

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2017

Village Council Members

J. Andrew Sayre, Mayor
Kit Adcock, Mayor Pro Tempore
Joe Ridgeway
John Pitera
John May

Administrative and Financial Staff

Chris McCall, Village Manager
Virginia Cummings, 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, 2017 and the related notes to the financial statements, which collectively comprise the Village of Bald Head Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2017, 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.

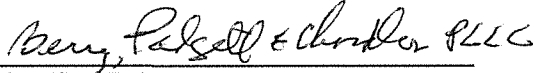
Supplementary and Other Information

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, North Carolina. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

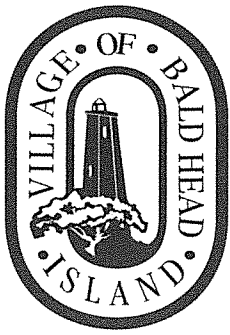
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2017 on our consideration of the Village of Bald Head Island's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village of Bald Head Island's internal control over financial reporting and compliance.


Berry, Palsell & Chondor PLLC
Certified Public Accountants

November 20, 2017

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, 2017. 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

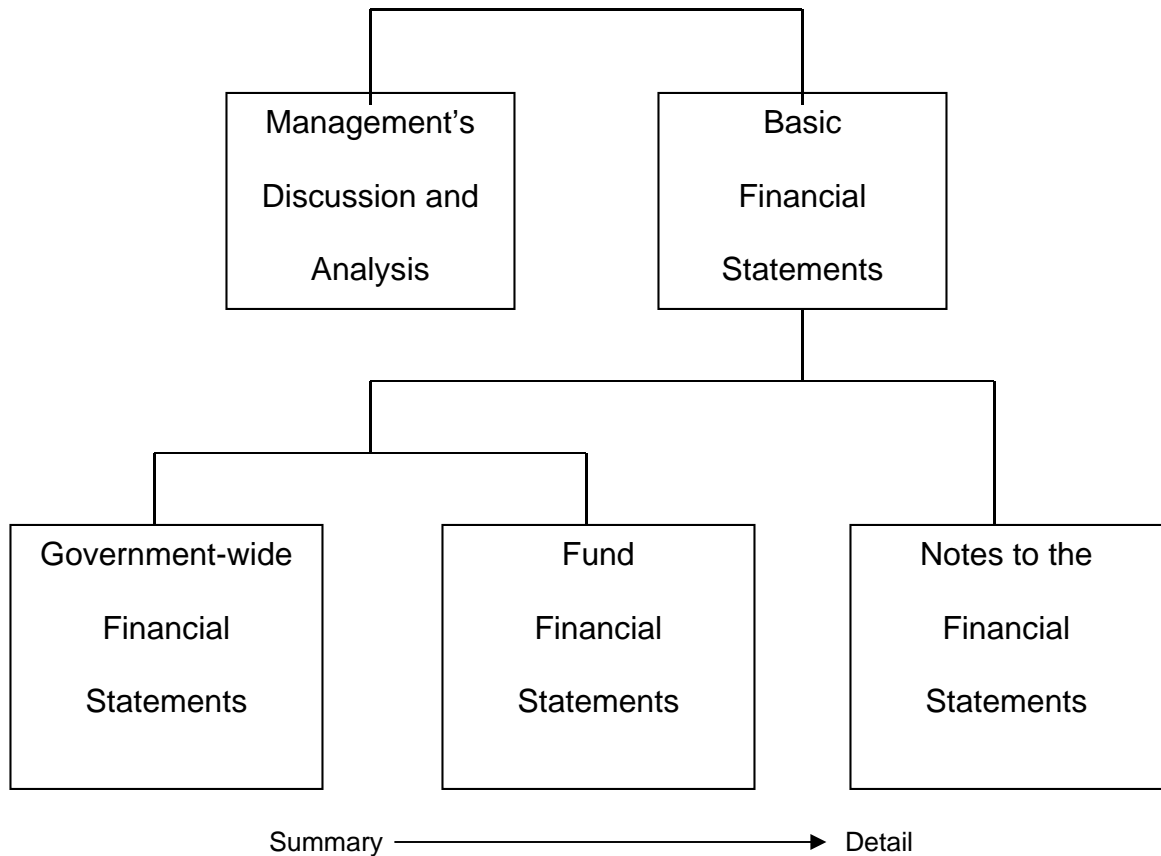
- The assets and deferred outflows of resources of the Village of Bald Head Island *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,672,913 (*net position*).
- The government's total net position *increased* by \$2,711,078 primarily due to the decrease in operating expenditures and increase in capital assets.
- As of the close of the current fiscal year, the Village of Bald Head Island's governmental funds reported combined ending fund balances of \$14,955,778 an increase of \$4,740,249 in comparison with the prior year. Approximately 44% percent of this total amount or \$6,600,538 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 \$6,600,538 which is an increase of \$877,416.
- The Village of Bald Head Island's total debt increased by \$6,599,133 (53%) during the current fiscal year. The increase is primarily due to the PNC Installment loan for the construction of the Public Safety Building.

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

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

	Government Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 16,593,363	\$ 10,700,761	\$2,090,741	\$2,756,390	\$18,684,104	\$ 13,457,151
Capital assets	21,894,372	18,222,812	11,980,428	11,644,505	33,874,800	29,867,317
Deferred outflows of resources	842,783	173,095	152,670	31,781	995,453	204,876
Total assets and deferred outflows of resources	39,330,518	29,096,668	14,223,839	14,432,676	53,554,357	43,529,344
Long term liabilities outstanding	15,734,361	8,518,174	3,258,168	3,875,222	18,992,529	12,393,396
Other liabilities	1,607,433	355,989	124,806	560,151	1,732,239	916,140
Deferred inflows of resources	81,402	152,460	75,274	105,513	156,676	257,973
Total liabilities and deferred inflows of resources	17,423,196	9,026,623	3,458,248	4,540,886	20,881,444	13,567,509
Net position:						
Net Investment Capital Assets	14,242,547	10,177,208	8,946,027	7,838,373	23,188,574	18,015,581
Restricted	8,297,011	3,956,826		619,540	8,297,011	4,576,366
Unrestricted	(632,236)	5,936,011	1,819,564	1,433,877	1,187,328	7,369,888
Total net position	\$ 21,907,322	\$ 20,070,045	\$10,765,591	\$9,891,790	\$32,672,913	\$ 29,961,835

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 \$32,672,913 as of June 30, 2017. The Village's net position *increased* by \$2,711,078 for the fiscal year ended June 30, 2017. However, the largest portion \$23,188,574 (71%) 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 \$8,297,011 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,187,328 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.42%. The statewide average in fiscal year 2016 was 98.78%.
- With a full year of operations Island Parcel gross revenues increased approximately \$93,700.

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

	Government Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	1,016,265	791,740	2,383,437	2,243,494	3,399,702	3,035,234
Operating grants and contributions	402,988	1,236,770			402,988	1,236,770
Capital grants and contributions	193,376	28,297	209,738	185,776	403,114	214,073
General revenues						
Property taxes	7,690,283	7,667,389			7,690,283	7,667,389
Other taxes & licenses	1,538,608	1,551,485			1,538,608	1,551,485
Unrestricted investment earnings	30,462	6,178	3,056	6,004	33,518	12,182
Other	28,177	9,170	6,178	5,100	34,355	14,270
TOTAL Revenues	10,900,159	11,291,029	2,602,409	2,440,374	13,502,568	13,731,403
Expenses:						
General government	2,332,820	2,138,491			2,332,820	2,138,491
Public Safety	2,536,074	2,385,728			2,536,074	2,385,728
Transportation	98,987	86,193			98,987	86,193
Environmental protection	1,594,649	1,356,895			1,594,649	1,356,895
Economic & physical development	2,227,960	635,465			2,227,960	635,465
Interest on long term debt	272,392	194,193			272,392	194,193
Water & Sewer			1,728,608	1,722,505	1,728,608	1,722,505
TOTAL Expenses	9,062,882	6,796,965	1,728,608	1,722,505	10,791,490	8,519,470
Increase in net position before transfers and special items	1,837,277	4,494,064	873,801	717,869	2,711,078	5,211,933
Special item – gain (loss) on sale of assets		715,705				715,705
Transfers		(28,350)		28,350		
Increase in net position	1,837,277	5,181,419	873,801	746,219	2,711,078	5,927,638
Net position, beginning restated	20,070,045	14,888,626	9,891,790	9,145,571	29,961,835	24,034,197
Net position, June 30	21,907,322	20,070,045	10,765,591	9,891,790	32,672,913	29,961,835

Governmental activities. Governmental activities increased the Village's net position by \$1,837,277 due to monitoring and maintaining department expenses while increasing capital assets.

Business-type activities. Business-type activities increased the Village's net position by \$873,801. Key elements of this increase are improvements to the wastewater system and the potable well construction.

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 \$6,600,538 while total fund balance reached \$7,257,569. 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 61.6% of general fund expenditures, while total fund balance represents 67.8% of the same amount.

At June 30, 2017, the governmental funds of Village of Bald Head Island reported a combined fund balance of \$14,955,778 a 46% percent increase over last year. This increase is due to loan proceeds received for the Public Safety project along with expenditures being less than revenues received.

General Fund Budgetary Highlights: During the fiscal year, the Village revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as loan proceeds, federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily due to greater than anticipated property tax collections, intergovernmental revenues and an increase in the Accommodation Tax revenue.. 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 \$1,819,564. The total change in net position for the fund was an increase of \$873,801. The change in net position in the Water and Sewer Fund is a result of keeping expenditures in check to comply with budgetary requirements.

