

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2020

Village Council Members

J. Andrew Sayre, Mayor
Mike Brown, Mayor Pro Tempore
Peter Quinn
Emily Hill
Jim Bonica

Administrative and Financial Staff

Chris McCall, Village Manager
Zachary Hewett, 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, 2020 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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial 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, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year 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 basic financial statements of the Village of Bald Head Island. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the combining and individual fund financial statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, 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 January 13, 2021 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.


Certified Public Accountants

Berry, Padgett & Chandler, PLLC
Southport, NC 28461
January 13, 2021

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, 2020. 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.

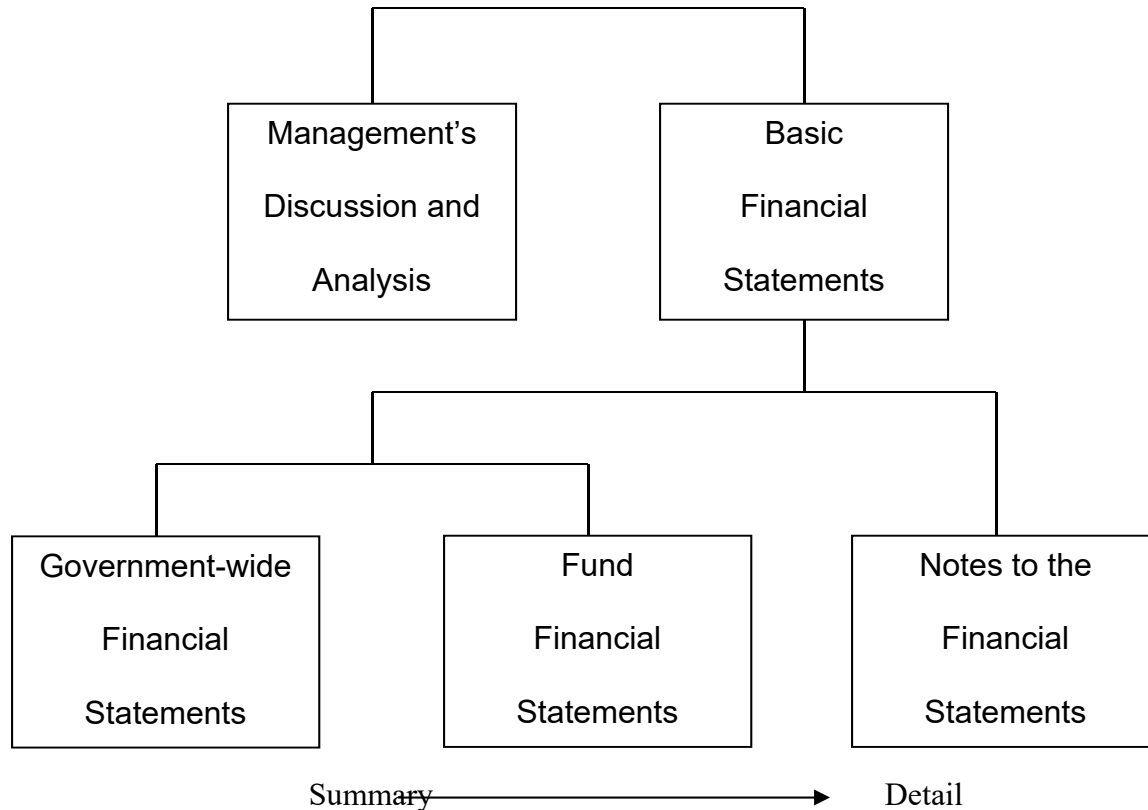
Financial Highlights

- 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 \$31,315,374 (*net position*).
- The government's total net position *increased* by \$4,719,149 primarily due to a decrease in Long-term Outstanding Liabilities through the payments of annual debt service principal owed.
- As of the close of the current fiscal year, the Village of Bald Head Island's governmental funds reported combined ending fund balances of \$9,569,546, an increase of \$1,557,775 in comparison with the prior year. Approximately 63% percent of this total amount or \$6,033,885 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 \$5,670,916 which is an increase of \$1,343,691.
- The Village of Bald Head Island's total governmental debt decreased by \$2,737,050 during the current fiscal year, mainly attributable to planned debt service principal payments.

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.

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

Village of Bald Head Island's Net Position
June 30, 2020
Figure 2

	Government Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 9,985,914	\$ 8,491,553	\$ 2,061,738	\$ 2,251,108	\$ 12,047,652	\$ 10,742,661
Capital assets	28,445,463	28,725,392	11,625,448	11,596,350	40,070,911	40,321,742
Deferred outflows of resources	916,694	851,808	142,244	145,092	1,058,938	996,900
Total assets and deferred outflows of resources	39,348,071	38,068,753	13,829,430	13,992,550	53,177,501	52,061,303
Long term liabilities outstanding	20,306,596	23,043,646	903,158	1,665,516	21,209,754	24,709,162
Other liabilities	482,272	553,870	66,712	62,001	548,984	615,871
Deferred inflows of resources	41,170	68,680	62,219	71,365	103,389	140,045
Total liabilities and deferred inflows of resources	20,830,038	23,666,196	1,032,089	1,798,882	21,862,127	25,465,078
Net position:						
Net Investment Capital Assets	10,011,910	7,116,661	11,000,629	10,152,312	21,012,539	17,268,973
Restricted	3,512,691	3,290,946			3,512,691	3,290,946
Unrestricted	4,993,432	3,994,950	1,796,712	2,041,356	6,790,144	6,036,306
Total net position	\$ 18,518,033	\$ 14,402,557	\$ 12,797,341	\$ 12,193,668	\$ 31,315,374	\$ 26,596,225

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 \$31,315,374 as of June 30, 2020. The Village's net position *increased* by \$4,719,149 for the fiscal year ended June 30, 2020. However, the largest portion \$21,012,539 (67%) 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 \$3,512,691 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,790,144 is unrestricted.

Village of Bald Head Island's Changes in Net Position
Figure 3

	Government Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for services	1,433,481	1,390,009	2,500,385	2,415,755	3,933,866	3,805,764
Operating grants and contributions	2,506,889	2,077,878	102,783	221,843	2,609,672	2,299,721
Capital grants and contributions	137	143,100	189,264	278,328	189,401	421,428
General revenues:						
Property taxes	8,338,792	8,084,421			8,338,792	8,084,421
Other taxes & licenses	1,621,591	1,646,004			1,621,591	1,646,004
Unrestricted investment earnings	65,282	101,569	11,646	25,384	76,928	126,953
Other	156,982	286,641	3,684	155,468	160,666	442,109
Total Revenues	14,123,154	13,729,622	2,807,762	3,096,778	16,930,916	16,826,400
Expenses:						
General government	2,790,454	2,326,984			2,790,454	2,326,984
Public Safety	3,274,470	2,822,915			3,274,470	2,822,915
Transportation	211,330	303,242			211,330	303,242
Environmental protection	1,892,976	3,671,822			1,892,976	3,671,822
Economic & physical development	1,186,839	14,590,366			1,186,839	14,590,366
Interest on long term debt	651,609	581,640			651,609	581,640
Water & Sewer			2,204,089	2,327,168	2,204,089	2,327,168
Total Expenses	10,007,678	24,296,969	2,204,089	2,327,168	12,211,767	26,624,137
Increase (decrease) in net position	4,115,476	(10,567,347)	603,673	769,610	4,719,149	(9,797,737)
Net position, July 1	14,402,557	24,969,904	12,193,668	11,424,058	26,596,225	36,393,962
Net position, June 30	18,518,033	14,402,557	12,797,341	12,193,668	31,315,374	26,596,225

Governmental activities. Governmental activities increased the Village's net position by \$4,115,476 primarily due to the decrease in overall expenses as compared to the prior year. Specifically, a one-time issuance of general obligation bonds in the previous year was used to fund a beach and sand restoration project.

Business-type activities. Business-type activities increased the Village's net position by \$603,673. Key elements of this increase are decreases in overall expenses, as well as improvements made to the Village's water and wastewater system.

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 \$6,033,885 while total fund balance reached \$7,562,871. 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 47% of general fund expenditures, while total fund balance represents 63% of the same amount.

At June 30, 2020, the governmental funds of Village of Bald Head Island reported a combined fund balance of \$9,569,546, which equals a 19% percent increase over last year. This increase is mainly due to the beach stabilization and sand replenishment project being completed in the prior year.

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, occupancy taxes, and intergovernmental revenues. In addition, the Village received FEMA reimbursements for Village expenses incurred during Hurricane Dorian and 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 \$1,796,712. The total change in net position for the fund was an increase of \$603,673.

