

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2019

Village Council Members

J. Andrew Sayre, Mayor
Kit Adcock, Mayor Pro Tempore
John Pitera
John May
Betsi Stephen

Administrative and Financial Staff

Chris McCall, Village Manager
Pauline Haran, Finance Director
Kelli J. Carbone, Tax Administrator

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Financial Section

Independent Auditor's Report

To the Honorable Mayor and Members
of the Village Council
Village of Bald Head Island
Bald Head Island, North Carolina 28461

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 Village of Bald Head Island, North Carolina, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Village of Bald Head Island'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 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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 Village of Bald Head Island, North Carolina as of June 30, 2019, 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 then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

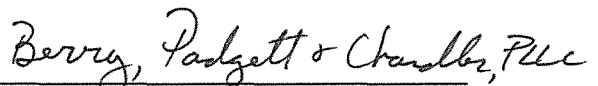
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Bald Head Island's basic financial statements. The combining and individual nonmajor fund financial 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 combining and individual fund 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, the combining and individual fund financial statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

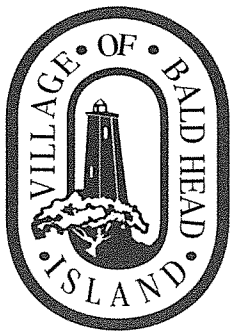
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the Village of Bald Head Island's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Bald Head Island's internal control over financial reporting and compliance.


Berry, Padgett & Chandler, PLLC
Certified Public Accountants

November 22, 2019

Management's Discussion and Analysis



The Village of Bald Head Island

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the Village of Bald Head Island *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,596,225 (*net position*).
- The government's total net position *decreased* by \$9,797,731 primarily due to the issuance of General Obligation Bonds.
- As of the close of the current fiscal year, the Village of Bald Head Island's governmental funds reported combined ending fund balances of \$8,011,771 a decrease of \$268,076 in comparison with the prior year. Approximately 59% percent of this total amount or \$4,693,913 is available for spending at the government's direction (*assigned and unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,327,225 which is a decrease of \$2,081,132.
- The Village of Bald Head Island's total debt increased by \$9,307,098 during the current fiscal year. The decrease is primarily due to the issuance of General Obligation bonds for the beach stabilization project in October 2018.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Village of Bald Head Island's basic financial statements. The Village'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 Village 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 Village of Bald Head Island.

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Financial Highlights

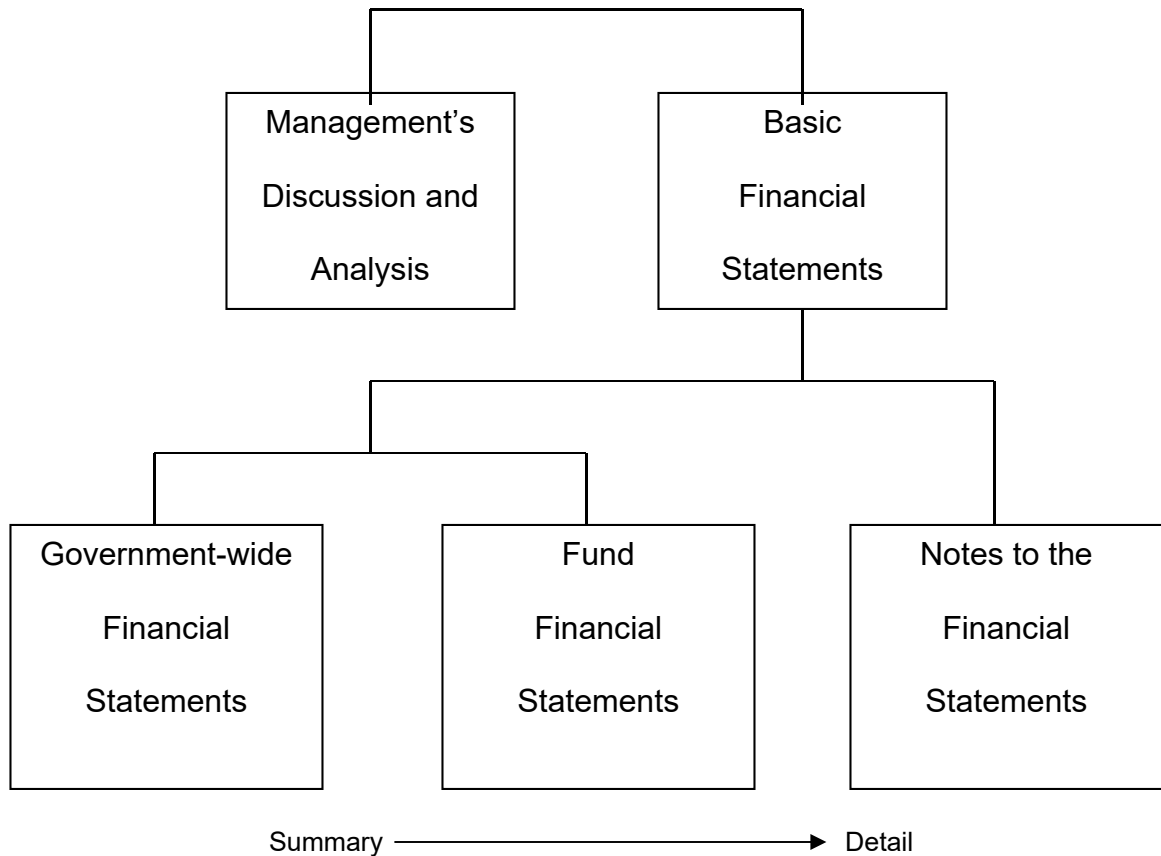
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Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Village'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 Village's 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 Village's individual funds. Budgetary information required by the North Carolina 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 Village's 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 Village's financial status as a whole.

The two government-wide statements report the Village's net position and how it has changed. Net position is the difference between the Village's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Village'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 Village's basic services such as public safety, economic and physical development, and general administration. Property taxes, intergovernmental revenues and charges for services financially support most of these activities. The business-type activities are those that the Village charges customers to provide. This type includes the water and sewer services offered by the Village.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Village'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 Village of Bald Head Island like all other governmental entities in North Carolina, use fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Village's budget ordinance. All of the funds of the Village of Bald Head Island 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 Village'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* that 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 Village'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 Village of Bald Head Island 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 Village, the management of the Village, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village 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 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 – The Village of Bald Head Island has one kind of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Village of Bald Head Island uses the 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 are on Exhibit 9 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Village of Bald Head Island's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on exhibit A-1 of this report.

Interdependence with Other Entities – The Village depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**The Village of Bald Head Island's Net Position
Figure 2**

	Government Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 8,491,553	\$ 9,070,505	\$2,251,108	\$2,100,198	\$10,742,661	\$ 11,170,703
Capital assets	28,725,392	29,190,177	11,596,350	11,851,751	40,321,742	41,041,928
Deferred outflows of resources	851,808	555,069	145,092	91,401	996,900	646,470
Total assets and deferred outflows of resources	38,068,753	38,815,751	13,992,550	14,043,350	52,061,303	52,859,101
Long term liabilities outstanding	23,043,646	12,989,887	1,665,516	2,412,177	24,709,162	15,402,064
Other liabilities	553,870	779,723	62,001	90,500	615,871	870,223
Deferred inflows of resources	68,680	76,237	71,365	116,615	140,045	192,852
Total liabilities and deferred inflows of resources	23,666,196	13,845,847	1,798,882	2,619,292	25,465,078	16,465,139
Net position:						
Net Investment Capital Assets	7,116,661	17,262,329	10,152,312	9,604,611	17,268,973	26,866,940
Restricted	3,290,946	1,862,885			3,290,946	1,862,885
Unrestricted	3,994,950	5,844,690	2,041,356	1,819,447	6,036,306	7,664,137
Total net position	\$ 14,402,557	\$ 24,969,904	\$12,193,668	\$11,424,058	\$26,596,225	\$ 36,393,962

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 the Village of Bald Head Island exceeded liabilities and deferred inflows by \$26,596,225 as of June 30, 2019. The Village's net position *decreased* by \$9,797,737 for the fiscal year ended June 30, 2019. However, the largest portion \$17,268,973 (65%) reflects the Village's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Village of Bald Head Island uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Bald Head Island's net investment in 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 Village of Bald Head Island's net position of \$3,290,946 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,036,306 is unrestricted.

**Village of Bald Head Island Changes in Net Position
Figure 3**

	Government Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	1,390,009	1,093,619	2,415,755	2,428,437	3,805,764	3,522,056
Operating grants and contributions	2,077,878	389,733	221,843		2,299,721	389,733
Capital grants and contributions	143,100		278,328	193,290	421,428	193,290
General revenues						
Property taxes	8,084,421	7,763,876			8,084,421	7,763,876
Other taxes & licenses	1,646,004	1,696,549			1,646,004	1,696,549
Unrestricted investment earnings	101,569	71,866	25,384	13,132	126,953	84,998
Other	286,641	41,937	155,468	664	442,109	42,601
TOTAL Revenues	13,729,622	11,057,580	3,096,778	2,635,523	16,826,400	13,693,103
Expenses:						
General government	2,326,984	2,211,815			2,326,984	2,211,815
Public Safety	2,822,915	2,467,741			2,822,915	2,467,741
Transportation	303,242	88,750			303,242	88,750
Environmental protection	3,671,822	1,745,894			3,671,822	1,745,894
Economic & physical development	14,590,366	1,154,101			14,590,366	1,154,101
Interest on long term debt	581,640	326,697			581,640	326,697
Water & Sewer			2,327,168	1,977,056	2,327,168	1,977,056
TOTAL Expenses	24,296,969	7,994,998	2,327,168	1,977,056	26,624,137	9,972,054
Increase in net position	(10,567,347)	3,062,582	769,610	658,467	(9,797,737)	3,721,049
Net position, July 1	24,969,904	21,907,322	11,424,058	10,765,591	36,393,962	32,672,913
Net position, June 30	14,402,557	24,969,904	12,193,668	11,424,058	26,596,225	36,393,962

Governmental activities. Governmental activities decreased the Village's net position by \$10,567,347 primarily due to the beach and sand restoration project funded by the issuance of general obligation bonds.

Business-type activities. Business-type activities increased the Village's net position by \$769,610. Key elements of this increase are improvements to the wastewater system and insurance and grant reimbursements.

Financial Analysis of the Village's Funds

As noted earlier, the Village of Bald Head Island uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village of Bald Head Island's governmental funds is to provide information on near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the Village of Bald Head Island's financing requirements.

The general fund is the chief operating fund of the Village of Bald Head Island. At the end of the current fiscal year, Village of Bald Head's fund balance available in the General Fund was \$4,693,913 while total fund balance reached \$7,036,115. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Village currently has an available fund balance of 35% of general fund expenditures, while total fund balance represents 53% of the same amount.

At June 30, 2019, the governmental funds of Village of Bald Head Island reported a combined fund balance of \$8,011,771 a 3% percent decrease over last year. This decrease is mainly due to the beach stabilization and sand replenishment project.

General Fund Budgetary Highlights: During the fiscal year, the Village 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 loan proceeds, federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily due to greater than anticipated property tax collections, intergovernmental revenues and an increase in the daily parking permits collected from new contractors brought in to help with Hurricane Florence repairs. In addition, the Village received FEMA reimbursements and insurance claims for Village expenses incurred during Hurricane Florence. Expenditures were less than budgeted due to a priority being placed on fiscal responsibility by Village staff.

Proprietary Funds. The Village of Bald Head Island'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 \$2,041,356. The total change in net position for the fund was an increase of \$769,610.

Capital Asset and Debt Administration

Capital Assets. The Village of Bald Head Island's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$40,321,742 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, the water and sewer system, and vehicles.

