

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2021

Village Council Members

J. Andrew Sayre, Mayor
Mike Brown, Mayor Pro Tempore
Peter Quinn
Emily Hill
Scott Gardner

Administrative and Financial Staff

Chris McCall, Village Manager
Zachary Hewett, Finance Director
Regina M. Hinson, 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, 2021 and the related notes to the financial statements, which collectively comprise the Village of Bald Head Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bald Head Island, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Bald Head Island. The combining and individual nonmajor fund financial statements, budgetary schedules, 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, and 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 29, 2021 on our consideration of the Village of Bald Head Island's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Bald Head Island's internal control over financial reporting and compliance.


Certified Public Accountants

Berry, Padgett & Chandler, PLLC
Southport, NC 28461
November 29, 2021

Management's Discussion and Analysis



The Village of Bald Head Island

Management's Discussion and Analysis

As management of the Village of Bald Head Island, North Carolina, we offer readers of the Village of Bald Head Island's financial statements this narrative overview and analysis of the financial activities of the Village of Bald Head Island for the fiscal year ended June 30, 2021. 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.

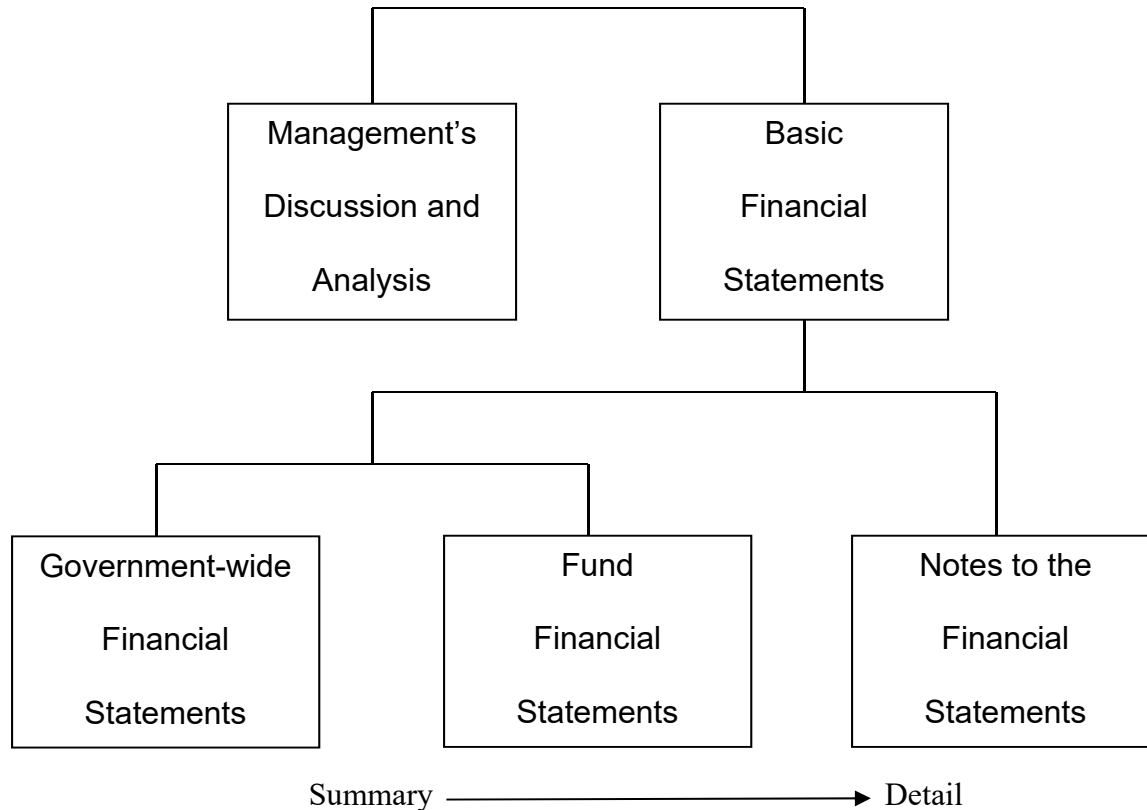
Financial Highlights

- 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 \$34,854,820 (*net position*).
- The government's total net position increased by \$3,539,446 primarily due to a decrease in Long-term Outstanding Liabilities through the payments of annual debt service principal owed.
- As of the close of the current fiscal year, the Village of Bald Head Island's governmental funds reported combined ending fund balances of \$8,807,271, a decrease of \$762,275 in comparison with the prior year. Approximately 56% percent of this total amount or \$4,968,494 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 \$3,387,326 which is a decrease of \$2,283,590 from the previous fiscal year.
- The Village of Bald Head Island's total governmental debt decreased by \$3,409,660 during the current fiscal year, mainly attributable to planned debt service principal payments and the early repayment of an installment purchase agreement.

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 Council about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Village of Bald Head Island has one kind of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Village of Bald Head Island uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on Exhibit 9 of this report.

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

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

Government-Wide Financial Analysis

Village of Bald Head Island's Net Position
June 30, 2021
Figure 2

	Government Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 9,425,365	\$ 9,985,914	\$ 2,143,685	\$ 2,061,738	\$ 11,569,050	\$ 12,047,652
Capital assets	28,788,547	28,445,463	11,619,631	11,625,448	40,408,178	40,070,911
Deferred outflows of resources	1,399,396	916,694	170,833	142,244	1,570,229	1,058,938
Total assets and deferred outflows of resources	39,613,308	39,348,071	13,934,149	13,829,430	53,547,457	53,177,501
Long term liabilities outstanding	17,463,678	20,306,596	339,416	903,158	17,803,094	21,209,754
Other liabilities	669,252	482,272	124,947	66,712	794,199	548,984
Deferred inflows of resources	24,256	41,170	71,088	62,219	95,344	103,389
Total liabilities and deferred inflows of resources	18,157,186	20,830,038	535,451	1,032,089	18,692,637	21,862,127
Net position:						
Net Investment Capital Assets	14,092,314	10,011,910	11,619,631	11,000,629	25,711,945	21,012,539
Restricted	3,806,316	3,512,691	-	-	3,806,316	3,512,691
Unrestricted	3,557,492	4,993,432	1,779,067	1,796,712	5,336,559	6,790,144
Total net position	\$ 21,456,122	\$ 18,518,033	\$ 13,398,698	\$ 12,797,341	\$ 34,854,820	\$ 31,315,374

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 \$34,854,820 as of June 30, 2021. The Village's net position increased by \$3,539,446 for the fiscal year ended June 30, 2021. However, the largest portion \$25,711,945 (74%) reflects the Village's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Village of Bald Head Island uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Bald Head Island's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village of Bald Head Island's net position of \$3,806,316 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,336,559 is unrestricted.

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

	Government Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for services	1,562,643	1,433,481	2,763,001	2,500,385	4,325,644	3,933,866
Operating grants and contributions	785,778	2,506,889		102,783	785,778	2,609,672
Capital grants and contributions	140	137	228,780	189,264	228,920	189,401
General revenues:						
Property taxes	8,446,105	8,338,792			8,446,105	8,338,792
Other taxes & licenses	2,542,073	1,621,591			2,542,073	1,621,591
Unrestricted investment earnings	2,351	65,282	467	11,646	2,818	76,928
Other	75,098	156,982		3,684	75,098	160,666
Total Revenues	13,414,188	14,123,154	2,992,248	2,807,762	16,406,436	16,930,916
Expenses:						
General government	2,942,506	2,790,454			2,942,506	2,790,454
Public Safety	3,402,490	3,274,470			3,402,490	3,274,470
Transportation	197,270	211,330			197,270	211,330
Environmental protection	2,199,325	1,892,976			2,199,325	1,892,976
Economic & physical development	922,792	1,186,839			922,792	1,186,839
Interest on long term debt	545,439	651,609			545,439	651,609
Water & Sewer			2,390,891	2,204,089	2,390,891	2,204,089
Total Expenses	10,209,822	10,007,678	2,390,891	2,204,089	12,600,713	12,211,767
Increase in net position before special item	3,204,366	4,115,476	601,357	603,673	3,805,723	4,719,149
Special item- impairment loss	(266,277)				(266,277)	
Increase in net position after special item	2,938,089	4,115,476	601,357	603,673	3,539,466	4,719,149
Net position, July 1	18,518,033	14,402,557	12,797,341	12,193,668	31,315,374	26,596,225
Net position, June 30	21,456,122	18,518,033	13,398,698	12,797,341	34,854,820	31,315,374

Governmental activities. Governmental activities increased the Village's net position by \$2,938,089, accounting for eighty-three percent (83%) of the total growth in the net position of the Village of Bald Head Island. The amount of Property Tax collections continues to increase due to development throughout the Village. Also, Accommodations Taxes recognized an increase of approximately eighty (80) percent over the previous fiscal year, most likely attributable to increased vacation home rentals due to restrictions related to COVID-19 being lessened. Utilizing a portion of this increase, the Village was able to pay off one of its installment financings early.

Business-type activities. Business-type activities increased the Village's net position by \$601,357, which accounts for seventeen percent (17%) of the total growth in the Village's net position. Key elements of this increase are due to increases in service charges due to the Village's annual rate increase, as well as an increase in water usage, likely due to an increase in the amount of water users on the island, which correlates to the increase in vacation home rentals as mentioned above.

Financial Analysis of the Village's Funds

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

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

The general fund is the chief operating fund of the Village of Bald Head Island. At the end of the current fiscal year, Village of Bald Head's fund balance available in the General Fund was \$4,137,726 while total fund balance reached \$6,282,798. 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 33% of general fund expenditures, while total fund balance represents 50% of the same amount. The

At June 30, 2021, the governmental funds of Village of Bald Head Island reported a combined fund balance of \$8,807,271, which equals a 8% percent decrease from last fiscal year. This decrease is mainly due to expending of funds for capital project construction. The Village expects this decrease to be offset in the new fiscal year due to receipt of installment financing proceeds of \$1.68 million to reimburse the Village for expenses associated with the Contractor Services Yard Project.

