

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2022

Village Council Members

Peter Quinn, Mayor
Scott Gardner, Mayor Pro Tempore
Emily Hill
Ginnie White
Jerry Maggio

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

Report on the Audit of Financial Statements

Opinions

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, 2022 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.

In our opinion, based on our audit, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Village of Bald Head Island, and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

As discussed in Note I.E.8 to the financial statements, in 2022 the Village adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibility of Management's for the Audit of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions, or events, considered in the aggregate, that raises substantial doubt about the Village of Bald Head Island's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, and *Governmental Auditing Standards*, we

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City of Dogwood's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Bald Head Island's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 December 9, 2022 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
December 9, 2022

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, 2022. 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.

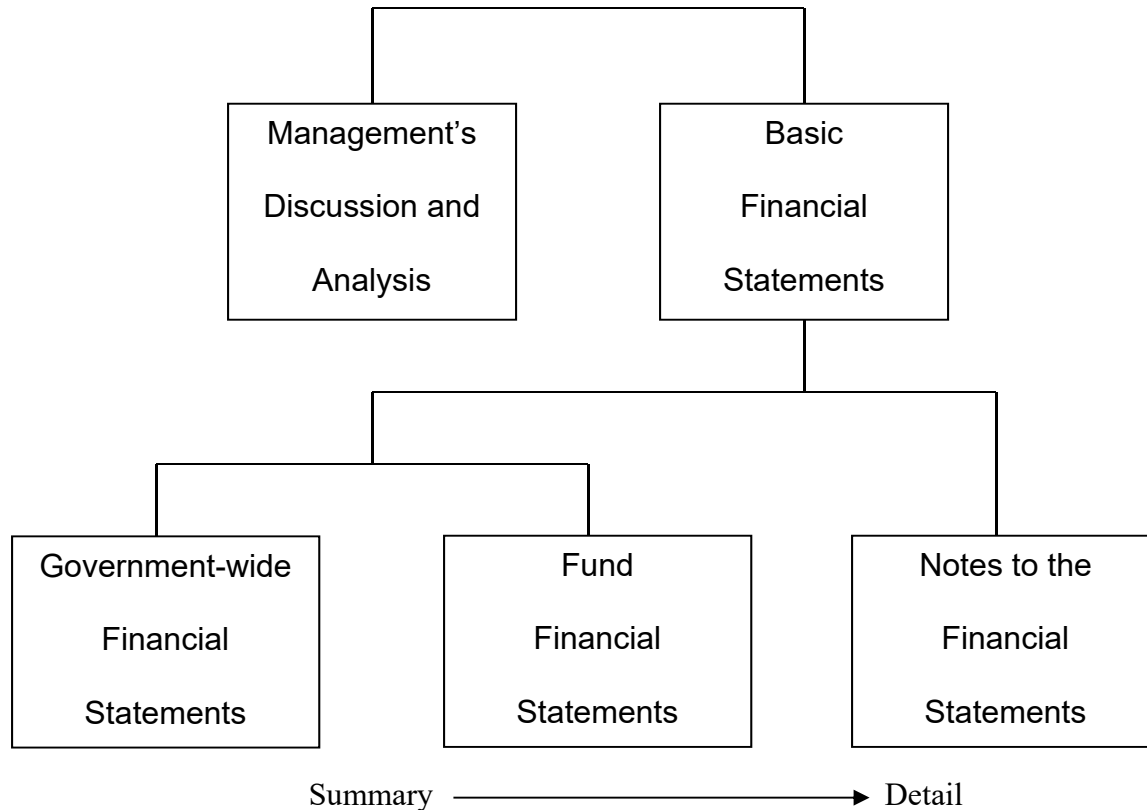
Financial Highlights

- 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 \$39,244,169 (*net position*).
- The government's total net position increased by \$4,389,349 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 \$10,452,665, an increase of \$1,645,394 in comparison with the prior year. Approximately 42% percent of this total amount or \$4,392,846 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 \$3,923,846 which is a decrease of \$294,248 from the previous fiscal year.
- The Village of Bald Head Island's total governmental debt decreased by \$2,260,709 during the current fiscal year, mainly attributable to planned debt service principal payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Village of Bald Head Island's basic financial statements. The Village's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Village through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Village of Bald Head Island.

Required Components of Annual Financial Report (Figure 1)



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Village's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Village's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Village's financial status as a whole.