**Village of Bald Head Island's Capital Assets
(Net of depreciation)
Figure 4**

	Government Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	6,036,723	6,036,723	35,000	35,000	6,071,723	6,071,723
Buildings	9,379,383	9,547,611	594,811	610,271	9,974,194	10,157,882
Other Improvements	507,800	541,826			507,800	541,826
Utility Systems			10,806,684	11,037,979	10,806,684	11,037,979
Furniture and equipment	253,326	271,908	138,705	136,554	392,031	408,462
Infrastructure	11,851,782	12,204,948			11,851,782	12,204,948
Vehicles and motorized equipment	430,100	320,883	21,150	31,947	451,250	352,830
Construction in progress	266,278	266,278			266,278	266,278
TOTAL	28,725,392	29,190,177	11,596,350	11,851,751	40,321,742	41,041,928

Additional information on the Village's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the Village of Bald Head Island had total long-term debt of \$24,709,162. Of this, \$1,444,038 is an Installment Note with PNC secured by a Deed of Trust on the water and sewer system. Proceeds from this financing were used to refinance existing debt and to fund the refurbishing of the wastewater treatment plant. \$1,036,856 is a debt service for a general obligation bond privately placed with PNC Bank in 2014 with a rate of 1.95% for five years. Proceeds were used to fund the Terminal Groin, Marina Jetties project, and various Shoreline projects. \$13,200,000 is debt service for a general obligation bond privately placed with PNC Bank in 2018 with a rate of 3.61% for 7 years. \$3,750,000 and \$2,250,000 are Installment Notes with PNC secured by a Deed of Trust on the Public Safety Complex. \$671,875 is an installment note with PNC and \$750,000 is an installment note with Bald Head Island Limited, LLC for purchases of real property in the Marina Park.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Village of Bald Head Island is \$89,247,176.

Additional information regarding the Village of Bald Head Island's long-term debt can be found in note III.B.5 of this report.

Economic Factors and Next Year's Budgets and Rates. In September 2018, Hurricane Florence arrived and left extensive damage on Bald Head Island. In September 2019, Hurricane Dorian arrived, and although it left considerably less damage than Florence, the Village needed to spend extensively on in-house efforts to remove debris. The Village is still in recovery status, although we have seen an influx of visitors and expect a healthy summer of tourism in 2020.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes and accommodation taxes are expected to lead the increase in budgeted revenue, and we expect the accommodations tax base to bounce back to pre-Florence levels. Although the 2014 GO Bond will be paid off in FY20, the new debt from the beach stabilization and sand replenishment project will add an additional debt burden to the budget.

Business-type Activities. A rate study of the water and sewer systems was performed in November 2012. The rate study was approved by Village Council and recommends annual increases to keep up with inflation. There is a 2% annual rate increase in this budget year. It is expected that this increase will result in cash flows from operations sufficient to cover the cash flows necessary to provide water and sewer service to our customers and the related debt service payments for the existing loan to cover the capital improvements made for the waste water treatment plant. The utilities department is continuing with improvements that will result in re-use quality effluent from our waste water treatment facility. The process improvements and additions will improve the quality of the effluent. The Village continues to work closely with the Bald Head Island golf course to use all of the re-use quality effluent for irrigation. These upgrades to our discharge capacity will allow for a future expansion of the plant to levels which should fully meet build out demands for the Island.

Requests for Information

This report is designed to provide an overview of the Village'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 addressed to the Village of Bald Head Island, Office of the Finance Director, P.O. Box 3009, Bald Head Island, NC 28461. One can also call (910) 457-9700, visit our website www.villagebhi.org or send an email to pharan@villagebhi.org for more information.

Basic Financial Statements

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT 1

	Primary Government		Total
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	
ASSETS			
Current assets			
Cash and equivalents	4,170,984	1,255,044	5,426,028
Investments	1,135,668	322,584	1,458,252
Taxes receivable (net)	44,373	-	44,373
Accrued interest receivable on taxes	4,386	-	4,386
Accounts receivable	111,157	204,586	315,743
Due from other governmental agencies	2,127,116	222,832	2,349,948
Inventories	12,412	243,562	255,974
Prepaid expenses	14,500	2,500	17,000
Restricted assets			
Restricted cash and cash equivalents	741,556	-	741,556
Restricted investments	129,401	-	129,401
Total current assets	8,491,553	2,251,108	10,742,661
Non-current assets			
Capital assets			
Land and improvements not being depreciated	6,303,001	35,000	6,338,001
Other capital assets, net of depreciation	22,422,391	11,561,350	33,983,741
Total capital assets	28,725,392	11,596,350	40,321,742
Total non-current assets	28,725,392	11,596,350	40,321,742
Total assets	37,216,945	13,847,458	51,064,403
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	851,808	145,092	996,900
LIABILITIES			
Accounts payable and accrued expenses	379,167	56,389	435,556
Accrued interest	122,847	5,612	128,459
Customer deposits	19,500	-	19,500
Payable from restricted assets	32,356	-	32,356
Long-term liabilities			
Due within one year	3,310,178	854,578	4,164,756
Total current liabilities	3,864,048	916,579	4,780,627
Long-term liabilities			
Net pension liability	1,013,142	180,620	1,193,762
Total pension liability	218,726		218,726
Due in more than one year	18,501,600	630,318	19,131,918
Total liabilities	23,597,516	1,727,517	25,325,033
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes			
Pension deferrals	68,680	12,276	80,956
Unearned income	-	59,089	59,089
Total deferred inflows of resources	68,680	71,365	140,045
NET POSITION			
Net investment in capital assets	7,116,661	10,152,312	17,268,973
Restricted for:			
Stabilization by State Statute	2,248,941		2,248,941
Economic Development	1,023,681		1,023,681
Inspections	18,324		18,324
Unrestricted	3,994,950	2,041,356	6,036,306
Total net position	14,402,557	12,193,668	26,596,225

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF BALD HEAD ISLAND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

EXHIBIT 2

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General Government	2,326,984	774,448	-	-	(1,552,536)		(1,552,536)
Public Safety	2,822,915	615,561	389,499	-	(1,817,855)		(1,817,855)
Transportation	303,242	-	44,458	-	(258,784)		(258,784)
Environmental protection	3,671,822	-	1,669	-	(3,670,153)		(3,670,153)
Economic and Physical Development	14,590,366	-	1,642,252	143,100	(12,805,014)		(12,805,014)
Interest on Long-term debt	581,640	-	-	-	(581,640)		(581,640)
Total governmental activities	<u>24,296,969</u>	<u>1,390,009</u>	<u>2,077,878</u>	<u>143,100</u>	<u>(20,685,982)</u>		<u>(20,685,982)</u>
Business-type activities							
Water and Sewer Operations	2,327,168	2,415,755	221,843	278,328		588,758	588,758
Total business-type activities	<u>2,327,168</u>	<u>2,415,755</u>	<u>221,843</u>	<u>278,328</u>		<u>588,758</u>	<u>588,758</u>
Total primary government	<u>26,624,137</u>	<u>3,805,764</u>	<u>2,299,721</u>	<u>421,428</u>	<u>(20,685,982)</u>	<u>588,758</u>	<u>(20,097,224)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					8,084,421	-	8,084,421
Other taxes					1,646,004	-	1,646,004
Unrestricted investment earnings					101,569	25,384	126,953
Miscellaneous					286,641	155,468	442,109
Total general revenues					<u>10,118,635</u>	<u>180,852</u>	<u>10,299,487</u>
Change in net position					<u>(10,567,347)</u>	<u>769,610</u>	<u>(9,797,737)</u>
Net position, beginning					<u>24,969,904</u>	<u>11,424,058</u>	<u>36,393,962</u>
Net position - ending					<u>14,402,557</u>	<u>12,193,668</u>	<u>26,596,225</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF BALD HEAD ISLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

EXHIBIT 3
Page 1 of 2

	Major Funds			
	General Fund	Beach Stabilization Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	4,008,288	671,958	162,696	4,842,942
Restricted cash	69,598			69,598
Investments	1,093,784	116,504	41,884	1,252,172
Restricted investments	12,897			12,897
Taxes receivable, net	44,373	-	-	44,373
Receivable from other governments	2,127,116	-	-	2,127,116
Other receivables	111,157	-	-	111,157
Prepaid expenses	14,500			14,500
Inventory	12,412		-	12,412
Total assets	7,494,125	788,462	204,580	8,487,167
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	379,167	17,386	-	396,553
Payable from restricted assets	14,970			14,970
Deposits	19,500	-		19,500
Total liabilities	413,637	17,386	-	431,023
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	44,373	-	-	44,373
Total deferred inflows of resources	44,373	-	-	44,373
FUND BALANCES				
Non Spendable				
Prepaid expenses	14,500			14,500
Inventories	12,412			12,412
Restricted				
Stabilization by State Statute	2,248,941	-	-	2,248,941
Economic Development	48,025	771,076	204,580	1,023,681
Inspections	18,324			18,324
Assigned				
Subsequent expenditures	366,688	-		366,688
Unassigned	4,327,225			4,327,225
Total fund balances	7,036,115	771,076	204,580	8,011,771
Total liabilities, deferred inflows of resources and fund balances	7,494,125	788,462	204,580	8,487,167

VILLAGE OF BALD HEAD ISLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT 3
Page 2 of 2

Total fund balance, governmental funds	8,011,771
--	-----------

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.	28,725,392
---	------------

Deferred outflows of resources related to pensions are not reported in the funds	851,808
--	---------

Other long-term assets (accrued interest receivable from taxes) are not available to pay current period expenditures and therefore are inflows of resources in the funds.	4,386
---	-------

Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	44,373
--	--------

Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.

Gross long-term debt	(21,811,778)	
Net pension liability	(1,013,142)	
Total pension liability	(218,726)	(23,043,646)

Deferred inflows of resources related to pensions are not reported in the funds	(68,680)
---	----------

Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(122,847)
---	-----------

Net position of governmental activities	14,402,557
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

EXHIBIT 4
Page 1 of 2

	<u>Major Funds</u>		<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Beach Stabilization Fund</u>		
REVENUES				
Property taxes	8,066,051	-		8,066,051
Other taxes	1,155,101	-		1,155,101
Unrestricted intergovernmental revenues	496,630	-		496,630
Restricted intergovernmental revenues	2,022,055	-		2,022,055
Licenses and permits	597,641	-		597,641
Sales and services	774,699	-		774,699
Investment earnings	89,105	64,991	3,296	157,392
Miscellaneous	452,400.00	-		452,400
Total revenues	<u>13,653,682</u>	<u>64,991</u>	<u>3,296</u>	<u>13,721,969</u>
Current:				
General government	2,330,188	-	-	2,330,188
Public safety	2,561,109	-	33,780	2,594,889
Transportation	323,242	-	-	323,242
Environmental protection	3,249,156	-	-	3,249,156
Economic and physical development	750,809	13,944,397	-	14,695,206
Debt Service:				
Principal	3,519,117	-	-	3,519,117
Interest and other charges	496,247	-	-	496,247
Total expenditures	<u>13,229,868</u>	<u>13,944,397</u>	<u>33,780</u>	<u>27,208,045</u>
Excess (deficiency) of revenues over expenditures	<u>423,814</u>	<u>(13,879,406)</u>	<u>(30,484)</u>	<u>(13,486,076)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net	-	13,200,000	-	13,200,000
Transfers in	204,580	301,833	204,580	710,993
Transfers out	(506,413)	-	(204,580)	(710,993)
Total other financing sources and uses	<u>(301,833)</u>	<u>13,501,833</u>	<u>-</u>	<u>13,200,000</u>
Net change in fund balances	121,981	(377,573)	(30,484)	(286,076)
Fund balances - beginning	<u>6,914,134</u>	<u>1,148,649</u>	<u>235,064</u>	<u>8,297,847</u>
Fund balances - ending	<u>7,036,115</u>	<u>771,076</u>	<u>204,580</u>	<u>8,011,771</u>

VILLAGE OF BALD HEAD ISLAND
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

EXHIBIT 4
Page 2 of 2

Net change in fund balances - total governmental funds: (286,076)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay expenditures that were capitalized	276,428
Depreciation	(730,496)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(10,717)

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

234,212

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.