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

Revenues were more than the budgeted amounts primarily due to greater than anticipated property tax and occupancy taxes collections. In addition, the Village received FEMA reimbursements for Village expenses incurred during Hurricane Isaias. 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 \$1,779,067. The total change in net position for the fund was an increase of \$601,357.

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, 2021, totals \$40,408,178 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 6,052,875	\$ 6,052,875	\$ 35,000	\$ 35,000	\$ 6,087,875	\$ 6,087,875
Buildings	9,009,422	9,212,546	577,277	593,013	9,586,699	9,805,559
Other Improvements	465,446	473,774			465,446	473,774
Utility Systems			10,393,712	10,605,443	10,393,712	10,605,443
Furniture and Equipment	328,967	277,784	448,585	284,936	777,552	562,720
Infrastructure	11,104,338	11,478,060			11,104,338	11,478,060
Vehicles and Motorized Equipment	347,875	437,251	165,057	107,056	512,932	544,307
Construction in Progress	1,479,624	513,173			1,479,624	513,173
Total	\$28,788,547	\$28,445,463	\$11,619,631	\$11,625,448	\$40,408,178	\$40,070,911

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, 2021, the Village of Bald Head Island had total long-term debt of \$17,803,894. Of this amount, \$10,161,858 is for debt service of a general obligation bond privately placed with PNC Bank in 2018 with a rate of 3.61% for 7 years. \$2,750,000 and \$1,650,000 are Installment Notes with PNC secured by a Deed of Trust on the Public Safety Complex. \$134,375 is an installment note with PNC for the purchase of real property in the Marina Park.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Village of Bald Head Island is \$93,157,163.

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes (due to development within the Village) and accommodation taxes are expected to continue to lead the increase in budgeted revenue. The Village recognized large increases in these two key revenues in FY 21 and they are expected to continue their upwardly trend steadily over time. The Village plans to use the increased property tax revenue to fund necessary expenses associated with gradual, controlled growth.

General Fund budgeted expenditures are expected to decrease by approximately \$725,000 in Fiscal Year 2022. This is due to no planned capital project transfers, as well as a reduction in debt service. Management believes that increased revenues and controlled spending will help to better the Village's financial position.

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

Requests for Information

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

Basic Financial Statements

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF NET POSITION
June 30, 2021

EXHIBIT 1

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and equivalents	4,489,776	1,178,257	5,668,033
Investments	1,037,038	228,511	1,265,549
Taxes receivable (net)	29,005	-	29,005
Accrued interest receivable on taxes	2,072	-	2,072
Accounts receivable	78,613	220,665	299,278
Due from other governmental agencies	995,129	47,475	1,042,604
Inventories	17,961	228,277	246,238
Prepaid expenses	14,500	2,500	17,000
Restricted assets			
Restricted cash and cash equivalents	2,451,505	199,327	2,650,832
Restricted investments	309,766	38,673	348,439
Total current assets	<u>9,425,365</u>	<u>2,143,685</u>	<u>11,569,050</u>
Non-current assets			
Capital assets			
Land and improvements not being depreciated	7,532,499	35,000	7,567,499
Other capital assets, net of depreciation	21,256,048	11,584,631	32,840,679
Total capital assets	<u>28,788,547</u>	<u>11,619,631</u>	<u>40,408,178</u>
Total non-current assets	<u>28,788,547</u>	<u>11,619,631</u>	<u>40,408,178</u>
Total assets	<u>38,213,912</u>	<u>13,763,316</u>	<u>51,977,228</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>1,399,396</u>	<u>170,833</u>	<u>1,570,229</u>
LIABILITIES			
Accounts payable and accrued expenses	512,513	124,947	637,460
Accrued interest	82,235	-	82,235
Customer deposits	34,350	-	34,350
Payable from restricted assets	40,154	-	40,154
Long-term liabilities			
Due within one year	<u>3,187,723</u>	<u>40,000</u>	<u>3,227,723</u>
Total current liabilities	<u>3,856,975</u>	<u>164,947</u>	<u>4,021,922</u>
Long-term liabilities			
Net pension liability	1,706,699	297,278	2,003,977
Total pension liability	796,618		796,618
Due in more than one year	<u>11,772,638</u>	<u>2,138</u>	<u>11,774,776</u>
Total liabilities	<u>18,132,930</u>	<u>464,363</u>	<u>18,597,293</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes			
Pension deferrals	24,256	4,791	29,047
Unearned income	-	66,297	66,297
Total deferred inflows of resources	<u>24,256</u>	<u>71,088</u>	<u>95,344</u>
NET POSITION			
Net investment in capital assets	14,092,314	11,619,631	25,711,945
Restricted for:			
Stabilization by State Statute	1,073,793		1,073,793
Economic Development	2,686,918		2,686,918
Inspections	45,605		45,605
Unrestricted	<u>3,557,492</u>	<u>1,779,067</u>	<u>5,336,559</u>
Total net position	<u>21,456,122</u>	<u>13,398,698</u>	<u>34,854,820</u>

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, 2021

EXHIBIT 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
		<u>Services</u>	<u>and</u>	<u>and</u>	<u>Activities</u>	<u>Activities</u>	
			<u>Contributions</u>	<u>Contributions</u>			
Primary government							
Governmental activities							
General Government	2,942,506	814,247	-	140	(2,128,119)		(2,128,119)
Public Safety	3,402,490	621,722	614,210	-	(2,166,558)		(2,166,558)
Transportation	197,270	-	169,864	-	(27,406)		(27,406)
Environmental protection	2,199,325	-	1,704	-	(2,197,621)		(2,197,621)
Economic and Physical Development	922,792	126,674	-	-	(796,118)		(796,118)
Interest on Long-term debt	545,439	-	-	-	(545,439)		(545,439)
Total governmental activities	10,209,822	1,562,643	785,778	140	(7,861,261)		(7,861,261)
Business-type activities							
Water and Sewer Operations	2,390,891	2,763,001	-	228,780		600,890	600,890
Total business-type activities	2,390,891	2,763,001	-	228,780		600,890	600,890
Total primary government	12,600,713	4,325,644	785,778	228,920	(7,861,261)	600,890	(7,260,371)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					8,446,105	-	8,446,105
Other taxes					2,542,073	-	2,542,073
Unrestricted investment earnings					2,351	467	2,818
Miscellaneous					75,098	-	75,098
Total general revenues excluding special items					11,065,627	467	11,066,094
Special item - impairment loss					(266,277)	-	(266,277)
Total general revenues and special items					10,799,350	467	10,799,817
Change in net position					2,938,089	601,357	3,539,446
Net position, beginning					18,518,033	12,797,341	31,315,374
Net position - ending					21,456,122	13,398,698	34,854,820

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

**VILLAGE OF BALD HEAD ISLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

EXHIBIT 3
Page 1 of 2

	<u>Major Funds</u>		<u>Non-Major Fund</u>	
	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	3,724,109	1,422,357	765,667	5,912,133
Restricted cash	1,029,148			1,029,148
Investments	888,517	275,868	148,521	1,312,906
Restricted investments	33,898			33,898
Taxes receivable, net	29,005	-	-	29,005
Receivable from other governments	995,129	-	-	995,129
Other receivables	78,613	-	-	78,613
Prepaid expenses	14,500			14,500
Inventory	17,961		-	17,961
Total assets	<u>6,810,880</u>	<u>1,698,225</u>	<u>914,188</u>	<u>9,423,293</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	459,402	4,520	83,420	547,342
Payable to other governments	4,545	-	-	4,545
Payable from restricted assets	780			780
Deposits	34,350	-		34,350
Total liabilities	<u>499,077</u>	<u>4,520</u>	<u>83,420</u>	<u>587,017</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	29,005	-	-	29,005
Total deferred inflows of resources	<u>29,005</u>	<u>-</u>	<u>-</u>	<u>29,005</u>
FUND BALANCES				
Non Spendable				
Prepaid expenses	14,500			14,500
Inventories	17,961			17,961
Restricted				
Stabilization by State Statute	1,073,793	-	-	1,073,793
Economic Development	993,213	1,693,705	-	2,686,918
Inspections	45,605			45,605
Assigned				
Subsequent expenditures	750,400	-		750,400
Unassigned	3,387,326		830,768	4,218,094
Total fund balances	<u>6,282,798</u>	<u>1,693,705</u>	<u>830,768</u>	<u>8,807,271</u>
Total liabilities, deferred inflows of resources and fund balances	<u>6,810,880</u>	<u>1,698,225</u>	<u>914,188</u>	<u>9,423,293</u>

VILLAGE OF BALD HEAD ISLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

EXHIBIT 3
Page 2 of 2

Total fund balance, governmental funds		8,807,271
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.		28,788,547
Deferred outflows of resources related to pensions are not reported in the funds		1,399,396
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.		2,072
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.		29,005
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	(14,960,361)	
Net pension liability	(1,706,699)	
Total pension liability	<u>(796,618)</u>	(17,463,678)
Deferred inflows of resources related to pensions are not reported in the funds		(24,256)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(82,235)</u>
Net position of governmental activities		<u><u>21,456,122</u></u>

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, 2021

EXHIBIT 4
Page 1 of 2

	<u>Major Funds</u>		<u>Non-Major Funds</u>	
	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Total Non- Major funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	8,460,946	-		8,460,946
Other taxes	2,090,181	-		2,090,181
Unrestricted intergovernmental revenues	456,645	-		456,645
Restricted intergovernmental revenues	655,918	-		655,918
Licenses and permits	613,565	-		613,565
Sales and services	944,429	-		944,429
Investment earnings	1,708	482	161	2,351
Miscellaneous	209,552	-		209,552
Total revenues	<u>13,432,944</u>	<u>482</u>	<u>161</u>	<u>13,433,587</u>
 Current:				
General government	2,809,219	-	69,332	2,878,551
Public safety	2,859,556	-	-	2,859,556
Transportation	197,270	-	-	197,270
Environmental protection	1,857,780	-	-	1,857,780
Economic and physical development	636,426	290,537	1,163,396	2,090,359
Debt Service:				
Principal	3,737,320	-	-	3,737,320
Interest and other charges	575,026	-	-	575,026
Total expenditures	<u>12,672,597</u>	<u>290,537</u>	<u>1,232,728</u>	<u>14,195,862</u>
Excess (deficiency) of revenues over expenditures	<u>760,347</u>	<u>(290,055)</u>	<u>(1,232,567)</u>	<u>(762,275)</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,230,420	2,230,420
Transfers out	(2,040,420)	-	(190,000)	(2,230,420)
Total other financing sources and uses	<u>(2,040,420)</u>	<u>-</u>	<u>2,040,420</u>	<u>-</u>
 Net change in fund balances	(1,280,073)	(290,055)	807,853	(762,275)
Fund balances - beginning	<u>7,562,871</u>	<u>1,983,760</u>	<u>22,915</u>	<u>9,569,546</u>
 Fund balances - ending	<u><u>6,282,798</u></u>	<u><u>1,693,705</u></u>	<u><u>830,768</u></u>	<u><u>8,807,271</u></u>

