

Report On

Town Of Bailey

Bailey, North Carolina

June 30, 2020

Town Board Members

Thomas Richards, Mayor
Richard Wilson, Commissioner
Dillion Bissette, Commissioner
Ervin Powell, Commissioner
Walter Wells, Commissioner

Administrative and Financial Staff

Joel Killion, Town Administrator/CFO

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FINANCIAL SECTION

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Board of Town Council
Town of 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, 2020, 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 General 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 the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 opinion.

Opinions

In our opinion, based on our audit, the financial statements referred to above present 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, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year 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 Management's Discussion and Analysis on pages 3 through 12, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 50 and 51 respectively, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 52 and 53 be presented to supplement the basic financial statements. Such information, although not a 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.

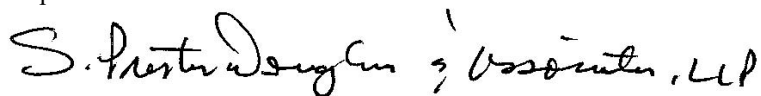
Supplementary and Other Information

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 individual fund statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, budgetary schedules, and other schedules, and the Schedule of Expenditures of Federal and State Awards 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. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2023 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 grants agreements, and other matters. The purpose of the 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.



Lumberton, North Carolina
July 13, 2023

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, 2020. 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

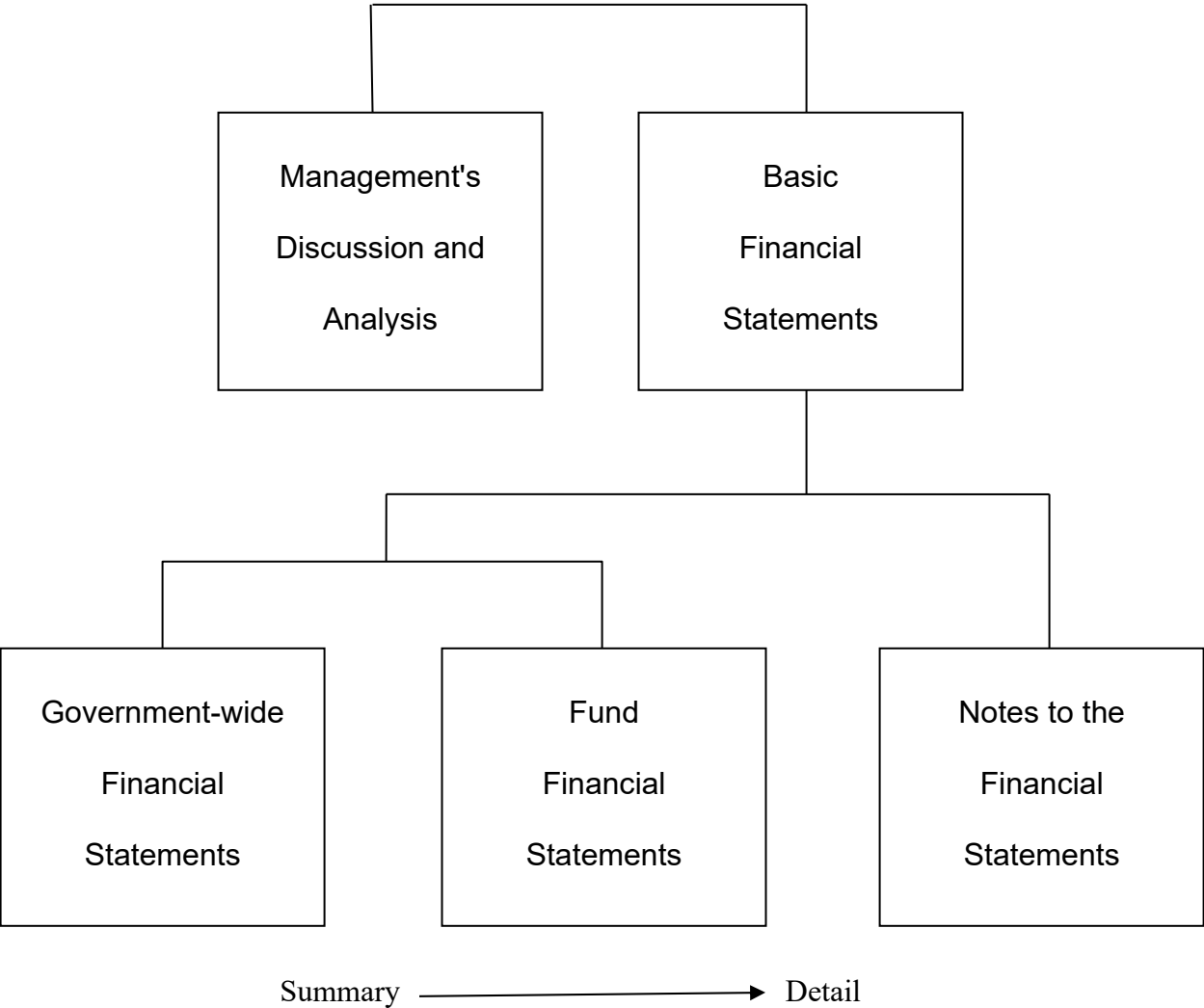
- The assets and deferred outflows of resources of the Town of Bailey exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,771,805 (*net position*).
- The government's total net position decreased by \$(70,461) primarily due to cost overruns in general government and public safety.
- As of the close of the current fiscal year, the Town of Bailey's governmental funds reported combined ending fund balances of \$773,426 with a net change of \$(181,099) in fund balance. Approximately 6.43 percent of this total amount, or \$49,708 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$355,456 or 50.82 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 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.