Change in unavailable revenue for tax revenues	17,753
Increase in interest receivable on property taxes	617

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(13,200,000)
Principal payments on long-term debt	3,519,117

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on governmental funds	(85,393)
Compensated absences	(29,997)
Pension expense (LGERS)	(241,689)
Net pension expense (LEO)	(31,106)

Change in net position of governmental activities

(10,567,347)

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

EXHIBIT 5

	Budgeted Amounts		Actual Amounts	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	Original	Final		
REVENUES				
Ad valorem taxes	8,004,996	8,004,996	8,066,051	61,055
Other taxes	1,224,768	1,224,768	1,155,101	(69,667)
Unrestricted intergovernmental revenues	429,057	429,057	496,630	67,573
Restricted intergovernmental revenues	488,651	488,651	2,022,055	1,533,404
Licenses and permits	396,663	396,663	597,641	200,978
Sales and services	647,288	647,288	774,699	127,411
Investment earnings	45,000	45,000	88,090	43,090
Miscellaneous	6,350	237,353	309,300	71,947
Total revenues	11,242,773	11,473,776	13,509,567	2,035,791
EXPENDITURES				
Current:				
General government	2,409,349	2,472,727	2,330,188	142,539
Public safety	2,629,010	2,685,799	2,561,109	124,690
Transportation	390,732	325,400	323,242	2,158
Environmental protection	1,320,738	3,267,833	3,249,156	18,677
Economic and physical development	780,357	607,053	603,345	3,708
Debt Service:				
Principal	3,530,985	3,604,867	3,519,117	85,750
Interest and other charges	240,227	491,227	496,247	(5,020)
Contingency	-	-	-	-
Total expenditures	11,301,398	13,454,906	13,082,404	372,502
Excess (deficiency) of revenues over expenditures	(58,625)	(1,981,130)	427,163	2,408,293
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	204,580	(204,580)
Transfers out	(82,422)	(117,422)	(541,413)	423,991
Total other financing sources and uses	(82,422)	(117,422)	(336,833)	219,411
Fund balance appropriated	141,047	2,098,552	-	2,098,552
Net change in fund balances	-	-	90,330	(90,330)
Fund balances - beginning			6,897,760	
Fund balances - ending			6,988,090	
Legally budgeted Stormwater Management Fund is consolidated into the General Fund for reporting purposes:				
Revenue			144,115	
Expenditures			(147,464)	
Other sources			35,000	
Fund balances - beginning			16,374	
Fund balances - ending (Exhibit 4)			7,036,115	

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF BALD HEAD ISLAND
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2019**

EXHIBIT 6

	Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	1,255,044	1,255,044
Investments	322,584	322,584
Accounts receivable, net	204,586	204,586
Receivables from other governments	222,832	222,832
Inventories	243,562	243,562
Prepaid expenses	2,500	2,500
Total current assets	2,251,108	2,251,108
Non-current assets:		
Capital assets:		
Land and construction in progress	35,000	35,000
Other capital assets, net of depreciation	11,561,350	11,561,350
Total capital assets	11,596,350	11,596,350
Total non-current assets	11,596,350	11,596,350
Total assets	13,847,458	13,847,458
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	145,092	145,092
LIABILITIES		
Current liabilities:		
Accounts payable	33,722	33,722
Salaries payable	22,667	22,667
Accrued interest payable	5,612	5,612
Compensated absences - current	35,000	35,000
Bonds, notes and loans payable - current	819,578	819,578
Total current liabilities	916,579	916,579
Non-current liabilities:		
Compensated absences	5,858	5,858
Net pension liability	180,620	180,620
Bonds, notes and loans payable	624,460	624,460
Total non-current liabilities	810,938	810,938
Total liabilities	1,727,517	1,727,517
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	12,276	12,276
Unearned income	59,089	59,089
Total deferred inflows of resources	71,365	71,365
NET POSITION		
Net investment in capital assets	10,152,312	10,152,312
Unrestricted	2,041,356	2,041,356
Total net position	12,193,668	12,193,668

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

EXHIBIT 7

	Enterprise Funds	
	Water and Sewer	
	Fund	Total
REVENUES		
Charges for services	2,415,755	2,415,755
Miscellaneous operating revenue	377,311	377,311
Total operating revenues	2,793,066	2,793,066
OPERATING EXPENSES		
Water and sewer operations	1,963,913	1,963,913
Depreciation	328,264	328,264
Total operating expenses	2,292,177	2,292,177
Operating income (loss)	500,889	500,889
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	25,384	25,384
Interest expense	(35,791)	(35,791)
Gain on sale of assets	800	800
Total non-operating revenue (expenses)	(9,607)	(9,607)
Income (loss) before contributions and transfers	491,282	491,282
Capital contributions	278,328	278,328
Change in net position	769,610	769,610
Total net position - beginning	11,424,058	11,424,058
Total net position - ending	12,193,668	12,193,668

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF BALD HEAD ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2019**

EXHIBIT 8
Page 1 of 2

	Enterprise Funds	
	Water & Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	2,369,000	2,369,000
Cash paid for goods and services	(1,562,650)	(1,562,650)
Cash paid to employees	(579,728)	(579,728)
Other operating revenue	<u>377,311</u>	<u>377,311</u>
Net cash provided (used) by operating activities	<u>603,933</u>	<u>603,933</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(74,064)	(74,064)
Principal paid on long-term debt	(803,102)	(803,102)
Interest paid on long-term debt	(38,911)	(38,911)
Contributions from customers	278,328	278,328
Proceeds from sale of assets	<u>2,001</u>	<u>2,001</u>
Net cash provided (used) for capital and related financing activities	<u>(635,748)</u>	<u>(635,748)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	25,384	25,384
Investments purchased	<u>(77,601)</u>	<u>(77,601)</u>
Net cash provided (used) for investing activities	<u>(52,217)</u>	<u>(52,217)</u>
Net increase (decrease) in cash and cash equivalents	(84,032)	(84,032)
Cash and cash equivalents at beginning of year	<u>1,339,076</u>	<u>1,339,076</u>
Cash and cash equivalents at end of year	<u><u>1,255,044</u></u>	<u><u>1,255,044</u></u>

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2019

EXHIBIT 8
Page 2 of 2

	Enterprise Funds	
	<u>Water & Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	500,889	500,889
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	328,264	328,264
Changes in assets, deferred outflows, and liabilities:		
(Increase) decrease in accounts receivable	(189,545)	(189,545)
(Increase) decrease in inventory	32,204	32,204
Increase in deferred outflows of resources - pensions	(53,691)	(53,691)
Increase in net pension liability	60,227	60,227
Decrease in deferred inflows of resources - pensions	(3,188)	(3,188)
Increase (decrease) in accounts payable	(28,795)	(28,795)
Increase (decrease) in accrued wages	3,416	3,416
Increase (decrease) in accrued vacation	(3,786)	(3,786)
Increase (decrease) in unearned income	(42,062)	(42,062)
Total adjustments	103,044	103,044
Net cash provided (used) by operating activities	603,933	603,933

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

EXHIBIT 9
Page 1 of 27

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Bald Head Island, 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 Village of Bald Head Island is a municipal corporation governed by an elected Mayor and a four-member Council.

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 Village. 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 business-type activities of the Village and for each function of the Village'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 and 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 Village'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 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 subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Village reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Village. 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, federal and State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, shoreline maintenance and sanitation services. Additionally, the Village has legally adopted a Stormwater Management Fund. Under GASB 54 guidance the Stormwater Management Fund is consolidated in the General Fund. The budgetary comparison for the Stormwater Management Fund has been included in the supplemental information.

Beach Stabilization Capital Project Fund. This fund is used to account for the construction of beach erosion prevention projects.

The Village reports the following non-major governmental funds:

Village Facilities Capital Projects Fund. This fund is used to account for the construction of an improved Village Administrative building and new Public Safety building. This fund was closed out on June 21, 2019.

Contractor Services and Public Works Redesign Capital Project Fund. This fund is used to account for the construction of improvements to the Contractor Services and Public Works facilities and campus.

The Village reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Village's water and sewer operations. Additionally, the Village has legally adopted the Infiltration Pond Improvement Capital Project Fund. This fund is budgeted separately but consolidated into the Water and Sewer Fund for reporting purposes. The Infiltration Pond Capital Improvement Capital Project Fund was closed out on June 21, 2019. The budgetary comparison for this fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Village 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 Village 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 Village enterprise funds are charges to customers for sales and services. The Village 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 funds include 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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Village 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 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 registrations plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for the Village of Bald Head Island because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Village's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for all the Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund 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 project level for the multi-year funds. All amendments must be approved by the governing Board and the 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 Village are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Village may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Village 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 Village 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 Village's investments are reported at fair value. Non-participating interest earning 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 a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Village pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Village before any services are supplied are restricted to the service for which the deposit was collected. Money in the Stormwater Management Fund is classified as restricted assets because its use is restricted to the Stormwater Management Fund per NC G.S. Chapter 159, Article 3, Part 2. Cash and investments in the Beach Stabilization Capital Project Fund are classified as restricted because they represent unspent accommodation tax receipts.

Village of Bald Head Island Restricted Cash and Investments

Governmental Activities		
General Fund		
	Customer Deposits	\$ 19,500
	Stormwater Management - Cash	50,098
	Stormwater Management - Investments	<u>12,897</u>
Beach Stabilization Fund		
	Cash	\$ 671,958
	Investments	<u>116,504</u>
	Total governmental activities	<u>\$ 870,957</u>
	Total Restricted Cash and Investments	<u><u>\$ 870,957</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventory of the Village is valued at cost (first-in, first-out), which approximates market. The inventory of the Village's general and enterprise fund consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition cost. All other purchased or constructed capital assets are recorded at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consisted mainly of road networks, and were not recorded, because the Village is a Phase III entity under GASB 34, and not required to report those assets. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	20-25
Vehicles	6-15
Furniture and equipment	3-10
Computer equipment	3
Computer software	5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village has one item that meets this criterion, pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category – property taxes receivable, prepaid water and sewer tap fees and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The vacation policy of the Village provides for the accumulation of up to 240 hours (258 hours for public safety) earned vacation leave with such leave being fully vested when earned. At the beginning of each calendar year, leave balances in excess of 240 hours (or 258 hours for public safety) may be converted to the employee's sick leave benefit account for retirement purposes only. For the Village'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 Village 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 Village'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 Village does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide 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

Prepaid expenses- portion of fund balance that is not an available resource because it represents the year-end balance of ending prepaid expense, which are not spendable resources

Restricted Fund Balance- This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Economic Development – portion of fund balance restricted for economic development due to the source of funding for Beach Stabilization, Contractor Services and Public Works Redesign and Stormwater Management [G.S. 159, Article 3, Part 2].

Restricted for Inspections – portion of fund balance restricted for the inspections department by revenue source for the Development Services department.

Committed Fund Balance- portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Village of Bald Head Island'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.

Assigned Fund Balance- the portion of fund balance that Village of Bald Head Island intends to use for specific purposes.

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; however, the budget ordinance authorizes the budget officer to modify appropriations by resource or appropriation and report any amendments to the Village Council at the regular monthly meeting following the month in which such amendments are made.

Unassigned Fund Balance- the portion of fund balance that has not been restricted, committed, or assigned to a specific purpose or other funds.