VILLAGE OF BALD HEAD ISLAND
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

EXHIBIT 4
Page 2 of 2

Net change in fund balances - total governmental funds: (762,275)

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

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

Capital outlay expenditures that were capitalized	1,420,724
Depreciation	(806,805)
Asset impairment loss	(266,277)

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. (4,558)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 347,540

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

Change in unavailable revenue for tax revenues	(13,671)
Increase in interest receivable on property taxes	(1,170)

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

Principal payments on long-term debt	3,737,320
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on governmental funds	29,587
Compensated absences	(23,724)
Pension expense (LGERS)	(290,890)
Net pension expense (LEO)	(427,712)

Change in net position of governmental activities	2,938,089
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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, 2021

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	8,366,821	8,451,821	8,460,946	9,125
Other taxes	995,000	1,560,000	2,090,181	530,181
Unrestricted intergovernmental revenues	498,435	498,435	456,645	(41,790)
Restricted intergovernmental revenues	476,000	762,603	655,918	(106,685)
Licenses and permits	511,947	616,347	613,565	(2,782)
Sales and services	586,429	799,089	817,755	18,666
Investment earnings	80,400	10,400	1,649	(8,751)
Miscellaneous	24,500	212,100	209,552	(2,548)
Total revenues	11,539,532	12,910,795	13,306,211	395,416
EXPENDITURES				
Current:				
General government	2,676,608	2,937,053	2,809,219	127,834
Public safety	2,722,366	2,890,364	2,859,556	30,808
Transportation	454,500	205,100	197,270	7,830
Environmental protection	1,601,499	1,943,035	1,857,780	85,255
Economic and physical development	696,457	750,060	605,476	144,584
Debt Service:				
Principal	3,187,321	3,737,321	3,737,320	1
Interest and other charges	563,750	578,750	575,026	3,724
Total expenditures	11,902,501	13,041,683	12,641,647	400,036
Excess (deficiency) of revenues over expenditures	(362,969)	(130,888)	664,564	795,452
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(2,040,420)	(2,040,420)	-
Total other financing sources and uses	-	(2,040,420)	(2,040,420)	-
Fund balance appropriated	362,969	2,171,308	-	2,171,308
Net change in fund balances	-	-	(1,375,856)	1,375,856
Fund balances - beginning			7,439,856	
Fund balances - ending			6,064,000	
Legally budgeted Stormwater Management Fund is consolidated into the General Fund for reporting purposes:				
Revenue			126,733	
Expenditures			(30,950)	
Fund balances - beginning			123,015	
Fund balances - ending (Exhibit 4)			6,282,798	

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, 2021

EXHIBIT 6

	Enterprise Funds	
	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	1,178,257	1,178,257
Investments	228,511	228,511
Accounts receivable, net	220,665	220,665
Receivables from other governments	47,475	47,475
Inventories	228,277	228,277
Prepaid expenses	2,500	2,500
Restricted assets		
Cash and cash equivalents	199,327	199,327
Investments	38,673	38,673
Total current assets	<u>2,143,685</u>	<u>2,143,685</u>
Non-current assets:		
Capital assets:		
Land and construction in progress	35,000	35,000
Other capital assets, net of depreciation	11,584,631	11,584,631
Total capital assets	<u>11,619,631</u>	<u>11,619,631</u>
Total non-current assets	<u>11,619,631</u>	<u>11,619,631</u>
Total assets	<u>13,763,316</u>	<u>13,763,316</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>170,833</u>	<u>170,833</u>
LIABILITIES		
Current liabilities:		
Accounts payable	97,288	97,288
Salaries payable	27,659	27,659
Compensated absences - current	40,000	40,000
Total current liabilities	<u>164,947</u>	<u>164,947</u>
Non-current liabilities:		
Compensated absences	2,138	2,138
Net pension liability	297,278	297,278
Total non-current liabilities	<u>299,416</u>	<u>299,416</u>
Total liabilities	<u>464,363</u>	<u>464,363</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	4,791	4,791
Unearned income	66,297	66,297
Total deferred inflows of resources	<u>71,088</u>	<u>71,088</u>
NET POSITION		
Net investment in capital assets	11,619,631	11,619,631
Unrestricted	1,779,067	1,779,067
Total net position	<u>13,398,698</u>	<u>13,398,698</u>

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

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

EXHIBIT 7

	Enterprise Funds	
	<u>Water and Sewer</u>	
	<u>Fund</u>	<u>Total</u>
REVENUES		
Charges for services	2,763,001	2,763,001
Total operating revenues	<u>2,763,001</u>	<u>2,763,001</u>
OPERATING EXPENSES		
Water and sewer operations	2,022,195	2,022,195
Depreciation	365,770	365,770
Total operating expenses	<u>2,387,965</u>	<u>2,387,965</u>
Operating income (loss)	<u>375,036</u>	<u>375,036</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	467	467
Interest expense	(3,837)	(3,837)
Gain on sale of assets	911	911
Total non-operating revenue (expenses)	<u>(2,459)</u>	<u>(2,459)</u>
Income (loss) before contributions and transfers	372,577	372,577
Capital contributions	228,780	228,780
Change in net position	601,357	601,357
Total net position - beginning	<u>12,797,341</u>	<u>12,797,341</u>
Total net position - ending	<u><u>13,398,698</u></u>	<u><u>13,398,698</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, 2021

EXHIBIT 8
Page 1 of 2

	<u>Enterprise Funds</u>	
	Water & Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	2,768,704	2,768,704
Cash paid for goods and services	(1,347,965)	(1,347,965)
Cash paid to employees	<u>(553,252)</u>	<u>(553,252)</u>
Net cash provided (used) by operating activities	<u>867,487</u>	<u>867,487</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(359,953)	(359,953)
Principal paid on long-term debt	(624,819)	(624,819)
Interest paid on long-term debt	(6,265)	(6,265)
Contributions from customers	228,780	228,780
Proceeds from sale of assets	<u>911</u>	<u>911</u>
Net cash provided (used) for capital and related financing activities	<u>(761,346)</u>	<u>(761,346)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	467	467
Investments purchased	<u>(21,137)</u>	<u>(21,137)</u>
Net cash provided (used) for investing activities	<u>(20,670)</u>	<u>(20,670)</u>
Net increase (decrease) in cash and cash equivalents	85,471	85,471
Cash and cash equivalents at beginning of year	<u>1,292,113</u>	<u>1,292,113</u>
Cash and cash equivalents at end of year	<u>1,377,584</u>	<u>1,377,584</u>

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2021

EXHIBIT 8
Page 2 of 2

	<u>Enterprise Funds</u>	
	<u>Water & Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	<u>375,036</u>	<u>375,036</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	365,770	365,770
Changes in assets, deferred outflows, and liabilities:		
(Increase) decrease in accounts receivable	(5,629)	(5,629)
(Increase) decrease in inventory	30,290	30,290
Increase in deferred outflows of resources - pensions	(28,589)	(28,589)
Increase in net pension liability	71,566	71,566
Decrease in deferred inflows of resources - pensions	(2,463)	(2,463)
Increase (decrease) in accounts payable	33,004	33,004
Increase (decrease) in accrued wages	27,659	27,659
Increase (decrease) in accrued vacation	(10,489)	(10,489)
Increase (decrease) in unearned income	<u>11,332</u>	<u>11,332</u>
Total adjustments	<u>492,451</u>	<u>492,451</u>
Net cash provided (used) by operating activities	<u>867,487</u>	<u>867,487</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, 2021

EXHIBIT 9
Page 1 of 26

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Village reports the following major governmental funds:

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

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

The Village reports the following non-major governmental funds:

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

IPC Improvements Capital Project Fund. This fund is used to account for the construction of improvements to the IPC facilities.

New Village Hall Capital Project Fund. This fund is used to account for the construction of a new village hall.

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 Wastewater Treatment Upgrades Project Fund. This fund is budgeted separately but consolidated into the Water & 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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

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

The Village's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Village before any services are supplied are restricted to the service for which the deposit was collected. Inspection fees are classified as restricted cash because they can only be expended for the purposes outlined in G.S. 160A-414. Accommodation taxes are classified as restricted cash because they can only be expended for the purposes outlined in S.L. 1993-617. Money in the Stormwater Management Fund is classified as restricted assets because its use is restricted to the Stormwater Management Fund per NC G.S. Chapter 159, Article 3, Part 2. Cash and investments in the Beach Stabilization Capital Project Fund are classified as restricted because they represent unspent accommodation tax receipts.

Village of Bald Head Island Restricted Cash and Investments

Governmental Activities

General Fund

Customer Deposits	\$ 34,350
Accommodation Taxes	774,415
Inspection Fees	45,605
Stormwater Management - Cash	174,778
Stormwater Management - Investments	<u>33,898</u>

Beach Stabilization Fund

Cash	\$ 1,422,357
Investments	<u>275,868</u>

Total governmental activities	<u>\$ 2,761,271</u>
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Total Restricted Cash and Investments	<u><u>\$ 2,761,271</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village has one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category – property taxes receivable, prepaid water and sewer tap fees and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Restricted for Inspections – portion of fund balance restricted for the inspections department by revenue source for the Development Services department [G.S. 160A-414].

