

Town of Bailey, North Carolina

Audited Financial Statements

**For the Year Ended
June 30, 2021**

Town of Bailey, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2021

Thomas Richards, Mayor

Walter Wells, Mayor Pro-Temp

Board of Town Council

Richard Wilson

Dillon Bissette

Ervin Powell

David Evans

Joel Killion, Town Administrator

Town of Bailey, North Carolina
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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, 2021, 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, 2021, 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 9, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 46 and 47 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 48 and 49 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 and opinion or provide any assurance.

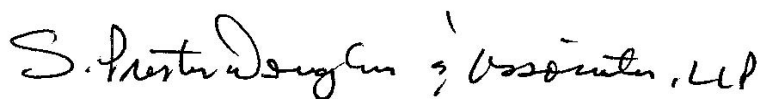
Supplementary and Other Information

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 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 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 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 September 15, 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
September 15, 2023

Management's Discussion and Analysis

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

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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

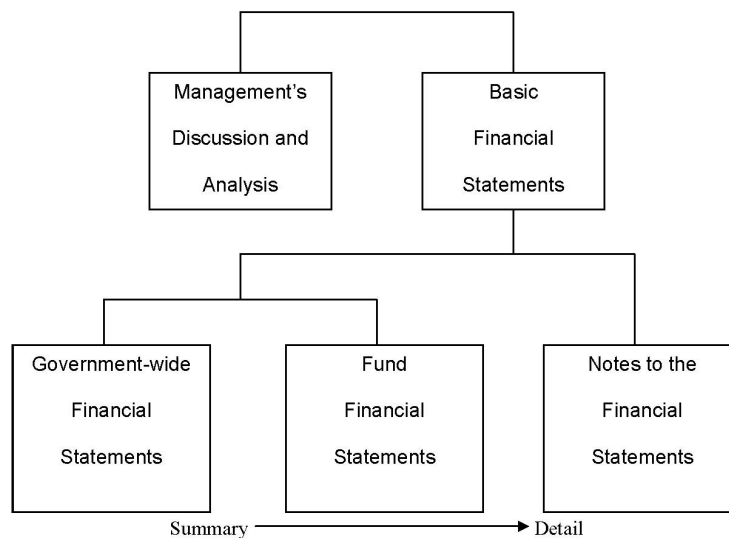
- The assets and deferred outflows of resources of the Town of Bailey exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,707,715 (net position).
- The government's total net position increased by \$38,484.
- As of the close of the current fiscal year, the Town of Bailey's governmental funds reported combined ending fund balances of \$894,154 with a net change of \$120,728 in fund balance. Approximately 7.21 percent of this total amount, or \$64,507 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$508,705 or 107.83 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



Town of Bailey, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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.

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.

Town of Bailey, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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.

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 23 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 49 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.

Town of Bailey, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-wide Financial Analysis

The Town of Bailey's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Totals	Totals
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 919,957	\$ 801,889	\$ 505,567	\$ 490,466	\$ 1,425,524	\$ 1,292,355
Capital assets	1,219,200	1,256,535	2,678,909	2,889,428	3,898,109	4,145,963
Total assets	2,139,157	2,058,424	3,184,476	3,379,894	5,323,633	5,438,318
Deferred Outflows of Resources	30,421	17,513	7,798	4,558	38,219	22,071
Current liabilities	25,368	51,010	77,878	25,057	103,246	76,067
Long-term liabilities	294,200	290,583	244,639	337,858	538,839	628,441
Total liabilities	319,568	341,593	322,517	362,915	642,085	704,508
Deferred Inflows of Resources	12,672	12,435	(620)	1,577	12,052	14,012
Net position						
Net investment in capital assets	953,531	981,909	2,394,573	2,555,822	3,348,104	3,537,731
Restricted	64,507	49,708	-	-	64,507	49,708
Unrestricted	819,300	720,228	475,804	464,138	1,295,104	1,184,366
Total net position	\$ 1,837,338	\$ 1,751,845	\$ 2,870,377	\$ 3,019,960	\$ 4,707,715	\$ 4,771,805

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 \$4,707,715 as of June 30, 2021. The Town's net position increased by \$36,484 for the fiscal year ended June 30, 2021. However, the largest portion (71.11%) 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, \$64,507, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,295,104 is unrestricted.

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 98.50%. The tax on property excluding registered motor vehicles had a collection percentage of 98.37%; 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.

Town of Bailey, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-wide Financial Analysis (continued)

The Town of Bailey's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Totals	Totals
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services	\$ 134,853	\$ 107,551	\$ 282,664	\$ 343,431	\$ 417,517	\$ 450,982
Operating grants and contributions	16,211	17,185	-	-	16,211	17,185
Capital grants and contributions	-	-	-	296,310	-	296,310
General revenues						
Property taxes	211,824	220,548	-	-	211,824	220,548
Grants and contributions not restricted to specific programs	182,291	172,185	25,500	-	207,791	172,185
Other	32,081	2,225	363	1,485	32,444	3,710
Total revenues	577,260	519,694	308,527	641,226	885,787	1,160,920
Expenses:						
General government	114,639	111,082	-	-	114,639	111,082
Public safety	152,988	172,801	-	-	152,988	172,801
Transportation	28,168	34,021	-	-	28,168	34,021
Environmental protection	164,994	234,539	-	-	164,994	234,539
Cultural and recreation	28,423	25,990	-	-	28,423	25,990
Interest on long-term debt	9,931	11,722	-	3,840	9,931	15,562
Water and sewer	-	-	350,160	306,164	350,160	306,164
Total expenses	499,143	590,155	350,160	310,004	849,303	900,159
Change in net position before transfers	78,117	(70,461)	(41,633)	331,222	36,484	260,761
Transfers	7,376	-	(7,376)	-	-	-
Change in net position	85,493	(70,461)	(49,009)	331,222	36,484	260,761
Net position, beginning	1,751,845	1,822,306	3,019,960	2,688,738	4,771,805	4,511,044
Restatements	-	-	(100,574)	-	(100,574)	-
Net position, ending	\$ 1,837,338	\$ 1,751,845	\$ 2,870,377	\$ 3,019,960	\$ 4,707,715	\$ 4,771,805