The Village of Bald Head Island 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-Village funds, Village funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Village.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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 Village of Bald Head Island's employer contributions are recognized when due and the Village of Bald Head Island has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

There were no noted violations of State statutes or contractual obligations during the year ended June 30, 2019.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Village 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 Village's agents in the units' name. 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 Village, these deposits are considered to be held by the Village's agents in their name. 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 Village or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Village under the Pooling Method, the potential exists for under-collateralization. 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 Village has no formal 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 Village complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Village's deposits had a carrying amount of \$6,167,084 and a bank balance of \$6,883,883. Of the bank balance, \$263,402 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Village has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Village's petty cash fund totaled \$500.

2. Investments

At June 30, 2019, the Village's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/19	Maturity	Rating
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	1,581,792	0.11 years	Unrated
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>5,861</u>	N/A	<u>AAAm</u>
Total		<u><u>1,587,653</u></u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy; Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Village has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Village's investment policy requires securities not be sold prior to maturity except to minimize loss of principal, improve the quality or yield, or liquidity needs.

Credit Risk. The Village has no formal policy regarding credit risk, but has internal management procedures that limits the Village's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Village's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAM by Standard & Poor's as of June 30, 2019. The Village's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowance for doubtful accounts:

Enterprise Fund	<u>2,815</u>
Total	<u>2,815</u>

4. Capital Assets

Primary Government

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

	Beginning Balances	Reclassi- fications	Increases	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	6,036,723	-	-	-	6,036,723
Construction in progress	266,278	-	-	-	266,278
Total capital assets not being depreciated	<u>6,303,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,303,001</u>
Capital assets being depreciated					
Buildings	10,032,371	-	33,780	-	10,066,151
Other improvements	1,132,651	-	-	-	1,132,651
Vehicles and motorized equipment	1,437,511	-	36,000	-	1,473,511
Furniture and equipment	852,474	-	186,648	157,339	881,783
Infrastructure	13,437,864	-	20,000	-	13,457,864
Total capital assets being depreciated	<u>26,892,871</u>	<u>-</u>	<u>276,428</u>	<u>157,339</u>	<u>27,011,960</u>
Less accumulated depreciation for:					
Buildings	484,760	-	202,008	-	686,768
Other improvements	590,825	-	34,026	-	624,851
Vehicles and motorized equipment	1,116,628	-	73,405	146,622	1,043,411
Furniture and equipment	580,566	-	47,891	-	628,457
Infrastructure	1,232,916	-	373,166	-	1,606,082
Total accumulated depreciation	<u>4,005,695</u>	<u>-</u>	<u>730,496</u>	<u>146,622</u>	<u>4,589,569</u>
Total capital assets being depreciated, net	<u>22,887,176</u>				<u>22,422,391</u>
Governmental activity capital assets, net	<u>29,190,177</u>				<u>28,725,392</u>

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

General government	44,568
Public safety	253,526
Public works	<u>432,402</u>
Total depreciation expense	<u>730,496</u>

Business-type activities:	Beginning	Reclassi-			Ending
<i>Utilities Fund</i>	Balances	fications	Increases	Decreases	Balances
Capital assets not being depreciated:					
Land	35,000				35,000
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	35,000	-	-	-	35,000
Capital assets being depreciated					
Buildings	754,767		-		754,767
Utility systems	13,762,583	-	44,402		13,806,985
Vehicles and motorized equipment	118,797		-	12,337	106,460
Furniture and equipment	361,232	-	29,662	5,000	385,894
Total capital assets being depreciated	14,997,379	-	74,064	17,337	15,054,106
Less accumulated depreciation for:					
Buildings	144,496		15,460		159,956
Utility systems	2,724,604		275,697		3,000,301
Vehicles and motorized equipment	86,850		9,596	11,136	85,310
Furniture and equipment	224,678	-	27,511	5,000	247,189
Total accumulated depreciation	3,180,628	-	328,264	16,136	3,492,756
Total capital assets being depreciated, net	11,816,751				11,561,350
Business-type activities capital assets, net	11,851,751				11,596,350

Constructions commitments

The government has no active construction projects as of June 30, 2019.

B. Liabilities

1. Pension Plan Obligation

a. Local Governmental Employees' Retirement System

Plan Description. The Village of Bald Head Island 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 government 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 – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serves as ex-officio members. The Local Governmental 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 or at www.osc.nc.gov.

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. Village of Bald Head Island employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Village of Bald Head Island's contractually required contribution rate for the year ended June 30, 2019, was 8.25% of compensation for law enforcement officers and 7.75% for general employees and firefighters, 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 Village of Bald Head Island were \$279,424 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Village reported a liability of \$1,193,762 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension asset was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Village's proportion was 0.05032%, which was a decrease of 0.00347% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized pension expense of \$294,983. At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	184,169	6,180
Changes of assumptions	316,778	
Net difference between projected and actual earnings on pension plan investments	163,868	-
Changes in proportion and differences between Village contributions and proportionate share of contributions		63,597
Village contributions subsequent to the measurement date	<u>279,424</u>	
Total	<u>944,239</u>	<u>69,777</u>

\$279,424 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	294,178
2020	190,492
2021	22,250
2022	88,118
2023	-
Thereafter	<u>-</u>
Total	<u>595,038</u>

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

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

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

Sensitivity of the Village's proportionate share of the net pension asset to changes in the discount rate. The following presents the Village's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Village'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%)
Village's proportionate share of the net pension liability (asset)	2,867,521	1,199,762	(204,856)

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 Village of Bald Head Island administers a public employee retirement system (the "Separation Allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the Village's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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 Village are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>19</u>
Total	<u>20</u>

(2) Summary of Significant Accounting Policies

Basis of Accounting – The Village 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 the terms of the plan.

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

(3) Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is the weekly average of the Bond Buyer General Obligation 20 Year Municipal Bond Index as of December 31, 2017.

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

(4) Contributions

The Village 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 Village'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 Village paid \$14,191 as benefits came due for the reporting period.

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

At June 30, 2019, the Village reported a total pension liability of \$218,726. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Village recognized pension expense of \$40,071.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	35,547	-
Changes of assumptions	10,018	11,179
Village benefit payments and administrative expense made subsequent to the measurement date	<u>7,096</u>	<u> </u>
Total	<u><u>52,661</u></u>	<u><u>11,179</u></u>

\$7,096 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	8,479
2021	8,479
2022	8,479
2023	7,222
2024	1,727
Thereafter	<u> </u>
	<u><u>34,386</u></u>

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

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension Liability	243,024	218,726	196,984

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

Beginning balance	187,620
Service cost	25,848
Interest on the total pension liability	5,744
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	22,542
Changes of assumptions or other inputs	(11,330)
Benefit payments	(11,698)
Other charges	-
	<hr/>
Ending balance of the total pension liability	<u>218,726</u>

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

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

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources 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	294,983	40,071	335,054
Pension liability	1,193,762	218,726	1,412,488
Proportionate share of net pension liability	0.05032%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	184,169	35,547	219,716
Changes of assumptions	316,778	10,018	326,796
Net difference between projected and actual earnings on plan investments	163,868	-	163,868
Changes in porportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to measurement date	<u>279,424</u>	<u>7,096</u>	<u>286,520</u>
Total	<u><u>944,239</u></u>	<u><u>52,661</u></u>	<u><u>996,900</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	6,180		6,180
Changes of assumptions	-	11,179	11,179
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in porportion and differences between contributions and proportionate share of contributions	<u>63,597</u>		<u>63,597</u>
Total	<u><u>69,777</u></u>	<u><u>11,179</u></u>	<u><u>80,956</u></u>

c. Supplemental Retirement Income Plan

Plan Description – The Village 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 Village. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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.

Funding Policy – Article 12E of G.S. Chapter 143 requires the Village 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. The Village has elected to allow employees not engaged in law enforcement to participate in the Supplemental Retirement Income Plan. The Village made contributions of \$169,809 for the year ended June 30, 2019. No amounts were forfeited.

d. Other Employment Benefits

The Village has 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 benefit 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 \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Village, the Village does not determine the number of eligible participants. The Village has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and law enforcement officers. The Village considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 279,424
Benefit payments made and administrative expenses for LEOSSA	7,096
Differences between expected and actual experience	219,716
Changes of assumptions	326,796
Net difference between projected and actual	<u>163,868</u>
Total	<u>\$ 996,900</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 44,373
Uninstalled taps (Water & Sewer Fund)	59,089	
Changes in assumptions	11,179	
Differences between expected and actual experience	6,180	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>63,597</u>	<u>-</u>
Total	<u>\$ 140,045</u>	<u>\$ 44,373</u>

3. Risk Management

The Village 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 Village participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability coverage of \$5 million per occurrence, auto liability coverage of \$5 million per occurrence, police professional and public officers liability coverage of \$5 million per occurrence with a \$5 million aggregate, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance and excess loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Village upon request.

The Village carries commercial coverage for health insurance and all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Village carries flood insurance through the National Flood Insurance Plan (NFIP). Because a portion of the Village is in an area of the State that has been mapped and designated an "AE" area (an area with at least a 1 percent annual chance of flooding) by the Federal Emergency Management Agency, the Village is eligible to purchase coverage of \$500,000 per structure through the NFIP.

In accordance with G.S. 159-29, the Village's employees that have access to \$100 or more at any given time of the Village's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$150,000 and the tax collector is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for employee dishonesty of \$10,000 per occurrence and for theft of money or securities of \$5,000 per occurrence.

4. Claims, Judgments and Contingent Liabilities

According to the Village attorney and Village management at June 30, 2019, the Village was not a defendant in any lawsuit whose outcome could affect the Village's ability to pay its obligations as they become due.

5. Long-Term Obligations

- a. Installment Notes Payable: The Village has entered into installment purchase contracts to finance the acquisition and renovation of various land and facilities. The installment purchase contracts are outlined as follows:

General Fund

Installment purchase contract with PNC Bank, National Association for the Village's purchase of a real property lot on Edward Teach Wynd dated September 30, 2015, due in annual installments of \$331,667 plus 4.00% interest through September 2018.

Installment purchase contract with PNC Bank, National Association to refinance the current debt on Keelson Row real property dated November 21, 2017, due in quarterly installments of \$67,188 plus 2.60% interest through November 2021.

Installment purchase contract with PNC Bank, National Association for the construction of a new public safety building dated December 12, 2016 due in quarterly installments of \$125,000 plus 2.34% interest through December 2026.

Installment purchase contract with PNC Bank, National Association for additional construction on a new public safety building dated January 12, 2017, due in quarterly installments of \$75,000 plus 2.82% interest through December 2026.

Installment purchase contract with Bald Head Island Limited, LLC for the purchase of real property on Quartermaster Row dated December 12, 2017, due in annual installments of \$75,000, a balloon payment of \$550,000 plus 3.5% interest through December 2021.

Water and Sewer Fund

Installment purchase contract with PNC Bank, National Association to refinance the current debt on the water and sewer system and to fund additional improvements dated January 29, 2016, due in quarterly installments of \$210,503 including interest of 1.97% through January 2021.

Annual debt service payments of the installment purchases as of June 30, 2019, including \$704,150 of interest are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	1,143,750	182,989	819,578	22,435
2021	1,143,750	153,216	624,460	6,170
2022	1,484,375	123,880		
2023	800,000	83,160		
2024	800,000	63,000		
2025-2027	<u>2,000,000</u>	<u>69,300</u>	-	-
Total	<u>7,371,875</u>	<u>675,545</u>	<u>1,444,038</u>	<u>28,605</u>

b. General Obligation Indebtedness

The Village's general obligation bonds serviced by the governmental funds were issued to finance the construction of a terminal groin and to finance the beach stabilization project. The general obligation bonds are being retired by ad valorem tax revenues generated from special tax districts and accommodation tax revenues and are reported as long-term debt in the General Fund. The general obligation bonds are collateralized by the full faith, credit and taxing power of the Village. Principal and interest requirements are appropriated when due.