Committed Fund Balance- portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Village of Bald Head Island's governing body (highest level of decision making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the budget officer to modify appropriations by resource or appropriation and report any amendments to the Village Council at the regular monthly meeting following the month in which such amendments are made.

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

The Village of Bald Head Island has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Village funds, Village funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Village.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Village of Bald Head Island's employer contributions are recognized when due and the Village of Bald Head Island has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Late Submission of Audited Financial Statements

The Village was late submitting its annual independent audit in accordance with LGC-205 (Contract to Audit Accounts). The Local Government Commission requires annual audited financial statements to be submitted within four months of the fiscal year. The late filing was due to the audit firm experiencing staff shortages and restrictions related to the COVID pandemic. The Village provided items in a timely manner, accounts were reconciled and they performed all tasks required to timely file the audit.

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, 2021, the Village's deposits had a carrying amount of \$8,318,365 and a bank balance of \$8,461,529. Of the bank balance, \$263,311 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, 2021, the Village's petty cash fund totaled \$500.

2. Investments

At June 30, 2021, the Village of Bald Head Island had \$1,613,988 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Village has no policy regarding credit risk.

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, 2021 is net of the following allowance for doubtful accounts:

Enterprise Fund	<u>1,442</u>
Total	<u><u>1,442</u></u>

4. Capital Assets

Primary Government

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

	Beginning Balances	Reclassi- fications	Increases	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	6,052,875	-	-	-	6,052,875
Construction in progress	513,173	-	1,232,728	266,277	1,479,624
Total capital assets not being depreciated	6,566,048	-	1,232,728	266,277	7,532,499
Capital assets being depreciated					
Buildings	10,102,210	-	-	-	10,102,210
Other improvements	1,132,651	-	50,875	-	1,183,526
Vehicles and motorized equipment	1,565,079	-	-	75,269	1,489,810
Furniture and equipment	969,204	-	137,121	24,815	1,081,510
Infrastructure	13,457,864	-	-	-	13,457,864
Total capital assets being depreciated	27,227,008	-	187,996	100,084	27,314,920
Less accumulated depreciation for:					
Buildings	889,664	-	203,124	-	1,092,788
Other improvements	658,877	-	59,203	-	718,080
Vehicles and motorized equipment	1,127,828	-	84,818	70,711	1,141,935
Furniture and equipment	691,420	-	85,938	24,815	752,543
Infrastructure	1,979,804	-	373,722	-	2,353,526
Total accumulated depreciation	5,347,593	-	806,805	95,526	6,058,872
Total capital assets being depreciated, net	21,879,415				21,256,048
Governmental activity capital assets, net	28,445,463				28,788,547

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

General government	78,118
Public safety	277,481
Public works	451,206
Total depreciation expense	806,805

Business-type activities:	Beginning	Reclassi-			Ending
<i>Utilities Fund</i>	Balances	fications	Increases	Decreases	Balances
Capital assets not being depreciated:					
Land	35,000	-	-	-	35,000
Total capital assets not being depreciated	35,000	-	-	-	35,000
Capital assets being depreciated					
Buildings	768,567		-		768,567
Utility systems	13,882,642	-	66,589		13,949,231
Vehicles and motorized equipment	199,667		82,509	6,000	276,176
Furniture and equipment	568,945	-	210,855	25,325	754,475
Total capital assets being depreciated	15,419,821	-	359,953	31,325	15,748,449
Less accumulated depreciation for:					
Buildings	175,554		15,736		191,290
Utility systems	3,277,199		278,320		3,555,519
Vehicles and motorized equipment	92,611		24,508	6,000	111,119
Furniture and equipment	284,009	-	47,206	25,325	305,890
Total accumulated depreciation	3,829,373	-	365,770	31,325	4,163,818
Total capital assets being depreciated, net	11,590,448				11,584,631
Business-type activities capital assets, net	11,625,448				11,619,631

Constructions commitments

The government has active construction project as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining commitment</u>
Contractors Services and Public Works Redesign	662,226	135,966
IPC Improvements	46,658	320,791
Total	708,884	456,757

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, 2021, was 10.90% of compensation for law enforcement officers and 10.15% 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 \$406,405 for the year ended June 30, 2021.

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, 2021, the Village reported a liability of \$2,003,977 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The 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, 2020, the Village's proportion was 0.05608%, which was an increase of 0.00154% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Village recognized pension expense of \$686,320. At June 30, 2021, 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	253,067	-
Changes of assumptions	149,135	
Net difference between projected and actual earnings on pension plan investments	282,006	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	39,220	22,626
Village contributions subsequent to the measurement date	<u>406,405</u>	<u></u>
Total	<u><u>1,129,833</u></u>	<u><u>22,626</u></u>

\$406,405 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	190,500
2023	262,926
2024	163,916
2025	<u>83,460</u>
Total	<u><u>700,802</u></u>

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

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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, 2020 are summarized in the following table:

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

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

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

Sensitivity of the Village's proportionate share of the net pension asset to changes in the discount rate. The following presents the Village's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Village's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Village's proportionate share of the net pension liability (asset)	4,065,852	2,003,977	290,415

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2019, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>25</u>
Total	27

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

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

The discount rate is the weekly average of the Bond Buyer General Obligation 20 Year Municipal Bond Index as of December 31, 2019.

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

(4) Contributions

The 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 \$10,966 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, 2021, the Village reported a total pension liability of \$796,618. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Village recognized pension expense of \$143,182.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	212,613	-
Changes of assumptions	222,350	6,421
Village benefit payments and administrative expense made subsequent to the measurement date	<u>5,433</u>	<u> </u>
Total	<u><u>440,396</u></u>	<u><u>6,421</u></u>

\$5,433 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	88,499
2023	87,242
2024	81,747
2025	80,020
2026	60,776
Thereafter	<u>30,258</u>
	<u><u>428,542</u></u>

Sensitivity of the Village's total pension liability to changes in the discount rate. The following presents the Village's total pension liability calculated using the discount rate of 1.93 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 (0.93 percent) or 1-percentage point higher (2.93 percent) than the current rate:

	<u>1% Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension Liability	890,740	796,618	712,123

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

Beginning balance	368,906
Service cost	42,439
Interest on the total pension liability	11,818
Differences between expected and actual experience in the measurement of the total pension liability	141,380
Changes of assumptions or other inputs	244,834
Benefit payments	<u>(12,759)</u>
Ending balance of the total pension liability	<u><u>796,618</u></u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	686,320	143,182	829,502
Pension liability	2,003,977	796,618	2,800,595
Proportionate share of net pension liability	0.05608%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	253,067	212,613	465,680
Changes of assumptions	149,135	222,350	371,485
Net difference between projected and actual earnings on plan investments	282,006	-	282,006
Changes in proportion and differences between contributions and proportionate share of contributions	39,220	-	39,220
Benefit payments and administrative costs paid subsequent to measurement date	<u>406,405</u>	<u>5,433</u>	<u>411,838</u>
Total	<u><u>1,129,833</u></u>	<u><u>440,396</u></u>	<u><u>1,570,229</u></u>
Deferred Inflows of Resources			
Changes of assumptions	-	6,421	6,421
Changes in proportion and differences between contributions and proportionate share of contributions	<u>22,626</u>		<u>22,626</u>
Total	<u><u>22,626</u></u>	<u><u>6,421</u></u>	<u><u>29,047</u></u>

c. Supplemental Retirement Income Plan

Plan Description – The Village contributes to the Supplemental Retirement Income Plan (Plan), a defined-contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers employed by the Village. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Article 12E of G.S. Chapter 143 requires the Village to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Village has elected to allow employees not engaged in law enforcement to participate in the Supplemental Retirement Income Plan. The Village made contributions of \$183,324 for the year ended June 30, 2021. No amounts were forfeited.

d. Other Employment Benefits

The Village has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Village, the Village does not determine the number of eligible participants. The Village has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and law enforcement officers. The Village considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 406,405
Benefit payments made and administrative expenses for LEOSSA	5,433
Differences between expected and actual experience	465,680
Changes of assumptions	371,485
Net difference between projected and actual	282,006
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,220
Total	<u>\$ 1,570,229</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 29,005
Uninstalled taps (Water & Sewer Fund)	66,297	
Changes in assumptions	6,421	
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,626	-
Total	<u>\$ 95,344</u>	<u>\$ 29,005</u>

3. Risk Management

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

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

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

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

4. Claims, Judgments and Contingent Liabilities

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

5. Long-Term Obligations

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

General Fund

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

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

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

Annual debt service payments of the installment purchases as of June 30, 2021, including \$320,090 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	934,375	104,630
2023	800,000	83,160
2024	800,000	63,000
2025	800,000	42,840
2026	800,000	22,680
2027	400,000	3,780
Total	<u>4,534,375</u>	<u>320,090</u>

b. General Obligation Indebtedness

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

Bonds payable at June 30, 2021 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund

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

10,161,858
10,161,858

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	2,118,348	338,381
2023	2,195,862	260,868
2024	2,276,212	180,516
2025	2,359,503	97,226
2026	1,211,933	16,430
Total	<u>10,161,858</u>	<u>893,421</u>

At June 30, 2021, the Village of Bald Head Island had a legal debt margin of \$93,157,163.

b. Changes in Long-Term Liabilities

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

	Balance <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2021</u>	Current Portion of Balance
Governmental activities:					
General obligation bond	12,205,428		2,043,570	10,161,858	2,118,348
Direct borrowing installment					
purchases	6,228,125		1,693,750	4,534,375	934,375
Compensated absences	240,404	149,096	125,372	264,128	135,000
Net pension liability (LGERS)	1,263,733	442,966		1,706,699	-
Net pension obligation (LEO)	<u>368,906</u>	<u>440,471</u>	<u>12,759</u>	<u>796,618</u>	<u>-</u>
Governmental activity					
long-term liabilities	<u>20,306,596</u>	<u>1,032,533</u>	<u>3,875,451</u>	<u>17,463,678</u>	<u>3,187,723</u>
Business type activities:					
Direct borrowing installment					
purchases	624,819		624,819	-	-
Compensated absences	55,627	35,174	48,663	42,138	40,000
Net pension liability (LGERS)	<u>225,712</u>	<u>71,566</u>	<u>-</u>	<u>297,278</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>906,158</u>	<u>106,740</u>	<u>673,482</u>	<u>339,416</u>	<u>40,000</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2021, consist of the following:

From the General Fund to the Contractor Services and Public Works Campus Redesign Project Fund	1,640,420
From the General Fund to the IPC Improvements Project Fund	400,000
From the Water and Sewer Fund to the Wastewater Treatment Upgrades Project Fund	238,000
From the Contractor Services and Public Works Campus Redesign Project Fund to the New Village Hall Project Fund	<u>190,000</u>
Total	<u>2,468,420</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.