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, 2020, totals \$40,070,911 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 6,052,875	\$ 6,036,723	\$ 35,000	\$ 35,000	\$ 6,087,875	\$ 6,071,723
Buildings	9,212,546	9,379,383	593,013	594,811	9,805,559	9,974,194
Other Improvements	473,774	507,800			473,774	507,800
Utility Systems			10,605,443	10,806,684	10,605,443	10,806,684
Furniture and Equipment	277,784	253,326	284,936	138,705	562,720	392,031
Infrastructure	11,478,060	11,851,782			11,478,060	11,851,782
Vehicles and Motorized Equipment	437,251	430,100	107,056	21,150	544,307	451,250
Construction in Progress	513,173	266,278			513,173	266,278
Total	\$ 28,445,463	\$ 28,725,392	\$ 11,625,448	\$ 11,596,350	\$ 40,070,911	\$ 40,321,742

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, 2020, the Village of Bald Head Island had total long-term debt of \$21,209,754. Of this, \$624,819 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. \$12,205,428 is debt service for a general obligation bond privately placed with PNC Bank in 2018 with a rate of 3.61% for 7 years. \$3,250,000 and \$1,950,000 are

Installment Notes with PNC secured by a Deed of Trust on the Public Safety Complex. \$403,125 is an installment note with PNC and \$625,000 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 \$91,948,507.

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. The Village has experienced damages from Hurricanes in each of the last three years. Additionally, impacts from the COVID-19 pandemic have yet to be realized. Key economic factors that may have an impact on Bald Head Island's economy due to the pandemic are ferry passenger limitations and a projected decrease in vacationers.

Budget Highlights for the Fiscal Year Ending June 30, 2021

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 was 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 the Village's wastewater 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 Club to use all of the re-use quality effluent for irrigation. These upgrades to the 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 zhewett@villagebhi.org for more information.

Basic Financial Statements

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF NET POSITION
June 30, 2020

EXHIBIT 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current assets			
Cash and equivalents	5,308,963	1,292,113	6,601,076
Investments	1,080,987	246,047	1,327,034
Taxes receivable (net)	42,676	-	42,676
Accrued interest receivable on taxes	3,242	-	3,242
Accounts receivable	62,134	215,036	277,170
Due from other governmental agencies	1,309,639	47,475	1,357,114
Inventories	8,470	258,567	267,037
Prepaid expenses	14,500	2,500	17,000
Restricted assets			
Restricted cash and cash equivalents	1,869,457	-	1,869,457
Restricted investments	285,846	-	285,846
Total current assets	9,985,914	2,061,738	12,047,652
Non-current assets			
Capital assets			
Land and improvements not being depreciated	6,566,048	35,000	6,601,048
Other capital assets, net of depreciation	21,879,415	11,590,448	33,469,863
Total capital assets	28,445,463	11,625,448	40,070,911
Total non-current assets	28,445,463	11,625,448	40,070,911
Total assets	38,431,377	13,687,186	52,118,563
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	916,694	142,244	1,058,938
LIABILITIES			
Accounts payable and accrued expenses	310,574	64,284	374,858
Accrued interest	111,822	2,428	114,250
Customer deposits	23,500	-	23,500
Payable from restricted assets	36,376	-	36,376
Long-term liabilities			
Due within one year	3,322,320	669,819	3,992,139
Total current liabilities	3,804,592	736,531	4,541,123
Long-term liabilities			
Net pension liability	1,263,733	225,712	1,489,445
Total pension liability	368,906		368,906
Due in more than one year	15,351,637	7,627	15,359,264
Total liabilities	20,788,868	969,870	21,758,738
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes			
Pension deferrals	41,170	7,254	48,424
Unearned income	-	54,965	54,965
Total deferred inflows of resources	41,170	62,219	103,389
NET POSITION			
Net investment in capital assets	10,011,910	11,000,629	21,012,539
Restricted for:			
Stabilization by State Statute	1,373,617		1,373,617
Economic Development	2,129,690		2,129,690
Inspections	9,384		9,384
Unrestricted	4,993,432	1,796,712	6,790,144
Total net position	18,518,033	12,797,341	31,315,374

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, 2020

EXHIBIT 2

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants	Capital Grants	Governmental	Business-type	Total
		Services	and	and	Activities	Activities	
			Contributions	Contributions			
Primary government							
Governmental activities							
General Government	2,790,454	704,272	-	137	(2,086,045)		(2,086,045)
Public Safety	3,274,470	605,133	1,326,017	-	(1,343,320)		(1,343,320)
Transportation	211,330	-	44,279	-	(167,051)		(167,051)
Environmental protection	1,892,976	-	1,654	-	(1,891,322)		(1,891,322)
Economic and Physical Development	1,186,839	124,076	1,134,939	-	72,176		72,176
Interest on Long-term debt	651,609	-	-	-	(651,609)		(651,609)
Total governmental activities	10,007,678	1,433,481	2,506,889	137	(6,067,171)		(6,067,171)
Business-type activities							
Water and Sewer Operations	2,204,089	2,500,385	102,783	189,264		588,343	588,343
Total business-type activities	2,204,089	2,500,385	102,783	189,264		588,343	588,343
Total primary government	12,211,767	3,933,866	2,609,672	189,401	(6,067,171)	588,343	(5,478,828)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					8,338,792	-	8,338,792
Other taxes					1,621,591	-	1,621,591
Unrestricted investment earnings					65,282	11,646	76,928
Miscellaneous					156,982	3,684	160,666
Total general revenues					10,182,647	15,330	10,197,977
Change in net position					4,115,476	603,673	4,719,149
Net position - beginning					14,402,557	12,193,668	26,596,225
Net position - ending					18,518,033	12,797,341	31,315,374

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

**VILLAGE OF BALD HEAD ISLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

EXHIBIT 3
Page 1 of 2

	<u>Major Funds</u>		<u>Non-Major Fund</u>	
	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Contractor Services & Public Works Redesign Project</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	5,283,506	1,731,992	25,457	7,040,955
Restricted cash	137,465			137,465
Investments	1,076,140	264,144	4,847	1,345,131
Restricted investments	21,702			21,702
Taxes receivable, net	42,676	-	-	42,676
Receivable from other governments	1,309,639	-	-	1,309,639
Other receivables	62,134	-	-	62,134
Prepaid expenses	14,500			14,500
Inventory	8,470		-	8,470
Total assets	<u>7,956,232</u>	<u>1,996,136</u>	<u>30,304</u>	<u>9,982,672</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	301,025	12,376	7,389	320,790
Payable to other governments	2,160	-	-	2,160
Payable from restricted assets	24,000			24,000
Deposits	23,500	-		23,500
Total liabilities	<u>350,685</u>	<u>12,376</u>	<u>7,389</u>	<u>370,450</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	42,676	-	-	42,676
Total deferred inflows of resources	<u>42,676</u>	<u>-</u>	<u>-</u>	<u>42,676</u>
FUND BALANCES				
Non Spendable				
Prepaid expenses	14,500			14,500
Inventories	8,470			8,470
Restricted				
Stabilization by State Statute	1,373,617	-	-	1,373,617
Economic Development	123,015	1,983,760	22,915	2,129,690
Inspections	9,384			9,384
Assigned				
Subsequent expenditures	362,969	-		362,969
Unassigned	5,670,916			5,670,916
Total fund balances	<u>7,562,871</u>	<u>1,983,760</u>	<u>22,915</u>	<u>9,569,546</u>
Total liabilities, deferred inflows of resources and fund balances	<u>7,956,232</u>	<u>1,996,136</u>	<u>30,304</u>	<u>9,982,672</u>

VILLAGE OF BALD HEAD ISLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

EXHIBIT 3
Page 2 of 2

Total fund balance, governmental funds	9,569,546
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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.	28,445,463
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Deferred outflows of resources related to pensions are not reported in the funds	916,694
--	---------

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.	3,242
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Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	42,676
--	--------

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	(18,673,957)	
Net pension liability	(1,263,733)	
Total pension liability	<u>(368,906)</u>	(20,306,596)

Deferred inflows of resources related to pensions are not reported in the funds	(41,170)
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	<u>(111,822)</u>
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Net position of governmental activities	<u><u>18,518,033</u></u>
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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, 2020