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

General Obligation Bonds

Serviced by the General Fund

\$13,200,000 Beach Improvement Bonds, series 2018 interest due in quarterly installments of \$614,182, including principal and interest at 3.61% through December 2025.	13,200,000
\$8,500,000 Beach Improvement Bonds, series 2014 due in quarterly installments of \$522,222, including principal and interest at 1.95% through December 2019.	
	<u>1,036,856</u>
	<u>14,236,856</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	2,031,428	479,640
2021	2,043,570	413,158
2022	2,118,348	338,381
2023	2,195,862	260,867
2024	2,276,212	180,517
2025-2026	<u>3,571,436</u>	<u>113,657</u>
Total	<u>14,236,856</u>	<u>1,786,220</u>

At June 30, 2019, the Village of Bald Head Island had a legal debt margin of \$89,247,176.

b. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Balance <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2019</u>	Current Portion <u>of Balance</u>
Governmental activities:					
General obligation bond	3,080,557	13,200,000	2,043,701	14,236,856	2,031,428
Installment notes	8,847,291	-	1,475,416	7,371,875	1,143,750
Compensated absences	173,050	159,923	129,926	203,047	135,000
Net pension liability (LGERS)	701,369	311,773	-	1,013,142	-
Net pension obligation (LEO)	<u>187,620</u>	<u>42,804</u>	<u>11,698</u>	<u>218,726</u>	<u>-</u>
Governmental activity long-term liabilities	<u>12,989,887</u>	<u>13,714,500</u>	<u>3,660,741</u>	<u>23,043,646</u>	<u>3,310,178</u>
Business type activities:					
Installment note	2,247,140	-	803,102	1,444,038	819,578
Compensated absences	44,644	39,718	43,504	40,858	35,000
Net pension liability (LGERS)	<u>120,393</u>	<u>60,227</u>	<u>-</u>	<u>180,620</u>	<u>-</u>
Business-type activity long-term liabilities	<u>2,412,177</u>	<u>99,945</u>	<u>846,606</u>	<u>1,665,516</u>	<u>854,578</u>

C. Interfund Balances and Activity

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

From the General Fund to the Beach Stabilization Fund	301,833
From the General Fund to the Contractor Services and Public Works Campus Redesign Project Fund	204,580
From the Village Facilities Improvement Fund to the General Fund	<u>204,580</u>
Total	<u>710,993</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

During the 2019 fiscal year, the Village made one transfer from the General Fund to the Beach Stabilization Capital Project Fund. The transfer was the annual transfer of Accommodation Tax revenue less the amount needed to fund the Shoreline Protection department and service the Marina Park debt.

The transfer from the General Fund to the Contractor Services and Public Works Campus Redesign Project Fund was a one-time transfer to setup funding for the new project.

The transfer from the Village Facilities Improvement Fund to the General Fund was a one-time transfer to close out the project.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	28,725,392	11,596,350
Less: long-term debt	<u>21,608,731</u>	<u>1,444,038</u>
Net investment in capital asset	<u>7,116,661</u>	<u>10,152,312</u>

E. 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	<u>\$7,036,115</u>
Less:	
Prepaid expenses	14,500
Inventories	12,412
Stabilization by State Statute	2,248,941
Economic Development	48,025
Inspections	18,324
Subsequent Expenditures	366,688
Remaining Fund Balance	4,327,225

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end.

<u>Encumbrances</u>	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Non-major Funds</u>
	\$10,668	\$0	\$0

IV. JOINTLY GOVERNED ORGANIZATIONS

Cape Fear Council of Governments

The Village, in conjunction with four counties and thirty two other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Village paid membership fees of \$332 to the Council during the fiscal year ended June 30, 2019.

Bald Head Island Transportation Authority

The Village in conjunction with the City of Southport and Brunswick County established the Bald Head Island Transportation Authority. The purpose of the authority is to provide reliable and safe public ferry transportation services in its service area. The Village of Bald Head Island appoints one member to the board of trustees. The Mayor and Mayor Pro Tempore of the Village of Bald Head Island serve as ex officio voting members of the board. One member of the board is appointed by the Governor of North Carolina, two members by the North Carolina General Assembly, three members by the Secretary of the North Carolina Department of Transportation, one member by Brunswick County and one member by the City of Southport. The Village is not obligated to furnish any funds to the Authority, but has made contributions in prior years. During the year ended June 30, 2019, the Village made contributions totaling \$150,000 to the Authority. The participating governments do not have any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2019. Complete financial information can be obtained from the Authority at 1029 N. Howe Street, Southport, NC 28461.

V. JOINT VENTURES

Firemen's Relief Fund

The Village and the members of the Village's Public Safety department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Village obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Village's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the Village reported no revenues and expenditures made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

VI. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Village has received proceeds from 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 moneys 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.

VII. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Events occurring after June 30, 2019 were evaluated by management on November 22, 2019 to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There are no significant subsequent events needing disclosure.

Required
Supplemental Financial Data

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

- Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement System
- Schedule of Contributions – Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
VILLAGE OF BALD HEAD ISLAND'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS

EXHIBIT A-1

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Village of Bald Head Island's proportion of the net pension liability (asset) (%)	0.05032%	0.05379%	0.05638%	0.05336%	0.05458%	0.05730%
Village of Bald Head Island's proportion of the net pension liability (asset) (\$)	1,193,762	821,762	1,196,576	239,476	(321,884)	690,685
Village of Bald Head Island's covered-employee payroll	3,128,062	3,030,523	3,010,950	2,626,893	2,612,413	2,584,649
Village of Bald Head Island's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.16%	27.12%	39.74%	9.12%	(12.32%)	26.72%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
VILLAGE OF BALD HEAD ISLAND'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

EXHIBIT A-2

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required Contribution	279,424	243,270	227,594	204,876	189,469	186,326
Contributions in relation to the contractually required contribution	<u>279,424</u>	<u>243,270</u>	<u>227,594</u>	<u>204,876</u>	<u>189,469</u>	<u>186,326</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Village of Bald Head Island's covered-employee payroll	3,476,233	3,128,062	3,030,523	3,010,950	2,626,893	2,612,413
Contributions as a percentage of covered-employee payroll	8.04%	7.78%	7.51%	6.80%	7.21%	7.13%

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL ALLOWANCE
JUNE 30, 2019**

EXHIBIT A-3

	2019	2018	2017
Beginning balance	187,620	126,210	108,672
Service cost	25,848	19,064	17,605
Interest on the total pension liability	5,744	4,806	3,866
Difference between expected and actual experience in the measurement of the total pension liability	22,542	25,649	-
Changes of assumptions or other inputs	(11,330)	15,276	(3,152)
Benefit payments	(11,698)	(3,385)	(781)
Ending balance of the total pension liability	218,726	187,620	126,210

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

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL ALLOWANCE
JUNE 30, 2019

EXHIBIT A-4

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	218,726	187,620	126,210
Covered payroll	1,123,876	1,031,058	799,951
Total pension liability as a percentage of covered payroll	19.46%	18.20%	15.78%

Notes to the schedules:

The Village of Bald Head Island has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Supplementary Statements

**VILLAGE OF BALD HEAD ISLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019 and 2018**

EXHIBIT B-1
Page 1 of 6

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Revenues				
Ad valorem taxes				
Current year	7,937,996	8,037,128	99,132	7,735,562
Prior year	55,000	15,857	(39,143)	62,208
Penalties and interest	12,000	13,066	1,066	17,995
Total	<u>8,004,996</u>	<u>8,066,051</u>	<u>61,055</u>	<u>7,815,765</u>
Other taxes				
Accommodations tax	1,224,768	1,155,101	(69,667)	1,241,645
Total	<u>1,224,768</u>	<u>1,155,101</u>	<u>(69,667)</u>	<u>1,241,645</u>
Unrestricted intergovernmental				
Local option sales tax	48,661	50,474	1,813	47,006
Utility franchise tax	375,096	439,664	64,568	407,140
Beer and wine	775	765	(10)	758
CAMA - State portion	1,325	1,970	645	400
Intergovernmental revenue	3,200	3,757	557	3,816
Total	<u>429,057</u>	<u>496,630</u>	<u>67,573</u>	<u>459,120</u>
Restricted intergovernmental				
Powell Bill allocation	44,000	44,458	458	44,980
FEMA reimbursement	-	1,596,234	1,596,234	-
Mosquito control	2,006	1,669	(337)	2,007
Grant revenue	179,145	116,194	(62,951)	79,245
Brunswick County - fire and rescue	263,500	263,500	-	263,501
Total	<u>488,651</u>	<u>2,022,055</u>	<u>1,533,404</u>	<u>389,733</u>
Permits and fees				
Building permits	101,663	108,027	6,364	97,363
Daily vehicle permits	85,000	257,500	172,500	154,442
Annual vehicle permits	110,000	137,143	27,143	116,983
Golf cart registration	50,000	55,215	5,215	59,280
EMS fees	15,000	11,056	(3,944)	16,102
Creek access permits	35,000	28,700	(6,300)	32,500
Total	<u>396,663</u>	<u>597,641</u>	<u>200,978</u>	<u>476,670</u>
Sales and services				
Sale of assets	2,500	251	(2,249)	5,076
Sale of gas and diesel	-	28,449	28,449	-
Contractor Services Sales	349,291	385,175	35,884	339,356
Island Parcel Center Receipts	226,000	269,328	43,328	188,335
Marina park lease	-	8,250	8,250	9,338
Island Parcel Center Interdepartmental	-	2,089	2,089	-
Post office operations	69,497	81,157	11,660	74,870
Total	<u>647,288</u>	<u>774,699</u>	<u>127,411</u>	<u>616,975</u>
Investment earnings				
Interest earned	45,000	88,090	43,090	59,022
Total	<u>45,000</u>	<u>88,090</u>	<u>43,090</u>	<u>59,022</u>

**VILLAGE OF BALD HEAD ISLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019 and 2018**

EXHIBIT B-1
Page 2 of 6

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Miscellaneous				
Fines	3,000	15,950	12,950	4,650
Insurance reimbursements	81,603	123,680	42,077	17,926
Donations	150,000	150,000	-	-
Special events	500	2,634	2,134	216
Miscellaneous	2,250	17,036	14,786	20,873
Total	<u>237,353</u>	<u>309,300</u>	<u>71,947</u>	<u>43,665</u>
Total revenues	<u>11,473,776</u>	<u>13,509,567</u>	<u>2,035,791</u>	<u>11,102,595</u>
<u>Expenditures</u>				
General government				
Governing body				
Codification	2,500	2,437	63	2,059
Travel	20,000	6,799	13,201	10,774
Manager's supplemental funds	41,025	26,205	14,820	12,671
Total	<u>63,525</u>	<u>35,441</u>	<u>28,084</u>	<u>25,504</u>
Administration				
Salaries and wages	555,349	505,174	50,175	506,605
Employee benefits	188,266	161,284	26,982	167,755
Utilities	8,000	7,585	415	8,146
Telephone	-	-	-	24,926
Travel	3,500	4,659	(1,159)	4,666
Ferry costs	23,608	23,152	456	26,148
Parking	6,600	5,852	748	6,517
Equipment maintenance	11,860	8,850	3,010	11,126
Non-depreciable equipment	-	-	-	-
Building maintenance	12,628	18,549	(5,921)	10,788
Planning board	-	-	-	-
Office supplies	6,685	6,134	551	7,300
Copies and printing	500	490	10	311
Postage	1,600	1,684	(84)	1,841
Advertising	3,000	2,867	133	3,069
Dues and subscriptions	8,700	7,964	736	9,168
HR Dues and subscriptions	-	-	-	274
Training and certification	3,500	1,487	2,013	8,442
HR Professional	-	-	-	611
Bank charges	23,000	19,791	3,209	22,889
Miscellaneous	2,000	6,991	(4,991)	5,591
Professional services	255,078	207,705	47,373	307,952
Medical services	-	-	-	28,809
County collection fee	56,870	60,496	(3,626)	58,609
BHI Daily permit collection fee	-	7,420	(7,420)	-
BHI Conservancy	175,177	168,566	6,611	132,547
Insurance	207,372	198,202	9,170	181,623
Golf cart lease	23,836	21,359	2,477	17,422
Capital outlay	2,250	56,358	(54,108)	50,000
Capital outlay - nondepreciable	-	1,256	(1,256)	4,500
Village events/wellness	-	-	-	13,138
Education assistance	-	-	-	525
Total	<u>1,579,379</u>	<u>1,503,875</u>	<u>75,504</u>	<u>1,621,298</u>