Town of Bailey, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental activities. Governmental activities increased the Town's net position by \$92,180. The increase was attributed to a decrease in total expenses totaling \$97,699.

Business-type activities. Business-type activities decreased the Town of Bailey's net position by \$49,009. The decrease was attributed to a decrease in charges for services of \$60,767 and a decrease in capital grants of \$296,310. Depreciation expense was \$109,945 and was thus a major factor in the total expenses.

Financial Analysis of the Government'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 \$508,705 while total fund balance totaled \$866,871. The Town currently has an unassigned fund balance of 107.83% of general fund expenditures, and a total fund balance represents 183.75% of the same amount.

At June 30, 2021, the governmental funds of the Town of Bailey reported a combined fund balance of \$894,154 with a net increase in fund balance of \$120,728.

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.

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 \$475,804. The total change in net position was (\$49,009).

Capital Assets 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, 2021, totals \$3,898,109 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Town of Bailey, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets and Debt Administration (continued)

The Town of Bailey's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Totals	Totals
	2021	2020	2021	2020	2021	2020
Land	\$ 131,333	\$ 131,333	\$ 17,942	\$ 17,942	\$ 149,275	\$ 149,275
Construction in progress	-	128,504	-	426,886	-	555,390
Building and systems	502,056	502,056	5,125,840	4,698,954	5,627,896	5,201,010
Machinery and equipment	189,229	189,229	47,737	47,737	236,966	236,966
Other improvements	878,504	750,000	-	-	878,504	750,000
Vehicles and motorized equipment	176,170	176,170	-	-	176,170	176,170
Total depreciable assets	1,745,959	1,617,455	5,173,577	4,746,691	7,068,811	7,068,811
Less - accumulated depreciation	658,092	620,757	2,512,610	2,402,665	3,170,702	3,023,422
Total depreciable assets, net	1,087,867	996,698	2,660,967	2,344,026	3,898,109	4,045,389
Total capital assets, net	\$ 1,219,200	\$ 1,256,535	\$ 2,678,909	\$ 2,788,854	\$ 3,898,109	\$ 4,045,389

Additional information on the Town's capital assets can be found on page 29 of the basic financial statements.

Long-term debt. As of June 30, 2021, the Town of Bailey had total outstanding debt of \$596,817. Additional information regarding the Town of Bailey's long-term debt can be found on page 42.

Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2022

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.

Request 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, 2021

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
	Activities	Activities	
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 816,056	\$ 437,603	\$ 1,253,659
Taxes receivable (net)	9,771	-	9,771
Due from other governments	40,610	-	40,610
Accounts receivable (net)	7,714	43,586	51,300
Restricted cash and cash equivalents	45,806	24,378	70,184
Total current assets	919,957	505,567	1,425,524
Non-current assets:			
Capital assets (Note 3)			
Land, non-depreciable improvements, and construction in progress	131,333	17,942	149,275
Other capital assets, net of depreciation	1,087,867	2,660,967	3,748,834
Total capital assets	1,219,200	2,678,909	3,898,109
Total assets	2,139,157	3,184,476	5,323,633
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension deferrals	30,421	7,798	38,219
Total deferred outflows of resources	30,421	7,798	38,219
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	15,099	3,964	19,063
Current portion of long-term liabilities	9,336	49,536	58,872
Customer deposits	933	24,378	25,311
Total current liabilities	25,368	77,878	103,246
Long-term liabilities:			
Due in more than one year	294,200	244,639	538,839
Total liabilities	319,568	322,517	538,839
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	12,672	(620)	12,052
Total deferred inflows of resources	12,672	(620)	12,052
<u>NET POSITION</u>			
Net investment in capital assets	953,531	2,394,573	3,348,104
Restricted for:			
Stabilization by State Statute	48,324	-	48,324
Streets	16,183	-	16,183
Unrestricted	819,300	475,804	1,295,104
Total net position	\$ 1,837,338	\$ 2,870,377	\$ 4,707,715

