

Report On

Town Of Bailey

Bailey, North Carolina

June 30, 2019

Town Board Members

Thomas Richards, Mayor  
Dwan H. Finch, Mayor Pro Tempore  
Shelley L. Bullard, Commissioner  
Ervin Powell, Commissioner  
Joel Killion, Commissioner  
Allen Daniels, Commissioner

Administrative and Financial Staff

Debbie Baker, Chief Financial Officer  
Kellie Glover, Town Clerk

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**June 30, 2019**

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FINANCIAL SECTION

# ANTHONY & TABB, P.A.

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Certified Public Accountants

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the Town Board  
Bailey, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bailey, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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 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 financial statement 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 the financial statement referred to above represent fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bailey, North Carolina as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows, 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 8 through 18 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, 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 58 and 60 be presented to supplement the basic financial statements. Such information, although not a required 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 Bailey, North Carolina. The combining and individual fund statements, budgetary schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements,

budgetary schedules, other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the Town of Bailey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Town of Bailey's internal control over financial reporting and compliance.



Anthony & Tabb, P.A.  
Certified Public Accountants  
Wilson, North Carolina

October 31, 2019

## **Management's Discussion and Analysis**



## Management's Discussion and Analysis

As management of the Town of Bailey, we offer readers of the Town of Bailey's financial statements this narrative overview and analysis of the financial activities of the Town of Bailey for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

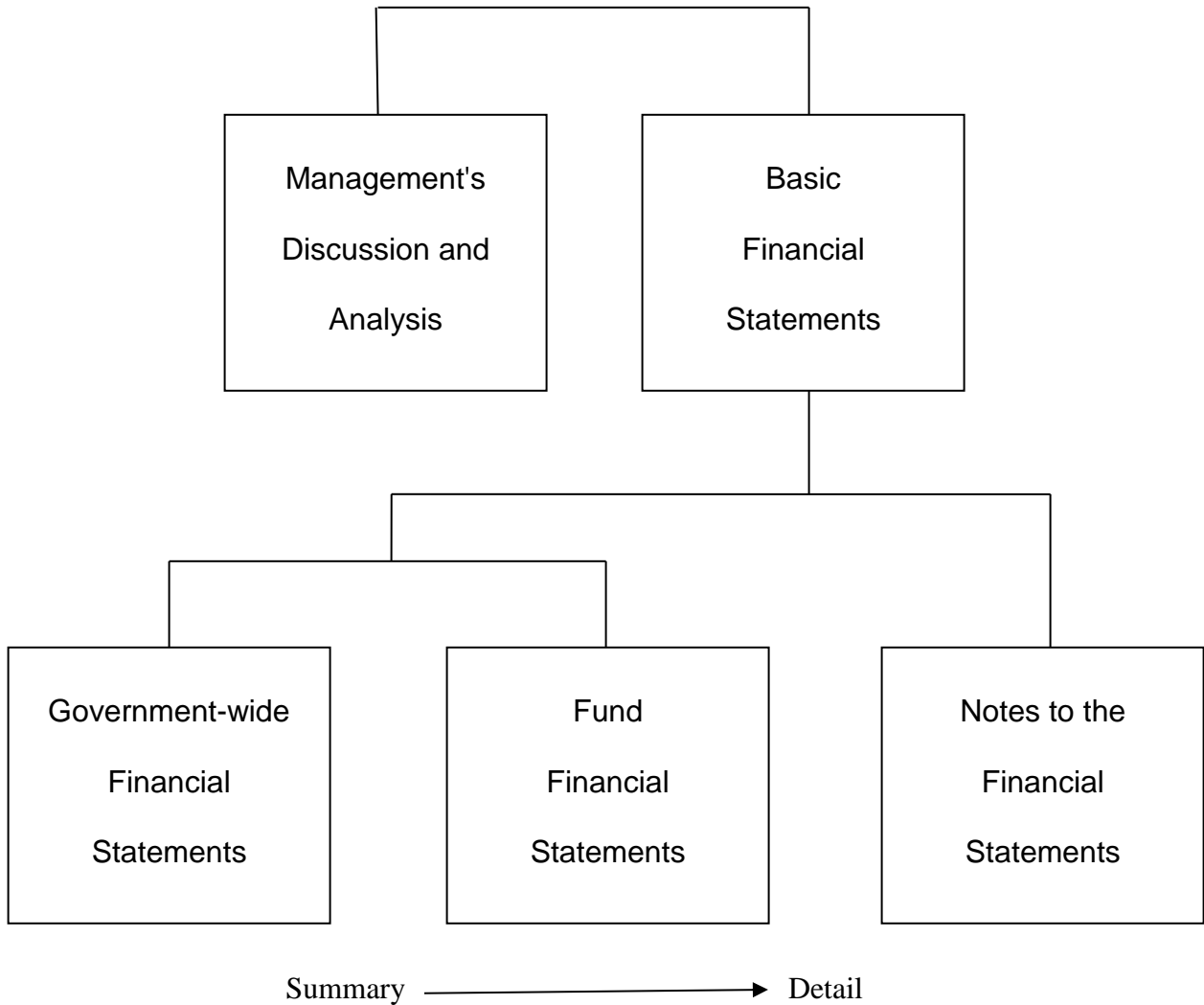
- The assets and deferred outflows of resources of the Town of Bailey exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,511,044 (*net position*).
- The government's total net position increased by \$202,282 primarily due to cost saving measures.
- As of the close of the current fiscal year, the Town of Bailey's governmental funds reported combined ending fund balances of \$954,525 with a net change of \$199,111 in fund balance. Approximately 16.42 percent of this total amount, or \$156,691 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$432,127 or 89.37 percent of total general fund expenditures for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Bailey's 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 Bailey.

**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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town 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.

## Management Discussion and Analysis Town of Bailey

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 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 finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position are the difference between the Town 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 two categories: 1) governmental activities; and 2) business-type activities. 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. This includes the water and sewer services offered by the Town of Bailey.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 2) 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 Bailey, 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 Town of Bailey 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

## Management Discussion and Analysis Town of Bailey

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 governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Bailey 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 Bailey has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Bailey uses its 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 31 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Bailey's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 57 of this report.

**Interdependence with Other Entities** – The Town depends on the 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 the Federal and State laws and Federal and State appropriations.