**VILLAGE OF BALD HEAD ISLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019 and 2018**

EXHIBIT B-1
Page 3 of 6

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Information Technology				
Telephone	36,800	42,295	(5,495)	-
Travel	500	-	500	-
Equipment maintenance and supplies	10,000	4,173	5,827	-
Building and grounds maintenance	3,625	1,800	1,825	-
Cable and internet	20,000	8,712	11,288	-
Copies and printing	12,000	13,994	(1,994)	-
Professional system and software	71,472	79,505	(8,033)	-
Capital outlay - nondepreciable	14,171	12,751	1,420	-
Total	<u>168,568</u>	<u>163,230</u>	<u>5,338</u>	<u>-</u>
Human Resources				
Travel	4,501	3,443	1,058	-
Dues and subscriptions	500	816	(316)	-
Professional development	3,500	1,275	2,225	-
Professional services	10,000	7,508	2,492	-
Medical services	7,000	6,418	582	-
Village events and wellness	20,500	13,591	6,909	-
Educational assistance	5,000	-	5,000	-
Total	<u>51,001</u>	<u>33,051</u>	<u>17,950</u>	<u>-</u>
Island Parcel Center				
Salaries and wages	101,823	99,820	2,003	92,153
Employee benefits	33,075	31,672	1,403	35,399
Utilities	-	-	-	303
Telephone	-	120	(120)	450
Travel	500	19	481	-
Ferry expenses	7,466	7,305	161	8,375
Parking expenses	2,300	1,725	575	2,322
Equipment maintenance	500	-	500	125
Equipment and software leases	-	-	-	1,859
Barge and shipping expense	76,648	85,480	(8,832)	88,345
Shipping supplies	4,020	570	3,450	2,132
Building and grounds maintenance	4,300	6,084	(1,784)	6,880
Office supplies	2,250	3,455	(1,205)	3,268
Copies and printing	500	-	500	260
Postage	46,251	38,753	7,498	43,959
Miscellaneous	1,000	199	801	381
Liability insurance	3,076	3,033	43	4,815
Total	<u>283,709</u>	<u>278,235</u>	<u>5,474</u>	<u>291,026</u>
Contractor Services				
Salaries and wages	66,704	63,563	3,141	63,080
Employee benefits	16,064	15,218	846	15,085
Utilities	8,211	7,816	395	8,393
Telephone	-	-	-	2,425
Purchase for resale	190,008	206,729	(16,721)	157,162
Barge cost	4,000	4,300	(300)	3,750
Gas & Oil	-	36	(36)	-
Ferry cost	5,902	5,820	82	6,604
Parking	1,725	1,725	-	1,725
Tram and bus expense	1,317	1,392	(75)	1,833
Equipment maintenance	-	-	-	70
Building and grounds maintenance	8,564	8,152	412	10,519

**VILLAGE OF BALD HEAD ISLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019 and 2018**

EXHIBIT B-1
Page 4 of 6

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Other expense	750	20	730	182
Office supplies	1,500	1,585	(85)	2,297
Capital outlay	21,800	-	21,800	-
Total	<u>326,545</u>	<u>316,356</u>	<u>10,189</u>	<u>273,125</u>
 Total general government	 <u>2,472,727</u>	 <u>2,330,188</u>	 <u>142,539</u>	 <u>2,210,953</u>
Public safety				
Police, fire and EMS				
Salaries	1,580,166	1,611,208	(31,042)	1,393,081
LEO Separation allowance	15,085	14,230	855	4,250
Employee benefits	514,305	480,355	33,950	409,888
Utilities	20,000	16,141	3,859	19,837
Telephone	-	-	-	9,734
Communications	5,080	4,799	281	5,219
Gas and oil	15,104	14,486	618	16,901
LP gas	6,058	2,445	3,613	3,777
Travel	6,568	7,209	(641)	3,930
Ferry costs	45,000	39,161	5,839	40,827
Parking	44,992	37,176	7,816	46,203
Barge expenses	4,000	3,242	758	2,645
Repairs - equipment	1,000	1,040	(40)	840
Repairs - vehicles	21,719	18,127	3,592	19,121
Vehicle permits	7,500	7,840	(340)	7,498
Repairs - building & grounds	5,200	7,905	(2,705)	7,903
Maintenance contracts	13,191	15,542	(2,351)	19,618
Supplies	29,100	28,435	665	34,374
EMS billing expense	800	1,132	(332)	1,322
Doshier medical clinic supplies	10,000	5,705	4,295	3,275
Law enforcement supplies	6,369	5,491	878	1,040
EMS supplies	10,000	10,072	(72)	8,454
ALS medication	6,000	5,154	846	4,303
Water rescue supplies	2,455	2,324	131	1,267
Fire supplies	30,821	30,777	44	23,013
Volunteer incentive	1,000	760	240	1,913
Copies and printing	2,500	2,744	(244)	2,459
Munitions	6,008	5,166	842	4,249
Dues and subscriptions	8,600	4,917	3,683	4,884
Uniforms	6,253	7,109	(856)	8,624
Training and certification	1,500	1,324	176	2,398
Public education	3,000	2,088	912	2,473
Miscellaneous	1,000	127	873	2,021
Animal control	500	-	500	-
Medical services	10,600	10,734	(134)	-
Rent	-	-	-	113,708
Capital outlay - Nondepreciable	-	2,484	(2,484)	8,196
Capital outlay	<u>59,010</u>	<u>45,310</u>	<u>13,700</u>	<u>16,524</u>
Total	<u>2,500,484</u>	<u>2,452,759</u>	<u>47,725</u>	<u>2,255,769</u>

**VILLAGE OF BALD HEAD ISLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019 and 2018**

EXHIBIT B-1
Page 5 of 6

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Development services				
Salaries	75,926	77,406	(1,480)	73,060
Employee benefits	19,045	18,996	49	18,467
Travel	350	-	350	357
Ferry	3,446	3,111	335	2,717
Parking	575	575	-	575
Repair and maintenance - equipment	480	-	480	539
Supplies	450	123	327	611
Dues	780	-	780	-
Training	3,484	1,549	1,935	285
Miscellaneous	100	20	80	20
Professional services	29,321	6,570	22,751	6,600
Capital outlay	51,358	-	51,358	-
Total	<u>185,315</u>	<u>108,350</u>	<u>76,965</u>	<u>103,231</u>
Total public safety	<u>2,685,799</u>	<u>2,561,109</u>	<u>124,690</u>	<u>2,359,000</u>
Transportation				
Road maintenance	140,000	153,242	(13,242)	88,750
Transportation funding	150,000	150,000	-	-
Road construction	35,400	20,000	15,400	-
Total	<u>325,400</u>	<u>323,242</u>	<u>2,158</u>	<u>88,750</u>
Environmental protection				
Public works				
Salaries and wages	458,405	471,002	(12,597)	449,108
Employee benefits	173,523	167,022	6,501	173,003
Utilities	24,500	22,271	2,229	20,808
Telephone	-	-	-	5,772
Gas and oil	19,530	23,028	(3,498)	10,436
LP gas	3,500	2,719	781	3,201
Travel	2,000	186	1,814	640
Ferry expense	29,510	26,141	3,369	28,217
Parking	5,750	5,802	(52)	5,790
Barge expense	38,600	25,580	13,020	30,935
Repairs - equipment	31,110	32,475	(1,365)	15,794
Vehicle permits	5,450	5,340	110	5,450
Maintenance - building & grounds	22,000	17,104	4,896	19,154
Right-of-way maintenance	92,176	99,286	(7,110)	62,113
Contract - mulch site	80,000	80,040	(40)	117,370
Storm prep, assessment & clean up	1,802,027	1,801,695	332	-
Contract services	414,266	427,671	(13,405)	352,748
Office supplies	1,000	1,123	(123)	1,123
Safety equipment supplies	3,187	3,369	(182)	5,706
Building supplies	5,000	1,895	3,105	4,631
Signs	15,000	7,156	7,844	7,022
Uniforms	4,555	1,947	2,608	2,199
Training and certification	1,200	537	663	177
Miscellaneous	300	-	300	145
Mosquito control	8,744	4,272	4,472	4,457
Equipment rental	3,500	-	3,500	-
Capital outlay	23,000	14,695	8,305	-
Capital outlay - nondepreciable	-	6,800	(6,800)	-
Total environmental protection	<u>3,267,833</u>	<u>3,249,156</u>	<u>18,677</u>	<u>1,325,999</u>

**VILLAGE OF BALD HEAD ISLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019 and 2018**

EXHIBIT B-1
Page 6 of 6

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Economic and physical development				
Shoreline preservation				
Salaries	95,043	97,000	(1,957)	91,623
Employee benefits	22,442	22,253	189	21,567
Telephone	-	-	-	523
Travel	3,500	168	3,332	516
Ferry	3,287	2,742	545	2,778
Parking	575	575	-	575
Equipment maintenance	-	-	-	1,616
Cart maintenance	1,000	311	689	1,729
Office supplies	416	216	200	23
Safety equipment and supplies	2,500	-	2,500	-
Dues and subscriptions	4,950	3,629	1,321	904
Training and certification	1,200	1,500	(300)	2,744
Capital outlay - nondepreciable	13,710	-	13,710	3,976
Monitoring	209,230	224,260	(15,030)	228,977
Legal	30,000	43,819	(13,819)	14,143
Dune restoration/vegetation	15,000	6,807	8,193	20,209
Lobbying	118,200	114,065	4,135	114,161
Stormwater management	-	-	-	351
Marina channel maintenance	86,000	86,000	-	118,863
Capital outlay - Marina property	-	-	-	825,000
Total	<u>607,053</u>	<u>603,345</u>	<u>3,708</u>	<u>1,450,278</u>
Debt service				
Principal	3,604,867	3,519,117	85,750	4,345,372
Interest and fees	491,227	496,247	(5,020)	341,369
Total	<u>4,096,094</u>	<u>4,015,364</u>	<u>80,730</u>	<u>4,686,741</u>
Contingency	-	-	-	-
Total expenditures	<u>13,454,906</u>	<u>13,082,404</u>	<u>372,502</u>	<u>12,121,721</u>
Revenues over (under) expenditures	<u>(1,981,130)</u>	<u>427,163</u>	<u>2,408,293</u>	<u>(1,019,126)</u>
Other financing sources (uses)				
Fund balance appropriated	2,098,552	-	(2,098,552)	-
Operating transfers in				
Village Facilities Fund	-	204,580	204,580	-
Operating transfers out				
Beach Stabilization Fund	(82,422)	(301,833)	(219,411)	(554,844)
Contractor Services & Public Works	-	-	-	-
Redesign Fund	-	(204,580)	(204,580)	-
Stormwater management fund	(35,000)	(35,000)	-	(173,250)
Village Facilities Fund	-	-	-	(190,000)
Installment debt proceeds	-	-	-	1,850,000
Total	<u>1,981,130</u>	<u>(336,833)</u>	<u>(2,317,963)</u>	<u>931,906</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>90,330</u>	<u>90,330</u>	<u>(87,220)</u>
Fund balance				
Beginning of year - July 1		<u>6,897,760</u>		<u>6,984,980</u>
End of year - June 30		<u>6,988,090</u>		<u>6,897,760</u>