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, 2017, totals \$33,874,800 (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	
	2017	2016	2017	2016	2017	2016
Land	5,211,723	4,148,723	35,000	35,000	5,246,723	4,183,723
Buildings	1,702,454	1,715,840	604,865	619,910	2,307,319	2,335,750
Other Improvements	575,852	524,144			575,852	524,144
Utility Systems			10,882,249	9,506,602	10,882,249	9,506,602
Furniture and equipment	154,381	171,472	91,900	98,438	246,281	269,910
Infrastructure	11,253,676	10,796,621			11,253,676	10,796,621
Vehicles and motorized equipment	403,183	382,366	42,400	52,853	445,583	435,219
Construction in progress	2,593,103	483,646	324,014	1,331,702	2,917,117	1,815,348
TOTAL	21,894,372	18,222,812	11,980,428	11,644,505	33,874,800	29,867,317

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, 2017, the Village of Bald Head Island had total long-term debt of \$18,992,529. Of this, \$3,034,401 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. \$5,084,887 is a debt service for a general obligation bond privately placed with PNC Bank in 2014 with a rate of 1.95% for five years. Proceeds were used to fund the Terminal Groin, Marina Jetties project, and various Shoreline projects. \$4,750,000 and \$2,850,000 are Installment Notes with PNC secured by a Deed of Trust on 1.696 acres as shown on map entitled "Recombination and Subdivision Plat for The Village of Bald Head Island, Public Safety Complex". Proceeds from this financing were used to finance the construction of the new Public Safety Building.

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 \$87,747,805.

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. All indicators point to continuous growth in accommodations taxes due to the strong and flourishing housing market. This market will also continue to increase revenue in the Water and Sewer services with the increase in homes.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: Property taxes and accommodation taxes are expected to lead the increase in budgeted revenue. The Village will use these increases in revenues to finance programs currently in place as well as the debt service.

Construction of the new Public Safety Building is expected to be completed in the Spring of 2018.

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 3% annual rate increase in this budget year. It is expected that this increase will result in cash flows from operations sufficient to cover the cash flows necessary to provide water and sewer service to our customers and the related debt service payments for the existing loan to cover the capital improvements made for the waste water treatment plant. The utilities department is continuing with improvements that will result in re-use quality effluent from our waste water treatment facility. The process improvements and additions will improve the quality of the effluent. The Village continues to work closely with the Bald Head Island golf course to use all of the re-use quality effluent for irrigation. These upgrades to our discharge capacity will allow for a future expansion of the plant to levels which should fully meet build out demands for the Island.

Requests for Information

This report is designed to provide an overview of the Village's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be addressed to the Village of Bald Head Island, Office of the Finance Director, P.O. Box 3009, Bald Head Island, NC 28461. One can also call (910) 457-9700, visit our website www.villagebhi.org or send an email to vcummings@villagebhi.org for more information.

Basic Financial Statements

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF NET POSITION
June 30, 2017

Exhibit 1

	Primary Government		Total
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	
ASSETS			
Current assets			
Cash and equivalents	12,597,932	1,459,313	14,057,245
Investments	1,190,942	137,751	1,328,693
Taxes receivable (net)	71,182	-	71,182
Accrued interest receivable on taxes	11,096	-	11,096
Accounts receivable	11,994	204,311	216,305
Due from other governmental agencies	314,577	36,435	351,012
Inventories	11,899	250,431	262,330
Prepaid expenses	46,330	2,500	48,830
Restricted assets			
Restricted cash and cash equivalents	2,137,455	-	2,137,455
Restricted investments	199,956	-	199,956
Total current assets	16,593,363	2,090,741	18,684,104
Non-current assets			
Capital assets			
Land and improvements not being depreciated	7,804,826	359,014	8,163,840
Other capital assets, net of depreciation	14,089,546	11,621,414	25,710,960
Total capital assets	21,894,372	11,980,428	33,874,800
Total non-current assets	21,894,372	11,980,428	33,874,800
Total assets	38,487,735	14,071,169	52,558,904
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	842,783	152,670	995,453
LIABILITIES			
Accounts payable and accrued expenses	938,112	113,014	1,051,126
Accrued interest	52,126	11,792	63,918
Due to other governmental agencies	45,819	-	45,819
Customer deposits	18,800	-	18,800
Payable from restricted assets	552,576	-	552,576
Long-term liabilities			
Due within one year	3,465,997	812,991	4,278,988
Total current liabilities	5,073,430	937,797	6,011,227
Long-term liabilities			
Net pension liability	1,017,588	178,988	1,196,576
Total pension liability	126,210	-	126,210
Due in more than one year	11,124,566	2,266,189	13,390,755
Total liabilities	17,341,794	3,382,974	20,724,768
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	-	-	-
Pension deferrals	81,402	17,366	98,768
Unearned income	-	57,908	57,908
Total deferred inflows of resources	81,402	75,274	156,676
NET POSITION			
Net investment in capital assets	14,242,547	8,946,027	23,188,574
Restricted for:			
Streets	-	-	-
Stabilization by State Statute	326,213	-	326,213
Economic Development	7,970,798	-	7,970,798
Capital Outlay	-	-	-
Unrestricted	(632,236)	1,819,564	1,187,328
Total net position	21,907,322	10,765,591	32,672,913

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, 2017**

Exhibit 2

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
Primary government					Governmental Activities	Business-type Activities	Total
Governmental activities							
General Government	2,332,820	536,249	-	-	(1,796,571)		(1,796,571)
Public Safety	2,536,074	480,016	356,680	-	(1,699,378)		(1,699,378)
Transportation	98,987	-	44,443	193,376	138,832		138,832
Environmental protection	1,594,649	-	1,865	-	(1,592,784)		(1,592,784)
Economic and Physical Development	2,227,960	-	-	-	(2,227,960)		(2,227,960)
Interest on Long-term debt	272,392	-	-	-	(272,392)		(272,392)
Total governmental activities	<u>9,062,882</u>	<u>1,016,265</u>	<u>402,988</u>	<u>193,376</u>	<u>(7,450,253)</u>		<u>(7,450,253)</u>
Business-type activities							
Water and Sewer Operations	1,728,608	2,383,437	-	209,738		864,567	864,567
Total business-type activities	<u>1,728,608</u>	<u>2,383,437</u>	<u>-</u>	<u>209,738</u>		<u>864,567</u>	<u>864,567</u>
Total primary government	<u>10,791,490</u>	<u>3,399,702</u>	<u>402,988</u>	<u>403,114</u>	<u>(7,450,253)</u>	<u>864,567</u>	<u>(6,585,686)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					7,690,283	-	7,690,283
Other taxes					1,538,608	-	1,538,608
Unrestricted investment earnings					30,462	3,056	33,518
Miscellaneous					28,177	6,178	34,355
Total general revenues					<u>9,287,530</u>	<u>9,234</u>	<u>9,296,764</u>
Change in net position					<u>1,837,277</u>	<u>873,801</u>	<u>2,711,078</u>
Net position - beginning					20,031,632	9,891,790	29,923,422
Restatement					38,413	-	38,413
Net position, beginning					<u>20,070,045</u>	<u>9,891,790</u>	<u>29,961,835</u>
Net position - ending					<u>21,907,322</u>	<u>10,765,591</u>	<u>32,672,913</u>

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

**VILLAGE OF BALD HEAD ISLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

Exhibit 3
Page 1 of 2

	Major Funds			
	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Village Facilities Improvement Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	6,384,842	1,869,578	6,213,090	14,467,510
Restricted cash	267,877			267,877
Investments	604,458	176,444	586,484	1,367,386
Restricted investments	23,512			23,512
Taxes receivable, net	71,182	-	-	71,182
Receivable from other governments	314,577	-	-	314,577
Other receivables	11,994	-	-	11,994
Prepaid expenses	46,330			46,330
Inventory	11,899		-	11,899
	7,736,671	2,046,022	6,799,574	16,582,267
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	343,301	496,746	650,641	1,490,688
Payable to other governments	45,819	-	-	45,819
Deposits	18,800	-	-	18,800
	407,920	496,746	650,641	1,555,307
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	71,182	-	-	71,182
	71,182	-	-	71,182
FUND BALANCES				
Non Spendable				
Prepaid expenses	46,330			46,330
Inventories	11,899			11,899
Restricted				
Stabilization by State Statute	326,213	-	-	326,213
Economic Development	272,589	1,549,276	6,148,933	7,970,798
Unassigned	6,600,538			6,600,538
	7,257,569	1,549,276	6,148,933	14,955,778
Total liabilities, deferred inflows of resources and fund balances	7,736,671	2,046,022	6,799,574	16,582,267

VILLAGE OF BALD HEAD ISLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Exhibit 3
Page 2 of 2

Total fund balance, governmental funds	14,955,778
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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.	21,894,372
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Deferred outflows of resources related to pensions are not reported in the funds	842,783
--	---------

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.	11,096
---	--------

Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	71,182
--	--------

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	(14,590,563)	
Net pension liability	(1,017,588)	
Total pension liability	(126,210)	(15,734,361)

Deferred inflows of resources related to pensions are not reported in the funds	(81,402)
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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.	(52,126)
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Net position of governmental activities	21,907,322
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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, 2017

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Village Facilities Improvement Fund</u>	
REVENUES				
Property taxes	7,772,666	-		7,772,666
Other taxes	1,104,404	-		1,104,404
Unrestricted intergovernmental revenues	439,701	-		439,701
Restricted intergovernmental revenues	402,988	-		402,988
Licenses and permits	476,441	-		476,441
Sales and services	545,090	-		545,090
Investment earnings	14,939	2,521	13,002	30,462
Miscellaneous	21,810	-		21,810
Total revenues	<u>10,778,039</u>	<u>2,521</u>	<u>13,002</u>	<u>10,793,562</u>
 Current:				
General government	2,266,162	-	-	2,266,162
Public safety	2,472,146	-	1,662,122	4,134,268
Transportation	98,987	-	-	98,987
Environmental protection	1,228,058	-	-	1,228,058
Economic and physical development	1,690,087	2,757,683	-	4,447,770
Debt Service:				
Principal	2,697,384	-	-	2,697,384
Interest and other charges	255,684	-	-	255,684
Total expenditures	<u>10,708,508</u>	<u>2,757,683</u>	<u>1,662,122</u>	<u>15,128,313</u>
Excess (deficiency) of revenues over expenditures	<u>69,531</u>	<u>(2,755,162)</u>	<u>(1,649,120)</u>	<u>(4,334,751)</u>
 OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net	1,075,000	-	8,000,000	9,075,000
Transfers in	420,970	687,793	-	1,108,763
Transfers out	(687,793)	-	(420,970)	(1,108,763)
Total other financing sources and uses	<u>808,177</u>	<u>687,793</u>	<u>7,579,030</u>	<u>9,075,000</u>
 Net change in fund balances	877,708	(2,067,369)	5,929,910	4,740,249
Fund balances - beginning	<u>6,379,861</u>	<u>3,616,645</u>	<u>219,023</u>	<u>10,215,529</u>
 Fund balances - ending	<u>7,257,569</u>	<u>1,549,276</u>	<u>6,148,933</u>	<u>14,955,778</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, 2017