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

Town of Bailey, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 114,639	\$ 2,010	\$ -	\$ -	\$ (112,629)	\$ -	\$ (112,629)
Public safety	152,988	191	-	-	(152,797)	-	(152,797)
Transportation	28,168	-	-	15,812	(12,356)	-	(12,356)
Environmental protection	164,994	132,652	-	399	(31,943)	-	(31,943)
Cultural and recreation	28,423	-	-	-	(28,423)	-	(28,423)
Interest on long-term debt	9,931	-	-	-	(9,931)	-	(9,931)
Total governmental activities	499,143	134,853	-	16,211	(348,079)	-	(348,079)
Business-type activities:							
Water and sewer	350,160	282,664	-	-	-	(67,496)	(67,496)
Total business-type activities	350,160	282,664	-	-	-	(67,496)	(67,496)
Total primary government	\$ 849,303	\$ 417,517	\$ -	\$ 16,211	(348,079)	(67,496)	(415,575)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					211,824	-	211,824
Grants and contributions not restricted to specific programs					182,291	25,500	207,791
Unrestricted investment earnings					569	363	932
Miscellaneous					31,512	-	31,512
Total general revenues					426,196	25,863	452,059
Transfers					7,376	(7,376)	-
Total general revenues and transfers					433,572	18,487	452,059
Change in net position					85,493	(49,009)	36,484
Net position, previously reported					1,751,845	3,019,960	4,771,805
Restatement (Note 5)					-	(100,574)	(100,574)
Net position, ending					\$ 1,837,338	\$ 2,870,377	\$ 4,707,715

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

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

	Major Funds		Total
	General	Parks and	Governmental
	Fund	Recreation	Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 816,056	\$ -	\$ 816,056
Restricted cash	16,183	29,623	45,806
Receivables, net:			
Taxes	9,771	-	9,771
Accounts	7,714	-	7,714
Due from other governments	40,610	-	40,610
Total assets	890,334	29,623	919,957
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	12,759	2,340	15,099
Liabilities payable from restricted assets:			
Customer deposits	933	-	933
Total liabilities	13,692	2,340	16,032
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	9,771	-	9,771
Total deferred inflows of resources	9,771	-	9,771
<u>FUND BALANCES</u>			
Restricted:			
Stabilization by State Statute	48,324	-	48,324
Streets	16,183	-	16,183
Assigned			
Cemetery	293,659	-	293,659
Parks and recreation	-	27,283	27,283
Unassigned	508,705	-	508,705
Total fund balances	866,871	27,283	894,154
Total liabilities, deferred inflows of resources, and fund balances	\$ 890,334	\$ 29,623	

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

Town of Bailey, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position

Total Fund Balance, Governmental Funds	\$	894,154
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Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.

Gross capital assets at historical cost	\$ 1,877,292		
Accumulated depreciation	<u>(658,092)</u>		1,219,200

Deferred outflows of resources related to pensions are not reported in the funds		30,421
--	--	--------

Earned revenues considered deferred inflows of resources in fund statements		9,771
---	--	-------

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

Gross long-term debt	(265,669)		
Net pension liability	(36,973)		
Total pension liability	<u>(894)</u>		(303,536)

Deferred inflows of resources related to pensions are not reported in the funds		<u>(12,672)</u>
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Net position of governmental activities		<u><u>\$ 1,837,338</u></u>
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Town of Bailey, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		Total
	General Fund	Parks and Recreation	Governmental Funds
Revenues:			
Ad valorem taxes	\$ 219,679	\$ -	\$ 219,679
Unrestricted intergovernmental	182,291	-	182,291
Restricted intergovernmental	16,211	-	16,211
Permits and fees	2,010	-	2,010
Sales and services	132,843	-	132,843
Investment earnings	569	-	569
Miscellaneous	31,512	-	31,512
Total revenues	585,115	-	585,115
Expenditures:			
General government	105,990	-	105,990
Public safety	147,581	-	147,581
Transportation	27,868	-	27,868
Environmental protection	164,752	-	164,752
Cultural and recreation	6,500	-	6,500
Debt Service:			
Principal	8,957	-	8,957
Interest	10,115	-	10,115
Total expenditures	471,763	-	471,763
Revenues over (under) expenditures	113,352	-	113,352
Other financing sources (uses):			
Transfers from other funds	7,376	-	7,376
Total other financing sources (uses)	7,376	-	7,376
Net change in fund balances	120,728	-	120,728
Fund balance - beginning of year	746,143	27,283	773,426
Fund balance - end of year	\$ 866,871	\$ 27,283	\$ 894,154

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

Town of Bailey, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	120,728
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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 in the current period.

Capital outlay expenditures which were capitalized	\$	-	
Depreciation expense for governmental assets		(37,335)	(37,335)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		8,262
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues		(7,855)
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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 an effect on net position. 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.

Change in accrued interest	184	
New long-term debt issued	-	
Principal payments on long-term debt	8,957	9,141

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.

Pension expense		(7,448)
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Total change in net position of governmental activities	\$	85,493
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Town of Bailey, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 210,000	\$ 210,000	\$ 219,679	\$ 9,679
Unrestricted intergovernmental	189,175	189,175	182,291	(6,884)
Restricted intergovernmental	18,550	18,550	16,211	(2,339)
Permits and fees	1,330	1,330	2,010	680
Sales and services	134,075	134,075	132,843	(1,232)
Investment earnings	500	500	569	69
Miscellaneous	90,320	90,320	31,512	(58,808)
Total revenues	643,950	643,950	585,115	(58,835)
Expenditures:				
General government	167,150	167,150	105,990	61,160
Public safety	192,000	192,000	147,581	44,419
Transportation	35,500	35,500	27,868	7,632
Environmental protection	223,428	223,428	164,752	58,676
Cultural and recreation	6,800	6,800	6,500	300
Debt service				
Principal	8,957	8,957	8,957	-
Interest	10,115	10,115	10,115	-
Total expenditures	643,950	643,950	471,763	172,187
Revenues under expenditures	-	-	113,352	113,352
Other financing sources (uses):				
Transfers from other funds	-	-	7,376	7,376
Total other financing sources (uses)	-	-	7,376	7,376
Fund balance appropriated	-	-	-	-
Net change in fund balances	\$ -	\$ -	120,728	\$ 120,728
Fund balance, beginning			746,143	
Fund balance, ending			\$ 866,871	