**VILLAGE OF BALD HEAD ISLAND
STORMWATER MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2019**

EXHIBIT B-2

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	42,789	45,431	1,015	46,446	3,657
Miscellaneous					
Stormwater donations	<u>141,900</u>	-	<u>143,100</u>	<u>143,100</u>	<u>1,200</u>
Total revenues	<u>184,689</u>	<u>45,431</u>	<u>144,115</u>	<u>189,546</u>	<u>4,857</u>
<u>Expenditures</u>					
Capital outlay:					
Administration	47,000	9,676	25,077	34,753	12,247
Construction	1,413,039	1,433,458	192	1,433,650	(20,611)
Stormwater equipment	141,900	-	106,285	106,285	35,615
Engineering	232,500	208,698	15,910	224,608	7,892
Legal	<u>27,000</u>	<u>18,975</u>	-	<u>18,975</u>	<u>8,025</u>
Total expenditures	<u>1,861,439</u>	<u>1,670,807</u>	<u>147,464</u>	<u>1,818,271</u>	<u>43,168</u>
Revenues over (under) expenditures	(1,676,750)	(1,625,376)	(3,349)	(1,628,725)	48,025
Other financing sources (uses)					
Operating transfer from General Fund	<u>1,676,750</u>	<u>1,641,750</u>	<u>35,000</u>	<u>1,676,750</u>	-
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>16,374</u>	31,651	<u>48,025</u>	<u>48,025</u>
Fund balance, beginning			<u>16,374</u>		
Fund balance, ending			<u>48,025</u>		

**VILLAGE OF BALD HEAD ISLAND
BEACH STABILIZATION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2019**

	Project Author- ization	Actual		Total To Date	Variance Positive (Negative)
		Prior Year(s)	Current Year		
Revenues					
Restricted intergovernmental FEMA reimbursement	741,351	741,351	-	741,351	-
Investment earnings					
Interest earned	159,770	179,557	9,168	188,725	28,955
Interest on bond proceeds	6,201	6,200	55,823	62,023	55,822
Total	165,971	185,757	64,991	250,748	84,777
Miscellaneous					
Marina Entrance Channel Agreement	830,514	830,514	-	830,514	-
Refund State of NC	526,968	526,967	-	526,967	(1)
Total	1,357,482	1,357,481	-	1,357,481	(1)
Total revenues	2,264,804	2,284,589	64,991	2,349,580	84,776
Expenditures					
Capital outlay:					
Beach Renourishment					
Administration/Engineering	1,494,757	1,395,301	36,939	1,432,240	62,517
Monitoring	855,346	765,036	41,866	806,902	48,444
Legal	824,008	794,057	-	794,057	29,951
Construction	1,332,937	1,662,115	21,650	1,683,765	(350,828)
Dune restoration	723,030	699,606	-	699,606	23,424
Vitex restoration	35,000	29,406	-	29,406	5,594
Lobbying	34,448	34,448	-	34,448	-
Subtotal	5,299,526	5,379,969	100,455	5,480,424	(180,898)
Engineered Beach					
Administration/Engineering	340,063	340,062	-	340,062	1
Legal	212,867	212,867	-	212,867	-
Subtotal	552,930	552,929	-	552,929	1
Marine Groins - Harbor Groin System					
Administration/Engineering	86,818	86,818	-	86,818	-
Legal	17,460	17,460	-	17,460	-
Construction	236,555	236,555	-	236,555	-
Subtotal	340,833	340,833	-	340,833	-
BHI Creek Dredging					
Administration/Engineering	217,687	217,687	3,000	220,687	(3,000)
Subtotal	217,687	217,687	3,000	220,687	(3,000)
Jetty Extension Project					
Administration/Engineering	208,241	208,241	-	208,241	-
Legal	2,303	2,303	-	2,303	-
Construction	1,245,771	1,245,771	-	1,245,771	-
Subtotal	1,456,315	1,456,315	-	1,456,315	-

**VILLAGE OF BALD HEAD ISLAND
 BEACH STABILIZATION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2019**

EXHIBIT B-3
 Page 2 of 3

	Project Author- ization	Actual		Total To Date	Variance Positive (Negative)
		Prior Year(s)	Current Year		
Sand Replacement Project					
Administration/Engineering	402,893	402,893	-	402,893	-
Monitoring	50,804	50,804	-	50,804	-
Legal	160,795	160,795	-	160,795	-
Construction	16,047,974	16,047,974	-	16,047,974	-
Dune Restoration/Vegetation	20,000	20,000	-	20,000	-
Subtotal	<u>16,682,466</u>	<u>16,682,466</u>	-	<u>16,682,466</u>	-
Terminal Groins Project					
Administration/Engineering	2,764,184	2,856,867	-	2,856,867	(92,683)
Legal	416,349	391,846	-	391,846	24,503
Construction	<u>5,826,381</u>	<u>5,826,381</u>	-	<u>5,826,381</u>	-
Subtotal	<u>9,006,914</u>	<u>9,075,094</u>	-	<u>9,075,094</u>	<u>(68,180)</u>
BHI Creek Dredging					
Administration/engineering	365,113	365,113	-	365,113	-
Monitoring	45,944	45,944	-	45,944	-
Construction	<u>1,241,869</u>	<u>1,241,869</u>	-	<u>1,241,869</u>	-
Subtotal	<u>1,652,926</u>	<u>1,652,926</u>	-	<u>1,652,926</u>	-
Sandtube Groins					
Administration/Engineering	62,267	62,267	-	62,267	-
Construction	<u>676,537</u>	<u>676,653</u>	-	<u>676,653</u>	<u>(116)</u>
Subtotal	<u>738,804</u>	<u>738,920</u>	-	<u>738,920</u>	<u>(116)</u>
Row Boat Row Beach					
Administration/Engineering	311,165	303,530	1,257	304,787	6,378
Construction	<u>964,395</u>	<u>964,395</u>	-	<u>964,395</u>	-
Subtotal	<u>1,275,560</u>	<u>1,267,925</u>	<u>1,257</u>	<u>1,269,182</u>	<u>6,378</u>
Shoreline Beach Renourishment					
Engineering	445,000	-	435,000	435,000	10,000
Legal	62,500	-	62,500	62,500	-
Construction	<u>13,342,500</u>	-	<u>13,342,185</u>	<u>13,342,185</u>	<u>315</u>
Subtotal	<u>13,850,000</u>	-	<u>13,839,685</u>	<u>13,839,685</u>	<u>10,315</u>
Total expenditures	<u>51,073,961</u>	<u>37,365,064</u>	<u>13,944,397</u>	<u>51,309,461</u>	<u>(235,500)</u>
Revenues over (under) expenditures	<u>(48,809,157)</u>	<u>(35,080,475)</u>	<u>(13,879,406)</u>	<u>(48,959,881)</u>	<u>(150,724)</u>

**VILLAGE OF BALD HEAD ISLAND
 BEACH STABILIZATION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2019**

	Project Author- ization	Actual		Total To Date	Variance Positive (Negative)
		Prior Year(s)	Current Year		
Other financing sources (uses)					
Operating transfer from					
General Fund	8,726,962	9,346,929	301,833	9,648,762	921,800
Village Facilities Fund	1,663,470	1,663,470	-	1,663,470	-
Bonds Issued - 2009	15,000,000	15,000,000	-	15,000,000	-
Bonds Issued - 2012	1,718,725	1,718,725	-	1,718,725	-
Bonds Issued - 2014	8,500,000	8,500,000	-	8,500,000	-
Bonds Issued - 2018	<u>13,200,000</u>	<u>-</u>	<u>13,200,000</u>	<u>13,200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>48,809,157</u>	<u>36,229,124</u>	<u>13,501,833</u>	<u>49,730,957</u>	<u>921,800</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>1,148,649</u>	<u>(377,573)</u>	<u>771,076</u>	<u>771,076</u>
Fund balance, beginning			<u>1,148,649</u>		
Fund balance, ending			<u>771,076</u>		

VILLAGE OF BALD HEAD ISLAND
VILLAGE FACILITIES IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2019

EXHIBIT B-4

	Project Author- ization	Prior Year	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues					
Investment earnings					
Interest earned	105,160	121,005	3,296	124,301	19,141
Total revenues	<u>105,160</u>	<u>121,005</u>	<u>3,296</u>	<u>124,301</u>	<u>19,141</u>
Expenditures					
General Government					
Capital outlay:					
Administration - village hall	238,686	225,097	-	225,097	13,589
Construction - village hall	724,316	533,813	-	533,813	190,503
Furnishings/Equipment - village hall	41,802	41,276	-	41,276	526
Purchase of real property	330,082	330,082	-	330,082	-
Total	<u>1,334,886</u>	<u>1,130,268</u>	<u>-</u>	<u>1,130,268</u>	<u>204,618</u>
Public Safety					
Capital outlay:					
Administration and engineering	690,624	782,316	7,112	789,428	(98,804)
Legal and professional services	5,131	15,972	-	15,972	(10,841)
Construction	7,475,626	7,361,995	26,668	7,388,663	86,963
Total	<u>8,171,381</u>	<u>8,160,283</u>	<u>33,780</u>	<u>8,194,063</u>	<u>(22,682)</u>
Total expenditures	<u>9,506,267</u>	<u>9,290,551</u>	<u>33,780</u>	<u>9,324,331</u>	<u>181,936</u>
Revenues over (under) expenditures	<u>(9,401,107)</u>	<u>(9,169,546)</u>	<u>(30,484)</u>	<u>(9,200,030)</u>	<u>(201,077)</u>
Other financing sources (uses)					
Loan proceeds	8,000,000	8,165,000	-	8,165,000	165,000
Operating transfer from General Fund	3,455,533	3,328,676	-	3,328,676	(126,857)
Operating transfers to General Fund	(425,596)	(425,596)	(204,580)	(630,176)	(204,580)
Beach Stabilization Fund	(1,663,470)	(1,663,470)	-	(1,663,470)	-
Net other financing sources (uses)	<u>9,401,107</u>	<u>9,404,610</u>	<u>(204,580)</u>	<u>9,200,030</u>	<u>(201,077)</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>235,064</u>	<u>(235,064)</u>	<u>-</u>	<u>-</u>
Fund balance, beginning			<u>235,064</u>		
Fund balance, ending			<u>-</u>		

VILLAGE OF BALD HEAD ISLAND
CONTRACTOR SERVICES AND PUBLIC WORKS REDESIGN PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2019

EXHIBIT B-5

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	-	-	-
Total revenues	-	-	-	-	-
<u>Expenditures</u>					
Capital outlay:					
Construction	204,580	-	-	-	204,580
Total expenditures	204,580	-	-	-	204,580
Revenues over (under) expenditures	(204,580)	-	-	-	204,580
Other financing sources (uses)					
Operating transfer from General Fund	204,580	-	204,580	204,580	-
Revenues and other financing sources over (under) expenditures	-	-	204,580	204,580	204,580
Fund balance, beginning			-		
Fund balance, ending			204,580		