Management Discussion and Analysis Town of Bailey

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 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the 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 50 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 801,889	\$ 982,676	\$ 490,466	\$ 402,829	\$ 1,292,355	\$ 1,385,505
Capital assets	1,256,535	1,165,904	2,889,428	2,461,301	4,145,963	3,627,205
Deferred outflows of resources	17,513	30,526	4,558	6,884	22,071	37,410
Total assets and deferred outflow of resources	2,075,937	2,179,106	3,384,452	2,871,014	5,460,389	5,050,120
Long-term liabilities outstanding	290,583	323,979	337,858	156,960	628,441	480,939
Other liabilities	19,101	20,386	25,057	24,885	44,158	45,271
Deferred inflows of resources	14,408	12,435	1,577	431	15,985	12,866
Total liabilities and deferred inflows of resources	324,092	356,800	364,492	182,276	688,584	539,076
Net Position:						
Net investment in capital assets	981,909	882,685	2,555,822	2,312,615	3,537,731	3,195,300
Restricted	49,708	156,691	-	-	49,708	156,691
Unrestricted	720,228	782,930	464,138	376,123	1,184,366	1,159,053
Total net position	\$ 1,751,845	\$ 1,822,306	\$ 3,019,960	\$ 2,688,738	\$ 4,771,805	\$ 4,511,044

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 \$4,771,805 as of June 30, 2020. The Town's net position increased by \$260,761 for the fiscal year ended June 30, 2020. However, the largest portion (74.14%) 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, \$49,708, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,184,366 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 98.09%. The statewide average in fiscal year 2019 was 98.78%. The tax on property excluding registered motor vehicles had a collection percentage of 97.75%; 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 one zero percent 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	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenues:						
Charges for services	\$ 107,551	\$ 137,074	\$ 343,431	\$ 331,808	\$ 450,982	\$ 468,882
Operating grants and contributions	17,185	17,407	-	25,000	17,185	42,407
Capital grants and contributions	-	100,000	296,310	-	296,310	100,000
General revenues:						
Property taxes	220,548	222,426	-	-	220,548	222,426
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	172,185	198,124	-	-	172,185	198,124
Other	2,225	5,466	1,485	1,118	3,710	6,584
Total revenue	519,694	680,497	641,226	357,926	1,160,920	1,038,423
Expenses:						
General government	111,082	111,468	-	-	111,082	111,468
Public safety	172,801	127,459	-	-	172,801	127,459
Transportation	34,021	50,236	-	-	34,021	50,236
Environmental protection	234,539	174,398	-	-	234,539	174,398
Cultural and recreational	25,990	25,548	-	-	25,990	25,548
Interest on long-term debt	11,722	12,084	3,840	4,882	15,562	16,966
Water and sewer	-	-	306,164	330,066	306,164	330,066
Total expenses	590,155	501,193	310,004	334,948	900,159	836,141
Increase (decrease) in net position before transfers	(70,461)	179,304	331,222	22,978	260,761	202,282
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(70,461)	179,304	331,222	22,978	260,761	202,282
Net position, beginning	1,822,306	1,643,002	2,688,738	2,665,760	4,511,044	4,308,762
Net position, June 30	\$ 1,751,845	\$ 1,822,306	\$ 3,019,960	\$ 2,688,738	\$ 4,771,805	\$ 4,511,044

Management Discussion and Analysis

Town of Bailey

Governmental activities. Governmental activities decreased the Town's net position by \$(70,461) thereby accounting for 0% of the total increase in the net position of the Town of Bailey. Though a recession affected the Town, the decrease in net position was the result of a problem in control cost and managing 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 2020 was a less than successful year and plans on improving upon these approaches as long-term strategies to realize continued fiscal health.

Business-type activities. Business-type activities increased the Town of Bailey's net position by \$331,222 accounting for 100.0% of the total increase in net position. Depreciation expense was \$99,333 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 unassigned fund balance in the General Fund was \$355,456 while total fund balance totaled \$746,143. The Town currently has an unassigned fund balance of 50.82% of general fund expenditures, and a total fund balance represents 106.67% of the same amount.

At June 30, 2020, the governmental funds of the Town of Bailey reported a combined fund balance of \$773,426 with a net decrease in fund balance of \$(181,099).

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 \$464,138. The total change in net position was \$331,222.

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, 2020, totals \$4,145,963 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 131,333	\$ 131,333	\$ 17,942	\$ 17,942	\$ 149,275	\$ 149,275
Building and systems	320,904	330,707	2,343,845	2,442,936	2,664,749	2,773,643
Machinery and equipment	11,820	9,516	181	423	12,001	9,939
Other improvements	642,187	660,937	-	-	642,187	660,937
Vehicles and motorized equipment	21,787	-	-	-	21,787	-
Construction in progress	128,504	33,411	527,460	-	655,964	33,411
Total	<u>\$ 1,256,535</u>	<u>\$ 1,165,904</u>	<u>\$ 2,889,428</u>	<u>\$ 2,461,301</u>	<u>\$ 4,145,963</u>	<u>\$ 3,627,205</u>

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, 2020, the Town of Bailey had total outstanding debt of \$608,232. 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, 2021

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, 2020

	Primary Government		
	Governmental	Business-	
	Activities	type	Total
		Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 735,962	\$ 428,049	\$ 1,164,011
Taxes receivables (net)	17,626	-	17,626
Accounts receivable (net)	5,837	36,850	42,687
Due from other governments	35,724	269	35,993
Internal balances	(2,340)	2,340	-
Restricted cash and cash equivalents	9,080	22,958	32,038
Total current assets	801,889	490,466	1,292,355
Non-current assets:			
Capital assets (Note 1):			
Land, non-depreciable improvements, and construction in progress	259,837	545,402	805,239
Other capital assets, net of depreciation	996,698	2,344,026	3,340,724
Total capital assets	1,256,535	2,889,428	4,145,963
Total assets	2,058,424	3,379,894	5,438,318
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	17,513	4,558	22,071
LIABILITIES			
Current liabilities:			
Accounts payable	9,904	1,703	11,607
Accrued interest payable	8,264	396	8,660
Current portion of long-term liabilities	8,957	49,291	58,248
Payable from restricted assets	933	22,958	23,891
Total current liabilities	28,058	74,348	102,406
Long-term liabilities:			
Due in more than one year	281,626	288,567	570,193
Total liabilities	309,684	362,915	672,599
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	-	-	-
Pension deferrals	14,408	1,577	15,985
Total deferred inflows of resources	14,408	1,577	15,985
NET POSITION			
Net investment in capital assets	981,909	2,555,822	3,537,731
Restricted for:			
Stabilization by State Statute	41,561	-	41,561
Other functions	8,147	-	8,147
Unrestricted	720,228	464,138	1,184,366
Total net position	\$ 1,751,845	\$ 3,019,960	\$ 4,771,805