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

Town of Bailey, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

	<u>Water and Sewer Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 437,603
Accounts receivable - net	43,586
Restricted cash and cash equivalents	24,378
Total current assets	505,567
Non-current assets:	
Capital assets:	
Land and construction in progress	17,942
Other capital assets, net of depreciation	2,660,967
Total capital assets	2,678,909
Total assets	3,184,476
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	7,798
Total deferred outflows of resources	7,798
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	3,964
Current portion of long-term liabilities	49,536
Liabilities payable from restricted assets:	
Customer deposits	24,378
Total current liabilities	77,878
Noncurrent liabilities:	
Net pension liability	9,839
Due in more than one year	234,800
Total noncurrent liabilities	244,639
Total liabilities	322,517
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	(620)
Total deferred inflows of resources	(620)
<u>NET POSITION</u>	
Net investment in capital assets	2,394,573
Unrestricted	475,804
Total net position	\$ 2,870,377

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

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

	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 229,586
Other operating revenues	<u>53,078</u>
Total operating revenues	<u>282,664</u>
 Operating expenses:	
Administration	32,246
Water and waste operations	205,004
Depreciation	<u>109,945</u>
Total operating expenses	<u>347,195</u>
 Operating income (loss)	<u>(64,531)</u>
 Non-operating revenues (expenses):	
Investment earnings	363
Interest and other charges	<u>(2,965)</u>
Total non-operating revenues (expenses)	<u>(2,602)</u>
 Income (loss) before contributions and transfers	(67,133)
 Capital contributions	25,500
Transfers from other funds	<u>(7,376)</u>
Total	<u>18,124</u>
 Change in net position	(49,009)
 Total net position, previously reported	3,019,960
<i>Restatement (Note 5)</i>	<u>(100,574)</u>
Beginning net position, restated	<u>2,919,386</u>
 Total net position, ending	<u><u>\$ 2,870,377</u></u>

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

Town of Bailey, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 229,586
Cash paid for goods and services	(224,039)
Cash paid to employees	(13,903)
Other operating revenues	53,078
Net cash provided (used) by operating activities	<u>44,722</u>
Cash flows from noncapital related financing activities	
Transfer to other funds	(7,376)
Net cash provided (used) by noncapital related financing activities	<u>(7,376)</u>
Cash flows from capital and related financing activities	
Principal paid on bond maturities and installment contracts	(49,270)
Interest paid on bond maturities and installment contracts	(2,965)
Capital contributions-federal grant	25,500
Net cash provided (used) by capital and related financing activities	<u>(26,735)</u>
Cash flows from investing activities	
Interest and dividends	363
Net cash provided (used) by investing activities	<u>363</u>
Net increase (decrease) in cash	10,974
Cash and cash equivalents - beginning of year	<u>451,007</u>
Cash and cash equivalents - end of year	<u>\$ 461,981</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (64,531)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	109,945
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(6,736)
(Increase) decrease in due from other governments	269
(Increase) decrease in due from other funds	2,340
Increase (decrease) in accounts payable and accrued liabilities	1,865
Increase (decrease) in customer deposits	1,420
(Increase) decrease in deferred outflows of resources - pensions	(3,240)
Increase (decrease) in net pension liability	5,587
Decrease in deferred inflows of resources - pensions	(2,197)
Total adjustments	<u>109,253</u>
Net cash provided (used) by operating activities	<u>\$ 44,722</u>

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
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Bailey, North Carolina 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 fund:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

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.

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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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, 2021, 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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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	\$	29,623
Street		16,183
Public Safety		-
Customer Deposits		-
Total Governmental Activities		<u>45,806</u>
Business-type Activities:		
Water and Sewer Fund		
Customer deposits		<u>24,378</u>
Total Business-type Activities		<u>24,378</u>
Total restricted cash	\$	<u>70,184</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, 2020.

5. Allowance for Doubtful Accounts

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

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

6. 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

7. 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 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has 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.

8. 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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

8. Long-Term Obligations (continued)

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.

9. 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.

10. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are 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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

10. Net Position / Fund Balances (continued)

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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

10. Net Position / Fund Balances (continued)

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.

11. 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A - Significant violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

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 June 30, 2021 audit which was due October 31, 2021, was submitted late on September 22, 2023.

B - Deficit in Fund Balance or Net Position of Individual Funds

None

C - Excess of Expenditures over Appropriations

The Town expended more than appropriated in the Water and Sewer Fund's annual budget ordinance totaling \$24,014 and \$7,376 in the water and waste operations and transfer budget line items, respectively.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - 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, 2021, the Town's deposits had a carrying amount of \$1,322,660 and a bank balance of \$1,321,226. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2021, the Town's petty cash fund totaled \$105.