Exhibit 4
Page 2 of 2

Net change in fund balances - total governmental funds:	4,740,249
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capital outlay expenditures that were capitalized	4,008,103
Depreciation	(525,523)
<p>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.</p>	
	(4,396)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>	
	192,510
<p>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.</p>	
Amount of donated assets	193,376
Change in unavailable revenue for tax revenues	(66,833)
Increase in interest receivable on property taxes	(15,550)
<p>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.</p>	
New long-term debt issued	(9,075,000)
Principal payments on long-term debt	2,697,384
<p>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:</p>	
Accrued interest not reflected on governmental funds	(16,708)
Compensated absences	(9,900)
Pension expense (LGERS)	(261,941)
Net pension expense (LEO)	(18,494)
Change in net position of governmental activities	1,837,277

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, 2017

Exhibit 5

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Ad valorem taxes	7,573,943	7,573,943	7,772,666	198,723
Other taxes	1,225,911	1,417,775	1,104,404	(313,371)
Unrestricted intergovernmental revenues	428,941	428,941	439,701	10,760
Restricted intergovernmental revenues	272,750	272,750	402,988	130,238
Licenses and permits	354,900	354,900	476,441	121,541
Sales and services	426,360	426,360	545,090	118,730
Investment earnings	7,000	7,000	14,427	7,427
Miscellaneous	7,073	7,073	21,810	14,737
Total revenues	<u>10,296,878</u>	<u>10,488,742</u>	<u>10,777,527</u>	<u>288,785</u>
EXPENDITURES				
Current:				
General government	2,303,885	2,484,320	2,266,162	218,158
Public safety	2,554,824	2,555,716	2,472,146	83,570
Transportation	98,987	98,987	98,987	-
Environmental protection	1,217,248	1,247,248	1,228,058	19,190
Economic and physical development	677,368	1,852,368	1,664,813	187,555
Debt Service:				
Principal	2,845,893	2,845,893	2,697,384	148,509
Interest and other charges	234,853	274,653	255,684	18,969
Contingency	200,000	200,000	-	200,000
Total expenditures	<u>10,133,058</u>	<u>11,559,185</u>	<u>10,683,234</u>	<u>875,951</u>
Excess (deficiency) of revenues over expenditures	<u>163,820</u>	<u>(1,070,443)</u>	<u>94,293</u>	<u>1,164,736</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(495,565)	(979,429)	(687,793)	(291,636)
Total other financing sources and uses	<u>(495,565)</u>	<u>95,571</u>	<u>808,177</u>	<u>(712,606)</u>
Fund balance appropriated	<u>331,745</u>	<u>974,872</u>	<u>-</u>	<u>974,872</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>902,470</u>	<u>(902,470)</u>
Fund balances - beginning			<u>6,082,510</u>	
Fund balances - ending			<u>6,984,980</u>	
Legally budgeted Stormwater Management Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			512	
Expenditures			(25,274)	
Other sources			-	
Fund balances - beginning			<u>297,351</u>	
Fund balances - ending (Exhibit 4)			<u>7,257,569</u>	

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, 2017**

Exhibit 6

	Enterprise Funds	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	1,459,313	1,459,313
Investments	137,751	137,751
Accounts receivable, net	204,311	204,311
Receivables from other governments	36,435	36,435
Inventories	250,431	250,431
Prepaid expenses	2,500	2,500
Total current assets	2,090,741	2,090,741
Non-current assets:		
Capital assets:		
Land and construction in progress	359,014	359,014
Other capital assets, net of depreciation	11,621,414	11,621,414
Total capital assets	11,980,428	11,980,428
Total non-current assets	11,980,428	11,980,428
Total assets	14,071,169	14,071,169
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	152,670	152,670
LIABILITIES		
Current liabilities:		
Accounts payable	95,449	95,449
Salaries payable	17,565	17,565
Accrued interest payable	11,792	11,792
Compensated absences - current	25,000	25,000
Bonds, notes and loans payable - current	787,991	787,991
Total current liabilities	937,797	937,797
Non-current liabilities:		
Compensated absences	19,779	19,779
Net pension liability	178,988	178,988
Bonds, notes and loans payable	2,246,410	2,246,410
Total non-current liabilities	2,445,177	2,445,177
Total liabilities	3,382,974	3,382,974
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	17,366	17,366
Unearned income	57,908	57,908
Total deferred inflows of resources	75,274	75,274
NET POSITION		
Net investment in capital assets	8,946,027	8,946,027
Unrestricted	1,819,564	1,819,564
Total net position	10,765,591	10,765,591

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, 2017

Exhibit 7

	Enterprise Funds	
	Water and Sewer Fund	Total
REVENUES		
Charges for services	2,383,437	2,383,437
Miscellaneous operating revenue	6,178	6,178
Total operating revenues	<u>2,389,615</u>	<u>2,389,615</u>
OPERATING EXPENSES		
Water and sewer operations	1,368,731	1,368,731
Depreciation	292,593	292,593
Total operating expenses	<u>1,661,324</u>	<u>1,661,324</u>
Operating income (loss)	<u>728,291</u>	<u>728,291</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	3,056	3,056
Interest expense	(67,284)	(67,284)
Total non-operating revenue (expenses)	<u>(64,228)</u>	<u>(64,228)</u>
Income (loss) before contributions and transfers	664,063	664,063
Capital contributions	209,738	209,738
Change in net position	873,801	873,801
Total net position - beginning	<u>9,891,790</u>	<u>9,891,790</u>
Total net position - ending	<u><u>10,765,591</u></u>	<u><u>10,765,591</u></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, 2017**

EXHIBIT 8
Page 1 of 2

	Enterprise Funds	
	Water & Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	2,365,577	2,365,577
Cash paid for goods and services	(1,315,213)	(1,315,213)
Cash paid to employees	(479,948)	(479,948)
Other operating revenue	6,178	6,178
Net cash provided (used) by operating activities	576,594	576,594
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(671,792)	(671,792)
Principal paid on long-term debt	(771,731)	(771,731)
Interest paid on long-term debt	(70,283)	(70,283)
Contributions from customers	209,738	209,738
Net cash provided (used) for capital and related financing activities	(1,304,068)	(1,304,068)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	3,056	3,056
Investments purchased	143,887	143,887
Net cash provided (used) for investing activities	146,943	146,943
Net increase (decrease) in cash and cash equivalents	(580,531)	(580,531)
Cash and cash equivalents at beginning of year	2,039,844	2,039,844
Cash and cash equivalents at end of year	1,459,313	1,459,313

**VILLAGE OF BALD HEAD ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2017**

EXHIBIT 8
Page 2 of 2

	Enterprise Funds	
	<u>Water & Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	<u>728,291</u>	<u>728,291</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	292,593	292,593
Changes in assets, deferred outflows, and liabilities:		
(Increase) decrease in accounts receivable	(13,393)	(13,393)
(Increase) decrease in inventory	(45,376)	(45,376)
Increase in deferred outflows of resources - pensions	(120,889)	(120,889)
Increase in net pension liability	146,923	146,923
Decrease in deferred inflows of resources - pensions	(23,174)	(23,174)
Increase (decrease) in accounts payable	(393,644)	(393,644)
Increase (decrease) in accrued wages	4,574	4,574
Increase (decrease) in accrued vacation	7,754	7,754
Increase (decrease) in unearned income	<u>(7,065)</u>	<u>(7,065)</u>
Total adjustments	<u>(151,697)</u>	<u>(151,697)</u>
Net cash provided (used) by operating activities	<u>576,594</u>	<u>576,594</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, 2017

EXHIBIT 9
Page 1 of 25

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Bald Head Island, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Village's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Village reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Village. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, shoreline maintenance and sanitation services. Additionally, the Village has legally adopted a Stormwater Management Fund. Under GASB 54 guidance the Stormwater Management Fund is consolidated in the General Fund. The budgetary comparison for the Stormwater Management Fund has been included in the supplemental information.

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

Village Facilities Capital Projects Fund. This fund is used to account for the construction of an improved Village Administrative building and new Public Safety building.

The Village reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Village are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Village considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registrations plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Village's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for all the Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing Board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Village are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Village may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Village may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Village to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Village's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

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. Cash and investments in the Village Facilities Improvement Fund are restricted because they include \$6,771,395 in unspent installment loan proceeds whose use is restricted for the building of a new public safety facility.

Village of Bald Head Island Restricted Cash and Investments

Governmental Activities		
General Fund		
	Customer Deposits	\$ 18,800
	Stormwater Management - Cash	249,077
	Stormwater Management - Investments	<u>23,512</u>
Beach Stabilization Fund		
	Cash	\$ 1,869,578
	Investments	<u>176,444</u>
Village Facilities Improvement Fund		
	Cash	\$ 6,213,090
	Investments	<u>586,484</u>
	Total governmental activities	<u>\$ 9,136,985</u>
	Total Restricted Cash and Investments	<u><u>\$ 9,136,985</u></u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 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

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 2017 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 sewer tap fees and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The vacation policy of the Village provides for the accumulation of up to 240 hours (258 hours for public safety) earned vacation leave with such leave being fully vested when earned. At the beginning of each calendar year, leave balances in excess of 240 hours (or 258 hours for public safety) may be converted to the employee's sick leave benefit account for retirement purposes only. For the Village's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Village has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Village's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Village does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable 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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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.