The two government-wide statements report the Village's net position and how it has changed. Net position is the difference between the Village's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Village's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Village's basic services such as public safety, economic and physical development, and general administration. Property taxes, intergovernmental revenues and charges for services financially support most of these activities. The business-type activities are those that the Village charges customers to provide. This type includes the water and sewer services offered by the Village.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Bald Head Island like all other governmental entities in North Carolina, use fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Village's budget ordinance. All of the funds of the Village of Bald Head Island can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Village's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Village's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Village of Bald Head Island adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the decisions of the 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, 2022
Figure 2

	Government Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$11,045,709	\$ 9,425,365	\$ 2,976,154	\$ 2,143,685	\$ 14,021,863	\$ 11,569,050
Capital and leased assets	29,346,447	28,788,547	11,778,215	11,619,631	41,124,662	40,408,178
Deferred outflows of resources	1,553,028	1,399,396	210,899	170,833	1,763,927	1,570,229
Total assets and deferred outflows of resources	41,945,184	39,613,308	14,965,268	13,934,149	56,910,452	53,547,457
Long term liabilities outstanding	15,202,969	17,463,678	178,481	339,416	15,381,450	17,803,094
Other liabilities	637,687	669,252	193,989	124,947	831,676	794,199
Deferred inflows of resources	1,114,492	24,256	338,665	71,088	1,453,157	95,344
Total liabilities and deferred inflows of resources	16,955,148	18,157,186	711,135	535,451	17,666,283	18,692,637
Net position:						
Net Investment Capital Assets	16,069,848	14,092,314	11,771,192	11,619,631	27,841,040	25,711,945
Restricted	6,021,020	3,806,316	-	-	6,021,020	3,806,316
Unrestricted	2,899,168	3,557,492	2,482,941	1,779,067	5,382,109	5,336,559
Total net position	\$ 24,990,036	\$ 21,456,122	\$ 14,254,133	\$ 13,398,698	\$ 39,244,169	\$ 34,854,820

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 \$39,244,169 as of June 30, 2022. The Village's net position increased by \$4,389,349 for the fiscal year ended June 30, 2022. However, the largest portion \$27,841,040 (71%) reflects the Village's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Village of Bald Head Island uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Bald Head Island's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village of Bald Head Island's net position of \$5,021,020 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,382,109 is unrestricted.

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

- The Village recognized a property tax collection percentage of 99.77%. In comparison, the statewide average for FY 2022 was 99.12%.
- Accommodation Tax revenue increased from the prior year from \$2,090,181 to \$2,176,387 due to increases in property rentals and possibly the cost of rentals.
- Sales Tax collections also increased from the prior year from \$63,848 to \$102,365.

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

	Government Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for services	1,936,093	1,562,643	2,994,944	2,763,001	4,931,037	4,325,644
Operating grants and contributions	674,140	785,778			674,140	785,778
Capital grants and contributions	447,234	140	381,276	228,780	828,510	228,920
General revenues:						
Property taxes	8,474,385	8,446,105			8,474,385	8,446,105
Other taxes & licenses	2,685,605	2,542,073			2,685,605	2,542,073
Unrestricted investment earnings	6,341	2,351	1,326	467	7,667	2,818
Other	50,998	75,098	1,378		52,376	75,098
Total Revenues	14,274,796	13,414,188	3,378,924	2,992,248	17,653,720	16,406,436
Expenses:						
General government	3,300,463	2,942,506			3,300,463	2,942,506
Public Safety	3,442,236	3,402,490			3,442,236	3,402,490
Transportation	639,720	197,270			639,720	197,270
Environmental protection	2,043,225	2,199,325			2,043,225	2,199,325
Economic & physical development	862,659	922,792			862,659	922,792
Interest on long term debt	452,579	545,439			452,579	545,439
Water & Sewer			2,523,489	2,390,891	2,523,489	2,390,891
Total Expenses	10,740,882	10,209,822	2,523,489	2,390,891	13,264,371	12,600,713
Increase in net position before special item	3,533,914	3,204,366	855,435	601,357	4,389,145	3,805,723
Special item- impairment loss		(266,277)				(266,277)
Increase in net position after special item	3,533,914	2,938,089	855,435	601,357	4,389,349	3,539,466
Net position, July 1	21,456,122	18,518,033	13,398,698	12,797,341	34,854,820	31,315,374
Net position, June 30	24,990,036	21,456,122	14,254,133	13,398,698	39,244,169	34,854,820

Governmental activities. Governmental activities increased the Village's net position by \$3,533,914, accounting for eighty-one percent (81%) 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 four (4) percent over the previous fiscal year, most likely attributable to increased vacation home rentals and the price of home rentals.