Management Discussion and Analysis  
Town of Bailey

**Government-Wide Financial Analysis**

**Town of Bailey's Net Position  
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 982,676	\$ 780,588	\$ 402,829	\$ 316,452	\$ 1,385,505	\$ 1,097,040
Capital assets	1,165,904	1,190,175	2,461,301	2,560,707	3,627,205	3,750,882
Deferred outflows of resources	30,526	26,700	6,884	2,373	37,410	29,073
Total assets and deferred outflow of resources	<u>2,179,106</u>	<u>1,997,463</u>	<u>2,871,014</u>	<u>2,879,532</u>	<u>5,050,120</u>	<u>4,876,995</u>
Long-term liabilities outstanding	323,979	314,928	156,960	150,960	480,939	465,888
Other liabilities	20,386	27,172	24,885	60,615	45,271	87,787
Deferred inflows of resources	12,435	12,361	431	2,197	12,866	14,558
Total liabilities and deferred inflows of resources	<u>356,800</u>	<u>354,461</u>	<u>182,276</u>	<u>213,772</u>	<u>539,076</u>	<u>568,233</u>
Net Position:						
Net investment in capital assets	882,685	898,712	2,312,615	2,374,899	3,195,300	3,273,611
Restricted	156,691	75,152	-	-	156,691	75,152
Unrestricted	782,930	669,138	376,123	290,861	1,159,053	959,999
Total net position	<u>\$ 1,822,306</u>	<u>\$ 1,643,002</u>	<u>\$ 2,688,738</u>	<u>\$ 2,665,760</u>	<u>\$ 4,511,044</u>	<u>\$ 4,308,762</u>

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 resources of the Town of Bailey exceeded liabilities and deferred inflows by \$4,511,044 as of June 30, 2019. The Town's net position increased by \$202,282 for the fiscal year ended June 30, 2019. However, the largest portion (70.83%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Bailey uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bailey's net investment in its 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 Bailey's net position, \$156,691, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,159,053 is unrestricted.

Management Discussion and Analysis  
Town of Bailey

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

- Continued diligence in collection of property taxes by maintaining a tax collection percentage of 97.59%. The statewide average in fiscal year 2019 was 98.78%. The tax on property excluding registered motor vehicles had a collection percentage of 97.17%; the billing and collecting of these taxes are handled by Nash County, and the Town has no control over the collection percentage for any year.
- Small amount of long-term debt, with no debt added in the current year.

Management Discussion and Analysis  
Town of Bailey

**Town of Bailey's Changes In Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue:</b>						
Program revenues:						
Charges for services	\$ 137,074	\$ 119,045	\$ 331,808	\$ 315,834	\$ 468,882	\$ 434,879
Operating grants and contributions	17,407	18,384	25,000	-	42,407	18,384
Capital grants and contributions	100,000	-	-	-	100,000	-
General revenues:						
Property taxes	222,426	210,482	-	-	222,426	210,482
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	198,124	183,968	-	-	198,124	183,968
Other	5,466	43,340	1,118	548	6,584	43,888
Total revenue	<u>680,497</u>	<u>575,219</u>	<u>357,926</u>	<u>316,382</u>	<u>1,038,423</u>	<u>891,601</u>
<b>Expenses:</b>						
General government	111,468	107,384	-	-	111,468	107,384
Public safety	127,459	136,961	-	-	127,459	136,961
Transportation	50,236	19,787	-	-	50,236	19,787
Environmental protection	174,398	172,689	-	-	174,398	172,689
Cultural and recreational	25,548	25,850	-	-	25,548	25,850
Interest on long-term debt	12,084	12,428	4,882	-	16,966	18,326
Water and sewer	-	-	330,066	334,592	330,066	328,694
Total expenses	<u>501,193</u>	<u>475,099</u>	<u>334,948</u>	<u>334,592</u>	<u>836,141</u>	<u>809,691</u>
Increase in net position before transfers	179,304	100,120	22,978	(18,210)	202,282	81,910
Transfers	-	-	-	-	-	-
Increase in net position	179,304	100,120	22,978	(18,210)	202,282	81,910
Net position, beginning	1,643,002	1,542,882	2,665,760	2,683,970	4,308,762	4,226,852
Net position, June 30	<u>\$ 1,822,306</u>	<u>\$ 1,643,002</u>	<u>\$ 2,688,738</u>	<u>\$ 2,665,760</u>	<u>\$ 4,511,044</u>	<u>\$ 4,308,762</u>

Management Discussion and Analysis  
Town of Bailey

**Governmental activities.** Governmental activities increased the Town's net position by \$179,304 thereby accounting for 88.64% of the total increase in the net position of the Town of Bailey. Though a recession affected the Town, the increase in net position was the result of a concerted effort to control cost and manage expenditures to minimize the impact of the recession on its citizens. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain non-recurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets which were largely funded by cultural and recreational grant revenues. Increased efforts to maximize tax collection also contributed to the favorable net position. Though many of the Town's residences were hit hard by the recession, tax revenue did not appreciably decline in the current year. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as long-term strategies to realize continued fiscal health.

**Business-type activities.** Business-type activities decreased the Town of Bailey's net position by \$22,978 accounting for 11.36% of the total increase in net position. Depreciation expense was \$99,406 and was thus a major factor in the total expenses.

### **Financial Analysis of the Town's Funds**

As noted, the Town of Bailey uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town of Bailey's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Bailey's financial requirements. The General Fund is the chief operating fund of the Town of Bailey. At the end of the current fiscal year, the Town of Bailey's fund balance available in the General Fund was \$770,551 while total fund balance reached \$927,242. The Town currently has an available fund balance of 159.35% of general fund expenditures, and a total fund balance represents 191.76% of the same amount.

At June 30, 2019, the governmental funds of the Town of Bailey reported a combined fund balance of \$954,525 with a net increase in fund balance of \$199,111.

**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.



Management Discussion and Analysis  
Town of Bailey

**Proprietary Funds.** The Town’s 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 \$376,123. The total change in net position was \$22,978.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Bailey’s investment in capital assets for its governmental and business–type activities as of June 30, 2019, totals \$3,627,205 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Bailey's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 131,333	\$ 118,832	\$ 17,942	\$ 17,942	\$ 149,275	\$ 136,774
Building and systems	330,707	340,511	2,442,936	2,542,101	2,773,643	2,882,612
Machinery and equipment	9,516	13,643	423	664	9,939	14,307
Other improvements	660,937	679,687	-	-	660,937	679,687
Vehicles and motorized equipment	-	4,091	-	-	-	4,091
Construction in progress	33,411	33,411	-	-	33,411	33,411
<b>Total</b>	<b>\$ 1,165,904</b>	<b>\$ 1,190,175</b>	<b>\$ 2,461,301</b>	<b>\$ 2,560,707</b>	<b>\$ 3,627,205</b>	<b>\$ 3,750,882</b>

Additional information on the Town’s capital assets can be found in note III.A.3 of the basic financial statements.

**Long-term Debt.** As of June 30, 2019, the Town of Bailey had total outstanding debt of \$431,905. Of this, \$431,905 is backed by the full faith and credit of the Town. Additional information regarding the Town of Bailey’s long-term debt can be found in note III.8.5.

Management Discussion and Analysis  
Town of Bailey

**Next Year's Budgets and Rates**

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

Property taxes will remain at \$0.63 per one hundred dollars (\$100) valuation of taxable property. Budgeted expenditures in the General Fund are expected to remain fairly constant.