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

- A. The Village's installment purchase agreement to acquire real property referred to as the "marina property" from Bald Head Island Limited, LLC is not in accordance with State law [G.S. 160A-20(e)]. State law requires certain contracts to purchase real property to be approved by the Local Government Commission. The contract to purchase the "marina property" fell under these guidelines. Upon discovery, the process was begun to satisfy the requirements of G.S. 160A-20(e), but was not completed as of June 30, 2017.
- B. The Village's checks on an official depository were not in compliance with State law [G.S. 159-28(d1)] from August 26, 2016 until the end of the year. State law requires each check or draft on an official depository to bear on its face a certificate signed by the finance officer or a deputy finance officer approved for purchase by the governing board. The certificate shall take substantially the following form: "This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act." When checks were reordered during the year the Village requested the same format as the old checks that were in compliance with the law. However the new checks did not include the statement and this was missed by the Village staff. After being informed of the error, new checks were ordered that were in compliance with State law and the noncompliant checks were destroyed.

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, 2017, the Village's deposits had a carrying amount of \$16,194,200 and a bank balance of \$16,267,580. Of the bank balance, \$2,636,123 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, 2017, the Village's petty cash fund totaled \$500.

2. Investments

At June 30, 2017, the Village's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation</u>		<u>Maturity</u>	<u>Rating</u>
	<u>Measurement Method</u>	<u>Book Value at 6/30/16</u>		
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	1,522,978	0.14 years	Unrated
NC Capital Management Trust - Government Portfolio	Amortized Cost	5,671	N/A	AAAm
Total		<u>1,528,649</u>		

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

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

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

Credit Risk. The Village has no formal policy regarding credit risk, but has internal management procedures that limits the Village's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Village's investment in the NC Capital Management Trust Government Portfolio carried a rating of AAAM by Standard & Poor's as of June 30, 2017. 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.

Concentration of Credit Risk. The Village limits the investments to the safest types of securities, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

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, 2017 is net of the following allowance for doubtful accounts:

Enterprise Fund	<u>7,000</u>
Total	<u><u>7,000</u></u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Reclassi- fications	Increases	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	4,148,723	-	1,063,000	-	5,211,723
Construction in progress	<u>483,646</u>	-	<u>2,109,457</u>	-	<u>2,593,103</u>
Total capital assets not being depreciated	<u>4,632,369</u>	-	<u>3,172,457</u>	-	<u>7,804,826</u>
Capital assets being depreciated					
Buildings	2,100,358	-	30,000	-	2,130,358
Other improvements	1,048,651	-	84,000	-	1,132,651
Vehicles and motorized equipment	1,445,930	-	112,471	108,605	1,449,796
Furniture and equipment	691,090	-	11,175	-	702,265
Infrastructure	<u>11,331,018</u>	-	<u>791,376</u>	-	<u>12,122,394</u>
Total capital assets being depreciated	<u>16,617,047</u>	-	<u>1,029,022</u>	<u>108,605</u>	<u>17,537,464</u>
Less accumulated depreciation for:					
Buildings	384,518	-	43,386	-	427,904
Other improvements	524,507	-	32,292	-	556,799
Vehicles and motorized equipment	1,063,564	-	87,258	104,209	1,046,613
Furniture and equipment	519,618	-	28,266	-	547,884
Infrastructure	<u>534,397</u>	-	<u>334,321</u>	-	<u>868,718</u>
Total accumulated depreciation	<u>3,026,604</u>	-	<u>525,523</u>	<u>104,209</u>	<u>3,447,918</u>
Total capital assets being depreciated, net	<u>13,590,443</u>				<u>14,089,546</u>
Governmental activity capital assets, net	<u>18,222,812</u>				<u>21,894,372</u>

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

General government	41,113
Public safety	97,053
Public works	<u>387,357</u>
Total depreciation expense	<u>525,523</u>

Business-type activities:	Beginning	Reclassi-			Ending
<i>Utilities Fund</i>	<u>Balances</u>	<u>fications</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Capital assets not being depreciated:					
Land	35,000				35,000
Construction in progress	<u>1,331,702</u>	<u>(1,198,567)</u>	<u>190,879</u>	<u>-</u>	<u>324,014</u>
Total capital assets not being depreciated	<u>1,366,702</u>	<u>(1,198,567)</u>	<u>190,879</u>	<u>-</u>	<u>359,014</u>
Capital assets being depreciated					
Buildings	734,040		-		734,040
Utility systems	11,709,151	1,198,567	424,999		13,332,717
Vehicles and motorized equipment	118,797		-	-	118,797
Furniture and equipment	<u>281,086</u>	<u>-</u>	<u>12,638</u>	<u>-</u>	<u>293,724</u>
Total capital assets being depreciated	<u>12,843,074</u>	<u>1,198,567</u>	<u>437,637</u>	<u>-</u>	<u>14,479,278</u>
Less accumulated depreciation for:					
Buildings	114,130		15,045		129,175
Utility systems	2,202,549		247,919		2,450,468
Vehicles and motorized equipment	65,944		10,453	-	76,397
Furniture and equipment	<u>182,648</u>	<u>-</u>	<u>19,176</u>	<u>-</u>	<u>201,824</u>
Total accumulated depreciation	<u>2,565,271</u>	<u>-</u>	<u>292,593</u>	<u>-</u>	<u>2,857,864</u>
Total capital assets being depreciated, net	<u>10,277,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,621,414</u>
Business-type activities capital assets, net	<u>11,644,505</u>				<u>11,980,428</u>

Constructions commitments

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follow:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining commitment</u>
Public Safety Building Construction	1,116,608	5,507,072
Detached Breakwater Project	447,335	226,915
Stormwater Improvement Project	<u>-</u>	<u>202,301</u>
Total	<u>1,563,943</u>	<u>5,936,228</u>

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, 2017, was 8.0% of compensation for law enforcement officers and 7.25% 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 \$227,594 for the year ended June 30, 2017.

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, 2017, the Village reported a liability of \$1,196,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Village's proportion was 0.05638%, which was an increase of 0.00302% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village recognized pension expense of \$299,064. At June 30, 2017, 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	22,482	41,929
Changes of assumptions	81,955	
Net difference between projected and actual earnings on pension plan investments	661,554	-
Changes in proportion and differences between Village contributions and proportionate share of contributions		54,149
Village contributions subsequent to the measurement date	<u>227,594</u>	
Total	<u><u>993,585</u></u>	<u><u>96,078</u></u>

\$227,594 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	87,665
2019	87,880
2020	305,691
2021	188,677
2022	-
Thereafter	-
	<hr/>
Total	<u><u>669,913</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2015 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, 2016 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 2016 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 7.25%. 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Village's proportionate share of the net pension liability (asset)	2,840,025	1,196,572	(176,161)

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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>14</u>
Total	<u>14</u>

(2) Summary of Significant Accounting Policies

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

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

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 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 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is the weekly average of the Bond Buyer General Obligation 20 Year Municipal Bond Index as of December 31, 2016.

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 \$2,540 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, 2017, the Village reported a total pension liability of \$126,210. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Village recognized pension expense of \$21,184.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	-	-
Changes of assumptions		2,690
Village benefit payments and administrative expense made subsequent to the measurement date	<u>1,868</u>	<u> </u>
Total	<u><u>1,868</u></u>	<u><u>2,690</u></u>

\$1,868 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	462
2019	462
2020	462
2021	462
2022	462
Thereafter	<u>380</u>
	<u><u>2,690</u></u>

\$1,693 paid as benefits came due and \$175 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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 3.86 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 (2.86 percent) or 1-percentage point higher (4.86 percent) than the current rate:

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension Liability	137,427	126,210	115,966

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

Beginning balance	108,672
Service cost	17,605
Interest on the total pension liability	3,866
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(3,152)
Benefit payments	(781)
Other charges	-
	-
Ending balance of the total pension liability	126,210

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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. Total contributions for the year ended June 30, 2017 were \$243,040, which consisted of \$147,790 from the Village and \$95,250 from the employees. The Village's required contribution represented five percent of the covered payroll.

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.

For the fiscal year ended June 30, 2017, the Village made contributions to the State for death benefits of \$1,188. The Village's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.06% and 0.00% of covered payroll, respectively.

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	\$ 227,594
Benefit payments made and administrative expenses for LEOSSA	1,868
Differences between expected and actual experience	22,482
Changes of assumptions	81,955
Net difference between projected and actual	<u>661,554</u>
Total	<u>\$ 995,453</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less panalties (General Fund)	\$ -	\$ 71,182
Uninstalled taps (Water & Sewer Fund)	57,908	
Changes in assumptions	2,690	
Differences between expected and actual experience	41,929	
Changes in proportion and diffences between employer contributions and proportionate share of contributions	<u>54,149</u>	<u>-</u>
Total	<u>\$ 156,676</u>	<u>\$ 71,182</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 \$1 million per occurrence, police professional and public officers liability coverage of \$1 million per occurrence with a \$3 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, excess and stop 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 flood, health and all other insurance through a commercial carrier. 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.

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

4. Claims, Judgments and Contingent Liabilities

According to the Village attorney and Village management at June 30, 2017, the Village was not a defendant in any lawsuit whose outcome could affect the Village's ability to pay its obligations as they become due.

5. Long-Term Obligations

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

General Fund

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

Installment purchase contract for the Village's purchase of real property on Keelson Row dated December 30, 2016, due in annual installments of \$215,000 plus 3.50% interest through December 2021.

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

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

Water and Sewer Fund

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

Annual debt service payments of the installment purchases as of June 30, 2017, including \$1,207,346 of interest are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	1,346,667	248,118	787,991	54,022
2019	1,346,666	207,167	803,630	38,384
2020	1,015,000	166,215	819,578	22,435
2021	1,015,000	138,530	623,202	6,170
2022	1,015,000	110,845	-	-
2023-2027	<u>3,600,000</u>	<u>215,460</u>	-	-
Total	<u>9,338,333</u>	<u>1,086,335</u>	<u>3,034,401</u>	<u>121,011</u>

b. General Obligation Indebtedness

The Village's general obligation bonds serviced by the governmental funds were issued to finance the construction of a terminal groin. 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, 2017 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund

\$8,500,000 Beach Improvement Bonds, series 2014 due in quarterly installments of \$522,222, including principal and interest at 1.95% through December 2019.