Business-type activities. Business-type activities increased the Village's net position by \$855,435, which accounts for seventeen percent (19%) 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 (assigned and unassigned) in the General Fund was \$4,392,846 while total fund balance reached \$9,745,627. As a measure of the general fund's liquidity, it may be useful to compare both available 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 73% of the same amount.

At June 30, 2022, the governmental funds of Village of Bald Head Island reported a combined fund balance of \$10,452,665, which equals a 19% percent increase from last fiscal year. This increase is mainly due to the receipt of loan proceeds for a reimbursement loan for 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 multiple hurricanes. Expenditures were less than budgeted due to a priority being placed on fiscal responsibility by Village staff.

Proprietary Funds. The Village of Bald Head Island's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,482,941. The total change in net position for the fund was an increase of \$855,435.

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, 2022, totals \$41,090,859 (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	
	2022	2021	2022	2021	2022	2021
Land	\$ 6,052,875	\$ 6,052,875	\$ 35,000	\$ 35,000	\$ 6,087,875	\$ 6,087,875
Buildings	9,328,597	9,009,422	575,001	577,277	9,903,598	9,586,699
Other Improvements	498,041	465,446			498,041	465,446
Utility Systems			10,188,369	10,393,712	10,188,369	10,393,712
Furniture and Equipment	290,732	328,967	699,819	448,585	990,551	777,552
Infrastructure	10,730,616	11,104,338			10,730,616	11,104,338
Vehicles and Motorized Equipment	370,467	347,875	139,985	165,057	510,452	512,932
Construction in Progress	2,048,769	1,479,624	132,588		2,181,357	1,479,624
Total	\$29,320,097	\$28,788,547	\$11,770,762	\$11,619,631	\$41,090,859	\$40,408,178

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, 2022, the Village of Bald Head Island had total long-term debt of \$15,381,450. Of this amount, \$8,043,510 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. \$2,250,000 and \$1,350,000 are Installment Notes with PNC secured by a Deed of Trust on the Public Safety Complex. \$1,607,429 is for an Installment Note with First Bank secured by a Deed of Trust on the Contractor Services Yard.

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 approximately \$93,628,040. The Village has \$54,000,000 in bonds authorized by voter referendum but unissued and not yet approved by the NC Treasurer's Office at June 30, 2022.

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 expects to see direct impacts due to the COVID-19 pandemic carry over into the new fiscal year. Rising inflation rates and supply chain issues will heavily impact decision making and prioritization of projects.

Budget Highlights for the Fiscal Year Ending June 30, 2023

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 increases

in these two key revenues in FY 22 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 \$138,000 in Fiscal Year 2023. 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. However, unexpected increases in operating costs due to inflation rates could impact the Village's financial position in the upcoming year.

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. A new rate study is planned to take place in the upcoming fiscal year.

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: 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, 2022

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	4,667,888	1,507,546	6,175,434
Investments	959,016	223,188	1,182,204
Taxes receivable (net)	19,707	-	19,707
Accrued interest receivable on taxes	1,341	-	1,341
Accounts receivable	75,542	228,151	303,693
Due from other governmental agencies	1,094,398	-	1,094,398
Inventories	24,299	304,854	329,153
Prepaid expenses	14,500	2,500	17,000
Restricted assets			
Restricted cash and cash equivalents	3,848,245	616,316	4,464,561
Restricted investments	340,773	93,599	434,372
Total current assets	<u>11,045,709</u>	<u>2,976,154</u>	<u>14,021,863</u>
Non-current assets			
Right to use leased assets, net of amortization	26,350	7,453	33,803
Capital assets			
Land and improvements not being depreciated	8,101,644	167,588	8,269,232
Other capital assets, net of depreciation	21,218,453	11,603,174	32,821,627
Total capital assets	<u>29,320,097</u>	<u>11,770,762</u>	<u>41,090,859</u>
Total non-current assets	<u>29,346,447</u>	<u>11,778,215</u>	<u>41,124,662</u>
Total assets	<u>40,392,156</u>	<u>14,754,369</u>	<u>55,146,525</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,553,028	210,899	1,763,927
LIABILITIES			
Accounts payable and accrued expenses	506,396	77,715	584,111
Accrued interest	65,691	38	65,729
Customer deposits	65,600	-	65,600
Payable from restricted assets	-	116,236	116,236
Long-term liabilities			
Due within one year	3,260,209	46,539	3,306,748
Total current liabilities	<u>3,897,896</u>	<u>240,528</u>	<u>4,138,424</u>
Long-term liabilities			
Net pension liability	766,547	127,233	893,780
Total pension liability	893,036		893,036
Due in more than one year	10,283,177	4,709	10,287,886
Total liabilities	<u>15,840,656</u>	<u>372,470</u>	<u>16,213,126</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes			
Pension deferrals	1,114,492	200,299	1,314,791
Unearned income	-	138,366	138,366
Total deferred inflows of resources	<u>1,114,492</u>	<u>338,665</u>	<u>1,453,157</u>
NET POSITION			
Net investment in capital assets	16,069,848	11,771,192	27,841,040
Restricted for:			
Stabilization by State Statute	1,167,657		1,167,657
Economic Development	4,225,670		4,225,670
Public Safety	625,463		625,463
Education	2,230	-	2,230
Unrestricted	2,899,168	2,482,941	5,382,109
Total net position	<u>24,990,036</u>	<u>14,254,133</u>	<u>39,244,169</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, 2022

