Andrews Independent School District reported a slight decrease of 20 students between 2014 and 2015, the first decrease in enrollment in ten years.

The City's unemployment rate as of September 2015 was 3.3%, well below the state level of 4.2% and the federal level of 5.1%. Sales tax collections decreased 3.3% from fiscal year 2014 with October–December, 2015 sales taxes figures showing a decrease of 30.1% from the same period in 2014.

### ***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 is planned over the next 3-5 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 Council approved replacing eight (8) homes in 2013-14 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.

***Employee Pension Funds***

For the first time, the Government Accounting Standards Board (GASB) has mandated that beginning in Fiscal Year 2015 cities report their net pension liability, the difference between the total pension liability (the present value of projected benefit payments to employees based on their years of service, or to their spouse if widowed) and the funds set aside and restricted to paying these benefits. Before FY 2015, cities were required to report just the difference between the annual Actuarial Required Contribution (ARC) and what was actually contributed into the pension plan. The ARC is the annual amount a government would have to pay to fund its liabilities (obligations) over time. As GASB announced in 2012 when the new Standards 67 and 68 were issued, the goal “is a more faithful representation of the full impact of these obligations... providing citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees for past services rendered.”

The new GASB Standard 68 dramatically alters the City’s balance sheet:

	<b>Pre GASB 68 (FY2014)</b> <b><u>(Net Pension Obligation)</u></b>	<b>Post GASB 68 (FY2015)</b> <b><u>(Net Pension Liability)</u></b>
Governmental Activities	\$251,475	\$2,155,912
Business-Type Activities	91,335	851,731
Component Unit	3,001	32,025
<b>Total</b>	<b>\$345,815</b>	<b>\$3,039,669</b>

***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, 2014. 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-fifth 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, 2015. 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 fourth consecutive year that the municipal government has received this award.

The City is proud to be a Texas Comptroller Leadership Circle Platinum Member 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, 2015**

**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**

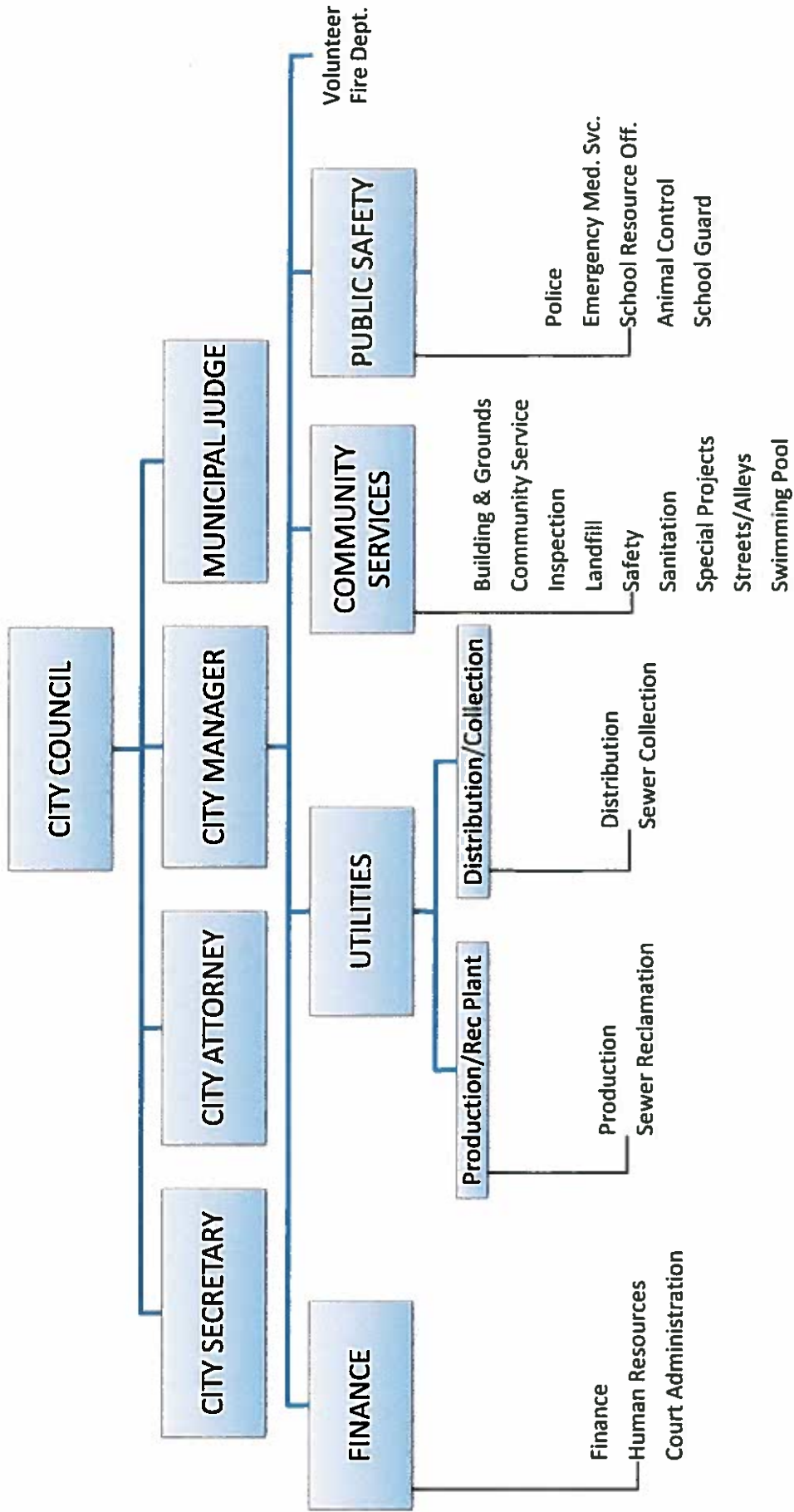
Glen E. Hackler	City Manager
John Pool	City Attorney
Sara Copeland	City Secretary
Debbie Gomez	Municipal Judge

**Finance Staff**

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

\*Member of Government Finance Officers Association

CITY OF ANDREWS, TEXAS  
 Departmental Organization Chart  
 As of 9-30-15







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, 2014**

Executive Director/CEO

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