5,084,887
5,084,887

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

Year Ending <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	2,004,330	84,558
2019	2,043,701	45,187
2020	<u>1,036,856</u>	<u>7,588</u>
Total	<u>5,084,887</u>	<u>137,333</u>

At June 30, 2017, the Village of Bald Head Island had a legal debt margin of \$87,747,805.

b. Changes in Long-Term Liabilities

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion</u> <u>of Balance</u>
Governmental activities:					
General obligation bond	7,050,604	-	1,965,717	5,084,887	2,004,330
Installment notes	995,000	9,075,000	731,667	9,338,333	1,346,667
Compensated absences	157,443	122,364	112,464	167,343	115,000
Net pension liability (LGERS)	207,411	810,177	-	1,017,588	-
Net pension obligation (LEO)	<u>125,366</u>	<u>21,184</u>	<u>20,340</u>	<u>126,210</u>	<u>-</u>
Governmental activity					
long-term liabilities	<u>8,535,824</u>	<u>10,028,725</u>	<u>2,830,188</u>	<u>15,734,361</u>	<u>3,465,997</u>
Business type activities:					
Installment note	3,806,132	-	771,731	3,034,401	787,991
Compensated absences	37,025	29,181	21,427	44,779	25,000
Net pension liability (LGERS)	<u>32,065</u>	<u>146,923</u>	<u>-</u>	<u>178,988</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>3,875,222</u>	<u>176,104</u>	<u>793,158</u>	<u>3,258,168</u>	<u>812,991</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017, consist of the following:

From the General Fund to the Beach Stabilization Fund	687,793
From the Village Facilities Improvement Fund to the General Fund	<u>420,970</u>
Total	<u>1,108,763</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 2017 fiscal year, the Village made two transfers from the General Fund to the Beach Stabilization Capital Project Fund totaling \$687,793. The first was the annual transfer of Accommodation Tax revenue less the amount needed to service the G.O. bond debt (\$687,429), and, the second was the board designated portion of ad valorem tax revenue designated for beach renourishment projects (\$364).

The transfer from the Village Facilities Improvement Fund to the General Fund of \$420,970 was a one-time transfer to reimburse the General Fund for expenditures made on the new public safety building before financing was obtained for the project

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	21,894,372	11,980,428
Less: long-term debt	<u>7,651,825</u>	<u>3,034,401</u>
Net investment in capital asset	<u>14,242,547</u>	<u>8,946,027</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>\$7,257,569</u>
Less:	
Prepaid expenses	46,330
Inventories	11,899
Stabilization by State Statute	326,213
Economic Development	272,589
Remaining Fund Balance	6,600,538

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 Stabiliation Fund</u>	<u>Facilities Improvement Fund</u>	<u>Non-major Funds</u>
	\$18,442	\$0	\$132,538	\$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, 2017.

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, 2017, 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, 2017. 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, 2017 were evaluated by management on November 20, 2017 to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There are no significant subsequent events needing disclosure.

VIII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Village implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Village to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Village to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities increased \$38,413.

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 FOUR FISCAL YEARS*

EXHIBIT A-1

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<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) (%)	0.05638%	0.05336%	0.05458%	0.05730%
Village of Bald Head Island's proportion of the net pension liability (asset) (\$)	1,196,576	239,476	(321,884)	690,685
Village of Bald Head Island's covered-employee payroll	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	39.74%	9.12%	(12.32%)	26.72%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

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

EXHIBIT A-2

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required Contribution	227,594	204,876	189,469	186,326
Contributions in relation to the contractually required contribution	<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>
Village of Bald Head Island's covered-employee payroll	3,030,523	3,010,950	2,626,893	2,612,413
Contributions as a percentage of covered-employee payroll	7.51%	6.80%	7.21%	7.13%

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL ALLOWANCE
JUNE 30, 2017**

EXHIBIT A-3

	2017
Beginning balance	108,672
Service cost	17,605
Interest on the total pension liability	3,866
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(3,152)
Benefit payments	(781)
Other changes	-
	-
Ending balance of the total pension liability	126,210

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

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL ALLOWANCE
JUNE 30, 2017

EXHIBIT A-4

	<u>2017</u>
Total pension liability	126,210
Covered payroll	799,951
Total pension liability as a percentage of covered payroll	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, 2017 and 2016**

EXHIBIT B-1
Page 1 of 6

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Revenues				
Ad valorem taxes				
Current year	7,483,943	7,641,416	157,473	7,582,118
Prior year	75,000	104,003	29,003	67,898
Penalties and interest	15,000	27,247	12,247	22,553
Total	<u>7,573,943</u>	<u>7,772,666</u>	<u>198,723</u>	<u>7,672,569</u>
Other taxes				
Accommodations tax	1,417,775	1,104,404	(313,371)	1,071,880
Total	<u>1,417,775</u>	<u>1,104,404</u>	<u>(313,371)</u>	<u>1,071,880</u>
Unrestricted intergovernmental				
Local option sales tax	42,841	44,385	1,544	41,626
Utility franchise tax	385,000	389,045	4,045	437,249
Beer and wine	-	774	774	730
CAMA - State portion	1,100	500	(600)	1,802
Intergovernmental revenue	-	4,997	4,997	2,591
Total	<u>428,941</u>	<u>439,701</u>	<u>10,760</u>	<u>483,998</u>
Restricted intergovernmental				
Powell Bill allocation	45,000	44,443	(557)	44,779
Federal interest subsidy	-	-	-	2,795
FEMA reimbursement	-	130,500	130,500	65,903
Mosquito control	1,750	1,865	115	1,711
Grant revenue	-	180	180	-
Brunswick County - fire and rescue	226,000	226,000	-	188,522
Total	<u>272,750</u>	<u>402,988</u>	<u>130,238</u>	<u>303,710</u>
Permits and fees				
Building permits	91,000	126,119	35,119	112,774
Daily vehicle permits	70,000	128,307	58,307	92,405
Annual vehicle permits	100,000	116,416	16,416	118,006
Golf cart registration	55,000	55,900	900	55,090
EMS fees	12,000	18,349	6,349	16,016
Creek access permits	26,900	31,350	4,450	33,409
Total	<u>354,900</u>	<u>476,441</u>	<u>121,541</u>	<u>427,700</u>
Sales and services				
Sale of assets	-	8,841	8,841	1,540,615
Public Safety security service	2,000	-	(2,000)	200
Contractor Services Sales	281,478	285,222	3,744	228,132
Island Parcel Center Receipts	113,884	206,523	92,639	112,769
Post office operations	28,998	44,504	15,506	14,987
Total	<u>426,360</u>	<u>545,090</u>	<u>118,730</u>	<u>1,896,703</u>
Investment earnings				
Interest earned	7,000	14,427	7,427	3,012
Total	<u>7,000</u>	<u>14,427</u>	<u>7,427</u>	<u>3,012</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, 2017 and 2016**

EXHIBIT B-1
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	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Miscellaneous				
Fines	5,000	3,075	(1,925)	6,150
Insurance reimbursements	-	4,829	4,829	128
Miscellaneous	2,073	13,906	11,833	6,451
Total	<u>7,073</u>	<u>21,810</u>	<u>14,737</u>	<u>12,729</u>
 Total revenues	 <u>10,488,742</u>	 <u>10,777,527</u>	 <u>288,785</u>	 <u>11,872,301</u>
 <u>Expenditures</u>				
General government				
Governing body				
Codification	10,000	2,715	7,285	2,075
Travel	12,500	10,120	2,380	10,358
Manager's supplemental funds	50,000	19,406	30,594	27,191
Total	<u>72,500</u>	<u>32,241</u>	<u>40,259</u>	<u>39,624</u>
 Administration				
Salaries and wages	533,860	509,778	24,082	558,150
Employee benefits	200,202	183,363	16,839	184,472
Utilities	6,500	7,426	(926)	6,911
Telephone	18,064	15,166	2,898	25,268
Travel	12,000	7,875	4,125	11,668
Ferry costs	32,980	25,496	7,484	34,092
Parking	8,250	7,922	328	7,954
Equipment maintenance	8,436	8,410	26	10,193
Non-depreciable equipment	-	3,262	(3,262)	-
Building maintenance	7,700	10,067	(2,367)	8,609
Office supplies	6,500	4,984	1,516	5,194
Copies and printing	750	120	630	1,243
Postage	1,200	1,813	(613)	2,158
Advertising	3,500	3,932	(432)	5,934
Dues and subscriptions	10,000	7,552	2,448	7,772
Training and certification	3,865	5,333	(1,468)	4,346
Bank charges	16,000	19,653	(3,653)	15,450
Miscellaneous	2,000	5,041	(3,041)	5,094
Professional services	506,738	474,312	32,426	373,270
Medical services	38,500	21,016	17,484	21,464
County collection fee	56,553	58,261	(1,708)	57,544
BHI Conservancy	108,650	116,483	(7,833)	125,245
Insurance	188,179	200,267	(12,088)	177,983
Golf cart lease	8,260	8,555	(295)	-
Capital outlay	50,000	-	50,000	-
Capital outlay - nondepreciable	-	9,132	(9,132)	916
Village events/wellness	11,300	8,897	2,403	9,488
Education assistance	4,000	2,623	1,377	350
Total	<u>1,843,987</u>	<u>1,726,739</u>	<u>117,248</u>	<u>1,660,768</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, 2017 and 2016**