**Water and Sewer Fund Budget Highlights**

Water and sewer rates for Bailey's customers will remain the same.

*Requests for Information*

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, Town of Bailey, PO Box 40, Bailey, NC 27807.

## **Basic Financial Statements**

**Town of Bailey, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 811,102	\$ 345,812	\$ 1,156,914
Taxes receivables (net)	16,290	-	16,290
Accounts receivable (net)	10,703	30,918	41,621
Due from other governments	42,733	-	42,733
Internal balances	(2,340)	2,340	-
Restricted cash and cash equivalents	104,188	23,759	127,947
Total current assets	<u>982,676</u>	<u>402,829</u>	<u>1,385,505</u>
Non-current assets:			
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	164,744	17,942	182,686
Other capital assets, net of depreciation	1,001,160	2,443,359	3,444,519
Total capital assets	<u>1,165,904</u>	<u>2,461,301</u>	<u>3,627,205</u>
Total assets	<u>2,148,580</u>	<u>2,864,130</u>	<u>5,012,710</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	<u>30,526</u>	<u>6,884</u>	<u>37,410</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	10,928	605	11,533
Accrued interest payable	8,525	521	9,046
Current portion of long-term liabilities	8,593	37,350	45,943
Payable from restricted assets	933	23,759	24,692
Total current liabilities	<u>28,979</u>	<u>62,235</u>	<u>91,214</u>
Long-term liabilities:			
Due in more than one year	315,386	119,610	434,996
Total liabilities	<u>344,365</u>	<u>181,845</u>	<u>526,210</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	-	-	-
Pension deferrals	12,435	431	12,866
Total deferred inflows of resources	<u>12,435</u>	<u>431</u>	<u>12,866</u>
<b>NET POSITION</b>			
Net investment in capital assets	882,685	2,312,615	3,195,300
Restricted for:			
Stabilization by State Statute	53,436	-	53,436
Other functions	103,255	-	103,255
Unrestricted	782,930	376,123	1,159,053
Total net position	<u>\$ 1,822,306</u>	<u>\$ 2,688,738</u>	<u>\$ 4,511,044</u>

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

Town of Bailey, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 111,468	\$ 1,140	\$ -	\$ 100,000	\$ (10,328)	\$ -	\$ (10,328)
Public safety	127,459	123	-	-	(127,336)	-	(127,336)
Transportation	50,236	-	17,006	-	(33,230)	-	(33,230)
Environmental protection	174,398	135,811	401	-	(38,186)	-	(38,186)
Cultural and recreation	25,548	-	-	-	(25,548)	-	(25,548)
Interest on long-term debt	12,084	-	-	-	(12,084)	-	(12,084)
Total governmental activities (See Note 1)	501,193	137,074	17,407	100,000	(246,712)	-	(246,712)
Business-type activities:							
Water and sewer	334,948	331,808	25,000	-	-	21,860	21,860
Total business-type activities	334,948	331,808	25,000	-	-	21,860	21,860
Total primary government	\$ 836,141	\$ 468,882	\$ 42,407	\$ 100,000	(246,712)	21,860	(224,852)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					222,426	-	222,426
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					198,124	-	198,124
Unrestricted investment earnings					1,924	1,118	3,042
Miscellaneous					3,542	-	3,542
Total general revenues, not including transfers					426,016	1,118	427,134
Transfers							
Total general revenues and transfers					426,016	1,118	427,134
Change in net position					179,304	22,978	202,282
Net position-beginning, previously reported					1,643,002	2,665,760	4,308,762
Net position-ending					\$ 1,822,306	\$ 2,688,738	\$ 4,511,044

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

**Town of Bailey  
Balance Sheet  
Governmental Funds  
June 30, 2019**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Parks and Recreation		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 781,479	\$ 29,623	\$ -	\$ 811,102
Restricted cash	104,188	-	-	104,188
Receivables, net:				
Taxes	16,290	-	-	16,290
Accounts	10,703	-	-	10,703
Due from other governments	42,733	-	-	42,733
Due from other funds	-	-	-	-
Total assets	955,393	29,623	-	985,016
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 10,928	\$ -	\$ -	\$ 10,928
Due to other funds	-	2,340	-	2,340
Due to other governments	-	-	-	-
Liabilities payable from restricted assets:				
Customer deposits	933	-	-	933
Total liabilities	11,861	2,340	-	14,201
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	16,290	-	-	16,290
Prepaid taxes	-	-	-	-
Total deferred inflows of resources	16,290	-	-	16,290
<b>FUND BALANCES</b>				
Non Spendable				
Inventories	-	-	-	-
Perpetual maintenance	-	-	-	-
Restricted				
Stabilization by State Statute	53,436	-	-	53,436
General government	100,000	-	-	100,000
Streets	2,435	-	-	2,435
Public safety	820	-	-	820
Committed				
Economic development	-	-	-	-
Assigned				
Cemetery	291,104	-	-	291,104
Parks and Recreation	-	27,283	-	27,283
Subsequent years expenditures	47,320	-	-	47,320
Unassigned	432,127	-	-	432,127
Total fund balances	927,242	27,283	-	954,525
Total liabilities, deferred inflows of resources, and fund balances	\$ 955,393	\$ 29,623	-	

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

**Exhibit 3  
(continued)**

**Town of Bailey  
Balance Sheet  
Governmental Funds  
June 30, 2019**

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

Total Fund Balance, Governmental Funds	\$		954,525
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost	\$	1,752,199	
Accumulated depreciation		<u>(586,295)</u>	1,165,904
Deferred outflows of resources related to pensions are not reported in the funds			30,526
Earned revenues considered deferred inflows of resources in fund statements			16,290
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds			
Gross long term debt		(283,219)	
Net pension liability (LGERS)		(36,089)	
Total pension liability (LEO)		<u>(4,671)</u>	(323,979)
Deferred inflows of resources related to pensions are not reported in the funds			(12,435)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.			<u>(8,525)</u>
Net position of governmental activities	\$		<u><u>1,822,306</u></u>

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

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

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Parks and Recreation		
<b>REVENUES</b>				
Ad valorem taxes	\$ 224,591	\$ -	\$ -	\$ 224,591
Other taxes and licenses	90	-	-	90
Unrestricted intergovernmental	198,124	-	-	198,124
Restricted intergovernmental	117,407	-	-	117,407
Permits and fees	1,050	-	-	1,050
Sales and services	135,934	-	-	135,934
Investment earnings	1,924	-	-	1,924
Miscellaneous	1,634	-	-	1,634
Total revenues	680,754	-	-	680,754
<b>EXPENDITURES</b>				
Current:				
General government	116,042	-	-	116,042
Public safety	116,342	-	-	116,342
Transportation	49,936	-	-	49,936
Environmental protection	174,157	-	-	174,157
Culture and recreation	6,498	-	-	6,498
Debt service:				
Principal	8,244	-	-	8,244
Interest and other charges	12,332	-	-	12,332
Total expenditures	483,551	-	-	483,551
Excess (deficiency) of revenues over expenditures	197,203	-	-	197,203
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Sales of capital assets	-	-	-	-
Private donations	-	1,908	-	1,908
Installment purchase obligations issued	-	-	-	-
Total other financing source (uses)	-	1,908	-	1,908
Net change in fund balance	197,203	1,908	-	199,111
Fund balances-beginning	730,039	25,375	-	755,414
Fund balances-ending	\$ 927,242	\$27,283	\$ -	\$ 954,525

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



**Exhibit 4  
(continued)**

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

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

Net changes in fund balances - total governmental funds \$ 199,111

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 expense in the current period.