2. Investments

At June 30, 2021, 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 - Allowance for Doubtful Accounts

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

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 131,333	\$ -	\$ -	\$ 131,333
Construction in progress	128,504	-	128,504	-
Total capital assets not being depreciated	259,837	-	128,504	131,333
Capital assets being depreciated:				
Buildings and improvements	502,056	-	-	502,056
Other improvements	750,000	128,504	-	878,504
Equipment	189,229	-	-	189,229
Vehicles and motorized equipment	176,170	-	-	176,170
Total capital assets being depreciated	1,617,455	128,504	-	1,745,959
Less accumulated depreciation for:				
Buildings and improvements	181,152	9,803	-	190,955
Other improvements	107,813	21,963	-	129,776
Equipment	177,409	1,608	-	179,017
Vehicles and motorized equipment	154,383	3,961	-	158,344
Total accumulated depreciation	620,757	37,335	-	658,092
Total capital assets being depreciated, net	996,698			1,087,867
Governmental activities capital assets, net	\$ 1,256,535			\$ 1,219,200

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	21,923
Total depreciation expense	<u>\$ 37,335</u>

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

Business-type activities:	Beginning			Ending
Water and sewer fund	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 17,942	\$ -	\$ -	\$ 17,942
Construction in progress	426,886	-	426,886	-
Total capital assets not being depreciated	444,828	-	426,886	17,942
Capital assets being depreciated:				
Plant and distribution systems	4,698,954	426,886	-	5,125,840
Furniture and maintenance equipment	47,737	-	-	47,737
Total capital assets being depreciated	4,746,691	426,886	-	5,173,577
Less accumulated depreciation for:				
Plant and distribution systems	2,355,109	109,764	-	2,464,873
Furniture and maintenance equipment	47,556	181	-	47,737
Total accumulated depreciation	2,402,665	109,945	-	2,512,610
Total capital assets being depreciated, net	2,344,026			2,660,967
Water and sewer fund capital assets, net	\$ 2,788,854			\$ 2,678,909

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Bailey employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Bailey's contractually required contribution rate for the year ended June 30, 2021, 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 \$10,458 for the year ended June 30, 2021.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

At June 30, 2021, the Town reported a liability of \$46,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00131%, which was an increase of 0.00057% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$19,253. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,912	\$ -
Changes of assumptions	3,484	-
Net difference between projected and actual earnings on pension plan investment	6,588	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,059	5,521
Town contributions subsequent to the measurement date	10,458	-
Total	<u>\$ 37,501</u>	<u>\$ 5,521</u>

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

\$10,458 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 6,845
2022	7,397
2023	5,328
2024	1,950
Thereafter	-
	<u>\$ 21,520</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study 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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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, 2020, are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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)	\$94,976	\$46,812	\$ 6,784

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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled but not yet receiving benefits	0
Active plan members	2
Total	<u>2</u>

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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

At June 30, 2021, the Town reported a total pension liability of \$894. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of (\$1,059).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 585	\$ 6,204
Changes of assumptions	133	327
Total	<u>\$ 718</u>	<u>\$ 6,531</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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (1,877)
2323	(1,869)
2024	(1,862)
2025	(205)
2026	-
Thereafter	-
	<u>\$ (5,813)</u>

\$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 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 920	\$ 894	\$ 867

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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

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

	<u>2021</u>
Beginning balance	\$ -
Service cost	503
Differences between expected and actual experience in the measurement of the total pension liability	543
Changes of assumptions or other inputs	<u>(152)</u>
Ending balance of the total pension liability	<u>\$ 894</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 19,253	\$ (1,374)	\$ 17,879
Pension liability	46,812	894	47,706
Proportionate share of the net pension liability	0.00131%	N/A	
Deferred of outflows of resources			
Differences between expected and actual experience	5,912	585	6,497
Changes of assumptions	3,484	133	3,617
Net difference between projected and actual earnings on plan investments	6,588	-	6,588
Changes in proportion and differences between contributions and proportionate share of contributions	11,059	-	11,059
Benefit payments and administrative costs paid subsequent to the measurement date	10,458	-	10,458
Deferred of inflows of resources			
Difference between expected and actual experience	-	6,204	6,204
Changes of assumptions	-	327	327
Changes in proportion and differences between contributions and proportionate share of contributions	5,521	-	5,521

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, 2021, were \$0 which consisted of \$0 from the Town and \$0 from the law enforcement officers.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan Obligations (continued)

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, 2021, 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:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 10,458
Differences between expected and actual experience	6,497
Changes of assumptions	3,617
Net difference between projected and actual	6,588
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,059
Total	\$ 38,219

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Deferred Outflows and Inflows of Resources (continued)

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

	Statement of Net Position	General Fund Balance sheet
Taxes Receivable	\$ -	\$ 9,771
Changes in assumptions	327	-
Differences between expected and actual experience	6,204	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,521	-
Total	<u><u>\$ 12,052</u></u>	<u><u>\$ 9,771</u></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.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Long-Term Obligations

a. 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, 2021, including \$125,826 of interest, are as follows:

Years Ending June 30:	Governmental Activities		Business Type-Activities	
	Principal	Interest	Principal	Interest
2022	\$ 9,336	\$ 11,240	\$ 8,361	\$ 350
2023	9,731	10,845	6,426	97
2024	10,143	10,153	-	360
2025	10,573	10,063	-	-
2026	10,791	10,013	-	-
2027-2041	215,095	73,512	-	-
Total	<u>\$ 265,669</u>	<u>\$ 125,826</u>	<u>\$ 14,787</u>	<u>\$ 807</u>

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Long-Term Obligations

b. General Obligations 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, 2021, are comprised of the following individual issues:

c. General Obligations 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 \$ 58,949

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 2021, including
interest at 0% for 20 years. \$ 210,600

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

Years Ending June 30:	Business-Type Activities	
	Principal	Interest
2022	\$ 41,175	\$ 1,580
2023	41,174	790
2024	11,700	-
2025	11,700	-
2026	11,700	-
2027-2039	152,100	-
Total	<u>\$ 269,549</u>	<u>\$ 2,370</u>

At June 30, 2021, the Town of Bailey had no bonds authorized but unissued and a legal debt margin of \$2,644,648.