EXHIBIT B-1
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	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Island Parcel Center				
Salaries and wages	86,663	85,017	1,646	78,369
Employee benefits	37,147	37,261	(114)	24,727
Utilities	-	-	-	310
Telephone	360	348	12	1,455
Travel	500	836	(336)	-
Ferry expenses	8,365	6,408	1,957	9,980
Parking expenses	2,250	2,276	(26)	2,981
Equipment maintenance	500	579	(79)	1,329
Equipment and software leases	2,976	1,734	1,242	-
Barge and shipping expense	71,014	76,649	(5,635)	84,344
Shipping supplies	3,000	3,450	(450)	-
Building and grounds maintenance	2,437	3,258	(821)	4,746
Office supplies	1,375	2,457	(1,082)	11,707
Copies and printing	1,000	1,159	(159)	1,192
Postage	42,098	43,025	(927)	-
Miscellaneous	2,000	1,136	864	901
Liability insurance	9,389	5,199	4,190	9,389
Capital outlay - nondepreciable	-	-	-	4,755
Total	<u>271,074</u>	<u>270,792</u>	<u>282</u>	<u>236,185</u>
Contractor Services				
Salaries and wages	89,948	62,758	27,190	61,277
Employee benefits	22,275	17,036	5,239	13,579
Utilities	8,040	6,114	1,926	3,248
Telephone	1,680	2,260	(580)	981
Purchase for resale	121,265	122,941	(1,676)	76,824
Barge cost	-	3,650	(3,650)	3,105
Ferry cost	9,126	4,772	4,354	9,185
Parking	2,250	2,250	-	-
Tram and bus expense	1,200	1,038	162	977
Equipment maintenance	1,000	1,243	(243)	383
Building and grounds maintenance	9,000	9,342	(342)	7,587
Other expense	3,400	1,496	1,904	3,730
Office supplies	2,575	1,490	1,085	2,359
Capital outlay	25,000	-	25,000	1,550,524
Total	<u>296,759</u>	<u>236,390</u>	<u>60,369</u>	<u>1,733,759</u>
Total general government	<u>2,484,320</u>	<u>2,266,162</u>	<u>218,158</u>	<u>3,670,336</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, 2017 and 2016**

EXHIBIT B-1
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	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Public safety				
Police, fire and EMS				
Salaries	1,506,175	1,411,647	94,528	1,396,361
Employee benefits	469,431	484,940	(15,509)	366,924
Utilities	14,000	11,331	2,669	15,173
Telephone	3,780	9,867	(6,087)	19,559
Communications	6,000	5,934	66	1,757
Gas and oil	20,000	15,313	4,687	18,623
LP gas	3,000	790	2,210	1,201
Travel	10,000	3,410	6,590	9,905
Ferry costs	47,341	40,908	6,433	42,896
Parking	44,000	40,627	3,373	42,934
Barge expenses	3,500	3,065	435	3,480
Repairs - equipment	5,000	1,603	3,397	3,079
Repairs - vehicles	20,000	13,272	6,728	25,820
Vehicle permits	9,000	7,680	1,320	7,533
Repairs - building & grounds	7,000	9,866	(2,866)	7,181
Maintenance contracts	26,760	15,017	11,743	21,059
Supplies	27,800	15,207	12,593	23,158
EMS billing expense	800	793	7	757
Doshier medical clinic supplies	10,000	10,611	(611)	460
Law enforcement supplies	5,000	5,423	(423)	1,982
Safety equipment and programs	10,000	2,575	7,425	3,923
EMS supplies	10,000	3,333	6,667	7,956
ALS medication	5,000	4,979	21	5,216
Water rescue supplies	2,000	737	1,263	680
Fire supplies	20,990	19,186	1,804	18,581
Volunteer incentive	2,500	1,822	678	2,758
Copies and printing	3,000	1,857	1,143	2,108
Munitions	3,500	3,255	245	3,311
Dues and subscriptions	6,790	8,377	(1,587)	7,074
Uniforms	32,000	26,131	5,869	6,169
Training and certification	15,000	3,412	11,588	11,966
Public education	2,500	2,495	5	3,232
Miscellaneous	3,000	1,661	1,339	3,436
Animal control	1,000	-	1,000	-
Medical services	-	-	-	345
Rent	-	105,644	(105,644)	96,040
Capital outlay - Nondepreciable	-	720	(720)	1,858
Capital outlay	80,000	88,782	(8,782)	1,145,807
Total	<u>2,435,867</u>	<u>2,382,270</u>	<u>53,597</u>	<u>3,330,302</u>
Development services				
Salaries	70,500	71,012	(512)	68,359
Employee benefits	33,426	9,944	23,482	26,159
Travel	700	194	506	-
Ferry	3,042	2,028	1,014	3,019
Parking	750	750	-	750
Repair and maintenance - equipment	1,300	779	521	3,488
Supplies	1,030	60	970	20
Dues	780	-	780	1,784
Training	2,500	422	2,078	381
Miscellaneous	500	-	500	-
Professional services	5,321	4,687	634	2,542
Total	<u>119,849</u>	<u>89,876</u>	<u>29,973</u>	<u>106,502</u>
Total public safety	<u>2,555,716</u>	<u>2,472,146</u>	<u>83,570</u>	<u>3,436,804</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, 2017 and 2016**

EXHIBIT B-1
Page 5 of 6

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Transportation				
Road maintenance	98,987	98,987	-	86,193
Total	<u>98,987</u>	<u>98,987</u>	<u>-</u>	<u>86,193</u>
Environmental protection				
Public works				
Salaries and wages	425,753	402,100	23,653	386,398
Employee benefits	172,868	169,778	3,090	136,582
Utilities	15,000	17,122	(2,122)	11,863
Telephone	3,000	4,528	(1,528)	4,178
Gas and oil	12,000	9,288	2,712	17,241
LP gas	2,500	1,800	700	1,834
Travel	600	357	243	85
Ferry expense	27,377	23,132	4,245	31,874
Parking	6,750	6,795	(45)	6,773
Barge expense	23,000	29,150	(6,150)	30,740
Repairs - equipment	15,000	16,351	(1,351)	11,084
Vehicle permits	5,250	4,580	670	5,290
Maintenance - building & grounds	16,000	26,302	(10,302)	16,115
Right-of-way maintenance	38,000	24,387	13,613	27,623
Contract - mulch site	75,000	87,341	(12,341)	56,454
Contract services	333,000	353,779	(20,779)	350,914
Office supplies	1,000	892	108	1,250
Safety equipment supplies	3,000	2,056	944	2,654
Building supplies	5,000	1,635	3,365	2,705
Signs	15,000	4,368	10,632	3,531
Uniforms	3,500	2,373	1,127	2,074
Training and certification	750	-	750	135
Miscellaneous	500	94	406	142
Mosquito control	5,000	4,986	14	6,918
Equipment rental	2,400	-	2,400	-
Capital outlay	40,000	34,864	5,136	123,806
Total environmental protection	<u>1,247,248</u>	<u>1,228,058</u>	<u>19,190</u>	<u>1,238,263</u>
Economic and physical development				
Shoreline preservation				
Salaries	89,478	85,269	4,209	60,092
Employee benefits	36,040	20,679	15,361	15,714
Telephone	-	455	(455)	-
Travel	3,500	661	2,839	-
Ferry	3,042	1,966	1,076	1,413
Parking	750	750	-	750
Equipment maintenance	-	2,366	(2,366)	80
Office supplies	200	17	183	-
Dues and subscriptions	1,658	3,725	(2,067)	1,360
Training and certification	2,500	105	2,395	-
Professional services	-	7,268	(7,268)	-
Engineering	30,000	25,949	4,051	-
Monitoring	200,000	189,054	10,946	156,092
Legal	165,000	30,341	134,659	104,835
Dune restoration/vegetation	30,000	6,994	23,006	350
Lobbying	115,200	114,214	986	112,831
Stormwater management	-	-	-	36,469
Baldhead Creek access expansion	-	-	-	6,850
Capital outlay - Marina property	1,175,000	1,175,000	-	-
Total	<u>1,852,368</u>	<u>1,664,813</u>	<u>187,555</u>	<u>496,836</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, 2017 and 2016**

EXHIBIT B-1
Page 6 of 6

	2017		Variance Favorable (Unfavorable)	2016
	Budget	Actual		Actual
Debt service				
Principal	2,845,893	2,697,384	148,509	2,324,471
Interest and fees	274,653	255,684	18,969	166,980
Total	<u>3,120,546</u>	<u>2,953,068</u>	<u>167,478</u>	<u>2,491,451</u>
Contingency	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total expenditures	<u>11,559,185</u>	<u>10,683,234</u>	<u>875,951</u>	<u>11,419,883</u>
Revenues over (under) expenditures	<u>(1,070,443)</u>	<u>94,293</u>	<u>1,164,736</u>	<u>452,418</u>
Other financing sources (uses)				
Fund balance appropriated	974,872	-	(974,872)	-
Operating transfers in				
Capital Projects Funds	-	420,970	420,970	-
Operating transfers out				
Beach Stabilization Fund	(979,429)	(687,793)	291,636	(288,062)
Stormwater management fund	-	-	-	(300,000)
Village Facilities Fund	-	-	-	(373,998)
Infiltration / RO Fund	-	-	-	(28,350)
Installment debt proceeds	<u>1,075,000</u>	<u>1,075,000</u>	<u>-</u>	<u>995,000</u>
Total	<u>1,070,443</u>	<u>808,177</u>	<u>(262,266)</u>	<u>4,590</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>902,470</u>	<u>902,470</u>	<u>457,008</u>
Fund balance				
Beginning of year - July 1		<u>6,082,510</u>		<u>5,625,502</u>
End of year - June 30		<u>6,984,980</u>		<u>6,082,510</u>

**VILLAGE OF BALD HEAD ISLAND
STORMWATER MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2017**

EXHIBIT B-2

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	42,789	43,407	512	43,919	1,130
Total revenues	<u>42,789</u>	<u>43,407</u>	<u>512</u>	<u>43,919</u>	<u>1,130</u>
<u>Expenditures</u>					
Capital outlay:					
Administration	12,000	7,635	1,536	9,171	2,829
Construction	1,239,789	997,789	15,251	1,013,040	226,749
Engineering	232,500	193,142	5,502	198,644	33,856
Legal	27,000	15,990	2,985	18,975	8,025
Total expenditures	<u>1,511,289</u>	<u>1,214,556</u>	<u>25,274</u>	<u>1,239,830</u>	<u>271,459</u>
Revenues over (under) expenditures	(1,468,500)	(1,171,149)	(24,762)	(1,195,911)	272,589
Other financing sources (uses)					
Operating transfer from General Fund	<u>1,468,500</u>	<u>1,468,500</u>	-	<u>1,468,500</u>	-
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>297,351</u>	(24,762)	<u>272,589</u>	<u>272,589</u>
Fund balance, beginning			<u>297,351</u>		
Fund balance, ending			<u>272,589</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, 2017**