EXHIBIT 4
Page 1 of 2

	<u>Major Funds</u>		<u>Non-Major Fund</u>	
	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Contractor Services & Public Works Redesign Project</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	8,341,633	-		8,341,633
Other taxes	1,161,905	-		1,161,905
Unrestricted intergovernmental revenues	462,298	-		462,298
Restricted intergovernmental revenues	1,372,087	1,134,939		2,507,026
Licenses and permits	594,864	-		594,864
Sales and services	828,348	-		828,348
Investment earnings	52,549	12,503	230	65,282
Miscellaneous	165,259	-		165,259
Total revenues	<u>12,978,943</u>	<u>1,147,442</u>	<u>230</u>	<u>14,126,615</u>
 Current:				
General government	2,717,210	-	-	2,717,210
Public safety	2,884,890	-	-	2,884,890
Transportation	211,330	-	-	211,330
Environmental protection	1,478,832	-	-	1,478,832
Economic and physical development	912,277	279,594	246,895	1,438,766
Debt Service:				
Principal	3,175,178	-	-	3,175,178
Interest and other charges	662,634	-	-	662,634
Total expenditures	<u>12,042,351</u>	<u>279,594</u>	<u>246,895</u>	<u>12,568,840</u>
Excess (deficiency) of revenues over expenditures	<u>936,592</u>	<u>867,848</u>	<u>(246,665)</u>	<u>1,557,775</u>
 OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net	-	-	-	-
Transfers in	-	344,836	65,000	409,836
Transfers out	(409,836)	-	-	(409,836)
Total other financing sources and uses	<u>(409,836)</u>	<u>344,836</u>	<u>65,000</u>	<u>-</u>
 Net change in fund balances	526,756	1,212,684	(181,665)	1,557,775
Fund balances - beginning	<u>7,036,115</u>	<u>771,076</u>	<u>204,580</u>	<u>8,011,771</u>
 Fund balances - ending	<u><u>7,562,871</u></u>	<u><u>1,983,760</u></u>	<u><u>22,915</u></u>	<u><u>9,569,546</u></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, 2020

EXHIBIT 4
Page 2 of 2

Net change in fund balances - total governmental funds:	1,557,775
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	484,295
Depreciation	(763,604)
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.	
	(620)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	
	297,560
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	(1,697)
Increase in interest receivable on property taxes	(1,144)
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.	
Principal payments on long-term debt	3,175,178
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	11,025
Compensated absences	(37,357)
Pension expense (LGERS)	(455,755)
Net pension expense (LEO)	(150,180)
Change in net position of governmental activities	4,115,476

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 - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

EXHIBIT 5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	8,310,741	8,310,741	8,341,633	30,892
Other taxes	844,603	844,603	1,161,905	317,302
Unrestricted intergovernmental revenues	535,968	535,968	462,298	(73,670)
Restricted intergovernmental revenues	418,580	555,338	1,372,087	816,749
Licenses and permits	441,947	441,947	594,864	152,917
Sales and services	715,333	715,333	704,272	(11,061)
Investment earnings	118,836	118,836	51,522	(67,314)
Miscellaneous	21,025	151,466	165,259	13,793
Total revenues	11,407,033	11,674,232	12,853,840	1,179,608
EXPENDITURES				
Current:				
General government	2,752,558	2,753,435	2,717,210	36,225
Public safety	2,688,148	2,887,784	2,884,890	2,894
Transportation	142,500	211,500	211,330	170
Environmental protection	1,443,727	1,487,407	1,478,832	8,575
Economic and physical development	908,979	862,979	862,164	815
Debt Service:				
Principal	3,175,179	3,175,179	3,175,178	1
Interest and other charges	662,630	662,636	662,634	2
Total expenditures	11,773,721	12,040,920	11,992,238	48,682
Excess (deficiency) of revenues over expenditures	(366,688)	(366,688)	861,602	1,228,290
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(65,000)	(409,836)	344,836
Total other financing sources and uses	-	(65,000)	(409,836)	344,836
Fund balance appropriated	366,688	431,688	-	431,688
Net change in fund balances	-	-	451,766	(451,766)
Fund balances - beginning			6,988,090	
Fund balances - ending			7,439,856	
Legally budgeted Stormwater Management Fund is consolidated into the General Fund for reporting purposes:				
Revenue			125,103	
Expenditures			(50,113)	
Fund balances - beginning			48,025	
Fund balances - ending (Exhibit 4)			7,562,871	

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, 2020

EXHIBIT 6

	Enterprise Funds	
	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	1,292,113	1,292,113
Investments	246,047	246,047
Accounts receivable, net	215,036	215,036
Receivables from other governments	47,475	47,475
Inventories	258,567	258,567
Prepaid expenses	2,500	2,500
Total current assets	<u>2,061,738</u>	<u>2,061,738</u>
Non-current assets:		
Capital assets:		
Land and construction in progress	35,000	35,000
Other capital assets, net of depreciation	11,590,448	11,590,448
Total capital assets	<u>11,625,448</u>	<u>11,625,448</u>
Total non-current assets	<u>11,625,448</u>	<u>11,625,448</u>
Total assets	<u>13,687,186</u>	<u>13,687,186</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>142,244</u>	<u>142,244</u>
LIABILITIES		
Current liabilities:		
Accounts payable	64,284	64,284
Accrued interest payable	2,428	2,428
Compensated absences - current	45,000	45,000
Bonds, notes and loans payable - current	624,819	624,819
Total current liabilities	<u>736,531</u>	<u>736,531</u>
Non-current liabilities:		
Compensated absences	7,627	7,627
Net pension liability	225,712	225,712
Total non-current liabilities	<u>233,339</u>	<u>233,339</u>
Total liabilities	<u>969,870</u>	<u>969,870</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	7,254	7,254
Unearned income	54,965	54,965
Total deferred inflows of resources	<u>62,219</u>	<u>62,219</u>
NET POSITION		
Net investment in capital assets	11,000,629	11,000,629
Unrestricted	1,796,712	1,796,712
Total net position	<u>12,797,341</u>	<u>12,797,341</u>

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, 2020

EXHIBIT 7

	Enterprise Funds	
	<u>Water and Sewer</u>	
	<u>Fund</u>	<u>Total</u>
REVENUES		
Charges for services	2,500,385	2,500,385
Miscellaneous operating revenue	3,684	3,684
Total operating revenues	<u>2,504,069</u>	<u>2,504,069</u>
OPERATING EXPENSES		
Water and sewer operations	1,848,362	1,848,362
Depreciation	343,409	343,409
Total operating expenses	<u>2,191,771</u>	<u>2,191,771</u>
Operating income (loss)	<u>312,298</u>	<u>312,298</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	11,646	11,646
Operating grants and contributions	102,783	102,783
Interest expense	(19,610)	(19,610)
Gain on sale of assets	7,292	7,292
Total non-operating revenue (expenses)	<u>102,111</u>	<u>102,111</u>
Income (loss) before contributions and transfers	414,409	414,409
Capital contributions	189,264	189,264
Change in net position	603,673	603,673
Total net position - beginning	<u>12,193,668</u>	<u>12,193,668</u>
Total net position - ending	<u>12,797,341</u>	<u>12,797,341</u>

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

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2020

EXHIBIT 8
Page 1 of 2

	<u>Enterprise Funds</u>	
	Water & Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	2,485,811	2,485,811
Cash paid for goods and services	(1,012,002)	(1,012,002)
Cash paid to employees	(613,426)	(613,426)
Other operating revenue	3,684	3,684
Net cash provided (used) by operating activities	<u>864,067</u>	<u>864,067</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(373,215)	(373,215)
Principal paid on long-term debt	(819,219)	(819,219)
Interest paid on long-term debt	(22,794)	(22,794)
Contributions from customers	292,047	292,047
Proceeds from sale of assets	<u>8,000</u>	<u>8,000</u>
Net cash provided (used) for capital and related financing activities	<u>(915,181)</u>	<u>(915,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	11,646	11,646
Investments purchased	<u>76,537</u>	<u>76,537</u>
Net cash provided (used) for investing activities	<u>88,183</u>	<u>88,183</u>
Net increase (decrease) in cash and cash equivalents	37,069	37,069
Cash and cash equivalents at beginning of year	<u>1,255,044</u>	<u>1,255,044</u>
Cash and cash equivalents at end of year	<u><u>1,292,113</u></u>	<u><u>1,292,113</u></u>

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2020

EXHIBIT 8
Page 2 of 2

	<u>Enterprise Funds</u>	
	<u>Water & Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	<u>312,298</u>	<u>312,298</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	343,409	343,409
Changes in assets, deferred outflows, and liabilities:		
(Increase) decrease in accounts receivable	164,907	164,907
(Increase) decrease in inventory	(15,005)	(15,005)
Increase in deferred outflows of resources - pensions	2,848	2,848
Increase in net pension liability	45,092	45,092
Decrease in deferred inflows of resources - pensions	(5,022)	(5,022)
Increase (decrease) in accounts payable	30,562	30,562
Increase (decrease) in accrued wages	(22,667)	(22,667)
Increase (decrease) in accrued vacation	11,769	11,769
Increase (decrease) in unearned income	<u>(4,124)</u>	<u>(4,124)</u>
Total adjustments	<u>551,769</u>	<u>551,769</u>
Net cash provided (used) by operating activities	<u>864,067</u>	<u>864,067</u>

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, 2020

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 specific 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 specific 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 public works 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:

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.