Capital outlay expenditures which were capitalized	\$ 12,501	
Depreciation expense for governmental assets	<u>(36,772)</u>	(24,271)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated assets	-	
Change in unavailable revenue for tax revenues	<u>(2,165)</u>	(2,165)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the state of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	-	
Decrease in accrued interest payable	248	
Principal payments on long-term debt	<u>8,244</u>	8,492

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	3,435	
Pension expenses	<u>(5,298)</u>	<u>(1,863)</u>

Total changes in net position of governmental activities \$ 179,304

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

**Town of Bailey**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2019**

	<u>General Fund</u>			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 210,000	\$ 210,000	\$ 224,591	\$ 14,591
Other taxes and licenses	80	80	90	10
Unrestricted intergovernmental	189,525	188,750	198,124	9,374
Restricted intergovernmental	18,200	18,550	117,407	98,857
Permits and fees	1,250	1,250	1,050	(200)
Sales and services	101,975	101,975	135,934	33,959
Investment earnings	500	500	1,924	1,424
Miscellaneous	13,500	13,925	1,634	(12,291)
Total revenues	<u>535,030</u>	<u>535,030</u>	<u>680,754</u>	<u>145,724</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	125,245	129,445	116,042	13,403
Public safety	186,100	186,100	116,342	69,758
Transportation	57,000	60,000	49,936	10,064
Environmental protection	193,085	202,800	174,157	28,643
Cultural and recreation	6,800	6,800	6,498	302
<b>Debt service:</b>				
Principal retirement	9,650	9,650	8,244	1,406
Interest and other charges	12,350	12,350	12,332	18
Contingency	-	11,085	-	11,085
Total expenditures	<u>590,230</u>	<u>618,230</u>	<u>483,551</u>	<u>134,679</u>
Revenues over (under) expenditures	<u>(55,200)</u>	<u>(83,200)</u>	<u>197,203</u>	<u>280,403</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Sales of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	55,200	83,200	-	(83,200)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>197,203</u>	<u>\$ 197,203</u>
Fund balances, beginning of year			<u>730,039</u>	
Fund balances end of year			<u>\$ 927,242</u>	

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

Exhibit 6

Town of Bailey  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

	Enterprise Funds	
	Water and Sewer Fund	Total
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 345,812	\$ 345,812
Accounts receivable (net) - billed	30,918	30,918
Due from other governments	-	-
Due from other funds	2,340	2,340
Restricted cash and cash equivalents	23,759	23,759
Total current assets	402,829	402,829
Noncurrent assets:		
Capital assets:		
Land and construction in progress	17,942	17,942
Other capital assets, net of depreciation	2,443,359	2,443,359
Capital assets (net)	2,461,301	2,461,301
Total noncurrent assets	2,461,301	2,461,301
Total assets	\$ 2,864,130	\$ 2,864,130
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	\$ 6,884	\$ 6,884
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,126	1,126
Compensated absences - current	-	-
General obligation bonds payable - current	29,475	29,475
Installment purchases - current	7,875	7,875
Liabilities payable from restricted assets:		
Customer deposits	23,759	23,759
Total current liabilities	62,235	62,235
Noncurrent liabilities:		
Net pension liability	8,274	8,274
General obligation bonds payable- noncurrent (net)	88,424	88,424
Installment purchases - noncurrent	22,912	22,912
Total noncurrent liabilities	119,610	119,610
Total liabilities	181,845	181,845
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	431	431
<b>NET POSITION</b>		
Net investment in capital assets	2,312,615	2,312,615
Unrestricted	376,123	376,123
Total net position	\$ 2,688,738	\$ 2,688,738

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

**Town of Bailey**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 250,331	\$ 250,331
Water and sewer taps	-	-
Other operating revenues	81,477	81,477
<b>Total operating revenues</b>	<b>331,808</b>	<b>331,808</b>
<b>OPERATING EXPENSES</b>		
Administration	31,424	31,424
Water and waste operations	199,236	199,236
Depreciation	99,406	99,406
<b>Total operating expenses</b>	<b>330,066</b>	<b>330,066</b>
<b>Operating income (loss)</b>	<b>1,742</b>	<b>1,742</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	1,118	1,118
Interest and other charges	(4,882)	(4,882)
Gain on sale of assets	-	-
<b>Total nonoperating revenue (expenses)</b>	<b>(3,764)</b>	<b>(3,764)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(2,022)</b>	<b>(2,022)</b>
State grant	25,000	25,000
Transfers from other funds	-	-
Transfers to other funds	-	-
<b>Change in net position</b>	<b>22,978</b>	<b>22,978</b>
<b>Total net position - previously reported</b>	<b>2,665,760</b>	<b>2,665,760</b>
<b>Total net position - ending</b>	<b>\$ 2,688,738</b>	<b>\$ 2,688,738</b>

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

**Town of Bailey**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Business-Type Activities</b>	
	<b>Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 238,362	\$ 238,362
Cash paid for goods and services	(200,639)	(200,639)
Cash paid to or on behalf of employees for services	(31,651)	(31,651)
Customer deposits received	4,300	4,300
Customer deposits returned	(1,424)	(1,424)
Other operating revenues	81,477	81,477
Net cash provided (used) by operating activities	<u>90,425</u>	<u>90,425</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Increase in due from other funds	-	-
Transfers from other funds	-	-
Transfers to other funds	-	-
Total cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	-	-
Proceeds from sale of capital assets	-	-
Principal paid on bond and installment contracts	(37,122)	(37,122)
Interest paid on bond maturities and installment contracts	(5,013)	(5,013)
Capital contributions-State grant	25,000	25,000
Capital contributions-federal grant	-	-
Net cash provided (used) by capital and related financing activities	<u>(17,135)</u>	<u>(17,135)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	<u>1,118</u>	<u>1,118</u>
Net increase (decrease) in cash and cash equivalents	74,408	74,408
Balances-beginning of the year	<u>295,163</u>	<u>295,163</u>
Balances-end of the year	<u>\$ 369,571</u>	<u>\$ 369,571</u>

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

**Town of Bailey  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019**

	<b>Business-Type Activities Enterprise Funds</b>	
	<b>Water and Sewer Fund</b>	<b>Totals</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 1,742	\$ 1,742
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	99,406	99,406
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(11,969)	(11,969)
(Increase) decrease in due from other governments	-	-
Increase (decrease) in accounts payable and accrued liabilities other than interest	(692)	(692)
Increase (decrease) in customer deposits	2,876	2,876
Increase (decrease) in accrued vacation pay	(662)	(662)
(Increase) decrease in deferred outflows of resources - pensions	(4,511)	(4,511)
Increase (decrease) in net pension liability	6,001	6,001
Increase (decrease) in deferred inflows of resources - pensions	(1,766)	(1,766)
Total adjustments	88,683	88,683
Net cash provided by operating activities	\$ 90,425	\$ 90,425

**Noncash investing, capital, and financing activities:**

None

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

## **Notes to the Financial Statements**

## Town of Bailey, North Carolina

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

#### I. Summary of Significant Accounting Policies

The accounting policies of the Town of Bailey 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 Bailey is a municipal corporation that is governed by an elected mayor and a five-member board.