EXHIBIT B-3
Page 1 of 3

	Project Author- ization	Actual		Total To Date	Variance Positive (Negative)
		Prior Year(s)	Current Year		
Revenues					
Restricted intergovernmental FEMA reimbursement	741,351	741,351	-	741,351	-
Investment earnings					
Interest earned	159,770	168,043	2,521	170,564	10,794
Interest on bond proceeds	6,201	6,200	-	6,200	(1)
Total	165,971	174,243	2,521	176,764	10,793
Miscellaneous					
Marina Entrance Channel Agreement	830,514	830,514	-	830,514	-
Refund State of NC	526,968	526,967	-	526,967	(1)
Total	1,357,482	1,357,481	-	1,357,481	(1)
Total revenues	2,264,804	2,273,075	2,521	2,275,596	10,792
Expenditures					
Capital outlay:					
Beach Renourishment					
Administration/Engineering	1,464,757	1,322,153	17,506	1,339,659	125,098
Monitoring	738,346	765,036	-	765,036	(26,690)
Legal	762,008	741,774	21,246	763,020	(1,012)
Construction	1,745,062	611,992	579,305	1,191,297	553,765
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	5,502,651	4,204,415	618,057	4,822,472	680,179
Engineered Beach					
Administration/Engineering	340,063	340,062	-	340,062	1
Legal	212,868	212,867	-	212,867	1
Subtotal	552,931	552,929	-	552,929	2
Marine Groins - Harbor Groin System					
Administration/Engineering	86,818	86,818	-	86,818	-
Legal	17,461	17,460	-	17,460	1
Construction	236,555	236,555	-	236,555	-
Subtotal	340,834	340,833	-	340,833	1
BHI Creek Dredging					
Administration/Engineering	217,687	217,687	-	217,687	-
Subtotal	217,687	217,687	-	217,687	-
Jetty Extension Project					
Administration/Engineering	564,147	208,241	-	208,241	355,906
Legal	2,304	2,303	-	2,303	1
Construction	1,245,771	1,245,771	-	1,245,771	-
Subtotal	1,812,222	1,456,315	-	1,456,315	355,907

**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, 2017**

EXHIBIT B-3
Page 2 of 3

	Project Author- ization	Actual		Total To Date	Variance Positive (Negative)
		Prior Year(s)	Current Year		
Sand Replacement Project					
Administration/Engineering	402,893	402,893	-	402,893	-
Monitoring	50,804	50,804	-	50,804	-
Legal	160,795	160,795	-	160,795	-
Construction	16,047,974	16,047,974	-	16,047,974	-
Dune Restoration/Vegetation	20,000	20,000	-	20,000	-
Subtotal	<u>16,682,466</u>	<u>16,682,466</u>	<u>-</u>	<u>16,682,466</u>	<u>-</u>
Terminal Groins Project					
Administration/Engineering	2,406,464	2,301,502	191,789	2,493,291	(86,827)
Legal	389,110	268,759	107,448	376,207	12,903
Construction	<u>6,148,143</u>	<u>5,226,381</u>	<u>600,000</u>	<u>5,826,381</u>	<u>321,762</u>
Subtotal	<u>8,943,717</u>	<u>7,796,642</u>	<u>899,237</u>	<u>8,695,879</u>	<u>247,838</u>
BHI Creek Dredging					
Administration/Engineering	365,113	365,113	-	365,113	-
Monitoring	45,945	45,944	-	45,944	1
Construction	<u>1,241,869</u>	<u>1,241,869</u>	<u>-</u>	<u>1,241,869</u>	<u>-</u>
Subtotal	<u>1,652,927</u>	<u>1,652,926</u>	<u>-</u>	<u>1,652,926</u>	<u>1</u>
Sandtube Groins					
Administration/Engineering	62,167	62,167	-	62,167	-
Construction	<u>676,538</u>	<u>676,537</u>	<u>-</u>	<u>676,537</u>	<u>1</u>
Subtotal	<u>738,705</u>	<u>738,704</u>	<u>-</u>	<u>738,704</u>	<u>1</u>
Row Boat Row Beach					
Administration/Engineering	279,301	-	278,835	278,835	466
Construction	<u>961,554</u>	<u>-</u>	<u>961,554</u>	<u>961,554</u>	<u>-</u>
Subtotal	<u>1,240,855</u>	<u>-</u>	<u>1,240,389</u>	<u>1,240,389</u>	<u>466</u>
Total expenditures	<u>37,684,995</u>	<u>33,642,917</u>	<u>2,757,683</u>	<u>36,400,600</u>	<u>1,284,395</u>
Revenues over (under) expenditures	<u>(35,420,191)</u>	<u>(31,369,842)</u>	<u>(2,755,162)</u>	<u>(34,125,004)</u>	<u>1,295,187</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, 2017**

	Project Author- ization	Actual		Total To Date	Variance Positive (Negative)
		Prior Year(s)	Current Year		
Other financing sources (uses)					
Operating transfer from					
General Fund	8,537,996	8,104,292	687,793	8,792,085	254,089
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	<u>8,500,000</u>	<u>8,500,000</u>	<u>-</u>	<u>8,500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>35,420,191</u>	<u>34,986,487</u>	<u>687,793</u>	<u>35,674,280</u>	<u>254,089</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>3,616,645</u>	<u>(2,067,369)</u>	<u>1,549,276</u>	<u>1,549,276</u>
Fund balance, beginning			<u>3,616,645</u>		
Fund balance, ending			<u>1,549,276</u>		

**VILLAGE OF BALD HEAD ISLAND
VILLAGE FACILITIES IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2017**

EXHIBIT B-4

	Project Author- ization	Prior Year	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
<u>Revenues</u>					
Investment earnings					
Interest earned	105,160	105,664	13,002	118,666	13,506
Total revenues	<u>105,160</u>	<u>105,664</u>	<u>13,002</u>	<u>118,666</u>	<u>13,506</u>
<u>Expenditures</u>					
General Government					
Capital outlay:					
Administration - village hall	238,686	225,097	-	225,097	13,589
Construction - village hall	534,316	533,813	-	533,813	503
Furnishings/Equipment - village hall	41,802	41,276	-	41,276	526
Purchase of real property	330,082	330,082	-	330,082	-
Total	<u>1,144,886</u>	<u>1,130,268</u>	<u>-</u>	<u>1,130,268</u>	<u>14,618</u>
Public Safety					
Capital outlay:					
Administration and engineering	683,512	366,328	293,886	660,214	23,298
Legal and professional services	5,131	15,972	-	15,972	(10,841)
Construction	7,448,098	9,653	1,368,236	1,377,889	6,070,209
Total	<u>8,136,741</u>	<u>391,953</u>	<u>1,662,122</u>	<u>2,054,075</u>	<u>6,082,666</u>
Total expenditures	<u>9,281,627</u>	<u>1,522,221</u>	<u>1,662,122</u>	<u>3,184,343</u>	<u>6,097,284</u>
Revenues over (under) expenditures	<u>(9,176,467)</u>	<u>(1,416,557)</u>	<u>(1,649,120)</u>	<u>(3,065,677)</u>	<u>(6,110,790)</u>
Other financing sources (uses)					
Loan proceeds	8,000,000	165,000	8,000,000	8,165,000	165,000
Operating transfer from General Fund	3,265,533	3,138,676	-	3,138,676	(126,857)
Operating transfers to General Fund	(425,596)	(4,626)	(420,970)	(425,596)	-
Beach Stabilization Fund	(1,663,470)	(1,663,470)	-	(1,663,470)	-
Net other financing sources (uses)	<u>9,176,467</u>	<u>1,635,580</u>	<u>7,579,030</u>	<u>9,214,610</u>	<u>38,143</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>219,023</u>	<u>5,929,910</u>	<u>6,148,933</u>	<u>6,148,933</u>
Fund balance, beginning			<u>219,023</u>		
Fund balance, ending			<u>6,148,933</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, 2017**

EXHIBIT C-1
Page 1 of 3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water charges			
Water service	824,790	847,636	22,846
Water tap fees	145,600	222,641	77,041
Pipeline surcharge	233,350	235,616	2,266
Miscellaneous revenue	5,600	6,178	578
Total	1,209,340	1,312,071	102,731
Sewer charges			
Sewer service	940,230	949,061	8,831
Sewer tap fees	196,100	78,723	(117,377)
Septic maintenance	20,000	21,608	1,608
Port-O-John rentals	23,800	28,152	4,352
Total	1,180,130	1,077,544	(102,586)
Total operating revenues	2,389,470	2,389,615	145
Nonoperating revenues			
Interest income	(2,400)	2,848	5,248
Contributions from customers	-	209,738	209,738
Total nonoperating revenues	(2,400)	212,586	214,986
Total revenues	2,387,070	2,602,201	215,131
Expenditures			
Operating expenditures			
Salaries and wages	563,652	551,842	11,810
Employee benefits	180,926	154,763	26,163
Utilities	93,900	87,766	6,134
Telephone	33,400	40,416	(7,016)
Gas and oil	7,080	6,133	947
Travel	4,000	4,223	(223)
Ferry expense	31,221	22,268	8,953
Parking	7,550	7,427	123
Barges and shipping	28,400	39,715	(11,315)
Equipment maintenance	10,675	11,563	(888)
Non-expendable supplies	1,500	1,149	351
Cart maintenance	1,950	1,186	764
Vehicle maintenance	10,710	7,505	3,205
Building and grounds maintenance	9,300	7,865	1,435
System repairs and maintenance	221,900	191,412	30,488
Office supplies	1,388	1,262	126
Water supplies	10,000	8,980	1,020
Sewer supplies	32,400	23,741	8,659
Safety equipment	2,800	1,648	1,152