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	3,300,463	1,033,132	-	204	(2,267,127)		(2,267,127)
Public Safety	3,442,236	773,646	595,979	447,030	(1,625,581)		(1,625,581)
Transportation	639,720	-	49,160	-	(590,560)		(590,560)
Environmental protection	2,043,225	-	-	-	(2,043,225)		(2,043,225)
Economic and Physical Development	862,659	129,315	29,001	-	(704,343)		(704,343)
Interest on Long-term debt	452,579	-	-	-	(452,579)		(452,579)
Total governmental activities	10,740,882	1,936,093	674,140	447,234	(7,683,415)		(7,683,415)
Business-type activities							
Water and Sewer Operations	2,523,489	2,994,944	-	381,276		852,731	852,731
Total business-type activities	2,523,489	2,994,944	-	381,276		852,731	852,731
Total primary government	13,264,371	4,931,037	674,140	828,510	(7,683,415)	852,731	(6,830,684)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					8,474,385	-	8,474,385
Other taxes					2,685,605	-	2,685,605
Unrestricted investment earnings					6,341	1,326	7,667
Miscellaneous					50,998	1,378	52,376
Total general revenues					11,217,329	2,704	11,220,033
Change in net position					3,533,914	855,435	4,389,349
Net position, beginning					21,456,122	13,398,698	34,854,820
Net position - ending					24,990,036	14,254,133	39,244,169

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

**VILLAGE OF BALD HEAD ISLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022**

EXHIBIT 3
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>
ASSETS				
Cash and cash equivalents	4,081,292	-	616,467	4,697,759
Restricted cash	3,818,374			3,818,374
Investments	869,956	-	92,885	962,841
Restricted investments	336,948			336,948
Taxes receivable, net	19,707	-	-	19,707
Receivable from other governments	1,089,265	-	5,133	1,094,398
Other receivables	75,542	-	-	75,542
Prepaid expenses	14,500			14,500
Inventory	24,299		-	24,299
Total assets	<u>10,329,883</u>	<u>-</u>	<u>714,485</u>	<u>11,044,368</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	498,861	-	5,000	503,861
Payable to other governments	-	-	2,447	2,447
Payable from restricted assets	88			88
Deposits	65,600	-		65,600
Total liabilities	<u>564,549</u>	<u>-</u>	<u>7,447</u>	<u>571,996</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	19,707	-	-	19,707
Total deferred inflows of resources	<u>19,707</u>	<u>-</u>	<u>-</u>	<u>19,707</u>
FUND BALANCES				
Non Spendable				
Prepaid expenses	14,500			14,500
Inventories	24,299			24,299
Restricted				
Stabilization by State Statute	1,167,657	-	-	1,167,657
Fire Protection	-	-	447,178	447,178
Economic Development	3,968,040	-	257,630	4,225,670
Inspections	178,285			178,285
Education			2,230	2,230
Assigned				
Subsequent expenditures	469,000	-		469,000
Unassigned	3,923,846		-	3,923,846
Total fund balances	<u>9,745,627</u>	<u>-</u>	<u>707,038</u>	<u>10,452,665</u>
Total liabilities, deferred inflows of resources and fund balances	<u>10,329,883</u>	<u>-</u>	<u>714,485</u>	<u>11,044,368</u>