The transfer from the General Fund to the Contractor Services and Public Works Campus Redesign Project Fund was a one-time transfer to fund construction costs of the project.

The transfer from the General Fund to the IPC Improvements Project Fund was a one-time transfer to fund construction costs of the new project.

The transfer from the Water and Sewer Fund to the Wastewater Treatment Upgrades Project Fund was a one-time transfer to fund construction costs of the new project.

The transfer from the Contractor Services and Public Works Campus Redesign Project Fund to the New Village Hall Project Fund was a one-time transfer to fund construction costs of the new project.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	28,788,547	11,619,631
Less: long-term debt	<u>14,696,233</u>	-
Net investment in capital asset	<u>14,092,314</u>	<u>11,619,631</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>\$6,282,798</u>
Less:	
Prepaid expenses	14,500
Inventories	17,961
Stabilization by State Statute	1,073,793
Economic Development	993,213
Inspections	45,605
Subsequent Expenditures	750,400
Remaining Fund Balance	3,387,326

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

<u>Encumbrances</u>	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Contractor Services & Public Works Redesign Fund</u>	<u>Non-major Funds</u>
	\$51	\$0	\$2,099	\$0

IV. JOINTLY GOVERNED ORGANIZATIONS

Cape Fear Council of Governments

The Village, in conjunction with four counties and thirty two other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Village paid membership fees of \$333 to the Council during the fiscal year ended June 30, 2021.

Bald Head Island Transportation Authority

The Village in conjunction with the City of Southport and Brunswick County established the Bald Head Island Transportation Authority. The purpose of the authority is to provide reliable and safe public ferry transportation services in its service area. The Village of Bald Head Island appoints one member to the board of trustees. The Mayor and Mayor Pro Tempore of the Village of Bald Head Island serve as ex officio voting members of the board. One member of the board is appointed by the Governor of North Carolina, two members by the North Carolina General Assembly, three members by the Secretary of the North Carolina Department of Transportation, one member by Brunswick County and one member by the City of Southport. The Village is not obligated to furnish any funds to the Authority, but has made contributions in prior years. During the year ended June 30, 2021, the Village made contributions totaling \$130,000 to the Authority. The participating governments do not have any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2021. Complete financial information can be obtained from the Authority at 1029 N. Howe Street, Southport, NC 28461.

V. JOINT VENTURES

Firemen's Relief Fund

The Village and the members of the Village's Public Safety department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Village obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Village's fire department by the board of trustees. During the fiscal year ended June 30, 2021, 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, 2021. 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, 2021 were evaluated by management on November 29, 2021 to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included.

VII. SPECIAL ITEM

During the year ended June 30, 2021, the Village declared \$266,277 in construction in progress expenditures paid for the redesign and remodeling of the current village hall as impaired because it was determined that the Village would be better served by constructing a new village hall. The old plans had been put on hold due to the economic climate caused by the great recession. The construction in progress determined as impaired consisted of mainly professional fees for the redesign and expansion of the current village hall. This item is reflected on the government-wide statements as a special item because it was unusual in nature but under the control of management.

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 EIGHT FISCAL YEARS**

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2021	2020	2019	2018	2017	2016	2015	2014
Village of Bald Head Island's proportion of the net pension liability (asset) (%)	0.05608%	0.05454%	0.05032%	0.05379%	0.05638%	0.05336%	0.05458%	0.05730%
Village of Bald Head Island's proportion of the net pension liability (asset) (\$)	2,003,977	1,489,445	1,193,762	821,762	1,196,576	239,476	(321,884)	690,685
Village of Bald Head Island's covered-employee payroll	3,786,406	3,476,233	3,128,062	3,030,523	3,010,950	2,626,893	2,612,413	2,584,649
Village of Bald Head Island's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.93%	42.85%	38.16%	27.12%	39.74%	9.12%	(12.32%)	26.72%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required Contribution	406,405	350,863	279,424	243,270	227,594	204,876	189,469	186,326
Contributions in relation to the contractually required contribution	<u>406,405</u>	<u>350,863</u>	<u>279,424</u>	<u>243,270</u>	<u>227,594</u>	<u>204,876</u>	<u>189,469</u>	<u>186,326</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Village of Bald Head Island's covered-employee payroll	3,890,250	3,786,406	3,476,233	3,128,062	3,030,523	3,010,950	2,626,893	2,612,413
Contributions as a percentage of covered-employee payroll	10.45%	9.27%	8.04%	7.78%	7.51%	6.80%	7.21%	7.13%

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2021

EXHIBIT A-3

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	368,906	218,726	187,620	126,210	108,672
Service cost	42,439	31,054	25,848	19,064	17,605
Interest on the total pension liability	11,818	7,703	5,744	4,806	3,866
Difference between expected and actual experience in the measurement of the total pension liability	141,380	110,155	22,542	25,649	-
Changes of assumptions or other inputs	244,834	15,459	(11,330)	15,276	(3,152)
Benefit payments	<u>(12,759)</u>	<u>(14,191)</u>	<u>(11,698)</u>	<u>(3,385)</u>	<u>(781)</u>
Ending balance of the total pension liability	<u>796,618</u>	<u>368,906</u>	<u>218,726</u>	<u>187,620</u>	<u>126,210</u>

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

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL ALLOWANCE
JUNE 30, 2021

EXHIBIT A-4

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	796,618	368,906	218,726	187,620	126,210
Covered payroll	1,677,950	1,327,100	1,123,876	1,031,058	799,951
Total pension liability as a percentage of covered payroll	47.48%	27.80%	19.46%	18.20%	15.78%

Notes to the schedules:

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

Supplementary Statements

**VILLAGE OF BALD HEAD ISLAND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021 and 2020**

EXHIBIT B-1
Page 1 of 6

	2021		Variance	2020
	Budget	Actual	Favorable (Unfavorable)	Actual
<u>Revenues</u>				
Ad valorem taxes				
Current year	8,410,821	8,410,097	(724)	8,288,026
Prior year	29,000	39,382	10,382	39,172
Penalties and interest	12,000	11,467	(533)	14,435
Total	<u>8,451,821</u>	<u>8,460,946</u>	<u>9,125</u>	<u>8,341,633</u>
Other taxes				
Accommodations tax	1,560,000	2,090,181	530,181	1,161,905
Total	<u>1,560,000</u>	<u>2,090,181</u>	<u>530,181</u>	<u>1,161,905</u>
Unrestricted intergovernmental				
Local option sales tax	44,000	63,848	19,848	53,167
Utility franchise tax	450,000	387,263	(62,737)	405,736
Beer and wine	750	781	31	783
CAMA - State portion	1,285	1,095	(190)	1,920
Intergovernmental revenue	2,400	3,658	1,258	692
Total	<u>498,435</u>	<u>456,645</u>	<u>(41,790)</u>	<u>462,298</u>
Restricted intergovernmental				
Powell Bill allocation	44,000	39,864	(4,136)	44,279
Solid waste disposal tax	-	140	140	137
FEMA reimbursement	233,000	168,639	(64,361)	877,369
Mosquito control	1,000	1,704	704	1,654
Grant revenue	186,103	147,071	(39,032)	150,148
Brunswick County - fire and rescue	298,500	298,500	-	298,500
Total	<u>762,603</u>	<u>655,918</u>	<u>(106,685)</u>	<u>1,372,087</u>
Permits and fees				
Building permits	144,347	148,866	4,519	126,117
Daily vehicle permits	166,000	182,750	16,750	208,840
Annual vehicle permits	194,000	164,255	(29,745)	150,954
Golf cart registration	65,000	64,800	(200)	61,230
EMS fees	15,000	20,294	5,294	17,223
Creek access permits	32,000	32,600	600	30,500
Total	<u>616,347</u>	<u>613,565</u>	<u>(2,782)</u>	<u>594,864</u>
Sales and services				
Sale of assets	2,000	3,508	1,508	-
Sale of gas and diesel	32,000	30,700	(1,300)	34,329
Contractor Services Sales	360,792	354,873	(5,919)	319,177
Island Parcel Center Receipts	304,800	337,411	32,611	257,273
Marina park lease	7,000	3,875	(3,125)	4,875
Island Parcel Center Interdepartmental	-	1,350	1,350	1,951
Post office operations	92,497	86,038	(6,459)	86,667
Total	<u>799,089</u>	<u>817,755</u>	<u>18,666</u>	<u>704,272</u>
Investment earnings				
Interest earned	10,400	1,649	(8,751)	51,522
Total	<u>10,400</u>	<u>1,649</u>	<u>(8,751)</u>	<u>51,522</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, 2021 and 2020