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. 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) money market mutual fund, 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, 2020, the Term Portfolio has a duration of .15 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	\$ 23,500
Stormwater Management - Cash	113,965
Stormwater Management - Investments	<u>21,702</u>

Beach Stabilization Fund

Cash	\$ 1,731,992
Investments	<u>264,144</u>

Total governmental activities	<u>\$ 2,155,303</u>
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Total Restricted Cash and Investments	<u><u>\$ 2,155,303</u></u>
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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, 2019.

5. Allowances for Doubtful Accounts

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

6. Inventory 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 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The 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 and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance- This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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, 2020.

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, 2020, the Village's deposits had a carrying amount of \$8,470,033 and a bank balance of \$8,699,579. Of the bank balance, \$262,877 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, 2020, the Village's petty cash fund totaled \$500.

2. Investments

At June 30, 2020, the Village's investment balances were as follows:

Investment Type	Valuation	Book Value at 6/30/20	Maturity	Rating
	Measurement Method			
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	1,606,569	.15 years ^a	Unrated
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	6,311	N/A	AAAm
Total		<u>1,612,880</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.

- a. This is for the duration of the Term Portfolio.

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, 2020. 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, 2020 is net of the following allowance for doubtful accounts:

Enterprise Fund	<u>4,223</u>
Total	<u><u>4,223</u></u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Reclassi- fications	Increases	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	6,036,723	-	16,152	-	6,052,875
Construction in progress	<u>266,278</u>	-	<u>246,895</u>	-	<u>513,173</u>
Total capital assets not being depreciated	<u>6,303,001</u>	-	<u>263,047</u>	-	<u>6,566,048</u>
Capital assets being depreciated					
Buildings	10,066,151	-	36,059	-	10,102,210
Other improvements	1,132,651	-	-	-	1,132,651
Vehicles and motorized equipment	1,473,511	-	91,568	-	1,565,079
Furniture and equipment	881,783	-	93,621	6,200	969,204
Infrastructure	<u>13,457,864</u>	-	-	-	<u>13,457,864</u>
Total capital assets being depreciated	<u>27,011,960</u>	-	<u>221,248</u>	<u>6,200</u>	<u>27,227,008</u>
Less accumulated depreciation for:					
Buildings	686,768	-	202,896	-	889,664
Other improvements	624,851	-	34,026	-	658,877
Vehicles and motorized equipment	1,043,411	-	84,417	-	1,127,828
Furniture and equipment	628,457	-	68,543	5,580	691,420
Infrastructure	<u>1,606,082</u>	-	<u>373,722</u>	-	<u>1,979,804</u>
Total accumulated depreciation	<u>4,589,569</u>	-	<u>763,604</u>	<u>5,580</u>	<u>5,347,593</u>
Total capital assets being depreciated, net	<u>22,422,391</u>				<u>21,879,415</u>
Governmental activity capital assets, net	<u>28,725,392</u>				<u>28,445,463</u>

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

General government	49,540
Public safety	269,586
Public works	<u>444,478</u>
Total depreciation expense	<u>763,604</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		13,800		768,567
Utility systems	13,806,985	-	75,657		13,882,642
Vehicles and motorized equipment	106,460		100,707	7,500	199,667
Furniture and equipment	385,894	-	183,051	-	568,945
Total capital assets being depreciated	15,054,106	-	373,215	7,500	15,419,821
Less accumulated depreciation for:					
Buildings	159,956		15,598		175,554
Utility systems	3,000,301		276,898		3,277,199
Vehicles and motorized equipment	85,310		14,093	6,792	92,611
Furniture and equipment	247,189	-	36,820	-	284,009
Total accumulated depreciation	3,492,756	-	343,409	6,792	3,829,373
Total capital assets being depreciated, net	11,561,350				11,590,448
Business-type activities capital assets, net	11,596,350				11,625,448

Constructions commitments

The government has one active construction project as of June 30, 2020, but there are no current commitments with contractors.

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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$350,863 for the year ended June 30, 2020.

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, 2020, the Village reported a liability of \$1,489,485 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The 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, 2019, the Village's proportion was 0.05454%, which was an increase of 0.00422% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Village recognized pension expense of \$648,417. At June 30, 2020, 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	255,031	-
Changes of assumptions	242,755	
Net difference between projected and actual earnings on pension plan investments	36,330	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	27,236	39,624
Village contributions subsequent to the measurement date	<u>350,863</u>	
Total	<u><u>912,215</u></u>	<u><u>39,624</u></u>

\$350,863 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	255,972
2022	73,504
2023	144,176
2024	48,076
2025	-
Thereafter	<u>-</u>
Total	<u><u>521,728</u></u>

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

Inflation	3.0 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, 2018 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, 2019 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)	3,406,633	1,489,445	(104,127)

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, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>22</u>
Total	24

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is the weekly average of the Bond Buyer General Obligation 20 Year Municipal Bond Index as of December 31, 2018.

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

(4) Contributions

The 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, 2020, the Village reported a total pension liability of \$368,906. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Village recognized pension expense of \$68,211.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	119,326	-
Changes of assumptions	20,301	8,800
Village benefit payments and administrative expense made subsequent to the measurement date	<u>7,096</u>	<u> </u>
Total	<u><u>146,723</u></u>	<u><u>8,800</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:

2021	29,173
2022	29,173
2023	27,916
2024	22,421
2025	20,694
Thereafter	<u>1,450</u>
	<u><u>130,827</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 3.26 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 (2.26 percent) or 1-percentage point higher (4.26 percent) than the current rate:

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total pension Liability	413,051	368,906	329,691

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

Beginning balance	218,726
Service cost	31,054
Interest on the total pension liability	7,703
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	110,155
Changes of assumptions or other inputs	15,459
Benefit payments	(14,191)
Other charges	-
Ending balance of the total pension liability	<u><u>368,906</u></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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension expense	648,417	68,211	716,628
Pension liability	1,489,445	368,906	1,858,351
Proportionate share of net pension liability	0.05454%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	255,031	119,326	374,357
Changes of assumptions	242,755	20,301	263,056
Net difference between projected and actual earnings on plan investments	36,330	-	36,330
Changes in proportion and differences between contributions and proportionate share of contributions	27,236	-	27,236
Benefit payments and administrative costs paid subsequent to measurement date	350,863	7,096	357,959
Total	912,215	146,723	1,058,938
Deferred Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	8,800	8,800
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	39,624		39,624
Total	39,624	8,800	48,424

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 \$184,657 for the year ended June 30, 2020. 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	\$ 350,863
Benefit payments made and administrative expenses for LEOSSA	7,096
Differences between expected and actual experience	374,357
Changes of assumptions	263,056
Net difference between projected and actual	36,330
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,236
Total	<u>\$ 1,058,938</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)	\$ -	\$ 42,676
Uninstalled taps (Water & Sewer Fund)	54,965	
Changes in assumptions	8,800	
Differences between expected and actual experience	-	
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,624	-
Total	<u>\$ 103,389</u>	<u>\$ 42,676</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

The Village is involved in certain litigation with former members of the Village of Bald Head Island Public Safety Department. In the opinion of the Village attorney and Village management, the ultimate outcome of the claims and litigation has not been determined.

5. Long-Term Obligations

- a. Installment Purchases: 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

On November 21, 2017 the Village entered into a direct borrowing installment purchase contract in the amount of \$1,075,000 with PNC Bank, National Association to refinance the current debt on the Keelson Row real property. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires quarterly principal payments of \$67,188 beginning in fiscal year 2018 with an annual interest of 2.60%.

On December 12, 2016 the Village entered into a direct borrowing installment purchase contract in the amount of \$5,000,000 with PNC Bank, National Association for the construction of the new public safety building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires quarterly principal payments of \$125,000 beginning in fiscal year 2017 with an annual interest of 2.34%.

On January 12, 2017 the Village entered into a direct borrowing installment purchase contract in the amount of \$3,000,000 with PNC Bank, National Association for additional construction on the new public safety building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires quarterly principal payments of \$75,000 beginning in fiscal year 2017 with an annual interest of 2.82%.

On December 12, 2017 the Village entered into a direct borrowing installment purchase contract in the amount of \$775,000 with Bald Head Island Limited, LLC for the purchase of real property on Quartermaster Row. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual principal payments of \$75,000 beginning in fiscal year 2019 and a balloon payment of \$550,000 in fiscal year 2022 with an annual interest of 3.50%.

Water and Sewer Fund

On January 29, 2016 the Village entered into a direct borrowing installment purchase contract in the amount of \$4,000,000 with PNC Bank, National Association to refinance the debt and fund additional improvements to the water and sewer system. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires quarterly principal payments of \$210,053 beginning in fiscal year 2016 with an annual interest of 1.97%.