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Long-Term Obligations

d. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 274,626	\$ -	\$ (8,957)	\$ 265,669	\$ 9,336
Compensated absences	-	-	-	-	-
Net pension liability (LGERS)	15,957	21,016	-	36,973	-
Total Pension Liability (LEO)	-	-	-	894	-
Governmental activity long-term liabilities	<u>\$ 290,583</u>	<u>\$ 21,016</u>	<u>\$ (8,957)</u>	<u>\$ 303,536</u>	<u>\$ 9,336</u>
Business-type activities:					
Water Fund					
Installment purchase	\$ 22,882	\$ -	\$ (8,095)	\$ 14,787	\$ 8,361
General obligation bonds	310,724	-	(41,175)	269,549	41,175
Compensated absences	-	-	-	-	-
Net pension liability (LGERS)	<u>4,252</u>	<u>5,587</u>	<u>-</u>	<u>9,839</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 337,858</u>	<u>\$ 5,587</u>	<u>\$ (49,270)</u>	<u>\$ 294,175</u>	<u>\$ 49,536</u>

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

C - Interfund Balances and Activity

Transfers to/from funds during the year ended June 30, 2021, consist of the following:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Water and Sewer	\$ 7,376
Total		<u>\$ 7,376</u>

Town of Bailey, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

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		\$	866,871
Less:			
Stabilization by State Statute	48,324		
Streets - Powell Bill	16,183		
Cemetery	293,659		(358,166)
Remaining fund balance		\$	508,705

NOTE 4 - 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.

NOTE 5 - RESTATEMENT

Prior Period Adjustment

During the fiscal year ended June 30, 2021, the Town determined that the total amount of project expenditures previously reported in the Water Filter Replacement Capital Project Fund totaled \$426,886 instead of the \$527,460 previously at June 30, 2020. Therefore, an adjustment to decrease beginning capital assets in the Water and Sewer Fund totaling \$100,574 has been recorded, the net effect of which decreased beginning net position by \$100,574.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events were evaluated through September 15, 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 Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Bailey's proportion of the net pension liability (asset) (%)	0.00131%	0.00074%	0.00187%	0.00203%	0.00138%	0.00060%	0.00158%	0.00180%
Bailey's proportion of the net pension liability (asset) (\$)	\$ 46,812	\$ 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	\$ 98,260	\$ 99,857
Bailey's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.54%	21.48%	40.93%	27.57%	34.42%	3.60%	9.48%	21.73%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	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 all participant employers in the LGERS plan.

Town of Bailey, North Carolina
Town of Bailey's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 10,458	\$ 11,733	\$ 7,651	\$ 8,634	\$ 8,675	\$ 6,977	\$ 7,238	\$ 7,187
Contributions in relation to the contractually required contribution	10,458	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>	<u>\$ -</u>
Bailey's covered-employee payroll	\$ 97,545	\$ 124,701	\$ 94,095	\$ 108,384	\$ 112,468	\$ 100,059	\$ 98,260	\$ 98,260
Contributions as a percentage of covered-employee payroll	10.72%	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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ -	\$ 4,671	\$ 2,970	\$ 14,990	\$ 12,927
Service cost	503	-	1,549	1,280	1,846
Interest on the total pension liability	-	170	94	579	461
Differences between expected and actual experience in the measurement of the total pension liability	543	(4,841)	323	(14,184)	-
Changes of assumptions or other inputs	(152)	-	(265)	305	(244)
Ending balance of the total pension liability	<u><u>\$ 894</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,671</u></u>	<u><u>\$ 2,970</u></u>	<u><u>\$ 14,990</u></u>

*The amounts presented for each fiscal year were determined as the prior fiscal year ending December 31.

Town of Bailey, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 894	\$ -	\$ 4,671	\$ 2,970
Covered payroll	97,545	-	67,095	73,409
Total pension liability as a percentage of covered payroll	0.92%	N/A	6.96%	4.05%

Notes to the schedules:

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

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Individual Fund Statements and Schedules

Town of Bailey, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 208,600	\$ 219,134	\$ 10,534
Penalties and interest	1,400	545	(855)
Total	<u>210,000</u>	<u>219,679</u>	<u>9,679</u>
Unrestricted intergovernmental:			
Local option sales taxes		140,573	
Telecommunications sales tax		6,279	
Video programming tax		506	
Utility sales tax		32,302	
Beer and wine tax		2,243	
Gas tax refunds		388	
Total	<u>189,175</u>	<u>182,291</u>	<u>(6,884)</u>
Restricted intergovernmental:			
Powell Bill allocation		15,812	
Solid waste disposal tax		399	
Total	<u>18,550</u>	<u>16,211</u>	<u>(2,339)</u>
Permits and fees:			
Permit fees		2,010	
Total	<u>1,330</u>	<u>2,010</u>	<u>680</u>
Sales and services:			
Cemetery revenues		76,620	
Garbage fees		56,032	
Officer fees		191	
Total	<u>134,075</u>	<u>132,843</u>	<u>(1,232)</u>
Investment earnings:	<u>500</u>	<u>569</u>	<u>69</u>
Miscellaneous:			
Other		31,512	
Total	<u>90,320</u>	<u>31,512</u>	<u>(58,808)</u>
Total revenues	<u>643,950</u>	<u>585,115</u>	<u>(58,835)</u>