EXHIBIT B-1
Page 2 of 6

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Miscellaneous				
Fines	8,000	7,062	(938)	8,349
Insurance reimbursements	2,600	2,504	(96)	46,940
Road repair reimbursement	-	37,700	37,700	-
Donations	130,000	130,000	-	85,000
Special events	4,000	400	(3,600)	3,300
Miscellaneous	67,500	31,886	(35,614)	21,670
Total	212,100	209,552	(2,548)	165,259
 Total revenues	12,910,795	13,306,211	395,416	12,853,840
 <u>Expenditures</u>				
General government				
Governing body				
Codification	2,500	762		2,381
Travel	20,000	3,326	-	11,674
Total	22,500	4,088	18,412	14,055
 Administration				
Salaries and wages	742,503	722,129		667,861
Employee benefits	262,596	243,111		215,066
Utilities	8,000	7,114		7,279
Travel	5,000	2,333		4,497
Ferry costs	35,140	23,941		26,823
Parking	9,500	8,827		7,432
Equipment maintenance	5,500	5,479		5,719
Building maintenance	26,000	23,603		12,211
Office supplies	12,000	13,141		8,645
Copies and printing	-	-		212
Postage	1,800	804		1,495
Advertising	2,500	2,489		1,989
Dues and subscriptions	10,000	9,515		8,381
Training and certification	4,500	4,653		3,918
Bank charges	26,000	23,927		22,502
Miscellaneous	2,500	2,501		1,731
Professional services	283,000	323,778		312,925
County collection fee	63,523	63,457		62,560
BHI Daily permit collection fee	12,000	12,000		12,750
BHI Conservancy	198,500	193,500		211,857
Insurance	210,038	200,612		182,631
Golf cart lease	31,695	33,587		28,073
Manager's discretion	24,000	9,847		20,411
Capital outlay	-	13,200		57,477
Capital outlay - nondepreciable	-	5,426	-	3,380
Total	1,976,295	1,948,974	27,321	1,887,825

**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, 2021 and 2020**

EXHIBIT B-1
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	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Information Technology				
Telephone	45,000	53,381		52,821
Travel	1,000	-		837
Equipment maintenance and supplies	10,000	8,339		10,321
Building and grounds maintenance	4,400	4,283		4,203
Cable and internet	15,000	14,980		14,167
Copies and printing	11,520	11,819		12,757
IT Training and certification	1,500	-		1,165
Professional system and software	79,725	80,179		100,706
Capital outlay - nondepreciable	20,500	15,366	-	19,734
Total	188,645	188,347	298	216,711
Human Resources				
Travel	5,500	104		2,033
Dues and subscriptions	685	608		594
Professional development	4,500	914		2,405
Professional services	10,000	168		7,248
Medical services	4,350	3,279		2,306
Village events and wellness	21,325	12,503		25,258
Educational assistance	5,000	1,833	-	2,696
Total	51,360	19,409	31,951	42,540
Island Parcel Center				
Salaries and wages	155,660	146,764		114,355
Employee benefits	52,244	46,264		39,148
Ferry expenses	10,000	10,793		10,905
Parking expenses	2,800	2,800		2,100
Equipment maintenance	2,500	982		140
Barge and shipping expense	121,000	121,202		87,092
Shipping supplies	1,500	255		755
Building and grounds maintenance	6,700	6,892		6,390
Office supplies	5,000	5,502		3,871
Copies and printing	-	-		43
Postage	53,000	44,547		42,988
Miscellaneous	1,250	120		368
Software and treminal fees	800	701		-
Capital outlay - nondepreciable	10,000	6,077		2,039
Capital outlay	6,800	6,800	-	-
Total	429,254	399,699	29,555	310,194
Contractor Services				
Salaries and wages	46,822	44,201		55,026
Employee benefits	16,085	14,756		16,824
Utilities	7,500	3,461		5,658
Purchase for resale	170,798	166,729		145,032
Barge cost	9,310	5,615		5,459
Gas & Oil	-	-		10
Ferry cost	5,700	3,606		5,600
Parking	700	700		1,400
Tram and bus expense	1,484	-		1,310
Equipment maintenance	-	88		35
Building and grounds maintenance	8,100	7,807		8,292

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, 2021 and 2020

EXHIBIT B-1
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	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Other expense	1,000	176		-
Office supplies	1,500	214		1,239
Capital outlay - nondepreciable	-	1,349	-	-
Total	268,999	248,702	20,297	245,885
 Total general government	 2,937,053	 2,809,219	 127,834	 2,717,210
Public safety				
Police, fire and EMS				
Salaries	1,764,755	1,828,157		1,754,943
LEO Separation allowance	15,085	10,966		14,269
Employee benefits	600,213	593,931		582,966
Utilities	18,000	17,623		18,077
Communications	23,000	6,153		16,047
Gas and oil	21,900	13,974		17,917
LP gas	4,000	2,148		2,507
Travel	5,000	4,118		1,237
Ferry costs	46,000	39,696		39,976
Parking	25,428	20,985		19,788
Barge expenses	3,950	1,435		2,351
Repairs - equipment	1,000	955		944
Repairs - vehicles	20,000	15,874		18,511
Vehicle permits	11,910	11,694		7,893
Repairs - building & grounds	14,000	12,877		8,745
Maintenance contracts	19,100	16,079		11,599
Supplies	34,663	32,962		24,436
EMS billing expense	2,300	2,132		1,786
Dosher medical clinic supplies	1,500	509		351
Law enforcement supplies	3,300	1,324		2,255
EMS supplies	9,500	7,580		6,659
ALS medication	7,500	6,316		5,156
Water rescue supplies	3,000	2,516		2,410
Fire supplies	25,500	6,464		13,912
Volunteer incentive	22,500	21,412		20,182
Copies and printing	3,000	2,773		2,290
Munitions	6,300	-		5,167
Dues and subscriptions	9,225	9,795		5,633
Uniforms	20,300	19,444		5,657
Training and certification	5,500	4,602		1,550
Public education	3,000	1,278		-
Miscellaneous	2,000	2,171		8,450
Animal control	500	-		-
Medical services	11,000	10,838		11,000
Capital outlay - Nondepreciable	1,600	650		13,203
Capital outlay	-	17,480	-	101,966
Total	2,765,529	2,746,911	18,618	2,749,833

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, 2021 and 2020

EXHIBIT B-1
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	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Development services				
Salaries	84,650	84,967		80,523
Employee benefits	22,721	14,439		21,357
Travel	1,500	-		1,104
Ferry	3,514	3,108		2,870
Parking	700	700		709
Supplies	250	3		3
Training	2,000	934		878
Miscellaneous	500	-		-
Professional services	9,000	8,494		25,067
Capital outlay	-	-	-	1,688
Total	124,835	112,645	12,190	135,057
Total public safety	2,890,364	2,859,556	30,808	2,884,890
Transportation				
Road maintenance	75,100	67,270		126,330
Transportation funding	130,000	130,000	-	85,000
Total	205,100	197,270	7,830	211,330
Environmental protection				
Public works				
Salaries and wages	519,166	472,952		443,823
Employee benefits	216,404	203,822		180,537
Utilities	37,000	39,154		31,008
Gas and oil	13,500	11,512		11,033
LP gas	3,000	2,428		3,120
Travel	1,000	638		137
Ferry expense	35,140	27,277		26,329
Parking	7,000	6,728		7,063
Barge expense	50,000	41,400		33,255
Repairs - equipment	21,000	19,564		15,082
Vehicle permits	7,200	6,670		3,633
Maintenance - building & grounds	50,000	28,246		19,606
Right-of-way maintenance	-	-		50,892
Contract - mulch site	205,000	194,803		105,817
Storm prep, assessment & clean up	233,000	204,859		66,133
Contract services	381,495	404,089		381,574
Office supplies	1,200	1,023		968
Safety equipment supplies	8,000	7,861		2,117
Building supplies	9,000	5,289		4,281
Signs	15,000	13,750		14,897
Uniforms	5,000	4,312		3,970
Training and certification	1,500	225		72
Miscellaneous	300	-		2,080
Mosquito control	6,000	4,677		5,948
Equipment rental	5,340	-		5,340
Capital outlay	101,790	150,516		60,117
Capital outlay - nondepreciable	10,000	5,985	-	-
Total environmental protection	1,943,035	1,857,780	85,255	1,478,832

**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, 2021 and 2020**

EXHIBIT B-1
Page 6 of 6

	2021			2020
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Economic and physical development				
Shoreline preservation				
Salaries	103,374	29,966		99,012
Employee benefits	28,119	6,936		25,585
Travel	1,000	-		165
Ferry	3,514	532		2,352
Parking	700	-		700
Office supplies	-	-		31
Dues and subscriptions	2,000	1,600		1,680
Training and certification	3,000	3,000		5,440
Capital outlay - nondepreciable	-	-		685
Monitoring	215,750	174,870		109,500
Legal	65,000	53,641		246,725
Dune restoration/vegetation	10,000	-		8,276
Lobbying	114,000	114,000		114,011
Stormwater management	-	-		8,400
Marina channel maintenance	203,603	220,931		223,450
Capital outlay - Shoreline	-	-	-	16,152
Total	<u>750,060</u>	<u>605,476</u>	<u>144,584</u>	<u>862,164</u>
Debt service				
Principal	3,737,321	3,737,320		3,175,178
Interest and fees	578,750	575,026	-	662,634
Total	<u>4,316,071</u>	<u>4,312,346</u>	<u>3,725</u>	<u>3,837,812</u>
Total expenditures	<u>13,041,683</u>	<u>12,641,647</u>	<u>400,036</u>	<u>11,992,238</u>
Revenues over (under) expenditures	<u>(130,888)</u>	<u>664,564</u>	<u>795,452</u>	<u>861,602</u>
Other financing sources (uses)				
Fund balance appropriated	2,171,308	-	(2,171,308)	-
Operating transfers out				
Beach Stabilization Fund	-	-	-	(344,836)
IPC Expansion Fund	(400,000)	(400,000)	-	-
Contractor Services & Public Works				
Redesign Fund	<u>(1,640,420)</u>	<u>(1,640,420)</u>	<u>-</u>	<u>(65,000)</u>
Total	<u>130,888</u>	<u>(2,040,420)</u>	<u>(2,171,308)</u>	<u>(409,836)</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>(1,375,856)</u>	<u>(1,375,856)</u>	<u>451,766</u>
Fund balance				
Beginning of year - July 1		<u>7,439,856</u>		<u>6,988,090</u>
End of year - June 30		<u>6,064,000</u>		<u>7,439,856</u>