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

Town of Bailey
Statement of Activities
For the Year Ended June 30, 2020

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 111,082	\$ 1,050	\$ -	\$ -	\$ (110,032)	\$ -	\$ (110,032)
Public safety	172,801	167	-	-	(172,634)	-	(172,634)
Transportation	34,021	-	16,780	-	(17,241)	-	(17,241)
Environmental protection	234,539	106,334	405	-	(127,800)	-	(127,800)
Cultural and recreation	25,990	-	-	-	(25,990)	-	(25,990)
Interest on long-term debt	11,722	-	-	-	(11,722)	-	(11,722)
Total governmental activities (See Note 1)	590,155	107,551	17,185	-	(465,419)	-	(465,419)
Business-type activities:							
Water and sewer	310,004	343,431	-	296,310	-	329,737	329,737
Total business-type activities	310,004	343,431	-	296,310	-	329,737	329,737
Total primary government	\$ 900,159	\$ 450,902	\$ 17,185	\$ 296,310	(465,419)	329,737	(135,682)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					220,548	-	220,548
Grants and contributions not restricted to specific programs					172,185	-	172,185
Unrestricted investment earnings					1,859	1,485	3,344
Miscellaneous					366	-	366
Total general revenues, not including transfers					394,958	1,485	396,443
Transfers							
Total general revenues and transfers					394,958	1,485	396,443
Change in net position					(70,461)	331,222	260,761
Net postion-beginning, previously reported					1,822,306	2,688,738	4,511,044
Net position-ending					\$ 1,751,845	\$ 3,019,960	\$ 4,771,805

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

**Town of Bailey
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Parks and Recreation		
ASSETS				
Cash and cash equivalents	\$ 706,339	\$ 29,623	\$ -	\$ 735,962
Restricted cash	9,080	-	-	9,080
Receivables, net:				
Taxes	17,626	-	-	17,626
Accounts	5,837	-	-	5,837
Due from other governments	35,724	-	-	35,724
Due from other funds	-	-	-	-
Total assets	<u>774,606</u>	<u>29,623</u>	<u>-</u>	<u>804,229</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 9,904	\$ -	\$ -	\$ 9,904
Due to other funds	-	2,340	-	2,340
Liabilities payable from restricted assets:				
Customer deposits	933	-	-	933
Total liabilities	<u>10,837</u>	<u>2,340</u>	<u>-</u>	<u>13,177</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	17,626	-	-	17,626
Prepaid taxes	-	-	-	-
Total deferred inflows of resources	<u>17,626</u>	<u>-</u>	<u>-</u>	<u>17,626</u>
FUND BALANCES				
Non Spendable				
Restricted				
Stabilization by State Statute	41,561	-	-	41,561
General government	4,907	-	-	4,907
Streets	2,420	-	-	2,420
Public safety	820	-	-	820
Assigned				
Cemetery	293,659	-	-	293,659
Parks and Recreation	-	27,283	-	27,283
Subsequent years expenditures	47,320	-	-	47,320
Unassigned	355,456	-	-	355,456
Total fund balances	<u>746,143</u>	<u>27,283</u>	<u>-</u>	<u>773,426</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 774,606</u>	<u>\$ 29,623</u>	<u>-</u>	

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, 2020**

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

Total Fund Balance, Governmental Funds	\$	773,426
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$	1,877,292	
Accumulated depreciation		(620,757)	1,256,535

Deferred outflows of resources related to pensions are not reported in the funds		17,513
--	--	--------

Earned revenues considered deferred inflows of resources in fund statements		17,626
---	--	--------

Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds

Gross long term debt	(274,626)	
Net pension liability (LGERS)	(15,957)	
Total pension liability (LEO)	-	(290,583)

Deferred inflows of resources related to pensions are not reported in the funds		(14,408)
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(8,264)
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Net position of governmental activities	\$	1,751,845
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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, 2020

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Parks and Recreation		
REVENUES				
Ad valorem taxes	\$ 219,212	\$ -	\$ -	\$ 219,212
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	172,185	-	-	172,185
Restricted intergovernmental	17,185	-	-	17,185
Permits and fees	1,050	-	-	1,050
Sales and services	106,501	-	-	106,501
Investment earnings	1,859	-	-	1,859
Miscellaneous	366	-	-	366
Total revenues	518,358	-	-	518,358
EXPENDITURES				
Current:				
General government	197,646	-	-	197,646
Public safety	206,277	-	-	206,277
Transportation	33,721	-	-	33,721
Environmental protection	234,297	-	-	234,297
Culture and recreation	6,940	-	-	6,940
Debt service:				
Principal	8,593	-	-	8,593
Interest and other charges	11,983	-	-	11,983
Total expenditures	699,457	-	-	699,457
Excess (deficiency) of revenues over expenditures	(181,099)	-	-	(181,099)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing source (uses)	-	-	-	-
Net change in fund balance	(181,099)	-	-	(181,099)
Fund balances-beginning	924,242	27,283	-	954,525
Fund balances-ending	\$ 746,143	\$ 27,283	\$ -	\$ 773,426

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, 2020**

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

Net changes in fund balances - total governmental funds		\$ (181,999)
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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	\$ 125,093	
Depreciation expense for governmental assets	(34,462)	90,631

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		9,264
--	--	-------

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	1,336	1,336

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 statement 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	261	
Principal payments on long-term debt	8,593	8,854

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	-	
Pension expenses	553	553

Total changes in net position of governmental activities		\$ (70,461)
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The notes to the financial statements are an integral part of this statement.