Annual debt service payments of the installment purchases as of June 30, 2020, including \$498,726 of interest are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	1,143,750	153,216	624,819	6,170
2022	1,484,375	123,880		
2023	800,000	83,160		
2024	800,000	63,000		
2025	800,000	42,840		
2026-2027	1,200,000	26,460	-	-
Total	6,228,125	492,556	624,819	6,170

b. General Obligation Indebtedness

The Village's general obligation bonds serviced by the governmental funds were issued 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, 2020 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund

\$13,200,000 Beach Improvement Bonds, series 2018 due in quarterly installments of \$614,182, including principal and interest at 3.61% through December 2025.

12,205,428
12,205,428

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	2,043,570	413,158
2022	2,118,348	338,381
2023	2,195,862	260,868
2024	2,276,212	180,516
2025	2,359,503	97,226
2026	1,211,933	16,431
Total	12,205,428	1,306,580

At June 30, 2020, the Village of Bald Head Island had a legal debt margin of \$91,948,507.

b. Changes in Long-Term Liabilities

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

	Balance <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2020</u>	Current Portion <u>of Balance</u>
Governmental activities:					
General obligation bond	14,236,856		2,031,428	12,205,428	2,043,570
Direct borrowing installment					
purchases	7,371,875		1,143,750	6,228,125	1,143,750
Compensated absences	203,047	156,403	119,046	240,404	135,000
Net pension liability (LGERS)	1,013,142	250,591		1,263,733	-
Net pension obligation (LEO)	<u>218,726</u>	<u>164,371</u>	<u>14,191</u>	<u>368,906</u>	<u>-</u>
Governmental activity					
long-term liabilities	<u>23,043,646</u>	<u>571,365</u>	<u>3,308,415</u>	<u>20,306,596</u>	<u>3,322,320</u>
Business type activities:					
Direct borrowing installment					
purchases	1,444,038		819,219	624,819	624,819
Compensated absences	40,858	42,575	30,806	52,627	45,000
Net pension liability (LGERS)	<u>180,620</u>	<u>45,092</u>	<u>-</u>	<u>225,712</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>1,665,516</u>	<u>87,667</u>	<u>850,025</u>	<u>903,158</u>	<u>669,819</u>

C. Interfund Balances and Activity

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

From the General Fund to the Beach Stabilization Fund	344,836
From the General Fund to the Contractor Services and Public Works	
Campus Redesign Project Fund	<u>65,000</u>
Total	<u>409,836</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 2020 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 GO Bond and 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 fund preconstruction costs of the new project.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	28,445,463	11,625,448
Less: long-term debt	<u>18,433,553</u>	<u>624,819</u>
Net investment in capital asset	<u>10,011,910</u>	<u>11,000,629</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>\$7,562,871</u>
Less:	
Prepaid expenses	14,500
Inventories	8,470
Stabilization by State Statute	1,373,617
Economic Development	123,015
Inspections	9,384
Subsequent Expenditures	362,969
Remaining Fund Balance	5,670,916

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>
	\$1,844	\$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 no membership fees to the Council during the fiscal year ended June 30, 2020.

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, 2020, the Village made contributions totaling \$85,000 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, 2020. 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, 2020, 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, 2020. 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, 2020 were evaluated by management on January 13, 2021 to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included.

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact Village revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

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 SEVEN FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2020</u>	<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) (%)	0.05454%	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) (\$)	1,489,445	1,193,762	821,762	1,196,576	239,476	(321,884)	690,685
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	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	42.85%	38.16%	27.12%	39.74%	9.12%	(12.32%)	26.72%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	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 SEVEN FISCAL YEARS**

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required Contribution	350,863	279,424	243,270	227,594	204,876	189,469	186,326
Contributions in relation to the contractually required contribution	<u>350,863</u>	<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>
Village of Bald Head Island's covered-employee payroll	3,786,406	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	9.27%	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 SEPARATION ALLOWANCE
JUNE 30, 2020

EXHIBIT A-3

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	218,726	187,620	126,210	108,672
Service cost	31,054	25,848	19,064	17,605
Interest on the total pension liability	7,703	5,744	4,806	3,866
Difference between expected and actual experience in the measurement of the total pension liability	110,155	22,542	25,649	-
Changes of assumptions or other inputs	15,459	(11,330)	15,276	(3,152)
Benefit payments	<u>(14,191)</u>	<u>(11,698)</u>	<u>(3,385)</u>	<u>(781)</u>
Ending balance of the total pension liability	<u>368,906</u>	<u>218,726</u>	<u>187,620</u>	<u>126,210</u>

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, 2020

EXHIBIT A-4

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	368,906	218,726	187,620	126,210
Covered payroll	1,327,100	1,123,876	1,031,058	799,951
Total pension liability as a percentage of covered payroll	27.80%	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, 2020 and 2019**

EXHIBIT B-1
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	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>Revenues</u>				
Ad valorem taxes				
Current year	8,283,741	8,288,026	4,285	8,037,128
Prior year	15,000	39,172	24,172	15,857
Penalties and interest	12,000	14,435	2,435	13,066
Total	<u>8,310,741</u>	<u>8,341,633</u>	<u>30,892</u>	<u>8,066,051</u>
Other taxes				
Accommodations tax	844,603	1,161,905	317,302	1,155,101
Total	<u>844,603</u>	<u>1,161,905</u>	<u>317,302</u>	<u>1,155,101</u>
Unrestricted intergovernmental				
Local option sales tax	48,000	53,167	5,167	50,474
Utility franchise tax	484,118	405,736	(78,382)	439,664
Beer and wine	750	783	33	765
CAMA - State portion	1,100	1,920	820	1,970
Intergovernmental revenue	2,000	692	(1,308)	3,757
Total	<u>535,968</u>	<u>462,298</u>	<u>(73,670)</u>	<u>496,630</u>
Restricted intergovernmental				
Powell Bill allocation	44,500	44,279	(221)	44,458
Solid waste disposal tax	120	137	17	-
FEMA reimbursement	136,758	877,369	740,611	1,596,234
Mosquito control	1,500	1,654	154	1,669
Grant revenue	108,960	150,148	41,188	116,194
Brunswick County - fire and rescue	263,500	298,500	35,000	263,500
Total	<u>555,338</u>	<u>1,372,087</u>	<u>816,749</u>	<u>2,022,055</u>
Permits and fees				
Building permits	104,447	126,117	21,670	108,027
Daily vehicle permits	114,000	208,840	94,840	257,500
Annual vehicle permits	131,000	150,954	19,954	137,143
Golf cart registration	50,000	61,230	11,230	55,215
EMS fees	12,500	17,223	4,723	11,056
Creek access permits	30,000	30,500	500	28,700
Total	<u>441,947</u>	<u>594,864</u>	<u>152,917</u>	<u>597,641</u>
Sales and services				
Sale of assets	2,250	-	(2,250)	251
Sale of gas and diesel	-	34,329	34,329	28,449
Contractor Services Sales	395,298	319,177	(76,121)	385,175
Island Parcel Center Receipts	225,618	257,273	31,655	269,328
Marina park lease	7,000	4,875	(2,125)	8,250
Island Parcel Center Interdepartmental	-	1,951	1,951	2,089
Post office operations	85,167	86,667	1,500	81,157
Total	<u>715,333</u>	<u>704,272</u>	<u>(11,061)</u>	<u>774,699</u>
Investment earnings				
Interest earned	118,836	51,522	(67,314)	88,090
Total	<u>118,836</u>	<u>51,522</u>	<u>(67,314)</u>	<u>88,090</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, 2020 and 2019**

EXHIBIT B-1
Page 2 of 6

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Miscellaneous				
Fines	5,025	8,349	3,324	15,950
Insurance reimbursements	45,441	46,940	1,499	123,680
Donations	85,000	85,000	-	150,000
Special events	5,200	3,300	(1,900)	2,634
Miscellaneous	10,800	21,670	10,870	17,036
Total	<u>151,466</u>	<u>165,259</u>	<u>13,793</u>	<u>309,300</u>
Total revenues	<u>11,674,232</u>	<u>12,853,840</u>	<u>1,179,608</u>	<u>13,509,567</u>
<u>Expenditures</u>				
General government				
Governing body				
Codification	2,500	2,381	119	2,437
Travel	20,000	11,674	8,326	6,799
Manager's supplemental funds	-	-	-	26,205
Total	<u>22,500</u>	<u>14,055</u>	<u>8,445</u>	<u>35,441</u>
Administration				
Salaries and wages	695,113	667,861	27,252	505,174
Employee benefits	220,365	215,066	5,299	161,284
Utilities	8,000	7,279	721	7,585
Travel	5,000	4,497	503	4,659
Ferry costs	28,080	26,823	1,257	23,152
Parking	5,750	7,432	(1,682)	5,852
Equipment maintenance	6,000	5,719	281	8,850
Building maintenance	10,500	12,211	(1,711)	18,549
Office supplies	7,000	8,645	(1,645)	6,134
Copies and printing	500	212	288	490
Postage	1,800	1,495	305	1,684
Advertising	3,500	1,989	1,511	2,867
Dues and subscriptions	8,000	8,381	(381)	7,964
Training and certification	3,500	3,918	(418)	1,487
Bank charges	24,209	22,502	1,707	19,791
Miscellaneous	2,000	1,731	269	6,991
Professional services	313,000	312,925	75	207,705
County collection fee	61,723	62,560	(837)	60,496
BHI Daily permit collection fee	9,000	12,750	(3,750)	7,420
BHI Conservancy	211,177	211,857	(680)	168,566
Insurance	171,210	182,631	(11,421)	198,202
Golf cart lease	27,268	28,073	(805)	21,359
Manager's discretion	26,000	20,411	5,589	-
Capital outlay	57,627	57,477	150	56,358
Capital outlay - nondepreciable	-	3,380	(3,380)	1,256
Total	<u>1,906,322</u>	<u>1,887,825</u>	<u>18,497</u>	<u>1,503,875</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, 2020 and 2019**