##### B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. 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. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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 investment earnings, result from non-exchange transactions or ancillary activities.



The Town reports the following major governmental funds:

**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.

**Parks and Recreation Capital Projects Fund.** This fund is used to account for a parks project entered into with the Town of Bailey to construct a public park.

There are presently no non-major governmental funds in the Town.

The Town reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations.

### 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 enterprise fund 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 fund includes 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 the 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 utilities franchise 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 Bailey because the tax is levied by Nash County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 are 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 by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

#### 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 (when they exist) are adopted for the Parks and Recreation and Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. During the year, 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 are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings Association whose principal office is located in North Carolina. Also, the Town 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 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's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of 11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

### 2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

### 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. Powell Bill and Police Drug Funds are also classified as restricted cash because they can only be expended for street purposes or drug enforcement, respectively, per N.C. general statutes.

Town of Bailey Restricted Cash

Governmental activities		
General Fund	General government	\$ 100,000
	Street	2,435
	Public safety	820
	Customer deposits	933
Total governmental activities		<u>104,188</u>
Business-type activities		
Water and Sewer Fund		
	Customer deposits	<u>23,759</u>
Total Business-type activities		<u>23,759</u>
Total Restricted Cash		<u>\$ 127,947</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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory Items

The Town does not maintain any inventories.

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 in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$50,000; furniture and equipment, \$2,500; and vehicles, \$2,500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	10-25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

#### 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 meet this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

#### 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, as well as issuance costs, 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 are expensed in the reporting period in which they are incurred.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to fifteen (15) 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 11. Net Positions/Fund Balances

### Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

### Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable 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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Bailey.

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 general government – portion of fund balance that is restricted by revenue source for downtown improvements.

Restricted for streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total Unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Bailey’s governing body (highest level of decision-making authority). 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. Any changes or removal of specific purposes require majority action by the governing body.

Committed for Economic Development – portion of fund balance assigned by the Board for economic development.

Assigned fund balance – portion of fund balance that Town of Bailey intends to use for specific purposes.

Assigned for Parks and Recreation – portion of fund balance that has been budgeted by the Board for construction of a public park.

Assigned for Cemetery – portion of fund balance that has been retained by the Town for use by the Town-owned cemetery; it is not required to be retained in perpetuity for maintenance of the 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 body approves the appropriation.

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

The Town of Bailey 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.

## 12. Pensions

For purposes of measuring the net pension asset, 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 Bailey's employer contributions are recognized when due and the Town of Bailey has a legal requirement to provide the contributions. Benefit and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## II. Stewardship, Compliance, and Accountability

### A. Excess of Expenditures over Appropriations

None during the year ended June 30, 2019.

## III. Detail Notes on All Funds

### A. Assets

#### 1. Deposits

All the deposits of the Town 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 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, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and 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 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 Town does not have a formal investment policy.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,283,715 and a bank balance of \$1,291,571. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$105.

#### 2. Investments

At June 30, 2019, the Town of Bailey had \$1,041 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.



### 3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of no allowances for doubtful accounts.

### 3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 118,832	\$ 12,501	\$ -	\$ 131,333
Construction in progress	33,411	-	-	33,411
Total capital assets not being depreciated	152,243	12,501	-	164,744
<b>Capital assets being depreciated:</b>				
Buildings and improvements	502,056	-	-	502,056
Other improvements	750,000	-	-	750,000
Equipment	182,997	-	-	182,997
Vehicles and motorized equipment	152,402	-	-	152,402
Total capital assets being depreciated	1,587,455	-	-	1,587,455
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	161,545	9,804	-	171,349
Other improvements	70,313	18,750	-	89,063
Equipment	169,354	4,127	-	173,481
Vehicles and motorized equipment	148,311	4,091	-	152,402
Total accumulated depreciation	549,523	36,772	-	586,295
Total capital assets being depreciated	1,037,932			1,001,160
<b>Governmental activity capital assets, net</b>	<b>\$ 1,190,175</b>			<b>\$ 1,165,904</b>

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

General government	\$ 9,767
Public safety	7,414
Transportation	300
Environmental protection	241
Cultural and recreational	19,050
Total depreciation expense	<u>\$ 36,772</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 17,942	\$ -	\$ -	\$ 17,942
Construction in progress	-	-	-	-
Total capital assets not being depreciated	17,942	-	-	17,942
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	4,698,954	-	-	4,698,954
Furniture and maintenance equipment	47,737	-	-	47,737
Total capital assets being depreciated	4,746,691	-	-	4,746,691
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	2,156,853	99,165	-	2,256,018
Furniture and maintenance equipment	47,073	241	-	47,314
Total accumulated depreciation	2,203,926	99,406	-	2,303,332
Total capital assets being depreciated, net	2,542,765			2,443,359
<b>Business-type activities capital assets, net</b>	<u>\$ 2,560,707</u>			<u>\$ 2,461,301</u>

### Construction commitments

The government had one construction project during the year ended June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Park facilities	<u>\$ 1,033,411</u>	<u>\$ 216,589</u>

\*Phase I of this project was completed and capitalized in the year ended June 30, 2015. Phase II began in the in the year ended June 30, 2016, with expenditures of \$22,540 in that year. During the year ended June 30, 2019 an additional \$0 was spent.

## B. Liabilities

### 1. Pension Plan Obligations

#### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Bailey is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – 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 Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*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 Bailey 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 Bailey's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, 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 Bailey were **\$8,536** for the year ended June 30, 2019.

*Refunds of Contributions* – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$44,363 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00187%, which was a decrease of 0.00016% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$13,009. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,844	\$ 230
Changes of assumptions	11,772	-
Net difference between projected and actual earnings on pension plan investments	6,089	-
Changes in proportions and differences between Town contributions and proportionate share of contributions	4,558	2,079
Town contributions subsequent to the measurement date	<b>7,651</b>	-
Total	<u>\$ 36,914</u>	<u>\$ 2,309</u>

**\$7,651** 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 12,845
2020	9,047
2021	1,937
2022	3,125
Thereafter	-
	<u>\$ 26,954</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset

allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset 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:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 106,563	\$ 44,363	\$ (7,613)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Bailey 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. The Separation Allowance is equal to .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 law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>2</u>
Total	<u><u>2</u></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 and refunds are recognized when due and payable in accordance with terms of the plan.