**VILLAGE OF BALD HEAD ISLAND
STORMWATER MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021 and 2020**

EXHIBIT B-2

	<u>2021</u>			<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>	<u>Actual</u>
<u>Revenues</u>				
Sales and services				
Stormwater fees	240,000	126,674	(113,326)	124,076
Investment earnings				
Interest earned	-	59	59	1,027
	<u>240,000</u>	<u>126,733</u>	<u>(113,267)</u>	<u>125,103</u>
<u>Expenditures</u>				
Capital outlay:				
Administration	11,000	-	11,000	11,000
Construction	86,000	14,030	71,970	32,422
Stormwater equipment	95,000	-	95,000	355
Engineering	48,000	16,920	31,080	6,336
	<u>240,000</u>	<u>30,950</u>	<u>209,050</u>	<u>50,113</u>
Revenues over (under) expenditures	<u>-</u>	<u>95,783</u>	<u>95,783</u>	<u>74,990</u>
Fund balance, beginning		<u>123,015</u>		<u>48,025</u>
Fund balance, ending		<u>218,798</u>		<u>123,015</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, 2021**

EXHIBIT B-3
Page 1 of 3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental FEMA reimbursement	1,161,351	1,876,290	-	1,876,290	714,939
Investment earnings					
Interest earned	159,770	201,228	482	201,710	41,940
Interest on bond proceeds	6,201	62,023	-	62,023	55,822
Total	165,971	263,251	482	263,733	97,762
Miscellaneous					
Marina Entrance Channel Agreement	830,514	830,514	-	830,514	-
Refund State of NC	526,968	526,967	-	526,967	(1)
Total	1,357,482	1,357,481	-	1,357,481	(1)
Total revenues	2,684,804	3,497,022	482	3,497,504	812,700
Expenditures					
Capital outlay:					
Beach Renourishment					
Administration/Engineering	1,624,757	1,537,573	23,649	1,561,222	63,535
Monitoring	1,095,346	951,087	201,609	1,152,696	(57,350)
Legal	824,008	794,057	-	794,057	29,951
Construction	1,352,937	1,699,165	56,300	1,755,465	(402,528)
Dune restoration	723,030	699,606	-	699,606	23,424
Vitex restoration	35,000	29,406	-	29,406	5,594
Lobbying	34,448	34,448	-	34,448	-
Subtotal	5,689,526	5,745,342	281,558	6,026,900	(337,374)
Engineered Beach					
Administration/Engineering	340,063	340,062	-	340,062	1
Legal	212,867	212,867	-	212,867	-
Subtotal	552,930	552,929	-	552,929	1
Marine Groins - Harbor Groin System					
Administration/Engineering	86,818	86,818	-	86,818	-
Legal	17,460	17,460	-	17,460	-
Construction	236,555	236,555	-	236,555	-
Subtotal	340,833	340,833	-	340,833	-
BHI Creek Dredging					
Administration/Engineering	217,687	220,687	-	220,687	(3,000)
Subtotal	217,687	220,687	-	220,687	(3,000)
Jetty Extension Project					
Administration/Engineering	208,241	208,241	-	208,241	-
Legal	2,303	2,303	-	2,303	-
Construction	1,245,771	1,245,771	-	1,245,771	-
Subtotal	1,456,315	1,456,315	-	1,456,315	-

**VILLAGE OF BALD HEAD ISLAND
BEACH STABILIZATION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2021**

EXHIBIT B-3
Page 2 of 3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
Sand Replacement Project					
Administration/Engineering	402,893	402,893	-	402,893	-
Monitoring	50,804	50,804	-	50,804	-
Legal	160,795	160,795	-	160,795	-
Construction	16,047,974	16,047,974	-	16,047,974	-
Dune Restoration/Vegetation	20,000	20,000	-	20,000	-
Subtotal	16,682,466	16,682,466	-	16,682,466	-
Terminal Groins Project					
Administration/Engineering	2,764,184	2,856,867	-	2,856,867	(92,683)
Legal	416,349	391,846	-	391,846	24,503
Construction	5,826,381	5,826,381	-	5,826,381	-
Subtotal	9,006,914	9,075,094	-	9,075,094	(68,180)
BHI Creek Dredging					
Administration/Engineering	365,113	365,113	-	365,113	-
Monitoring	45,944	45,944	-	45,944	-
Construction	1,241,869	1,241,869	-	1,241,869	-
Subtotal	1,652,926	1,652,926	-	1,652,926	-
Sandtube Groins					
Administration/Engineering	62,267	62,267	-	62,267	-
Construction	676,537	676,653	-	676,653	(116)
Subtotal	738,804	738,920	-	738,920	(116)
Row Boat Row Beach					
Administration/Engineering	341,165	319,463	7,779	327,242	13,923
Construction	964,395	964,395	-	964,395	-
Subtotal	1,305,560	1,283,858	7,779	1,291,637	13,923
Shoreline Beach Renourishment					
Engineering	445,000	435,000	-	435,000	10,000
Legal	62,500	62,500	-	62,500	-
Construction	13,342,500	13,342,185	-	13,342,185	315
Subtotal	13,850,000	13,839,685	-	13,839,685	10,315
Total expenditures	51,493,961	51,589,055	289,337	51,878,392	(384,431)
Revenues over (under) expenditures	(48,809,157)	(48,092,033)	(288,855)	(48,380,888)	428,269

**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, 2021**

EXHIBIT B-3
Page 3 of 3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
Other financing sources (uses)					
Operating transfer from General Fund	8,726,962	9,993,598	-	9,993,598	1,266,636
Village Facilities Fund	1,663,470	1,663,470	-	1,663,470	-
Bonds Issued - 2009	15,000,000	15,000,000	-	15,000,000	-
Bonds Issued - 2012	1,718,725	1,718,725	-	1,718,725	-
Bonds Issued - 2014	8,500,000	8,500,000	-	8,500,000	-
Bonds Issued - 2018	13,200,000	13,200,000	-	13,200,000	-
Total other financing sources (uses)	<u>48,809,157</u>	<u>50,075,793</u>	<u>-</u>	<u>50,075,793</u>	<u>1,266,636</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>1,983,760</u>	<u>(288,855)</u>	<u>1,694,905</u>	<u>1,694,905</u>
Fund balance, beginning			<u>1,983,760</u>		
Fund balance, ending			<u>1,694,905</u>		

VILLAGE OF BALD HEAD ISLAND
CONTRACTOR SERVICES AND PUBLIC WORKS REDESIGN PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2021

EXHIBIT B-4

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	230	161	391	391
Total revenues	-	230	161	391	391
<u>Expenditures</u>					
Capital outlay:					
Administration	65,000	57,298	52,559	109,857	(44,857)
Construction	1,655,000	189,597	1,110,837	1,300,434	354,566
Total expenditures	1,720,000	246,895	1,163,396	1,410,291	309,709
Revenues over (under) expenditures	(1,720,000)	(246,665)	(1,163,235)	(1,409,900)	310,100
Other financing sources (uses)					
Operating transfer from General Fund	1,910,000	269,580	1,640,420	1,910,000	-
Operating transfer to New Village Hall Project Fund	(190,000)	-	(190,000)	(190,000)	-
Total other financing sources (uses)	1,720,000	269,580	1,450,420	1,720,000	
Revenues and other financing sources over (under) expenditures	-	22,915	287,185	310,100	310,100
Fund balance, beginning			22,915		
Fund balance, ending			310,100		

VILLAGE OF BALD HEAD ISLAND
IPC IMPROVEMENTS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2021

EXHIBIT B-5

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	-	-	-
Total revenues	-	-	-	-	-
<u>Expenditures</u>					
Capital outlay:					
Administration	10,000	-	8,219	8,219	1,781
Construction	370,000	-	46,658	46,658	323,342
Contingency	20,000	-	-	-	20,000
Total expenditures	400,000	-	54,877	54,877	345,123
Revenues over (under) expenditures	(400,000)	-	(54,877)	(54,877)	345,123
Other financing sources (uses)					
Operating transfer from General Fund	400,000	-	400,000	400,000	-
Total other financing sources (uses)	400,000	-	400,000	400,000	-
Revenues and other financing sources over (under) expenditures	-	-	345,123	345,123	345,123
Fund balance, beginning			-		
Fund balance, ending			345,123		

**VILLAGE OF BALD HEAD ISLAND
NEW VILLAGE HALL 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, 2021**

EXHIBIT B-6

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	-	-	-
Total revenues	-	-	-	-	-
<u>Expenditures</u>					
Capital outlay:					
Administration	140,000	-	11,505	11,505	128,495
Construction	40,500	-	2,950	2,950	37,550
Contingency	9,500	-	-	-	9,500
Total expenditures	190,000	-	14,455	14,455	175,545
Revenues over (under) expenditures	(190,000)	-	(14,455)	(14,455)	175,545
Other financing sources (uses)					
Operating transfer from General Fund	190,000	-	190,000	190,000	-
Total other financing sources (uses)	190,000	-	190,000	190,000	-
Revenues and other financing sources over (under) expenditures	-	-	175,545	175,545	175,545
Fund balance, beginning			-		
Fund balance, ending			175,545		

**VILLAGE OF BALD HEAD ISLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021**

EXHIBIT B-7

	<u>Contractor</u> <u>Services & Public</u> <u>Works Redesign</u> <u>Project</u>	<u>IPC Improvements</u> <u>Capital Project</u> <u>Fund</u>	<u>New Village Hall</u> <u>Capital Project</u> <u>Fund</u>	<u>Total Non-Major</u> <u>Governmental Funds</u>
ASSETS				
Cash and cash equivalents	329,603	289,044	147,020	765,667
Investments	63,917	56,079	28,525	148,521
Total assets	<u>393,520</u>	<u>345,123</u>	<u>175,545</u>	<u>914,188</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	<u>83,420</u>	<u>-</u>	<u>-</u>	<u>83,420</u>
Total liabilities	<u>83,420</u>	<u>-</u>	<u>-</u>	<u>83,420</u>
Fund balances:				
Unassigned	<u>310,100</u>	<u>345,123</u>	<u>175,545</u>	<u>830,768</u>
Total fund balances	<u>310,100</u>	<u>345,123</u>	<u>175,545</u>	<u>830,768</u>
Total liabilities and fund balances	<u>393,520</u>	<u>345,123</u>	<u>175,545</u>	<u>914,188</u>