EXHIBIT B-1
Page 3 of 6

	2020		Variance	2019
	Budget	Actual	Favorable (Unfavorable)	Actual
Information Technology				
Telephone	47,500	52,821	(5,321)	42,295
Travel	500	837	(337)	-
Equipment maintenance and supplies	10,000	10,321	(321)	4,173
Building and grounds maintenance	4,710	4,203	507	1,800
Cable and internet	15,000	14,167	833	8,712
Copies and printing	12,000	12,757	(757)	13,994
IT Training and certification	-	1,165	(1,165)	-
Professional system and software	108,187	100,706	7,481	79,505
Capital outlay - nondepreciable	22,000	19,734	2,266	12,751
Total	<u>219,897</u>	<u>216,711</u>	<u>3,186</u>	<u>163,230</u>
Human Resources				
Travel	4,900	2,033	2,867	3,443
Dues and subscriptions	685	594	91	816
Professional development	4,350	2,405	1,945	1,275
Professional services	10,000	7,248	2,752	7,508
Medical services	3,000	2,306	694	6,418
Village events and wellness	21,025	25,258	(4,233)	13,591
Educational assistance	2,500	2,696	(196)	-
Total	<u>46,460</u>	<u>42,540</u>	<u>3,920</u>	<u>33,051</u>
Island Parcel Center				
Salaries and wages	121,018	114,355	6,663	99,820
Employee benefits	34,477	39,148	(4,671)	31,672
Telephone	-	-	-	120
Travel	500	-	500	19
Ferry expenses	5,616	10,905	(5,289)	7,305
Parking expenses	1,150	2,100	(950)	1,725
Equipment maintenance	500	140	360	-
Barge and shipping expense	87,000	87,092	(92)	85,480
Shipping supplies	1,500	755	745	570
Building and grounds maintenance	6,540	6,390	150	6,084
Office supplies	3,330	3,871	(541)	3,455
Copies and printing	200	43	157	-
Postage	45,669	42,988	2,681	38,753
Miscellaneous	1,000	368	632	199
Liability insurance	3,336	-	3,336	3,033
Capital outlay - nondepreciable	-	2,039	(2,039)	-
Total	<u>311,836</u>	<u>310,194</u>	<u>1,642</u>	<u>278,235</u>
Contractor Services				
Salaries and wages	53,233	55,026	(1,793)	63,563
Employee benefits	14,956	16,824	(1,868)	15,218
Utilities	6,725	5,658	1,067	7,816
Purchase for resale	146,405	145,032	1,373	206,729
Barge cost	4,000	5,459	(1,459)	4,300
Gas & Oil	-	10	(10)	36
Ferry cost	5,616	5,600	16	5,820
Parking	1,150	1,400	(250)	1,725
Tram and bus expense	1,317	1,310	7	1,392
Equipment maintenance	-	35	(35)	-
Building and grounds maintenance	8,500	8,292	208	8,152

**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, 2020 and 2019**

EXHIBIT B-1
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	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Other expense	3,018	-	3,018	20
Office supplies	1,500	1,239	261	1,585
Total	246,420	245,885	535	316,356
 Total general government	 2,753,435	 2,717,210	 36,225	 2,330,188
Public safety				
Police, fire and EMS				
Salaries	1,719,742	1,754,943	(35,201)	1,611,208
LEO Separation allowance	15,085	14,269	816	14,230
Employee benefits	555,902	582,966	(27,064)	480,355
Utilities	20,000	18,077	1,923	16,141
Communications	9,580	16,047	(6,467)	4,799
Gas and oil	15,000	17,917	(2,917)	14,486
LP gas	3,000	2,507	493	2,445
Travel	3,810	1,237	2,573	7,209
Ferry costs	45,864	39,976	5,888	39,161
Parking	22,053	19,788	2,265	37,176
Barge expenses	3,500	2,351	1,149	3,242
Repairs - equipment	1,000	944	56	1,040
Repairs - vehicles	23,160	18,511	4,649	18,127
Vehicle permits	8,610	7,893	717	7,840
Repairs - building & grounds	5,200	8,745	(3,545)	7,905
Maintenance contracts	18,508	11,599	6,909	15,542
Supplies	37,276	24,436	12,840	28,435
EMS billing expense	1,200	1,786	(586)	1,132
Dosher medical clinic supplies	1,500	351	1,149	5,705
Law enforcement supplies	2,195	2,255	(60)	5,491
EMS supplies	7,812	6,659	1,153	10,072
ALS medication	6,000	5,156	844	5,154
Water rescue supplies	2,329	2,410	(81)	2,324
Fire supplies	31,000	13,912	17,088	30,777
Volunteer incentive	20,200	20,182	18	760
Copies and printing	2,500	2,290	210	2,744
Munitions	6,300	5,167	1,133	5,166
Dues and subscriptions	4,500	5,633	(1,133)	4,917
Uniforms	8,591	5,657	2,934	7,109
Training and certification	1,500	1,550	(50)	1,324
Public education	3,000	-	3,000	2,088
Miscellaneous	1,000	8,450	(7,450)	127
Animal control	500	-	500	-
Medical services	10,600	11,000	(400)	10,734
Capital outlay - Nondepreciable	-	13,203	(13,203)	2,484
Capital outlay	134,000	101,966	32,034	45,310
Total	2,752,017	2,749,833	2,184	2,452,759

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, 2020 and 2019

EXHIBIT B-1
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	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Development services				
Salaries	82,182	80,523	1,659	77,406
Employee benefits	20,680	21,357	(677)	18,996
Travel	350	1,104	(754)	-
Ferry	2,808	2,870	(62)	3,111
Parking	575	709	(134)	575
Repair and maintenance - equipment	-	858	(858)	-
Supplies	250	3	247	123
Dues	500	-	500	-
Training	3,200	878	2,322	1,549
Miscellaneous	100	-	100	20
Professional services	25,122	25,067	55	6,570
Capital outlay	-	1,688	(1,688)	-
Total	<u>135,767</u>	<u>135,057</u>	<u>710</u>	<u>108,350</u>
Total public safety	<u>2,887,784</u>	<u>2,884,890</u>	<u>2,894</u>	<u>2,561,109</u>
Transportation				
Road maintenance	126,500	126,330	170	153,242
Transportation funding	85,000	85,000	-	150,000
Road construction	-	-	-	20,000
Total	<u>211,500</u>	<u>211,330</u>	<u>170</u>	<u>323,242</u>
Environmental protection				
Public works				
Salaries and wages	459,262	443,823	15,439	471,002
Employee benefits	181,230	180,537	693	167,022
Utilities	20,560	31,008	(10,448)	22,271
Gas and oil	12,000	11,033	967	23,028
LP gas	3,000	3,120	(120)	2,719
Travel	1,123	137	986	186
Ferry expense	33,830	26,329	7,501	26,141
Parking	5,750	7,063	(1,313)	5,802
Barge expense	32,050	33,255	(1,205)	25,580
Repairs - equipment	17,000	15,082	1,918	32,475
Vehicle permits	5,730	3,633	2,097	5,340
Maintenance - building & grounds	22,000	19,606	2,394	17,104
Right-of-way maintenance	49,650	50,892	(1,242)	99,286
Contract - mulch site	100,000	105,817	(5,817)	80,040
Storm prep, assessment & clean up	69,186	66,133	3,053	1,801,695
Contract services	380,363	381,574	(1,211)	427,671
Office supplies	1,000	968	32	1,123
Safety equipment supplies	3,000	2,117	883	3,369
Building supplies	5,000	4,281	719	1,895
Signs	15,000	14,897	103	7,156
Uniforms	4,500	3,970	530	1,947
Training and certification	1,533	72	1,461	537
Miscellaneous	300	2,080	(1,780)	-
Mosquito control	6,000	5,948	52	4,272
Equipment rental	5,340	5,340	-	-
Capital outlay	53,000	60,117	(7,117)	14,695
Capital outlay - nondepreciable	-	-	-	6,800
Total environmental protection	<u>1,487,407</u>	<u>1,478,832</u>	<u>8,575</u>	<u>3,249,156</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, 2020 and 2019