Exhibit 5

**Town of Bailey
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 210,000	\$ 210,000	\$ 219,212	\$ 9,212
Other taxes and licenses	80	80	-	(80)
Unrestricted intergovernmental	189,175	189,175	172,185	(16,990)
Restricted intergovernmental	18,550	18,550	17,185	(1,365)
Permits and fees	1,250	1,250	1,050	(200)
Sales and services	124,075	124,075	106,501	(17,574)
Investment earnings	500	500	1,859	1,359
Miscellaneous	11,500	11,500	366	(11,134)
Total revenues	555,130	555,130	518,358	(36,772)
Expenditures:				
Current:				
General government	130,650	130,650	197,646	(66,996)
Public safety	192,000	192,000	206,277	(14,277)
Transportation	35,500	35,500	33,721	1,779
Environmental protection	237,500	237,500	234,297	3,203
Cultural and recreation	6,800	6,800	6,940	(140)
Debt service:				
Principal retirement	8,600	8,600	8,593	7
Interest and other charges	13,400	13,400	11,983	1,417
Contingency	-	-	-	-
Total expenditures	624,450	624,450	699,457	(75,007)
Revenues over (under) expenditures	(69,320)	(69,320)	(181,099)	(111,779)
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	30,000	30,000	-	(30,000)
Sales of capital assets	-	-	-	-
Total other financing sources (uses)	30,000	30,000	-	(30,000)
Fund balance appropriated	39,320	39,320	-	39,320
Net change in fund balance	\$ -	\$ -	(181,099)	\$ (181,099)
Fund balances, beginning of year			927,242	
Fund balances end of year			<u>\$ 746,143</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, 2020**

	Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 428,049	\$ 428,049
Accounts receivable (net) - billed	36,850	36,850
Due from other governments	269	269
Due from other funds	2,340	2,340
Restricted cash and cash equivalents	22,958	22,958
Total current assets	490,466	490,466
Noncurrent assets:		
Capital assets:		
Land and construction in progress	545,402	545,402
Other capital assets, net of depreciation	-	-
Capital assets (net)	2,889,428	2,889,428
Total noncurrent assets	2,889,428	2,889,428
Total assets	\$ 3,379,894	\$ 3,379,894
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	\$ 4,558	\$ 4,558
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,099	2,099
Compensated absences - current	-	-
General obligation bonds payable - current	41,175	41,175
Installment purchases - current	8,116	8,116
Liabilities payable from restricted assets:		
Customer deposits	22,958	22,958
Total current liabilities	74,348	74,348
Noncurrent liabilities:		
Net pension liability	4,252	4,252
General obligation bonds payable- noncurrent (net)	269,549	269,549
Installment purchases - noncurrent	14,766	14,766
Total noncurrent liabilities	288,567	288,567
Total liabilities	362,915	362,915
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	1,577	1,577
NET POSITION		
Net investment in capital assets	2,555,822	2,555,822
Unrestricted	464,138	464,138
Total net position	\$ 3,019,960	\$ 3,019,960

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, 2020

	Enterprise Funds	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 256,825	\$ 256,825
Water and sewer taps	1,500	1,500
Other operating revenues	85,106	85,106
Total operating revenues	343,431	343,431
OPERATING EXPENSES		
Administration	32,060	32,060
Water and waste operations	174,771	174,771
Depreciation	99,333	99,333
Total operating expenses	306,164	306,164
Operating income (loss)	37,267	37,267
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	1,485	1,485
Interest and other charges	(3,840)	(3,840)
Gain on sale of assets	-	-
Total nonoperating revenue (expenses)	(2,355)	(2,355)
Income (loss) before contributions and transfers	34,912	34,912
State grant	296,310	296,310
Transfers from other funds	-	-
Transfers to other funds	-	-
Change in net position	331,222	331,222
Total net position - previously reported	2,688,738	2,688,738
Total net position - ending	\$ 3,019,960	\$ 3,019,960

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, 2020

	Business-Type Activities Enterprise Funds	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 252,393	\$ 252,393
Cash paid for goods and services	(178,615)	(178,615)
Cash paid to or on behalf of employees for services	(29,437)	(29,437)
Customer deposits received	500	500
Customer deposits returned	(1,301)	(1,301)
Other operating revenues	86,606	86,606
Net cash provided (used) by operating activities	130,146	130,146
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase in due from other funds	-	-
Transfers from other funds	-	-
Transfers to other funds	-	-
Total cash flows from noncapital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(527,460)	(527,460)
Proceeds from sale of capital assets	-	-
Proceeds of long-term debt issued	231,150	231,150
Principal paid on bond and installment contracts	(46,230)	(46,230)
Interest paid on bond maturities and installment contracts	(3,965)	(3,965)
Capital contributions-State grant	296,310	296,310
Capital contributions-federal grant	-	-
Net cash provided (used) by capital and related financing activities	(50,195)	(50,195)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	1,485	1,485
Net increase (decrease) in cash and cash equivalents	81,436	81,436
Balances-beginning of the year	369,571	369,571
Balances-end of the year	\$ 451,007	\$ 451,007

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, 2020

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation

Changes in assets and liabilities:

(Increase) decrease in accounts receivable

(Increase) decrease in due from other governments

Increase (decrease) in accounts payable and accrued liabilities other than interest

Increase (decrease) in customer deposits

Increase (decrease) in accrued vacation pay

(Increase) decrease in deferred outflows of resources - pensions

Increase (decrease) in net pension liability

Increase (decrease) in deferred inflows of resources - pensions

Total adjustments

Net cash provided by operating activities

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, 2020

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.

Water and Sewer Capital Projects Fund. This fund is used to account for a water filter replacement project.

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, 2020, 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	\$ 4,907
	Street	2,420
	Public safety	820
	Customer deposits	933
Total governmental activities		<u>9,080</u>
Business-type activities		
Water and Sewer Fund		
	Customer deposits	22,958
Total Business-type activities		<u>22,958</u>
Total Restricted Cash		<u>\$ 32,038</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, 2019.

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 2020 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 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

The Town expended more than appropriated in the General Fund's annual budget ordinance totaling \$66,996, \$14,277, and \$140 in the general government, public safety, and cultural and recreation budget line items, respectively.

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, 2020, the Town's deposits had a carrying amount of \$1,195,944 and a bank balance of \$1,219,184. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2020, the Town's petty cash fund totaled \$105.