VILLAGE OF BALD HEAD ISLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

EXHIBIT B-8

	<u>Contractor</u> <u>Services & Public</u> <u>Works Redesign</u> <u>Project</u>	<u>IPC</u> <u>Improvements</u> <u>Capital Project</u> <u>Fund</u>	<u>New Village Hall</u> <u>Capital Project</u> <u>Fund</u>	<u>Total Non-Major</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Investment earnings	161	-	-	161
Total revenues	<u>161</u>	<u>-</u>	<u>-</u>	<u>161</u>
EXPENDITURES				
Current:				
General government	-	54,877	14,455	69,332
Economic and physical development	1,163,396	-	-	1,163,396
Total expenditures	<u>1,163,396</u>	<u>54,877</u>	<u>14,455</u>	<u>1,232,728</u>
Excess (deficiency) of revenues over expenditures	<u>(1,163,235)</u>	<u>(54,877)</u>	<u>(14,455)</u>	<u>(1,232,567)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,640,420	400,000	190,000	2,230,420
Transfers out	(190,000)	-	-	(190,000)
Total other financing sources and uses	<u>1,450,420</u>	<u>400,000</u>	<u>190,000</u>	<u>2,040,420</u>
Net change in fund balances	287,185	345,123	175,545	807,853
Fund balances - beginning	<u>22,915</u>	<u>-</u>	<u>-</u>	<u>22,915</u>
Fund balances - ending	<u><u>310,100</u></u>	<u><u>345,123</u></u>	<u><u>175,545</u></u>	<u><u>830,768</u></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, 2021

EXHIBIT C-1
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water charges			
Water service	969,000	1,009,726	40,726
Water tap fees	253,643	251,963	(1,680)
Pipeline surcharge	257,636	256,182	(1,454)
Miscellaneous revenue	5,000	-	(5,000)
Total	<u>1,485,279</u>	<u>1,517,871</u>	<u>32,592</u>
Sewer charges			
Sewer service	1,067,600	1,049,005	(18,595)
Sewer tap fees	336,848	105,796	(231,052)
Septic maintenance	17,557	20,847	3,290
Port-O-John rentals	82,897	69,482	(13,415)
Total	<u>1,504,902</u>	<u>1,245,130</u>	<u>(259,772)</u>
Total operating revenues	<u>2,990,181</u>	<u>2,763,001</u>	<u>(227,180)</u>
Nonoperating revenues			
Interest income	-	467	467
Sale of assets	-	911	911
Contributions from customers	-	228,780	228,780
Total nonoperating revenues	<u>-</u>	<u>230,158</u>	<u>230,158</u>
Total revenues	<u>2,990,181</u>	<u>2,993,159</u>	<u>2,978</u>
Expenditures			
Operating expenditures			
Salaries and wages	687,196	609,269	77,927
Employee benefits	235,414	224,630	10,784
Utilities	109,000	123,315	(14,315)
Telephone	48,000	53,035	(5,035)
Gas and oil	10,300	6,413	3,887
Travel	4,200	804	3,396
Ferry expense	35,140	30,575	4,565
Parking	7,000	6,668	332
Barges and shipping	79,800	67,054	12,746
Equipment maintenance	12,950	6,204	6,746
Non-expendable supplies	1,530	1,153	377
Cart maintenance	2,000	297	1,703
Vehicle maintenance	16,475	15,326	1,149
Building and grounds maintenance	13,200	13,567	(367)
System repairs and maintenance	467,400	373,448	93,952

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, 2021

EXHIBIT C-1
Page 2 of 3

	Budget	Actual	Variance Positive (Negative)
Office supplies	1,425	1,293	132
Water supplies	43,000	42,115	885
Sewer supplies	42,600	44,818	(2,218)
Safety equipment	2,200	2,870	(670)
Tools	4,600	4,370	230
Building supplies	4,080	1,892	2,188
Copies and printing	9,000	8,803	197
Postage	625	229	396
Dues and subscriptions	825	1,259	(434)
Uniforms	4,000	2,843	1,157
Training and certification	2,500	2,966	(466)
Permits	5,000	4,330	670
Miscellaneous	2,100	2,326	(226)
Professional services	159,800	166,431	(6,631)
Lab fees	30,325	32,840	(2,515)
Medical fees	500	-	500
Purchase of water	40,000	52,781	(12,781)
Insurance	69,500	69,334	166
IT Services	9,280	9,235	45
Equipment rental	2,900	1,142	1,758
Golf cart lease	17,575	8,252	9,323
Manager's supplemental funds	12,000	283	11,717
Total	<u>2,193,440</u>	<u>1,992,170</u>	<u>201,270</u>
Debt service			
Principal payments	624,967	624,819	148
Interest and other costs	6,470	6,265	205
Total	<u>631,437</u>	<u>631,084</u>	<u>353</u>
Capital outlay			
Capital asset additions	<u>372,750</u>	<u>359,953</u>	<u>12,797</u>
Total expenditures	<u>3,197,627</u>	<u>2,983,207</u>	<u>214,420</u>
Revenues over (under) expenditures	<u>(207,446)</u>	<u>9,952</u>	<u>217,398</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, 2021**

EXHIBIT C-1
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses)			
Fund balance appropriated	445,446	-	(445,446)
Transfer to WWTP Upgrades Project	<u>(238,000)</u>	<u>(238,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>207,446</u>	<u>(238,000)</u>	<u>(445,446)</u>
Revenues and other sources over expenditures and other uses	<u>-</u>	(228,048)	<u>(228,048)</u>
Fund Balance			
Beginning of year		<u>1,942,489</u>	
End of year		<u>1,714,441</u>	
Reconciliation from budgetary basis (modified accrual) to full accrual			
Revenues and other sources over expenditures and other uses		(228,048)	
Reconciling items:			
Principal retirement		624,819	
Capital outlay		359,953	
Increase in interest expense accrued		2,428	
Increase in accrued vacation pay		10,489	
Increase in deferred outflows of resources - pensions		28,589	
Increase in net pension liability		(71,566)	
Decrease in deferred inflows of resources - pensions		2,463	
Depreciation		(365,770)	
Transfer from to WWTP Upgrades Project		<u>238,000</u>	
Change in net position per exhibit 7		<u>601,357</u>	

**VILLAGE OF BALD HEAD ISLAND
WASTEWATER TREATMENT UPGRADES PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2021**

EXHIBIT C-2

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	-	-	-
Total revenues	-	-	-	-	-
<u>Expenditures</u>					
Capital outlay:					
Engineering and administration	227,000	-	-	-	227,000
Contingency	11,000	-	-	-	11,000
Total expenditures	238,000	-	-	-	238,000
Revenues over (under) expenditures	(238,000)	-	-	-	238,000
Other financing sources (uses)					
Operating transfer from Water and Sewer Fund	238,000	-	238,000	238,000	-
Total other financing sources (uses)	238,000	-	238,000	238,000	-
Revenues and other financing sources over (under) expenditures	-	-	238,000	238,000	238,000
Fund balance, beginning			-		
Fund balance, ending			238,000		

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, 2021

EXHIBIT D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	-	8,436,214	8,410,097	26,117
2019-2020	38,456	-	35,885	2,571
2018-2019	3,511	-	3,496	15
2017-2018	15	-	-	15
2016-2017	15	-	-	15
2015-2016	1		1	-
2014-2015	196		-	196
2013-2014	-		-	-
2012-2013	76		-	76
2011-2012	-		-	-
2010-2011	406		406	-
2009-2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>42,676</u>	<u>8,436,214</u>	<u>8,449,885</u>	<u>29,005</u>

Reconciliation with revenues

Taxes - ad valorem - General Fund	8,460,946
Less interest and penalties	11,467
Taxes written off	<u>406</u>
Total collections	<u>8,449,885</u>

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
VILLAGE-WIDE LEVY
For the Year Ended June 30, 2021

EXHIBIT D-2

	<u>Village-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	1,162,614,301	0.006863	7,979,022	7,979,022	
Special district taxes			443,840	443,840	
Registered motor vehicles taxed at current year's rate	-	0.006863	-	-	-
Total original levy	<u>1,162,614,301</u>		<u>8,422,862</u>	<u>8,422,862</u>	<u>-</u>
Discoveries:					
Property taxed at current year's rate	2,183,138	0.006863	14,983	14,983	
Special district taxes			660	660	
Prior year taxes			-	-	
Prior year special district taxes	-		-	-	-
Total discoveries	<u>2,183,138</u>		<u>15,643</u>	<u>15,643</u>	<u>-</u>
Abatements:					
Property taxed at current year's rate	332,903	0.006863	2,285	2,285	
Special district taxes			6	6	
Registered motor vehicles taxed at current and prior year's rate	-	0.006863	-	-	-
Total abatements	<u>332,903</u>		<u>2,291</u>	<u>2,291</u>	<u>-</u>
Net levy	<u>1,164,464,536</u>		8,436,214	8,436,214	-
Uncollected taxes at June 30, 2021			<u>26,117</u>	<u>26,117</u>	<u>-</u>
Current year's taxes collected			<u>8,410,097</u>	<u>8,410,097</u>	<u>-</u>
Current levy collection percentage			<u>99.69%</u>	<u>99.69%</u>	<u>0.00%</u>

Compliance Section

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bald Head Island, North Carolina, as of and for the year ended June 30, 2021, 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 29, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Certified Public Accountants

Berry, Padgett & Chandler, PLLC
Southport, NC
November 29, 2021

**VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2021**

**EXHIBIT E-1
Page 1 of 1**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? __yes X no
- Significant Deficiencies identified
that are not considered to be
material weaknesses __yes X no

Noncompliance material to financial
statements noted __yes X no

II. Financial Statement Findings

MATERIAL WEAKNESSES

None reported.

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

EXHIBIT E-2

None