EXHIBIT B-1
Page 6 of 6

	2020		Variance	2019
	Budget	Actual	Favorable (Unfavorable)	Actual
Economic and physical development				
Shoreline preservation				
Salaries	99,119	99,012	107	97,000
Employee benefits	24,248	25,585	(1,337)	22,253
Travel	3,500	165	3,335	168
Ferry	2,808	2,352	456	2,742
Parking	575	700	(125)	575
Cart maintenance	1,000	-	1,000	311
Office supplies	-	31	(31)	216
Safety equipment and supplies	700	-	700	-
Dues and subscriptions	2,204	1,680	524	3,629
Training and certification	6,650	5,440	1,210	1,500
Capital outlay - nondepreciable	19,815	685	19,130	-
Monitoring	203,160	109,500	93,660	224,260
Legal	25,000	246,725	(221,725)	43,819
Dune restoration/vegetation	15,000	8,276	6,724	6,807
Lobbying	118,200	114,011	4,189	114,065
Stormwater management	200,000	8,400	191,600	-
Marina channel maintenance	141,000	223,450	(82,450)	86,000
Capital outlay - Shoreline	-	16,152	(16,152)	-
Total	<u>862,979</u>	<u>862,164</u>	<u>815</u>	<u>603,345</u>
Debt service				
Principal	3,175,179	3,175,178	1	3,519,117
Interest and fees	<u>662,636</u>	<u>662,634</u>	<u>2</u>	<u>496,247</u>
Total	<u>3,837,815</u>	<u>3,837,812</u>	<u>3</u>	<u>4,015,364</u>
Total expenditures	<u>12,040,920</u>	<u>11,992,238</u>	<u>48,682</u>	<u>13,082,404</u>
Revenues over (under) expenditures	<u>(366,688)</u>	<u>861,602</u>	<u>1,228,290</u>	<u>427,163</u>
Other financing sources (uses)				
Fund balance appropriated	431,688	-	(431,688)	-
Operating transfers in				
Village Facilities Fund	-	-	-	204,580
Operating transfers out				
Beach Stabilization Fund	-	(344,836)	(344,836)	(301,833)
Contractor Services & Public Works				
Redesign Fund	(65,000)	(65,000)	-	(204,580)
Stormwater management fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>
Total	<u>366,688</u>	<u>(409,836)</u>	<u>(776,524)</u>	<u>(336,833)</u>
Revenues and other financing				
sources over (under)				
expenditures	<u>-</u>	<u>451,766</u>	<u>451,766</u>	<u>90,330</u>
Fund balance				
Beginning of year - July 1		<u>6,988,090</u>		<u>6,897,760</u>
End of year - June 30		<u>7,439,856</u>		<u>6,988,090</u>

**VILLAGE OF BALD HEAD ISLAND
STORMWATER MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020 and 2019**

EXHIBIT B-2

	<u>2020</u>			<u>2019</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>	<u>Actual</u>
<u>Revenues</u>				
Sales and services				
Stormwater fees	114,000	124,076	10,076	-
Investment earnings				
Interest earned		1,027	1,027	1,015
Miscellaneous				
Stormwater donations	-	-	-	143,100
	<u>114,000</u>	<u>125,103</u>	<u>11,103</u>	<u>144,115</u>
<u>Expenditures</u>				
Capital outlay:				
Administration	11,000	11,000	-	25,077
Construction	86,000	32,422	53,578	192
Stormwater equipment	5,000	355	4,645	106,285
Engineering	12,000	6,336	5,664	15,910
Legal	-	-	-	-
	<u>114,000</u>	<u>50,113</u>	<u>63,887</u>	<u>147,464</u>
Revenues over (under) expenditures	-	74,990	74,990	(3,349)
Other financing sources (uses)				
Operating transfer from General Fund	-	-	-	35,000
Revenues and other financing sources over (under) expenditures	-	74,990	74,990	31,651
Fund balance, beginning		<u>48,025</u>		<u>16,374</u>
Fund balance, ending		<u>123,015</u>		<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, 2020**

EXHIBIT B-3
Page 1 of 3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
FEMA reimbursement	1,161,351	741,351	1,134,939	1,876,290	714,939
Investment earnings					
Interest earned	159,770	188,725	12,503	201,228	41,458
Interest on bond proceeds	6,201	62,023	-	62,023	55,822
Total	165,971	250,748	12,503	263,251	97,280
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	2,684,804	2,349,580	1,147,442	3,497,022	812,218
Expenditures					
Capital outlay:					
Beach Renourishment					
Administration/Engineering	1,624,757	1,432,240	105,333	1,537,573	87,184
Monitoring	1,095,346	806,902	144,185	951,087	144,259
Legal	824,008	794,057	-	794,057	29,951
Construction	1,352,937	1,683,765	15,400	1,699,165	(346,228)
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	5,689,526	5,480,424	264,918	5,745,342	(55,816)
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	220,687	-	220,687	(3,000)
Subtotal	217,687	220,687	-	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, 2020

EXHIBIT B-3
Page 2 of 3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
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	16,682,466	16,682,466	-	16,682,466	-
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	5,826,381	5,826,381	-	5,826,381	-
Subtotal	9,006,914	9,075,094	-	9,075,094	(68,180)
BHI Creek Dredging					
Administration/Engineering	365,113	365,113	-	365,113	-
Monitoring	45,944	45,944	-	45,944	-
Construction	1,241,869	1,241,869	-	1,241,869	-
Subtotal	1,652,926	1,652,926	-	1,652,926	-
Sandtube Groins					
Administration/Engineering	62,267	62,267	-	62,267	-
Construction	676,537	676,653	-	676,653	(116)
Subtotal	738,804	738,920	-	738,920	(116)
Row Boat Row Beach					
Administration/Engineering	341,165	304,787	14,676	319,463	21,702
Construction	964,395	964,395	-	964,395	-
Subtotal	1,305,560	1,269,182	14,676	1,283,858	21,702
Shoreline Beach Renourishment					
Engineering	445,000	435,000	-	435,000	10,000
Legal	62,500	62,500	-	62,500	-
Construction	13,342,500	13,342,185	-	13,342,185	315
Subtotal	13,850,000	13,839,685	-	13,839,685	10,315
Total expenditures	51,493,961	51,309,461	279,594	51,589,055	(95,094)
Revenues over (under) expenditures	(48,809,157)	(48,959,881)	867,848	(48,092,033)	717,124

**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, 2020**

EXHIBIT B-3
Page 3 of 3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
Other financing sources (uses)					
Operating transfer from					
General Fund	8,726,962	9,648,762	344,836	9,993,598	1,266,636
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	13,200,000	13,200,000	-	13,200,000	-
Total other financing sources (uses)	<u>48,809,157</u>	<u>49,730,957</u>	<u>344,836</u>	<u>50,075,793</u>	<u>1,266,636</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>771,076</u>	<u>1,212,684</u>	<u>1,983,760</u>	<u>1,983,760</u>
Fund balance, beginning			<u>771,076</u>		
Fund balance, ending			<u>1,983,760</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, 2020

EXHIBIT B-4

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	230	230	230
Total revenues	-	-	230	230	230
<u>Expenditures</u>					
Capital outlay:					
Administration	65,000	-	57,298	57,298	7,702
Construction	204,580	-	189,597	189,597	14,983
Total expenditures	269,580	-	246,895	246,895	22,685
Revenues over (under) expenditures	(269,580)	-	(246,665)	(246,665)	22,915
Other financing sources (uses)					
Operating transfer from General Fund	269,580	204,580	65,000	269,580	-
Revenues and other financing sources over (under) expenditures	-	204,580	(181,665)	22,915	22,915
Fund balance, beginning			204,580		
Fund balance, ending			22,915		