2. Investments

At June 30, 2020, the Town of Bailey had \$1,078 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, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<hr/>				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 131,333	\$ -	\$ -	\$ 131,333
Construction in progress	33,411	95,093	-	128,504
Total capital assets not being depreciated	164,744	95,093	-	259,837
Capital assets being depreciated:				
Buildings and improvements	502,056	-	-	502,056
Other improvements	750,000	-	-	750,000
Equipment	182,997	6,232	-	189,229
Vehicles and motorized equipment	152,402	23,768	-	176,170
Total capital assets being depreciated	1,587,455	30,000	-	1,617,455
Less accumulated depreciation for:				
Buildings and improvements	171,349	9,803	-	181,152
Other improvements	89,063	18,750	-	107,813
Equipment	173,481	3,928	-	177,409
Vehicles and motorized equipment	152,402	1,981	-	154,383
Total accumulated depreciation	586,295	34,462	-	620,757
Total capital assets being depreciated, net	1,001,160			996,698
Governmental activity capital assets, net	<u>\$ 1,165,904</u>			<u>\$ 1,256,535</u>

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

General government	\$ 9,463
Public safety	5,407
Transportation	300
Environmental protection	242
Cultural and recreational	<u>19,050</u>
Total depreciation expense	<u>\$ 34,462</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 17,942	\$ -	\$ -	\$ 17,942
Construction in progress	-	527,460	-	527,460
Total capital assets not being depreciated	17,942	527,460	-	545,402
Capital assets being depreciated:				
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
Less accumulated depreciation for:				
Plant and distribution systems	2,256,018	99,091	-	2,355,109
Furniture and maintenance equipment	47,314	242	-	47,556
Total accumulated depreciation	2,303,332	99,333	-	2,402,665
Total capital assets being depreciated, net	2,443,359			2,344,026
Business-type activities capital assets, net	<u>\$ 2,461,301</u>			<u>\$ 2,889,428</u>

Construction commitments

The government had two construction projects during the year ended June 30, 2020. 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>
Water filter replacement	<u>\$ 527,460</u>	<u>\$ 397,144</u>

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 of Bailey's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$11,733 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$20,209 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00074%, which was a decrease of 0.00113% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$8,018. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,460	\$ -
Changes of assumptions	3,294	-
Net difference between projected and actual earnings on pension plan investments	493	-
Changes in proportions and differences between Town contributions and proportionate share of contributions	2,684	7,497
Town contributions subsequent to the measurement date	11,733	-
Total	<u>\$ 21,664</u>	<u>\$ 7,497</u>

\$11,733 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2020	\$	3,381
2021		80
2022		(16)
2023		(1,011)
Thereafter		-
	\$	<u>2,434</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 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 weighing 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

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%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 46,221	\$ 20,209	\$ (1,413)

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, 2018, 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>0</u>
Total	<u><u>0</u></u>

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, 2018, valuation. The total pension liability in the December 31, 2018, 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	3.26 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, 2020, the Town reported a total pension liability of \$0. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$(6,336).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 231	\$ 8,199
Changes of assumptions	176	289
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 407</u>	<u>\$ 8,488</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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (1,980)
2022	(1,980)
2023	(1,972)
2024	(1,944)
2025	(205)
Thereafter	-

\$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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ -	\$ -	\$ -

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

	2020
Beginning balance	\$ 4,671
Service cost	-
Interest on the total pension liability	170
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(4,841)
Changes of assumptions or other inputs	-
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ -

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, 2018, 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	\$ 8,018	\$ (6,336)	\$ 1,682
Pension Liability	20,209	-	20,209
Proportionate share of the net pension liability	0.00074%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	3,460	231	3,691
Changes of assumptions	3,294	176	3,470
Net difference between projected and actual earnings on plan investments	493	-	493
Changes in proportion and differences between contributions and proportionate share of contributions	2,684	-	2,684
Benefit payments and administrative costs paid subsequent to the measurement date	11,733	-	11,733
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	8,199	8,199
Changes of assumptions	-	289	289
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,497	-	7,497

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, 2020, were \$3,878 which consisted of \$3,878 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, 2020, 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 0% 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	\$ 11,733
Differences between expected and actual experience	3,691
Changes of assumption	3,470
Net difference between projected and actual earnings on pension plan investments	493
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,684
Total	<u>\$ 22,071</u>

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	-	17,626
Changes in assumptions	289	-
Differences between expected and actual experience	8,199	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,497	-
Total	<u>\$ 15,985</u>	<u>\$ 17,626</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, 2020, 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, 2020, including \$137,487 of interest, are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2021	\$ 8,957	\$ 11,619	\$ 8,116	\$ 595
2022	9,336	11,240	8,361	350
2023	9,731	10,845	6,405	97
2024	10,143	10,153	-	-
2025	10,573	10,063	-	-
2026-2041	225,886	83,525	-	-
Total	<u>\$ 274,626</u>	<u>\$ 137,445</u>	<u>\$ 22,882</u>	<u>\$ 1,042</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, 2020, 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

\$ 88,424

In September 2019, the Town entered into an
agreement for \$231,150 to finance the cost of
a water filtration replacement project. The
financing contract requires annual payments
of \$11,700 beginning in May 2020, including
interest at 0% for 20 years.

\$ 222,300

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

Year Ending	<u>Business-type Activities</u>	
	Principal	Interest
30 June		
2021	\$ 41,175	\$ 2,370
2022	41,175	1,580
2023	41,174	790
2024	11,700	-
2025	11,700	-
2026-2039	163,800	-
Total	<u>\$ 310,724</u>	<u>\$ 4,740</u>

At June 30, 2020, the Town of Bailey had no bonds authorized but unissued and a legal debt margin of \$2,231,603.

e. Changes in Long-Term Liabilities

	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Installment purchases	\$283,219	\$ -	\$ 8,593	\$274,626	\$ 8,957
Compensated absences	-	-	-	-	-
Net pension liability (LGERS)	36,089	-	20,132	15,957	-
Total pension liability (LEO)	4,671	-	4,671	-	-
Governmental activity Long-term liabilities	<u>\$323,979</u>	<u>\$ -</u>	<u>\$ 33,396</u>	<u>\$290,583</u>	<u>\$ 8,957</u>
Business-type activities:					
Installment purchases	\$ 30,787	\$ -	\$ 7,905	\$ 22,882	\$ 8,116
General obligation bonds	117,899	231,150	38,325	310,724	41,175
Compensated absences	-	-	-	-	-
Net pension liability (LGERS)	8,274	-	4,022	4,252	-
Business-type activity Long-term liabilities	<u>\$156,960</u>	<u>\$231,150</u>	<u>\$ 50,252</u>	<u>\$337,858</u>	<u>\$ 49,291</u>

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

B. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to the Water and Sewer Fund for advances to the Parks and Recreation Capital Projects Fund:	<u>\$ 2,340</u>
--	-----------------

Transfers to/from other funds at June 30, 2020, 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	<u>-</u>
--	----------

Total	<u>\$ -</u>
-------	-------------

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		\$746,143
Less:		
Stabilization by State Statue	41,561	
General government - downtown	4,907	
Streets - Powell Bill	2,420	
Police - Drug Fund	820	
Appropriated Fund Balance in 2020-2021 budget	47,320	
Cemetery	<u>293,659</u>	<u>(390,687)</u>
Remaining Fund Balance		<u><u>\$355,456</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 July 13, 2023, the date the financial statements were available to be issued.