**VILLAGE OF BALD HEAD ISLAND
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

EXHIBIT B-6

	<u>Village Facilities Improvement Fund</u>	<u>Contractor Services & Public Works Redesign Project</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Cash and cash equivalents	-	162,696	162,696
Investments	-	41,884	41,884
Total assets	-	204,580	204,580
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Total liabilities	-	-	-
 Fund balances:			
Restricted for:			
Economic Development	-	204,580	204,580
Total fund balances	-	204,580	204,580
Total liabilities and fund balances	-	204,580	204,580

VILLAGE OF BALD HEAD ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

EXHIBIT B-7

	<u>Village Facilities</u> <u>Improvement</u> <u>Fund</u>	<u>Contractor</u> <u>Services & Public</u> <u>Works Redesign</u> <u>Project</u>	<u>Total Non-Major</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Investment earnings	3,296	-	3,296
Total revenues	<u>3,296</u>	<u>-</u>	<u>3,296</u>
EXPENDITURES			
Current:			
Public Safety	33,780	-	33,780
Total expenditures	<u>33,780</u>	<u>-</u>	<u>33,780</u>
Excess (deficiency) of revenues over expenditures	<u>(30,484)</u>	<u>-</u>	<u>(30,484)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	204,580	204,580
Transfers out	(204,580)	-	(204,580)
Total other financing sources and uses	<u>(204,580)</u>	<u>204,580</u>	<u>-</u>
Net change in fund balances	(235,064)	204,580	(30,484)
Fund balances - beginning	<u>235,064</u>	<u>-</u>	<u>235,064</u>
Fund balances - ending	<u>-</u>	<u>204,580</u>	<u>204,580</u>

**VILLAGE OF BALD HEAD ISLAND
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2019**

EXHIBIT C-1
Page 1 of 3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water charges			
Water service	893,157	856,649	(36,508)
Water tap fees	248,650	223,386	(25,264)
Brunswick County surcharge	-	-	-
Pipeline surcharge	250,149	249,038	(1,111)
FEMA Reimbursement	-	221,843	221,843
Miscellaneous revenue	5,000	5,130	130
Total	1,396,956	1,556,046	159,090
Sewer charges			
Sewer service	1,010,100	997,538	(12,562)
Sewer tap fees	470,700	21,946	(448,754)
Septic maintenance	19,656	20,174	518
Port-O-John rentals	36,830	47,024	10,194
Total	1,537,286	1,086,682	(450,604)
Total operating revenues	2,934,242	2,642,728	(291,514)
Nonoperating revenues			
Interest income	-	23,729	23,729
Insurance reimbursement	-	150,338	150,338
Sale of assets	-	2,001	2,001
Grant revenue	-	-	-
Contributions from customers	-	278,328	278,328
Total nonoperating revenues	-	454,396	454,396
Total revenues	2,934,242	3,097,124	162,882
Expenditures			
Operating expenditures			
Salaries and wages	657,340	653,152	4,188
Employee benefits	182,834	174,807	8,027
Utilities	98,780	97,338	1,442
Telephone	40,170	53,793	(13,623)
Communications	-	-	-
Gas and oil	7,080	7,530	(450)
Travel	4,122	2,103	2,019
Ferry expense	29,510	28,701	809
Parking	5,750	6,450	(700)
Barges and shipping	90,600	95,067	(4,467)
Equipment maintenance	12,420	8,193	4,227
Non-expendable supplies	1,500	1,499	1
Cart maintenance	1,600	253	1,347
Vehicle maintenance	14,269	11,495	2,774
Building and grounds maintenance	12,000	13,061	(1,061)
System repairs and maintenance	350,513	406,477	(55,964)

**VILLAGE OF BALD HEAD ISLAND
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2019**

EXHIBIT C-1
Page 2 of 3

	Budget	Actual	Variance Positive (Negative)
Office supplies	1,380	832	548
Water supplies	12,240	16,647	(4,407)
Sewer supplies	62,400	51,578	10,822
Safety equipment	2,040	2,088	(48)
Tools	4,671	4,317	354
Building supplies	2,000	1,043	957
Copies and printing	9,180	8,163	1,017
Postage	600	401	199
Dues and subscriptions	1,200	945	255
Uniforms	3,775	3,392	383
Training and certification	2,500	1,020	1,480
Permits	5,000	3,530	1,470
Miscellaneous	2,000	448	1,552
Professional services	34,500	62,872	(28,372)
Lab fees	21,050	28,987	(7,937)
Medical fees	500	-	500
Purchase of water	57,315	57,923	(608)
Insurance	54,229	53,705	524
IT Services	55,171	3,185	51,986
Equipment rental	2,800	3,153	(353)
Golf cart lease	8,899	7,750	1,149
Non-depreciable equipment	-	80,186	(80,186)
Manager's supplemental funds	12,000	12,267	(267)
Total	1,863,938	1,964,351	(100,413)
Debt service			
Principal payments	803,630	803,102	528
Interest and other costs	38,384	38,911	(527)
Total	842,014	842,013	1
Capital outlay			
Capital asset additions	412,962	74,064	338,898
Total expenditures	3,118,914	2,880,428	238,486
Revenues over (under) expenditures	(184,672)	216,696	401,368

**VILLAGE OF BALD HEAD ISLAND
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the year ended June 30, 2019**

EXHIBIT C-1
Page 3 of 3

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)			
Fund balance appropriated	259,627	-	(259,627)
Transfer from Capital Project	-	102,727	102,727
Transfer to Capital Project	(49,955)	-	49,955
Transfer to capital reserve	(25,000)	-	25,000
	<u>184,672</u>	<u>102,727</u>	<u>(81,945)</u>
Total other financing sources (uses)			
	<u>184,672</u>	<u>102,727</u>	<u>(81,945)</u>
Revenues and other sources over expenditures and other uses	<u>-</u>	<u>319,423</u>	<u>319,423</u>
Fund Balance			
Beginning of year		<u>1,816,207</u>	
End of year		<u>2,135,630</u>	
Reconciliation from budgetary basis (modified accrual) to full accrual			
Revenues and other sources over expenditures and other uses		319,423	
Reconciling items:			
Principal retirement		803,102	
Capital outlay		74,064	
Book value of assets sold		(1,201)	
Increase in interest expense accrued		3,120	
Increase in accrued vacation pay		3,786	
Increase in deferred outflows of resources - pensions		53,691	
Increase in net pension liability		(60,227)	
Decrease in deferred inflows of resources - pensions		3,188	
Depreciation		(328,264)	
Interest income recorded in capital projects		1,655	
Transfer from Capital Projects to Water and Sewer Fund		<u>(102,727)</u>	
Change in net position per exhibit 7		<u>769,610</u>	

VILLAGE OF BALD HEAD ISLAND
INFILTRATION POND IMPROVEMENT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2019

EXHIBIT C-2

	Project Author- ization	Prior Year	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues					
Interest on investments	22,750	23,845	1,655	25,500	2,750
Total revenues	<u>22,750</u>	<u>23,845</u>	<u>1,655</u>	<u>25,500</u>	<u>2,750</u>
Expenditures					
Capital outlay:					
Infiltration pond					
Administration	45,000	44,289	-	44,289	711
Engineering	804,505	804,920	-	804,920	(415)
Legal	468,624	458,069	-	458,069	10,555
Construction	412,451	402,499	-	402,499	9,952
Total	<u>1,730,580</u>	<u>1,709,777</u>	<u>-</u>	<u>1,709,777</u>	<u>20,803</u>
Aquifer study					
Administration	112,050	34,080	-	34,080	77,970
Engineering/Legal	332,860	331,658	-	331,658	1,202
Construction	91,739	91,739	-	91,739	-
Total	<u>536,649</u>	<u>457,477</u>	<u>-</u>	<u>457,477</u>	<u>79,172</u>
Total expenditures	<u>2,267,229</u>	<u>2,167,254</u>	<u>-</u>	<u>2,167,254</u>	<u>99,975</u>
Revenues over (under) expenditures	<u>(2,244,479)</u>	<u>(2,143,409)</u>	<u>1,655</u>	<u>(2,141,754)</u>	<u>102,725</u>
Other financing sources (uses)					
Transfer from					
General Fund	1,796,855	1,796,857	-	1,796,857	2
Water and Sewer Fund	447,624	447,624	-	447,624	-
Transfer to					
Water and Sewer Fund	<u>-</u>	<u>-</u>	<u>(102,727)</u>	<u>(102,727)</u>	<u>(102,727)</u>
Net other financing sources (uses)	<u>2,244,479</u>	<u>2,244,481</u>	<u>(102,727)</u>	<u>2,141,754</u>	<u>(102,725)</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>101,072</u>	<u>(101,072)</u>	<u>-</u>	<u>-</u>
Fund balance, beginning			<u>101,072</u>		
Fund balance, ending			<u>-</u>		

Other Schedules

This section includes additional information on property taxes and transfers.

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

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019**

EXHIBIT D-1

Fiscal Year	Uncollected Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	Uncollected Balance <u>June 30, 2019</u>
2018-2019	-	8,071,521	8,037,128	34,393
2017-2018	17,793	-	9,693	8,100
2016-2017	4,946	-	4,911	35
2015-2016	1,576	-	1,252	324
2014-2015	196	-	-	196
2013-2014	209	-	-	209
2012-2013	76	-	-	76
2011-2012	-	-	-	-
2010-2011	406	-	-	406
2009-2010	634	-	-	634
2008-2009	784	-	784	-
2007-2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>26,620</u>	<u>8,071,521</u>	<u>8,053,768</u>	<u>44,373</u>

Reconciliation with revenues

Taxes - ad valorem - General Fund	8,066,051
Less interest and penalties	13,066
Taxes written off	<u>783</u>
Total collections	<u>8,053,768</u>

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
VILLAGE-WIDE LEVY
For the Year Ended June 30, 2019

EXHIBIT D-2

	Village-Wide			Total Levy	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	1,118,789,726	0.006863	7,678,254	7,678,254	
Special district taxes			418,268	418,268	
Registered motor vehicles taxed at current year's rate	-	0.006863	-	-	-
Total original levy	<u>1,118,789,726</u>		<u>8,096,522</u>	<u>8,096,522</u>	<u>-</u>
Discoveries:					
Property taxed at current year's rate	288,206	0.006863	1,978	1,978	
Special district taxes			114	114	
Prior year taxes			-	-	
Prior year special district taxes	-		-	-	-
Total discoveries	<u>288,206</u>		<u>2,092</u>	<u>2,092</u>	<u>-</u>
Abatements:					
Property taxed at current year's rate	3,488,230	0.006863	23,940	23,940	
Special district taxes			3,153	3,153	
Registered motor vehicles taxed at current and prior year's rate	-	0.006863	-	-	-
Total abatements	<u>3,488,230</u>		<u>27,093</u>	<u>27,093</u>	<u>-</u>
Net levy	<u>1,115,589,702</u>		8,071,521	8,071,521	-
Uncollected taxes at June 30, 2019			<u>34,393</u>	<u>34,393</u>	<u>-</u>
Current year's taxes collected			<u>8,037,128</u>	<u>8,037,128</u>	<u>-</u>
Current levy collection percentage			<u>99.57%</u>	<u>99.57%</u>	<u>0.00%</u>

Compliance Section

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*

Independent Auditor's Report

To the Honorable Mayor and the
Members of Council
Village of Bald Head Island
Bald Head Island, North Carolina 28461

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bald Head Island, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Village of Bald Head Island's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Bald Head Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Bald Head Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Bald Head Island's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.


Certified Public Accountants

November 22, 2019

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDING
For the Year Ended June 30, 2019**

EXHIBIT E-2

Finding: 2018-1

Status: The condition has been corrected

Finding: 2018-2

Status: The condition has been corrected

Finding: 2018-3

Status: The condition has been corrected

Finding: 2018-4

Status: The condition has been corrected