Town of Bailey, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and employee benefits	\$	\$ 27,826	\$
Professional services		16,312	
Utilities		7,470	
Insurance and bonds		13,312	
Other operating expenditures		41,070	
Capital outlay		-	
Total general government	<u>167,150</u>	<u>105,990</u>	<u>61,160</u>
Public safety:			
Police:			
Salaries and employee benefits		123,722	
Vehicle maintenance		4,229	
Other operating expenditures		19,630	
Capital outlay		-	
Total public safety	<u>192,000</u>	<u>147,581</u>	<u>44,419</u>
Transportation:			
Street lights		15,500	
Other operating expenditures		12,368	
Total transportation	<u>35,500</u>	<u>27,868</u>	<u>7,632</u>
Environmental Protection:			
Solid waste:			
Landfill and garbage		55,060	
Contracted services		65,534	
Other operating expenditures		-	
Total	<u>177,000</u>	<u>120,594</u>	<u>56,406</u>

Town of Bailey, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection (continued):			
Cemetery:			
Salaries and employee benefits	\$	\$ -	\$
Contracted services		43,333	
Other operating expenditures		825	
Total cemetery	<u>46,428</u>	<u>44,158</u>	<u>2,270</u>
Total environmental protection	<u>223,428</u>	<u>164,752</u>	<u>58,676</u>
Culture and Recreation:			
Recreation:			
Library support		5,000	
Donations		1,500	
Total culture and recreation	<u>6,800</u>	<u>6,500</u>	<u>300</u>
Debt service			
Principal retirement		8,957	
Interest		10,115	
Total debt service	<u>19,072</u>	<u>19,072</u>	<u>-</u>
Total expenditures	<u>643,950</u>	<u>471,763</u>	<u>172,187</u>
Revenues over (under) expenditures	-	113,352	(113,352)
Other financing sources (uses)			
Transfers from other funds:			
Water and Sewer Fund	-	7,376	7,376
Total other financing sources	<u>-</u>	<u>7,376</u>	<u>7,376</u>
Fund balance appropriated	-		-
Net change in fund balance	<u>\$ -</u>	120,728	<u>\$ -</u>
Fund balance, beginning		746,143	
Fund balance, ending		<u>\$ 866,871</u>	

Town of Bailey, North Carolina
Capital Projects Fund – Parks and Recreation
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Park Project:					
Restricted intergovernmental:					
Parks and Recreation Trust Fund I	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Parks and Recreation Trust Fund II	250,000	-	-	-	(250,000)
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 recreational I	1,000,000	1,000,000	-	1,000,000	-
Cultural and recreational 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 over (under) expenditures	<u>(500,000)</u>	<u>(533,411)</u>	<u>-</u>	<u>(533,411)</u>	<u>(33,411)</u>
Other financing sources:					
Transfer from 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>
Revenues and other financing sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ 27,283</u>		<u>\$ 27,283</u>	<u>\$ 27,283</u>
Fund Balance, beginning			<u>27,283</u>		
Fund Balance, ending			<u>\$ 27,283</u>		

Town of Bailey, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenue:			
Water sales	\$	\$ 119,633	\$
Sewer sales		109,953	
Other operating revenues		53,078	
Total operating revenues	<u>240,075</u>	<u>282,664</u>	<u>42,589</u>
Nonoperating revenues			
Interest earnings	<u>300</u>	<u>363</u>	<u>63</u>
Total nonoperating revenues	<u>300</u>	<u>363</u>	<u>63</u>
Total revenues	<u>240,375</u>	<u>283,027</u>	<u>42,652</u>
Expenditures:			
Administration:			
Salaries and employee benefits		13,903	
Other operating expenditures		18,193	
Total administration	<u>32,150</u>	<u>32,096</u>	<u>54</u>
Water and waste operations:			
Contracted services		154,185	
Repairs and maintenance		26,551	
Utilities		12,838	
Supplies		691	
Other operating expenditures		10,739	
Total water and waste operations	<u>180,990</u>	<u>205,004</u>	<u>(24,014)</u>

Town of Bailey, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Interest and other charges	\$ -	\$ 2,965	\$ -
Principal retirement	-	49,270	
Total debt service	<u>52,235</u>	<u>52,235</u>	<u>-</u>
 Total expenditures	 <u>265,375</u>	 <u>289,335</u>	 <u>(23,960)</u>
 Revenues over (under) expenditures	 (25,000)	 (6,308)	 (18,692)
 Other financing sources (uses):			
Transfer (to) from other funds:			
General Fund		(7,376)	(7,376)
Total other financing sources (uses)	<u>-</u>	<u>(7,376)</u>	<u>(7,376)</u>
 Capital contributions	 <u>25,000</u>	 <u>25,500</u>	 <u>500</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ 11,816</u>	 <u>\$ 11,816</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Reconciling items:	
Principal retirement	49,270
Depreciation	(109,945)
Increase in deferred outflows of resources - pensions	3,240
Increase in net pension liability	(5,587)
Decrease in deferred inflows of resources - pensions	<u>2,197</u>
Total reconciling items	<u>(60,825)</u>
 Change in net position	 <u>\$ (49,009)</u>

Other Schedules

This section contains additional information on property taxes.