Required
Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- 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 Seven Fiscal Years *

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Bailey's proportion of the net pension liability (asset) (%)	0.00074%	0.00187%	0.00203%	0.00138%	0.00060%	0.00158%	0.00180%
Bailey's proportion of the net pension liability (asset) (\$)	\$ 20,209	\$ 44,363	\$ 31,013	\$ 34,444	\$ 3,542	\$ (9,318)	\$ 21,697
Bailey's covered-employee payroll	\$ 124,701	\$ 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	16.21%	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%	99.07%	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 Seven Fiscal Years**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,733	\$ 7,651	\$ 8,634	\$ 8,675	\$ 6,977	\$ 7,238	\$ 7,187
Contributions in relation to the contractually required contribution	11,733	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>	<u>\$ -</u>
Bailey's covered-employee payroll	\$ 124,701	\$ 94,095	\$ 108,384	\$ 112,468	\$ 100,059	\$ 98,260	\$ 99,857
Contributions as a percentage of covered-employee payroll	9.41%	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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 4,671	\$ 2,970	\$ 14,990	\$ 12,927
Service Cost	-	1,549	1,280	1,846
Interest on the total pension liability	170	94	579	461
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(4,841)	323	(14,184)	-
Changes of assumptions or other inputs		(265)	305	(244)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ -</u>	<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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ -	\$ 4,671	\$ 2,970
Covered payroll	-	67,095	73,409
Total pension liability as a percentage of covered payroll	N/A	6.96%	4.05%

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, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 218,069	\$
Penalties and interest		1,143	
Total	210,000	219,212	9,212
Other taxes and licenses:			
Gross receipts tax on short-term rental property		-	
Privilege licenses		-	
Total	80	-	(80)
Unrestricted intergovernmental:			
Local option sales taxes		128,041	
Telecommunications sales tax		6,515	
Video programming tax		520	
Utility sales tax		33,006	
Beer and wine tax		2,301	
Gas tax refunds		684	
ABC profit distribution		1,118	
Total	189,175	172,185	(16,990)
Restricted intergovernmental:			
Powell Bill allocation		16,780	
Solid waste disposal tax		405	
Controlled substance tax	-	-	-
Total	18,550	17,185	(1,365)
Permits and fees:			
Permit fees		1,050	
Total	1,250	1,050	(200)

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, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Sales and services:			
Cable TV fees		-	
Garbage collection		47,814	
Cemetery revenues		58,520	
Officer fees		167	
Total	124,075	106,501	(17,574)
Investment earnings	500	1,859	1,359
Miscellaneous:			
Sale of surplus goods			
Donations			
All Other		366	
Total	11,500	366	(11,134)
Total revenues	555,130	518,358	(36,772)
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits		30,733	
Professional services		15,610	
Utilities		8,090	
Insurance and bonds		14,287	
Other operating expenditures		33,833	
Capital outlay		95,093	
Total general government	130,650	197,646	(66,996)
Public safety:			
Police:			
Salaries and employee benefits		139,618	
Vehicle maintenance		10,467	
Other operating expenditures		26,192	
Capital outlay		30,000	
Total public safety	192,000	206,277	(14,277)

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, 2020

	2020		
	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets and highways:			
Contracted services		-	
Street Lights		15,478	
Street repairs		16,796	
Other operating expenditures		1,447	
Capital outlay		-	
Total transportation	35,500	33,721	1,779
Environmental protection:			
Solid waste:			
Contracted services		74,140	
Other operating expenditures		-	
Landfill and garbage		104,142	
Capital outlay		-	
Total		178,282	
Cemetery:			
Salaries and employee benefits		1,190	
Contracted services		52,403	
Other operating expenditures		2,422	
Capital outlay		-	
Total		56,015	
Total environmental protection	237,500	234,297	3,203
Culture and recreation:			
Recreation:			
Library support		5,000	
Other operating expenditures		1,940	
Capital outlay		-	
Total culture and recreation	6,800	6,940	(140)

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, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Debt service:			
Principal retirement	8,600	8,593	7
Interest and other charges	13,400	11,983	1,417
Total debt service	<u>22,000</u>	<u>20,576</u>	<u>1,424</u>
Contingency		-	
Total expenditures	<u>624,450</u>	<u>699,457</u>	<u>(75,007)</u>
Revenues over (under) expenditures	<u>(69,320)</u>	<u>(181,099)</u>	<u>(111,779)</u>
Other financing sources (uses):			
Transfers to other funds:			
Capital Projects Fund	-	-	-
Enterprise Fund	-	-	-
Installment purchase obligation issued	30,000	-	(30,000)
Sale of capital assets	-	-	-
Total	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Fund balance appropriated	39,320	-	(39,320)
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	(181,099)	<u>\$ (181,099)</u>
Fund balances:			
Beginning of year, July 1		924,242	
End of year, June 30		<u>\$ 746,143</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, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Park Project:					
Restricted intergovernmental:					
Park and Recreation Trust Fund I	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Park and Recreation Trust Fund II	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>
Expenditures					
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)
Other Financing Sources (Uses)					
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	-	85,008	-	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>560,694</u>	<u>-</u>	<u>560,694</u>	<u>60,694</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 27,283</u>		<u>\$ 27,283</u>	<u>\$ 27,283</u>
Fund Balance, beginning			27,283		
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, 2020

	2020		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Water sales:			
Residential and commercial	\$ 125,575	\$ 129,358	\$ 3,783
Municipal usage	-	-	-
Total	125,575	129,358	3,783
Sewer charges:			
Residential and commercial	114,500	127,467	12,967
Commercial and industrial	-	-	-
Total	114,500	137,467	12,967
Water and sewer taps	3,000	1,500	(1,500)
Other operating revenues	69,300	85,106	15,806
Total operating revenues	312,375	343,431	31,056
Nonoperating revenues:			
Interest earnings	300	1,485	1,185
Total	300	1,485	1,185
Total revenues	312,675	344,916	32,241
Expenditures:			
Administration:			
Salaries and employee benefits		30,547	
Supplies		1,843	
Other operating expenditures		452	
Total administration	31,150	32,842	(1,692)
Water and waste operations:			
Salaries and employee benefits		-	
Contracted services		109,259	
Maintenance and repair		37,162	
Electric power		14,791	
Supplies		2,072	
Other operating expenditures		11,255	
Total water and waste operations	217,775	174,539	43,236