**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, 2017**

EXHIBIT C-1
Page 2 of 3

	Budget	Actual	Variance Positive (Negative)
Tools	3,000	2,933	67
Building supplies	2,000	270	1,730
Copies and printing	10,200	8,971	1,229
Postage	500	420	80
Dues and subscriptions	1,200	1,160	40
Uniforms	3,600	3,308	292
Training and certification	2,000	2,758	(758)
Permits	4,900	4,880	20
Miscellaneous	1,389	531	858
Professional services	45,400	60,809	(15,409)
Lab fees	24,360	21,278	3,082
Medical fees	1,000	-	1,000
Purchase of water	33,000	26,867	6,133
Insurance	70,000	43,856	26,144
Golf cart lease	3,781	2,728	1,053
Equipment rental	1,831	2,345	(514)
Manager's supplemental funds	10,000	4,139	5,861
Total	1,470,913	1,358,117	112,796
Debt service			
Principal payments	772,657	771,731	926
Interest and other costs	69,357	70,283	(926)
Total	842,014	842,014	-
Capital outlay			
Capital asset additions	723,057	628,516	94,541
Total expenditures	3,035,984	2,828,647	207,337
Revenues over (under) expenditures	(648,914)	(226,446)	422,468
Other financing sources (uses)			
Fund balance appropriated	648,914	-	(648,914)
Total other financing sources (uses)	648,914	-	(648,914)
Revenues and other sources over expenditures and other uses	-	(226,446)	(226,446)
Fund Balance			
Beginning of year		2,045,687	
End of year		1,819,241	

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, 2017

EXHIBIT C-1
 Page 3 of 3

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual			
Revenues and other sources over expenditures and other uses		(226,446)	
Reconciling items:			
Principal retirement		771,731	
Capital outlay		628,516	
Increase in interest expense accrued		2,999	
Increase in accrued vacation pay		(7,754)	
Increase in deferred outflows of resources - pensions		120,889	
Increase in net pension liability		(146,923)	
Decrease in deferred inflows of resources - pensions		23,174	
Depreciation		(292,593)	
Interest income recorded in capital projects		208	
Change in net position per exhibit 7		873,801	

VILLAGE OF BALD HEAD ISLAND
INFILTRATION POND IMPROVEMENT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2017

EXHIBIT C-2

	Project Author- ization	Prior Year	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues					
Interest on investments	22,750	23,143	208	23,351	601
Total revenues	22,750	23,143	208	23,351	601
Expenditures					
Capital outlay:					
Infiltration pond					
Administration	45,000	44,289	-	44,289	711
Engineering	804,505	804,920	-	804,920	(415)
Legal	468,624	458,069	-	458,069	10,555
Construction	412,451	402,499	-	402,499	9,952
Total	1,730,580	1,709,777	-	1,709,777	20,803
Aquifer study					
Administration	112,050	34,080	-	34,080	77,970
Engineering/Legal	332,860	331,658	-	331,658	1,202
Construction	91,739	91,739	-	91,739	-
Total	536,649	457,477	-	457,477	79,172
Total expenditures	2,267,229	2,167,254	-	2,167,254	99,975
Revenues over (under) expenditures	(2,244,479)	(2,144,111)	208	(2,143,903)	100,576
Other financing sources (uses)					
Operating transfer from					
General Fund	1,796,855	1,796,857	-	1,796,857	2
Water and Sewer Fund	447,624	447,624	-	447,624	-
Net other financing sources (uses)	2,244,479	2,244,481	-	2,244,481	2
Revenues and other financing sources over (under) expenditures	-	100,370	208	100,578	100,578
Fund balance, beginning			100,370		
Fund balance, ending			100,578		

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, 2017

EXHIBIT D-1

Fiscal Year	Uncollected Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	Uncollected Balance <u>June 30, 2017</u>
2016-2017	-	7,678,586	7,633,913	44,673
2015-2016	61,630	-	52,439	9,191
2014-2015	26,125	-	17,731	8,394
2013-2014	19,894	-	17,944	1,950
2012-2013	11,248		10,523	725
2011-2012	5,009		4,390	619
2010-2011	2,941		1,388	1,553
2009-2010	7,152		4,916	2,236
2008-2009	1,696		1	1,695
2007-2008	2,174		2,174	-
2006-2007	<u>146</u>	<u>-</u>	<u>-</u>	<u>146</u>
Totals	<u>138,015</u>	<u>7,678,586</u>	<u>7,745,419</u>	<u>71,182</u>

Reconciliation with revenues

Taxes - ad valorem - General Fund	7,772,666
Less interest and penalties	27,247
Other adjustments	<u>-</u>
Total collections	<u><u>7,745,419</u></u>

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
VILLAGE-WIDE LEVY
For the Year Ended June 30, 2017

EXHIBIT D-2

	Village-Wide			Total Levy	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	1,098,910,364	0.006663	7,322,040	7,322,040	
Special district taxes			371,234	371,234	
Registered motor vehicles taxed at current year's rate	149,932	0.006663	999		999
Registered motor vehicles taxed at prior year's rate	-	0.005910	-	-	-
Total original levy	<u>1,099,060,296</u>		<u>7,694,273</u>	<u>7,693,274</u>	<u>999</u>
Discoveries:					
Property taxed at current year's rate	445,974	0.006663	2,972	2,972	
Special district taxes			15	15	
Prior year taxes			-	-	
Prior year special district taxes	-		-	-	-
Total discoveries	<u>445,974</u>		<u>2,987</u>	<u>2,987</u>	<u>-</u>
Abatements:					
Property taxed at current year's rate	2,658,713	0.006663	17,715	17,715	
Special district taxes			959	959	
Registered motor vehicles taxed at current and prior year's rate	-	0.005900	-	-	-
Total abatements	<u>2,658,713</u>		<u>18,674</u>	<u>18,674</u>	<u>-</u>
Net levy	<u>1,096,847,557</u>		7,678,586	7,677,587	999
Uncollected taxes at June 30, 2017			<u>44,673</u>	<u>44,673</u>	<u>-</u>
Current year's taxes collected			<u>7,633,913</u>	<u>7,632,914</u>	<u>999</u>
Current levy collection percentage			<u>99.42%</u>	<u>99.42%</u>	<u>100.00%</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, 2017, and the related notes to the financial statements, which collectively comprises the Village of Bald Head Island's basic financial statements, and have issued our report thereon dated November 20, 2017.

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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. We consider deficiency 2017-1, 2017-2 and 2017-3 to be significant deficiencies in internal control over financial reporting.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. And which are described in the accompanying schedule of findings and responses as items 2017-1, 2017-2 and 2017-3.

Village of Bald Head Island's Response to Findings

The Village of Bald Head Island's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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, Lodge & Chandler PLLC
Certified Public Accountants

November 20, 2017

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2017**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no

- Significant Deficiencies identified that are not considered to be material weaknesses yes no

- Noncompliance material to financial statements noted yes no

II. Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2017-1 Installment Finance Agreements

Criteria: Certain installment agreements for the purchase of real property require the approval of the Local Government Commission

Condition: The Village financed the purchase of real property from Bald Head Island Limited, LLC through the use of an installment agreement. Per G.S. 160A-20(e) this transaction required the approval of the Local Government Commission. The Village did not acquire the approval of the Local Government Commission for this transaction.

Effect: The Village is in violation of State law.

Cause: Village personnel were not aware of the requirement.

Recommendation: The Village should contact the Local Government Commission to obtain the steps they require to bring the transaction in to compliance.

Views of responsible officials and planned corrective actions: The Village agrees with this finding and recommendation.

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2017

EXHIBIT E-1
Page 2 of 2

2017-2 Checks on Official Depositories

Criteria: G.S. 159-28(d1) requires that excluding certain exceptions, each check or draft on an official depository shall bare on its face a certificate signed by the finance officer or deputy finance officer approved for this purpose by the governing board . The certificate should take substantially the following form, "This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act."

Condition: Starting on August 26, 2016 checks written on the official depository did not include the certificate, nor did those without the certificate meet any other exception to the law.

Effect: The Village is in violation of State law.

Cause: The Village ordered checks from their vendor and requested that they be in the same form as their previous order which included the certificate. When the checks were received they were not reviewed by personnel to verify that they were in compliance with State law.

Recommendation: The Village should either manually include the certificate on the noncompliant checks, or order new checks that include the certificate and destroy the noncompliant checks.

Views of responsible officials and planned corrective actions: The Village agrees with this finding.

2017-3 Significant Audit Adjustments

Criteria: General ledger and other records should include all adjustments necessary for GAAP financial reporting

Condition: Several audit adjustments that in our opinion would not have been discovered except through our auditing procedures were proposed. Management is responsible for establishing controls to ensure that they are able to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles.

Effect: Financial reporting could be misleading.

Cause: The finance department staff is competent, capable and performs daily and monthly functions very well. However the Village accounting staff is still relatively new to governmental generally accepted accounting principles and is still learning on the job.

Recommendation: Additional training should be accorded the Finance Director and accounting staff with additional supervision provided until such time as training is completed.

Views of responsible officials and planned corrective actions: The Village agrees with this finding and recommendation.

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2017**

Exhibit E-2

I. Financial Statement Findings

Finding 2017-1

Name of contact person: Virginia Cummings, Finance Officer

Corrective Action: The Village is refinancing the installment agreement so that it meets State law. The Village also contacted the Local Government Commission to inform them of the violation, and to obtain guidance on the best way to correct the violation.

Proposed completion date: December 31, 2017

Finding 2017-2

Name of contact person: Virginia Cummings

Corrective Action: New checks were ordered that were in compliance with State law. The noncompliant checks were destroyed.

Proposed completion date: November 15, 2017

Finding 2017-3

Name of contact person: Virginia Cummings, Finance Officer

Corrective Action: Additional continuing education courses in governmental accounting will be undertaken by the finance department staff.

Proposed completion date: June 30, 2018

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR FINDING
For the Year Ended June 30, 2017**

Exhibit E-3

Finding: 2016-1

Status: The condition continues

Finding: 2016-2

Status: The condition has been corrected