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

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

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 208,266	\$ 205,150	\$ 3,116
2019-2020	4,268	-	3,534	734
2018-2019	3,687	-	2,906	781
2017-2018	1,301	-	703	598
2016-2017	887	-	523	364
2015-2016	1,019	-	757	262
2014-2015	673	-	336	337
2013-2014	736	-	239	497
2012-2013	1,045	-	3	1,042
2011-2012	1,215	-	169	1,046
2010-2011	1,193	-	199	994
2011-2010	1,601		1,601	-
	<u>17,625</u>	<u>\$ 208,266</u>	<u>\$ 216,120</u>	<u>9,771</u>

Less: allowance for uncollectible accounts - General Fund

-

Ad valorem taxes receivable - net

\$ 9,771

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 219,134
Reconciling items:	
Interest collected	(545)
Other	(2,373)
Taxes written off	(96)
Subtotal	<u>(3,014)</u>
Total collections and credits	<u><u>\$ 216,120</u></u>

Town of Bailey, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at					
current year's rate	\$ 33,058,095	\$ 0.63	\$ 208,266	\$ 190,794	\$ 17,472
Releases			<u>-</u>	<u>-</u>	<u>-</u>
Net levy			208,266	190,794	17,472
Less - uncollected taxes at June 30, 2021			<u>(3,116)</u>	<u>(3,116)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 205,150</u>	<u>\$ 187,678</u>	<u>\$ 17,472</u>
Current levy collection percentage			<u>98.50%</u>	<u>98.37%</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, 2021, 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 September 15, 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 (2021-001, 2021-002, 2021-003 and 2021-004).

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 2021-002.

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. Prater Douglas & Associates, LLP

Lumberton, North Carolina
September 15, 2023

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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:

- | | | | | |
|---|---|---|--|---|
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(s) identified that are not considered to be material weaknesses • Noncompliance material to financial statements | <div style="text-align: center;"> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;">X</div> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;"></div> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;">X</div> </div> | <div style="text-align: center;"> <div style="margin: 0 auto;">yes</div> <div style="margin: 0 auto;">yes</div> <div style="margin: 0 auto;">yes</div> </div> | <div style="text-align: center;"> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;"></div> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;">X</div> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;"></div> </div> | <div style="text-align: center;"> <div style="margin: 0 auto;">no</div> <div style="margin: 0 auto;">none reported</div> <div style="margin: 0 auto;">no</div> </div> |
|---|---|---|--|---|

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2021 - 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 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 66.

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding: 2021 - 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, 2021 audit which was due October 31, 2021, was submitted late on October 2, 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 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 66.

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS

Finding 2021-003 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 Water and Sewer Fund's annual budget ordinance totaling \$24,014 and \$7,376 in the water and waste operations and transfer 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 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 66.

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS

Finding: 2021 - 004

Bank Reconciliations

Criteria: All bank accounts should be reconciled monthly to ensure proper internal controls over cash are maintained, and to ensure that management receives accurate and timely financial reports to make decisions with during the year.

Condition: For all twelve months of the fiscal year, the Town's main operating bank account was not reconciled in a timely manner.

Effect: Bank reconciliations serve as an important internal control over cash and can identify errors, irregularities, and other adjustments to improve accuracy of accounting records. When bank reconciliations are not performed on a timely basis there is a potential that the Town does not identify errors, irregularities, and other adjustments to accounting records on a timely basis.

Cause: Turnover in the finance officer position.

Repeat Finding: This was not a repeat finding.

Recommendation: We recommend that the Town implement procedures to ensure proper reconciliation of all bank accounts in an accurate and timely manner in future years.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 67.

Town of Bailey, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2021 - 005 Material Prior Period Adjustments/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 the Water Filter Replacement Capital Project Fund. Beginning Water and Sewer Fund net position and capital assets at July 1, 2020 was materially overstated by \$100,574.

Effect: June 30, 2020 audited financial statements presented balances that were materially overstated, which could cause the users of the financial statements to be misinformed about the Town's financial position and operating results.

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 a repeat finding.

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

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 67.



Town of Bailey, NC

Corrective Action Plan For the Year Ended June 30, 2021

MATERIAL WEAKNESS

Finding: 2021 - 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: 2021 - 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

Finding 2021 - 003 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.



Town of Bailey, NC

Corrective Action Plan (continued) For the Year Ended June 30, 2021

MATERIAL WEAKNESS

Finding 2021 - 004 Bank Reconciliations

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: This was corrected in December 2022.

MATERIAL WEAKNESS

Finding 2021 - 005 Material Prior Period Adjustments/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: This was corrected in December 2022.

Town of Bailey, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

Finding: 2020-001
Status: The finding has not been corrected.

Finding: 2020-002
Status: The finding has not been corrected.

Finding: 2020-003
Status: The finding has been corrected.

Finding: 2020-004
Status: The finding has not been corrected.

Finding: 2020-005
Status: The finding has not been corrected.

Finding: 2020-006
Status: The finding has been corrected.