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, 2020

	2020		Variance Positive (Negative)
	Budget	Actual	
Debt service:			
Bond issuance costs	-	-	-
Interest and other charges	4,000	3,965	35
Principal retirement	58,700	46,230	12,470
Total debt service	62,700	50,195	12,505
Capital outlay:			
Water extensions	-	-	-
Miscellaneous water	500	-	500
Sewer extensions	-	-	-
Miscellaneous sewer	-	-	-
Total capital outlay	500	-	500
Total expenditures	312,125	257,576	54,549
Revenues over (under) expenditures	550	87,340	86,790
Other financing sources (uses):			
Transfer from other fund:			
General Fund	-	-	-
Gain on sale of assets	-	-	-
State grant	-	-	-
Fund balance increase	(550)	-	550
Total other financing sources (uses)	(550)	-	550
Revenues and other sources over (under) expenditures and other uses	\$ -	87,340	\$ 87,340
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		46,270	
Capital outlay		-	
Capital contribution		296,310	
Decrease in bond interest accrued		125	
Decrease in accrued vacation pay		-	
Depreciation		(99,333)	
(Decrease) in deferred outflows of resources - pensions		(2,326)	
Decrease in net pension liability		4,022	
Increase in deferred inflows of resources - pensions		(1,146)	
Total reconciling items		243,922	
Change in net position	60	\$ 331,222	

Town of Bailey
Water Filter Replacement Capital Project
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
NCDEQ grant	\$ 465,302	\$ -	\$ 296,310	\$ 296,310	\$ (165,992)
Total revenues	<u>462,302</u>	<u>-</u>	<u>296,310</u>	<u>296,310</u>	<u>(165,992)</u>
Expenditures					
Construction	924,604	-	527,460	527,460	397,144
Total	<u>924,604</u>	<u>-</u>	<u>527,460</u>	<u>527,460</u>	<u>397,144</u>
Total expenditures	<u>924,604</u>	<u>-</u>	<u>527,460</u>	<u>527,460</u>	<u>397,144</u>
Revenues over (under) expenditures	<u>(462,302)</u>	<u>-</u>	<u>(231,150)</u>	<u>(231,150)</u>	<u>231,152</u>
Other financing sources:					
Loan proceeds	462,302	-	231,150	231,150	(231,152)
Total other financing sources (uses)	<u>462,302</u>	<u>-</u>	<u>231,150</u>	<u>231,150</u>	<u>(231,152)</u>
Revenues and other sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

This section contains additional information required on property taxes.

- 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, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 223,637	\$ 219,369	\$ 4,268
2018-2019	5,328	-	1,641	3,687
2017-2018	2,154	-	853	1,301
2016-2017	837	51	-	888
2015-2016	971	48	-	1,019
2014-2015	814	-	141	673
2013-2014	1,133	-	397	736
2012-2013	1,260	-	215	1,045
2011-2012	1,334	-	119	1,215
2010-2011	1,305	-	112	1,193
2009-2010	1,154	447	-	1,601
	<u>\$ 16,290</u>	<u>\$ 224,183</u>	<u>\$ 222,847</u>	<u>17,626</u>

Less: allowance for uncollectible accounts:
General Fund

-

Ad valorem taxes receivable - net

\$ 17,626

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 219,212

Reconciling items:

Interest collected

(1,143)

Other

4,778

Taxes written off

-

Subtotal

3,635

Total collections and credits

\$ 222,847

Town of Bailey, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

	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	\$ 35,497,937	\$ 0.63	\$ 223,637	\$ 189,288	\$ 34,349
Penalties	-	0.63	-	-	-
Total	<u>35,497,937</u>		<u>223,637</u>	<u>189,288</u>	<u>34,349</u>
Discoveries:					
Current year taxes		0.63			-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Releases	-	0.63	-	-	-
Total property valuation	<u>\$ 35,497,937</u>				
Net levy			223,637	189,288	34,349
Uncollected taxes at June 30, 2020			<u>(4,268)</u>	<u>(4,268)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 219,369</u>	<u>\$ 185,020</u>	<u>\$ 34,349</u>
Current levy collection percentage			<u>98.09%</u>	<u>97.75%</u>	<u>100.00%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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
Board of Town Board
Town of Bailey, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, 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, 2020, 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 July 13, 2023.

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 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2020-001, 2020-002, 2020-003 and 2020-004).

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which is described in the schedule of findings and responses as item 2020-002 and 2020-003.

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 results 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.

S. Porter Doughton & Associates, LLP

Lumberton, North Carolina
July 13, 2023

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Bailey's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major State programs for the year ended June 30, 2020. The Town of Bailey's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Bailey's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Bailey's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Town of Bailey's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Bailey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section the Uniform Guidance as described in the Audit Manual for Governmental Auditors in North Carolina and which are described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005. Our opinion on each major state program is not modified with respect to these matters.

The Town of Bailey's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Town of Bailey's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

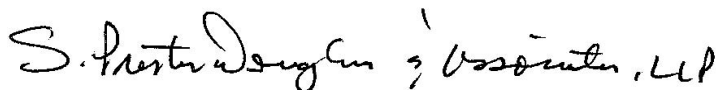
Report on Internal Control Over Compliance

The management of the Town of Bailey is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Bailey's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and correct, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005 that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lumberton, North Carolina
July 13, 2023

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_X_ yes _____ no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes _X_ none reported
• Noncompliance material to financial statements	_X_ yes _____ no

State Awards

Internal control over major federal programs	
• Material weakness(es) identified?	_X_ yes _____ no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_X_ yes _____ no

Type of auditor's report issued on compliance for major State programs:	Unmodified
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Any audit finding disclosed that is required to be reported in accordance with the State Single Audit Implementation Act	_X_ yes _____ no
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Identification of major State programs:

Program Name

Connect NC Bonds DEQ-30

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2020 - 001 Segregation of Duties

Criteria: Segregation of duties provide checks and balances to reduce possibilities for misstatements resulting from errors in judgements, dishonesty, personal carelessness, distraction, and fatigue.