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

### 3. Actuarial Assumptions.

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

### 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 paid \$0 as benefits came due for the reporting period.

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2019, the Town reported a total pension liability of \$4,761. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$(22).

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 277	\$ 10,194
Changes of assumptions	219	363
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 496</u>	<u>\$ 10,557</u>



\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (1,980)
2021	(1,980)
2022	(1,980)
2023	(1,972)
2024	(1,944)
Thereafter	(205)

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 5,232	\$ 4,671	\$ 4,161

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

	<b>2019</b>
Beginning balance	\$ 2,970
Service cost	1,549
Interest on the total pension liability	94
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	323
Changes of assumptions or other inputs	(265)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 4,671</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 13,009	\$ (22)	\$ 12,987
Pension Liability	44,363	4,671	49,034
Proportionate share of the net pension liability	0.00187%	N/A	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	6,844	277	7,121
Changes of assumptions	11,772	219	11,991
Net difference between projected and actual earnings on plan investments	6,089	-	6,089
Changes in proportion and differences between contributions and proportionate share of contributions	4,558	-	4,558
Benefit payments and administrative costs paid subsequent to the measurement date	7,651	-	7,651
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	230	10,194	10,424
Changes of assumptions	-	363	363
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,079	-	2,079

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.

*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. Also, the law

enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019, were \$2,391 which consisted of \$2,391 from the Town and \$0 from the law enforcement officers.

d. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefits payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2019, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

The Town provides no other employee benefits.

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in current fiscal year	\$ 7,651
Differences between expected and actual experience	7,121
Changes of assumption	11,991
Net difference between projected and actual earnings on pension plan investments	6,089
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,558
Total	\$ 37,410

Deferred inflows of resources at year-end is composed of the following:

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable	-	16,290
Changes in assumptions	363	-
Differences between expected and actual experience	10,424	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,079	-
Total	<u>\$ 12,866</u>	<u>\$ 16,290</u>

### 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 three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$300,000 per occurrence, property coverage up to \$500,000 per building per occurrence, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$100,000 lifetime limit. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit of \$1,000,000 for the aggregate losses in a single year. After the property pool has paid out \$1,000,000, then the pool will be liable for a \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the reinsurer.

The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance, as management does not believe any significant bodies of water are located close enough to the Town to pose such a risk. Flooding during prior storms has not been a significant problem.

In accordance with G. S. 159-29, the Town's 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 finance officer and tax collector are each individually bonded for \$75,000 each. These two positions are filled by one individual, and the Town has received permission from the State treasurer to do this.

### 3. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was not a defendant to any lawsuits.

### 4. Long-Term Obligations

#### a. Capital Leases

The Town has entered into no agreements to lease equipment.

b. Installment Purchases

In October 2009, the Town entered into an agreement to finance building improvements for a town hall. There are two financing contracts with the USDA, for \$120,000 and \$200,000; the contracts call for annual payments of principal and interest totaling \$19,072 beginning in the fiscal year 2011 with an interest rate of 4.25 percent.

In June 2010, the Town entered into an agreement to finance the cost of a new roof on the town hall. The financing contract with the USDA is for \$26,000 and calls for annual payments of principal and interest totaling \$1,504 beginning in the fiscal year 2012 with an interest rate of 4.00 percent.

In February 2013, the Town entered into an agreement to finance the cost of well improvements. The financing contract requires forty quarterly payments of \$2,178 beginning in June, 2013, including interest at 2.95 percent.

Annual debt service payments of the installment purchases as of June 30, 2019, including \$150,305 of interest, are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2020	\$ 8,593	\$ 11,983	\$ 7,875	\$ 835
2021	8,957	11,619	8,116	595
2022	9,336	11,240	8,361	350
2023	9,731	10,845	6,435	97
2024	10,143	10,433	-	-
2025-2041	236,459	92,308	-	-
Total	<u>\$ 283,219</u>	<u>\$ 148,428</u>	<u>\$ 30,787</u>	<u>\$ 1,877</u>

c. General Obligation Indebtedness

The Town has no general obligation bonds serviced by the governmental funds. The general obligation debts to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by their resources are reported as long-term debt in the appropriate fund. All general obligation debts are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

d. General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$501,069 Sanitary Sewer loan  
 dated October 6, 2005; loan  
 is from the Water Pollution Control  
 Revolving Fund, due on November 1 in  
 installments of \$29,475; interest is due  
 on May 1 and November 1 at 2.68%  
 through May 1, 2023 \$ 117,899

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

Year Ending	<u>Business-type Activities</u>	
	Principal	Interest
30 June		
2020	\$ 29,475	\$ 3,160
2021	29,475	2,370
2022	29,475	1,580
2023	29,474	790
2024	-	-
Total	<u>\$ 117,899</u>	<u>\$ 7,900</u>

At June 30, 2019, the Town of Bailey had no bonds authorized but unissued and a legal debt margin of \$2,375,828.

e. Changes in Long-Term Liabilities

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchases	\$ 291,463	\$ -	\$ 8,244	\$ 283,219	\$ 8,593
Compensated absences	3,435	-	3,435	-	-
Net pension liability (LGERS)	28,740	7,349	-	36,089	-
Total pension liability (LEO)	2,970	1,701	-	4,671	-
Governmental activity Long-term liabilities	<u>326,608</u>	<u>9,050</u>	<u>11,679</u>	<u>323,979</u>	<u>8,593</u>
<b>Business-type activities:</b>					
Installment purchases	38,435	-	7,648	30,787	7,875
General obligation bonds	147,373	-	29,474	117,899	29,475
Compensated absences	662	-	662	-	-
Net pension liability (LGERS)	2,273	6,001	-	8,274	-
Business-type activity Long-term liabilities	<u>\$ 188,743</u>	<u>\$ 6,001</u>	<u>\$ 37,784</u>	<u>\$ 156,960</u>	<u>\$ 37,350</u>

Compensated absences for governmental activities are liquidated by the General Fund.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019 consist of the following:

Due to the Water and Sewer Fund for advances to the Parks and Recreation  
Capital Projects Fund: \$ 2,340

Transfers to/from other funds at June 30, 2019 consist of the following:

From the General Fund to the Water and Sewer Fund for operating  
expenditures and capital outlays: \$ -

From the General Fund to the Parks and Recreation Capital Projects  
Fund for capital outlays -

Total \$ -

D. 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		\$927,242
Less:		
Stabilization by State Statue	53,436	
General government - downtown	100,000	
Streets - Powell Bill	2,435	
Police - Drug Fund	820	
Appropriated Fund Balance in 2019-2020 budget	47,320	
Cemetery	<u>291,104</u>	<u>(495,115)</u>
Remaining Fund Balance		<u><u>\$432,127</u></u>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Subsequent Events

Subsequent events were evaluated through October 31, 2019, the date the financial statements were available to be issued.