**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, 2020**

EXHIBIT C-1
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water charges			
Water service	881,175	893,300	12,125
Water tap fees	151,500	189,246	37,746
Brunswick County surcharge	-	-	-
Pipeline surcharge	252,000	248,012	(3,988)
Miscellaneous revenue	5,000	3,684	(1,316)
Total	<u>1,289,675</u>	<u>1,334,242</u>	<u>44,567</u>
Sewer charges			
Sewer service	1,019,906	1,008,605	(11,301)
Sewer tap fees	203,500	106,361	(97,139)
Septic maintenance	19,390	20,664	1,274
Port-O-John rentals	43,800	34,197	(9,603)
Total	<u>1,286,596</u>	<u>1,169,827</u>	<u>(116,769)</u>
Total operating revenues	<u>2,576,271</u>	<u>2,504,069</u>	<u>(72,202)</u>
Nonoperating revenues			
Interest income	-	11,646	11,646
Insurance reimbursement	13,768	-	(13,768)
Sale of assets	-	8,000	8,000
FEMA Reimbursement	103,783	102,783	(1,000)
Contributions from customers	-	189,264	189,264
Total nonoperating revenues	<u>117,551</u>	<u>311,693</u>	<u>194,142</u>
Total revenues	<u>2,693,822</u>	<u>2,815,762</u>	<u>121,940</u>
Expenditures			
Operating expenditures			
Salaries and wages	619,042	626,596	(7,554)
Employee benefits	192,275	205,990	(13,715)
Utilities	82,808	117,394	(34,586)
Telephone	52,020	53,424	(1,404)
Gas and oil	7,440	7,901	(461)
Travel	4,100	2,291	1,809
Ferry expense	28,080	27,485	595
Parking	7,000	7,000	-
Barges and shipping	75,040	57,100	17,940
Equipment maintenance	12,670	8,697	3,973
Non-expendable supplies	1,500	1,000	500
Cart maintenance	1,600	431	1,169
Vehicle maintenance	10,000	7,167	2,833
Building and grounds maintenance	12,893	14,680	(1,787)
System repairs and maintenance	290,710	295,711	(5,001)

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, 2020

EXHIBIT C-1
Page 2 of 3

	Budget	Actual	Variance Positive (Negative)
Office supplies	1,380	839	541
Water supplies	12,240	11,338	902
Sewer supplies	52,400	38,787	13,613
Safety equipment	2,081	1,874	207
Tools	3,325	1,077	2,248
Building supplies	4,000	1,611	2,389
Copies and printing	9,500	7,471	2,029
Postage	612	256	356
Dues and subscriptions	945	790	155
Uniforms	3,851	1,414	2,437
Training and certification	2,500	2,188	312
Permits	5,000	4,880	120
Miscellaneous	2,040	292	1,748
Bill adjustments	-	705	(705)
Professional services	145,200	120,259	24,941
Lab fees	31,600	26,903	4,697
Medical fees	500	-	500
Purchase of water	35,000	26,179	8,821
Insurance	93,267	88,185	5,082
IT Services	8,181	7,708	473
Equipment rental	2,800	192	2,608
Golf cart lease	17,907	6,143	11,764
Non-depreciable equipment	3,439	7,442	(4,003)
Manager's supplemental funds	12,240	4,275	7,965
Total	<u>1,847,186</u>	<u>1,793,675</u>	<u>53,511</u>
Debt service			
Principal payments	819,579	819,219	360
Interest and other costs	22,435	22,794	(359)
Total	<u>842,014</u>	<u>842,013</u>	<u>1</u>
Capital outlay			
Capital asset additions	<u>400,962</u>	<u>373,215</u>	<u>27,747</u>
Total expenditures	<u>3,090,162</u>	<u>3,008,903</u>	<u>81,259</u>
Revenues over (under) expenditures	<u>(396,340)</u>	<u>(193,141)</u>	<u>203,199</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, 2020**

EXHIBIT C-1
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses)			
Fund balance appropriated	396,340	-	(396,340)
Transfer from Capital Project	-	-	-
Transfer to Capital Project	-	-	-
Transfer to capital reserve	-	-	-
	<u>396,340</u>	<u>-</u>	<u>(396,340)</u>
Total other financing sources (uses)	<u>396,340</u>	<u>-</u>	<u>(396,340)</u>
Revenues and other sources over expenditures and other uses	<u>-</u>	(193,141)	<u>(193,141)</u>
Fund Balance			
Beginning of year		<u>2,135,630</u>	
End of year		<u>1,942,489</u>	
Reconciliation from budgetary basis (modified accrual) to full accrual			
Revenues and other sources over expenditures and other uses		(193,141)	
Reconciling items:			
Principal retirement		819,219	
Capital outlay		373,215	
Book value of assets sold		(708)	
Increase in interest expense accrued		3,184	
Increase in accrued vacation pay		(11,769)	
Increase in deferred outflows of resources - pensions		(2,848)	
Increase in net pension liability		(45,092)	
Decrease in deferred inflows of resources - pensions		5,022	
Depreciation		<u>(343,409)</u>	
Change in net position per exhibit 7		<u>603,673</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, 2020

EXHIBIT D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2018-2019	-	8,326,482	8,288,026	38,456
2017-2018	34,393	-	30,882	3,511
2016-2017	8,100	-	8,085	15
2015-2016	35	-	20	15
2014-2015	324	-	323	1
2013-2014	196		-	196
2012-2013	209		209	-
2011-2012	76		-	76
2010-2011	-		-	-
2009-2010	406		-	406
2008-2009	634		634	-
2007-2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>44,373</u>	<u>8,326,482</u>	<u>8,328,179</u>	<u>42,676</u>

Reconciliation with revenues

Taxes - ad valorem - General Fund	8,341,633
Less interest and penalties	14,435
Taxes written off	<u>981</u>
Total collections	<u>8,328,179</u>

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
VILLAGE-WIDE LEVY
For the Year Ended June 30, 2020

EXHIBIT D-2

	<u>Village-Wide</u>			<u>Total Levy</u>	
	<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	1,146,291,981	0.006863	7,867,002	7,867,002	
Special district taxes			436,959	436,959	
Registered motor vehicles taxed at current year's rate	-	0.006863	-	-	-
Total original levy	<u>1,146,291,981</u>		<u>8,303,961</u>	<u>8,303,961</u>	<u>-</u>
Discoveries:					
Property taxed at current year's rate	3,131,877	0.006863	21,494	21,494	
Special district taxes			1,497	1,497	
Prior year taxes			-	-	
Prior year special district taxes	-		-	-	-
Total discoveries	<u>3,131,877</u>		<u>22,991</u>	<u>22,991</u>	<u>-</u>
Abatements:					
Property taxed at current year's rate	67,525	0.006863	463	463	
Special district taxes			7	7	
Registered motor vehicles taxed at current and prior year's rate	-	0.006863	-	-	-
Total abatements	<u>67,525</u>		<u>470</u>	<u>470</u>	<u>-</u>
Net levy	<u>1,149,356,333</u>		8,326,482	8,326,482	-
Uncollected taxes at June 30, 2020			<u>38,456</u>	<u>38,456</u>	-
Current year's taxes collected			<u>8,288,026</u>	<u>8,288,026</u>	-
Current levy collection percentage			<u>99.54%</u>	<u>99.54%</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, 2020, 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 January 13, 2021.

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.

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.

Berry, Padgett & Chandler, PLLC
Certified Public Accountants

Berry, Padgett & Chandler, PLLC
Southport, NC
January 13, 2021

**Report on Compliance for Each Major Federal Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Village of Bald Head Island, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Village of Bald Head Island's major federal programs for the year ended June 30, 2020. The Village of Bald Head Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village of Bald Head Island's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


Certified Public Accountants

Berry, Padgett & Chandler, PLLC
Southport, NC
January 13, 2021

**Report on Compliance for Each Major State Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Village of Bald Head Island, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Village of Bald Head Island's major state programs for the year ended June 30, 2020. The Village of Bald Head Island's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Village of Bald Head Island's compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


Certified Public Accountants

Berry, Padgett & Chandler, PLLC
Southport, NC
January 13, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no

Significant Deficiency(s) identified

 yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of major federal programs:

CFDA No(s).	Names of Federal Program or Cluster

97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
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Dollar threshold used to distinguish
between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019

EXHIBIT E-1

State Awards

The only major State program for the Village of Bald Head Island is the Disaster Grants – Public Assistance, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

EXHIBIT E-2

None

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

EXHIBIT E-3

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State / Pass- through Grantor's Number	Federal (Direct & Pass-through Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
<u>U.S. Department of Health & Human Services</u> Covid-19 Provider Relief Fund (PRF)	16.803		<u>378</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u> Passed-through NC Department of Public Safety Division of Emergency Management Disaster Grants- Public Assistance	97.036	FEMA-4393-DR-NC	2,685,707	835,384	-
Disaster Grants- Public Assistance	97.036	FEMA-4465-DR-NC	<u>123,798</u>	<u>38,687</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>2,809,505</u>	<u>874,071</u>	<u>-</u>
Total Assistance - Federal programs			<u>2,809,883</u>	<u>874,071</u>	<u>-</u>
State Grants:					
<u>NC Department of Environmental Quality:</u> Division of Water Resources Water Resources Development Project Grant	N/A	Contract No. 7252		147,477	75,973
Division of Coastal Management Public Beach & Coastal Waterfront Access	N/A	Contract No. 8152	-	-	17,652
Total NC Department of Environmental Quality			-	147,477	93,625
<u>NC Department of Transportation:</u> Powell Bill	N/A	40197	-	44,279	-
Total Assistance - State programs			-	<u>191,756</u>	<u>93,625</u>
Total Assistance:			<u>2,809,883</u>	<u>1,065,827</u>	<u>93,625</u>

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

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The Village of Bald Head Island has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.