VILLAGE OF BALD HEAD ISLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

EXHIBIT 3
Page 2 of 2

Total fund balance, governmental funds	10,452,665
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.	29,346,447
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Deferred outflows of resources related to pensions are not reported in the funds	1,553,028
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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.	1,341
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Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	19,707
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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	(13,543,386)	
Net pension liability	(766,547)	
Total pension liability	(893,036)	(15,202,969)

Deferred inflows of resources related to pensions are not reported in the funds	(1,114,492)
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(65,691)
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Net position of governmental activities	24,990,036
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

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	8,484,414	-		8,484,414
Other taxes	2,176,387	-		2,176,387
Unrestricted intergovernmental revenues	515,042	-		515,042
Restricted intergovernmental revenues	645,343	-	29,001	674,344
Licenses and permits	765,816	-		765,816
Sales and services	1,142,748	-	22,300	1,165,048
Investment earnings	5,901	-	440	6,341
Miscellaneous	55,113	-	447,030	502,143
Total revenues	<u>13,790,764</u>	<u>-</u>	<u>498,771</u>	<u>14,289,535</u>
 Current:				
General government	3,264,654	-	486,616	3,751,270
Public safety	3,108,721	-	132	3,108,853
Transportation	639,720	-	-	639,720
Environmental protection	1,847,311	-	-	1,847,311
Economic and physical development	966,600	107,418	334,212	1,408,230
Debt Service:				
Principal	3,147,992	-	-	3,147,992
Interest and other charges	469,123	-	-	469,123
Total expenditures	<u>13,444,121</u>	<u>107,418</u>	<u>820,960</u>	<u>14,372,499</u>
Excess (deficiency) of revenues over expenditures	<u>346,643</u>	<u>(107,418)</u>	<u>(322,189)</u>	<u>(82,964)</u>
 OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net	1,680,000	-	-	1,680,000
Proceeds from capital leases	48,358	-	-	48,358
Transfers in	2,382,543	-	220,000	2,602,543
Transfers out	(994,715)	(1,586,287)	(21,541)	(2,602,543)
Total other financing sources and uses	<u>3,116,186</u>	<u>(1,586,287)</u>	<u>198,459</u>	<u>1,728,358</u>
 Net change in fund balances	3,462,829	(1,693,705)	(123,730)	1,645,394
Fund balances - beginning	<u>6,282,798</u>	<u>1,693,705</u>	<u>830,768</u>	<u>8,807,271</u>
 Fund balances - ending	<u><u>9,745,627</u></u>	<u><u>-</u></u>	<u><u>707,038</u></u>	<u><u>10,452,665</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, 2022

EXHIBIT 4
Page 2 of 2

Net change in fund balances - total governmental funds: 1,645,394

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	1,299,176
Depreciation	(762,916)

Right to use leased asset capital outlay expenditures which were capitalized	48,358
Amortization expense for intangible assets	(22,008)

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.

(4,710)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	404,659
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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	(9,298)
Increase in interest receivable on property taxes	(731)

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

New long-term debt issued	(1,728,358)
Principal payments on long-term debt	3,147,992

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	16,544
Compensated absences	(2,659)
Pension expense (LGRS)	(401,111)
Net pension expense (LEO)	(96,418)

Change in net position of governmental activities	3,533,914
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

EXHIBIT 5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	8,382,400	8,503,400	8,484,414	(18,986)
Other taxes	1,262,000	1,530,000	2,176,387	646,387
Unrestricted intergovernmental revenues	471,250	523,950	515,042	(8,908)
Restricted intergovernmental revenues	471,600	509,600	645,343	135,743
Licenses and permits	602,700	722,000	765,816	43,816
Sales and services	799,850	1,022,750	1,013,433	(9,317)
Investment earnings	1,600	5,000	4,126	(874)
Miscellaneous	23,200	55,200	55,113	(87)
Total revenues	12,014,600	12,871,900	13,659,674	787,774
EXPENDITURES				
Current:				
General government	2,852,550	3,444,450	3,264,654	179,796
Public safety	2,998,650	3,238,650	3,108,721	129,929
Transportation	640,000	640,000	639,720	280
Environmental protection	1,966,500	2,040,900	1,847,311	193,589
Economic and physical development	681,100	977,100	823,142	153,958
Debt Service:				
Principal	3,149,780	3,148,380	3,147,992	388
Interest and other charges	476,420	470,220	469,123	1,097
Total expenditures	12,765,000	13,959,700	13,300,663	659,037
Excess (deficiency) of revenues over expenditures	(750,400)	(1,087,800)	359,011	1,446,811
OTHER FINANCING SOURCES (USES)				
Installment debt proceeds	-	-	1,680,000	(1,680,000)
Lease liabilities issue	-	-	48,358	(48,358)
Transfers in	-	21,600	21,541	59
Transfers out	-	(994,800)	(994,715)	(85)
Total other financing sources and uses	-	(973,200)	755,184	(1,728,384)
Fund balance appropriated	750,400	2,061,000	-	2,061,000
Net change in fund balances	-	-	1,114,195	(1,114,195)
Fund balances - beginning			6,064,000	
Fund balances - ending			7,178,195	
Legally budgeted Stormwater Management Fund and Beach Renourishment, Recreation and Tourism Funds are consolidated into the General Fund for reporting purposes:				
Stormwater Management Fund				
Revenue			130,785	
Expenditures			(132,893)	
Fund balances - beginning			218,798	
Beach Renourishment, Recreation and Tourism				
Revenue			305	
Expenditures			(10,565)	
Other sources			2,361,002	
Fund balances - beginning				
Fund balances - ending (Exhibit 4)			9,745,627	