Condition: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Effect: Potential misstatement of financial statements

Cause: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Repeat Finding: This was not a repeat finding.

Recommendation: The board should continually keep in mind that internal controls are limited due to the size of the Town's staff.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 75

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding: 2020 - 002

Late Audit

Criteria: N.C. General Statute 159-34(a) states the Town should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31. The October 31 deadline includes a grace period from November 1 to December 1, in which there are no additional documents or notifications needed.

Condition: The June 30, 2020 audit which was due October 31, 2020, was submitted late on July 13, 2023.

Effect: By submitting the audit late, the board or other agencies such as the Local Government Commission do not have the opportunity to receive important, timely feedback from the independent auditor such as internal control deficiencies or financial statement trends.

Cause: The Town has had difficulties securing a new audit firm after losing their auditor who conducted the audit for multiple decades.

Repeat Finding: This was not a repeat finding.

Recommendation: The Town should make the necessary adjustments to meet the October 31 audit deadline.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 75.

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding 2020 - 003 Capital Project Fund Adoption

Criteria: Pursuant to N.C. General Statute 159-25(b)(6), a capital project fund is required to account for all debt instrument proceed/grant proceeds used to finance capital projects.

Condition: The Water and Sewer Capital Project Fund activity was reported in the Water and Sewer Fund. The Town did not adopt a capital project ordinance for the capital project fund.

Effect: Potential difficulty tracking expenditures over a multi-year project.

Cause: The Town misunderstood the grant requirements.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend that the key financial personnel obtain training in governmental finance.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 75.

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS

Finding 2020-004 Excess of Expenditures over Appropriations

Criteria: N.C. General Statute 159-8(a) states that all moneys expended by a local government should be included in the budget ordinance.

Condition: The Town expended more than appropriated in the General Fund's annual budget ordinance totaling \$66,996, \$14,277, and \$140 in the general government, public safety, and cultural and recreation budget line items, respectively.

Effect: Expenditures were incurred that had not been budgeted.

Cause: The lack of adequate training in the Finance Department led to improper oversight of finance operations.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend that the Town finance officer position obtain the prior training in governmental finance.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 76.

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

Section III. State Award Findings and Questioned Costs

MATERIAL WEAKNESS

Finding 2020-005 Improper Recording of State Awards

Criteria: The Town must properly record transactions related to State awards.

Condition: The Town did not properly record transactions related to Connect NC Bond awards, reported in the Water and Sewer Capital Project Fund.

Effect: Material journal entries were required and caused further delay in the issuance of the 19-20 audit report.

Cause: The Town finance staff did not have the appropriate training in government finance to properly account for the project fund.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend that the key financial personnel obtain training in governmental finance.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 76.

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

Section III. State Award Findings and Questioned Costs (continued)

SIGNIFICANT DEFICIENCY

Finding 2020-006 Failure to Submit Annual Certification Form to DEQ

Criteria: The Town must submit either the Annual Project Certification Form or the Annual Private Use Certification Form to the DEQ by March 31.

Condition: The Town did submit these forms as required to the DEQ.

Effect: The Town did not follow the compliance requirements under the Connect NC Bond. We are not aware of any material effects.

Cause: The Town finance staff did not have the appropriate training in government finance to properly account for the project fund.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend that the key financial personnel obtain training in governmental finance.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 76.



Town of Bailey, NC

Corrective Action Plan For the Year Ended June 30, 2020

MATERIAL WEAKNESS

Finding: 2020 - 001 Segregation of Duties

Name of contact person: Joel Killion, Town Administrator

Corrective Action: The duties will be separated to the extent possible and alternative controls will be used to compensate for lack of separation. The Town will continue to monitor its internal controls in an effort to alleviate inherent limitations placed on small towns

Proposed Completion Date: The Town has implemented the above procedures.

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding: 2020 - 002 Late Audit

Name of contact person: Joel Killion, Town Administrator

Corrective Action: Due to the Town having limited finance staff, we have contacted several CPA firms for quotes to assist the finance staff with year-end entries and closing procedures. This support will allow our finance staff the ability to provide information to the auditing firm in a timelier manner. The Town believes the current audit firm is a responsive and capable auditing firm. If we are able continue the relationship for the 2022 audit, we are confident that they have the staff and resources to submit the audit in a timely manner going forward.

Proposed Completion Date: The Town will implement the above procedures immediately.

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding 2020 - 003 Capital Project Fund Adoption

Name of Contact Person: Joel Killion, Town Administrator

Corrective Action: The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town's business office.

Proposed Completion Date: The above procedure has already been implemented.



Town of Bailey, NC

Corrective Action Plan (continued) For the Year Ended June 30, 2020

MATERIAL WEAKNESS

Finding 2020 - 004 Excess of Expenditures over Appropriations

Name of Contact Person: Joel Killion, Town Administrator

Corrective Action: The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town's business office.

Proposed Completion Date: The Town has implemented the above procedures.

MATERIAL WEAKNESS

Finding 2020 - 005 Improper Recording of State Awards

Name of Contact Person: Joel Killion, Town Administrator

Corrective Action: The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town's business office.

Proposed Completion Date: The Town has implemented the above procedures.

SIGNIFICANT DEFICIENCY

Finding 2020 - 006 Failure to Submit Annual Certification Form to DEQ

Name of Contact Person: Joel Killion, Town Administrator

Corrective Action: The Town has contracted with an accounting firm that has the skills, knowledge, and experience in governmental accounting to provide additional expertise needed to support the Town's business office.

Proposed Completion Date: The Town has implemented the above procedures.

Town of Bailey, North Carolina
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2020

Finding: 2019-001 – Financial Statement Preparation

Status: This finding has been corrected.

Town of Bailey, North Carolina
Schedule of Expenditures and Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through Grant/Program Title	Federal CFDA Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
State Grants:				
<u>N.C. Department of Environment and Natural Resources</u>				
NC Connect Bonds		DEQ-30	\$ -	\$ 527,460
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>				
Powell Bill		DOT-4	-	16,798
Total State Assistance			-	544,258
Total Assistance			\$ -	\$ 544,258

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Bailey under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Bailey, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Bailey.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Town of Bailey has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.