Required  
Supplementary Financial Data

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

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- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

**Town of Bailey, North Carolina**  
**Town of Bailey's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Six Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bailey's proportion of the net pension liability (asset) (%)	0.00187%	0.00203%	0.00138%	0.00060%	0.00158%	0.00180%
Bailey's proportion of the net pension liability (asset) (\$)	\$ 44,363	\$ 31,013	\$ 34,444	\$ 3,542	\$ (9,318)	\$ 21,697
Bailey's covered-employee payroll	\$ 94,095	\$ 108,384	\$ 112,468	\$ 100,059	\$ 98,260	\$ 99,857
Bailey's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.15%	28.61%	30.63%	3.54%	9.48%	21.73%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**Town Bailey, North Carolina  
Town of Bailey's Contribution  
Required Supplementary Information  
Last Six Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,651	\$ 8,634	\$ 8,675	\$ 6,977	\$ 7,238	\$ 7,187
Contributions in relation to the contractually required contribution	7,651	8,634	8,675	6,977	7,238	7,187
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bailey's covered-employee payroll	\$ 94,095	\$ 108,384	\$ 112,468	\$ 100,059	\$ 98,260	\$ 99,857
Contributions as a percentage of covered-employee payroll	8.13%	7.97%	7.71%	6.97%	7.37%	7.20%

**Town of Bailey, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,970	\$ 14,990	\$ 12,927
Service Cost	1,549	1,280	1,846
Interest on the total pension liability	94	579	461
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	323	(14,184)	-
Changes of assumptions or other inputs	(265)	305	(244)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 4,671</u>	<u>\$ 2,970</u>	<u>\$ 14,990</u>

**Town of Bailey, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 4,671	\$ 2,970	\$ 14,990
Covered payroll	67,095	73,409	100,466
Total pension liability as a percentage of covered payroll	6.96%	4.05%	17.92%

Notes to the schedules:

The Town of Bailey has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 to pay related benefits.

**Individual Fund Statements and Schedules**

**Town of Bailey, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	2019		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 221,152	\$
Penalties and interest		3,439	
Total	<u>210,000</u>	<u>224,591</u>	<u>14,591</u>
Other taxes and licenses:			
Gross receipts tax on short-term rental property		-	
Privilege licenses		90	
Total	<u>80</u>	<u>90</u>	<u>10</u>
Unrestricted intergovernmental:			
Local option sales taxes		126,751	
Telecommunications sales tax		8,005	
Video programming tax		27,573	
Utility sales tax		33,115	
Beer and wine tax		2,329	
Gas tax refunds		351	
ABC profit distribution		-	
Total	<u>188,750</u>	<u>198,124</u>	<u>9,374</u>
Restricted intergovernmental:			
Powell Bill allocation		17,006	
Solid waste disposal tax		401	
Downtown development grant		100,000	
Controlled substance tax		-	
Total	<u>18,550</u>	<u>117,407</u>	<u>98,857</u>
Permits and fees:			
Permit fees		1,050	
Total	<u>1,250</u>	<u>1,050</u>	<u>(200)</u>

**Town of Bailey, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

<b>Sales and services:</b>			
Cable TV fees		-	
Garbage collection		56,271	
Cemetery revenues		79,540	
Officer fees		123	
Total	<u>101,975</u>	<u>135,934</u>	<u>33,959</u>
Investment earnings	<u>500</u>	<u>1,924</u>	<u>1,424</u>
<b>Miscellaneous:</b>			
Sale of surplus goods			
Donations			
All Other		1,634	
Total	<u>13,925</u>	<u>1,634</u>	<u>(12,291)</u>
Total revenues	<u>535,030</u>	<u>680,754</u>	<u>145,724</u>
<b>Expenditures:</b>			
<b>General government:</b>			
Administration:			
Salaries and employee benefits		45,619	
Professional services		11,603	
Utilities		11,414	
Insurance and bonds		11,674	
Other operating expenditures		23,231	
Capital outlay		12,501	
Total general government	<u>129,445</u>	<u>116,042</u>	<u>13,403</u>
<b>Public safety:</b>			
Police:			
Salaries and employee benefits		92,893	
Vehicle maintenance		7,118	
Other operating expenditures		16,331	
Capital outlay		-	
Total public safety	<u>186,100</u>	<u>116,342</u>	<u>69,758</u>



**Town of Bailey, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

Transportation:

Streets and highways:

Contracted services		-	
Street Lights		15,515	
Street repairs		33,950	
Other operating expenditures		471	
Capital outlay		-	
Total transportation	<u>60,000</u>	<u>49,936</u>	<u>10,064</u>

Environmental protection:

Solid waste:

Contracted services		94,840	
Other operating expenditures		-	
Landfill and garbage		53,355	
Capital outlay		-	
Total		<u>148,195</u>	

Cemetery:

Salaries and employee benefits		1,045	
Contracted services		24,037	
Other operating expenditures		880	
Capital outlay		-	
Total		<u>25,962</u>	
Total environmental protection	<u>202,800</u>	<u>174,157</u>	<u>28,643</u>

Culture and recreation:

Recreation:

Library support		5,000	
Other operating expenditures		1,498	
Capital outlay		-	
Total culture and recreation	<u>6,800</u>	<u>6,498</u>	<u>302</u>

**Town of Bailey, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

<hr/>			
Debt service:			
Principal retirement	9,650	8,244	1,406
Interest and other charges	12,350	12,332	18
Total debt service	<u>22,000</u>	<u>20,576</u>	<u>1,424</u>
Contingency	<u>11,085</u>	-	<u>11,085</u>
Total expenditures	<u>618,230</u>	<u>483,551</u>	<u>134,679</u>
Revenues over (under) expenditures	<u>(83,200)</u>	<u>197,203</u>	<u>280,403</u>
Other financing sources (uses):			
Transfers to other funds:			
Capital Projects Fund	-	-	-
Enterprise Fund	-	-	-
Installment purchase obligation issued	-	-	-
Sale of capital assets	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	83,200	-	(83,200)
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	197,203	<u>\$ 197,203</u>
Fund balances:			
Beginning of year, July 1		<u>730,039</u>	
End of year, June 30		<u>\$ 927,242</u>	

**Town of Bailey, North Carolina**  
**Capital Projects Fund - Parks and Recreation**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2019**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Park Project:					
Restricted intergovernmental:					
Park and Recreation Trust Func	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Park and Recreation Trust Func	250,000	-	-	-	(250,000)
Investment earnings	-	-	-	-	-
Total revenues	<u>750,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>(250,000)</u>
<b>Expenditure</b>					
Park Project:					
Capital Outlay:					
Cultural and recreation I	1,000,000	1,000,000	-	1,000,000	-
Cultural and recreation II	250,000	33,411	-	33,411	216,589
Total expenditures	<u>1,250,000</u>	<u>1,033,411</u>	<u>-</u>	<u>1,033,411</u>	<u>216,589</u>
Revenues under expenditures	(500,000)	(533,411)	-	(533,411)	(33,411)
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds:					
General Fund	250,000	250,000	-	250,000	-
Contribution from the Town of Middlesex	250,000	250,000	-	250,000	-
Private donations	-	83,100	1,908	85,008	85,008
Installment Purchase Obligation issued	-	300,000	-	300,000	300,000
Installment Purchase Payments	-	-	-	-	-
Principal	-	(300,000)	-	(300,000)	(300,000)
Interest	-	(24,314)	-	(24,314)	(24,314)
Total other financing sources (uses)	<u>500,000</u>	<u>558,786</u>	<u>1,908</u>	<u>560,694</u>	<u>60,694</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 25,375</u>	1,908	<u>\$ 27,283</u>	<u>\$ 27,283</u>
Fund Balance, beginning			<u>25,375</u>		
Fund Balance, ending			<u>\$ 27,283</u>		

**Town of Bailey, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2019**

	2019		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Water sales:			
Residential and commercial	\$ 125,575	\$ 129,313	\$ 3,738
Municipal usage	-	-	-
Total	<u>125,575</u>	<u>129,313</u>	<u>3,738</u>
Sewer charges:			
Residential and commercial	114,500	121,018	6,518
Commercial and industrial	-	-	-
Total	<u>114,500</u>	<u>121,018</u>	<u>6,518</u>
Water and sewer taps	<u>3,000</u>	-	<u>(3,000)</u>
Other operating revenues	<u>69,300</u>	<u>81,477</u>	<u>12,177</u>
Total operating revenues	<u>312,375</u>	<u>331,808</u>	<u>19,433</u>
Nonoperating revenues:			
Interest earnings	<u>300</u>	<u>1,118</u>	<u>818</u>
Total	<u>300</u>	<u>1,118</u>	<u>818</u>
Total revenues	<u>312,675</u>	<u>332,926</u>	<u>20,251</u>
Expenditures:			
Administration:			
Salaries and employee benefits		31,651	
Supplies		489	
Other operating expenditures		222	
Total administration	<u>41,400</u>	<u>32,362</u>	<u>9,038</u>
Water and waste operations:			
Salaries and employee benefits		-	
Contracted services		145,526	
Maintenance and repair		27,139	
Electric power		14,358	
Supplies		1,569	
Other operating expenditures		10,644	
Total water and waste operations	<u>219,275</u>	<u>199,236</u>	<u>20,039</u>

**Town of Bailey, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

	2019		Variance Positive (Negative)
	Budget	Actual	
Debt service:			
Bond issuance costs	-	-	-
Interest and other charges	13,875	5,013	8,862
Principal retirement	<u>37,125</u>	<u>37,122</u>	<u>3</u>
Total debt service	<u>51,000</u>	<u>42,135</u>	<u>8,865</u>
Capital outlay:			
Water extensions	-	-	-
Miscellaneous water	500	-	500
Sewer extensions	-	-	-
Miscellaneous sewer	-	-	-
Total capital outlay	<u>500</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>312,175</u>	<u>273,733</u>	<u>38,442</u>
Revenues over (under) expenditures	<u>500</u>	<u>59,193</u>	<u>58,693</u>
Other financing sources (uses):			
Transfer from other fund:			
General Fund	-	-	-
Gain on sale of assets	-	-	-
State grant	-	25,000	25,000
Fund balance increase	<u>(500)</u>	<u>-</u>	<u>500</u>
Total other financing sources (uses)	<u>(500)</u>	<u>25,000</u>	<u>25,500</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>84,193</u>	<u>\$ 84,193</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal retirement		37,122	
Capital outlay		-	
Decrease in bond interest accrued		131	
Decrease in accrued vacation pay		662	
Depreciation		(99,406)	
Increase in deferred outflows of resources - pensions		4,511	
Increase in net pension liability		(6,001)	
(Decrease) in deferred inflows of resources - pensions		<u>1,766</u>	
Total reconciling items		<u>(61,215)</u>	
Change in net position		<u>\$ 22,978</u>	

## Other Schedules

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This section contains additional information required on property taxes.

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

**Town of Bailey, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	221,109	215,781	5,328
2017-2018	4,382	-	2,228	2,154
2016-2017	2,411	-	1,574	837
2015-2016	1,796	-	825	971
2014-2015	940	-	126	814
2013-2014	1,319	-	186	1,133
2012-2013	1,386	-	126	1,260
2011-2012	1,581	-	247	1,334
2010-2011	1,553	-	248	1,305
2009-2010	1,402	-	248	1,154
2008-2009	1,685	111	1,796	-
	<u>\$ 18,455</u>	<u>\$ 221,220</u>	<u>\$ 223,385</u>	<u>16,290</u>

Less: allowance for uncollectible accounts:  
General Fund

-

Ad valorem taxes receivable - net

\$ 16,290

Reconcilement with revenues:

Ad valorem taxes - General Fund

\$ 224,591

Reconciling items:

Interest collected

(3,439)

Discounts allowed

-

Taxes written off

2,233

Subtotal

(1,206)

Total collections and credits

\$ 223,385

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 35,064,286	\$ 0.63	\$ 220,905	\$ 187,844	\$ 33,061
Penalties	-	0.63	-	-	-
Total	<u>35,064,286</u>		<u>220,905</u>	<u>187,844</u>	<u>33,061</u>
Discoveries:					
Current year taxes	32,381	0.63	204	204	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
	<u>32,381</u>		<u>204</u>	<u>204</u>	<u>-</u>
Releases	-	0.63	-	-	-
Total property valuation	<u>\$ 35,096,667</u>				
Net levy			221,109	188,048	33,061
Uncollected taxes at June 30, 2019			<u>(5,328)</u>	<u>(5,328)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 215,781</u>	<u>\$ 182,720</u>	<u>\$ 33,061</u>
Current levy collection percentage			<u>97.59%</u>	<u>97.17%</u>	<u>100.00%</u>



## **Compliance Section**

# ANTHONY & TABB, P.A.

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## **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  
Members of the Town Board  
Town of Bailey, North Carolina

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Town of Bailey, North Carolina, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprises the Town of Bailey's basic financial statements, and have issued our report thereon dated October 31, 2019.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bailey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bailey's 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 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 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, that we consider to be significant deficiencies. See finding 2019-1 in that schedule.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bailey's 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 Bailey's Response to Findings

The Town of Bailey's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on. We did not audit the Town's response 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.

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Anthony & Tabb, P.A.  
Certified Public Accountants  
Wilson, North Carolina

October 31, 2019