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, 2022**

EXHIBIT 6

	Enterprise Funds	
	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	1,507,546	1,507,546
Investments	223,188	223,188
Accounts receivable, net	228,151	228,151
Inventories	304,854	304,854
Prepaid expenses	2,500	2,500
Restricted assets		
Cash and cash equivalents	616,316	616,316
Investments	93,599	93,599
Total current assets	<u>2,976,154</u>	<u>2,976,154</u>
Non-current assets:		
Right to use leased assets, net of amortization	7,453	7,453
Capital assets:		
Land and construction in progress	167,588	167,588
Other capital assets, net of depreciation	11,603,174	11,603,174
Total capital assets	<u>11,770,762</u>	<u>11,770,762</u>
Total non-current assets	<u>11,778,215</u>	<u>11,778,215</u>
Total assets	<u>14,754,369</u>	<u>14,754,369</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>210,899</u>	<u>210,899</u>
LIABILITIES		
Current liabilities:		
Accounts payable	72,561	72,561
Salaries payable	5,154	5,154
Accrued interest payable	38	38
Payable from restricted assets	116,236	116,236
Compensated absences - current	40,000	40,000
Capital lease obligation	6,539	6,539
Total current liabilities	<u>240,528</u>	<u>240,528</u>
Non-current liabilities:		
Compensated absences	4,225	4,225
Capital lease obligation	484	484
Net pension liability	127,233	127,233
Total non-current liabilities	<u>131,942</u>	<u>131,942</u>
Total liabilities	<u>372,470</u>	<u>372,470</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	200,299	200,299
Unearned income	138,366	138,366
Total deferred inflows of resources	<u>338,665</u>	<u>338,665</u>
NET POSITION		
Net investment in capital assets	11,771,192	11,771,192
Unrestricted	<u>2,482,941</u>	<u>2,482,941</u>
Total net position	<u>14,254,133</u>	<u>14,254,133</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, 2022

EXHIBIT 7

	Enterprise Funds	
	<u>Water and Sewer</u>	
	<u>Fund</u>	<u>Total</u>
REVENUES		
Charges for services	2,994,944	2,994,944
Miscellaneous operating revenue	1,378	1,378
Total operating revenues	<u>2,996,322</u>	<u>2,996,322</u>
OPERATING EXPENSES		
Water and sewer operations	2,131,438	2,131,438
Depreciation and amortization	391,166	391,166
Total operating expenses	<u>2,522,604</u>	<u>2,522,604</u>
Operating income (loss)	<u>473,718</u>	<u>473,718</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	1,326	1,326
Interest expense	(885)	(885)
Total non-operating revenue (expenses)	<u>441</u>	<u>441</u>
Income (loss) before contributions and transfers	474,159	474,159
Capital contributions	381,276	381,276
Change in net position	855,435	855,435
Total net position - beginning	<u>13,398,698</u>	<u>13,398,698</u>
Total net position - ending	<u><u>14,254,133</u></u>	<u><u>14,254,133</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, 2022

EXHIBIT 8
Page 1 of 2

	Enterprise Funds	
	Water & Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	3,059,527	3,059,527
Cash paid for goods and services	(1,633,638)	(1,633,638)
Cash paid to employees	(586,650)	(586,650)
Other operating revenue	1,378	1,378
Net cash provided (used) by operating activities	<u>840,617</u>	<u>840,617</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from leases	18,780	18,780
Acquisition of capital assets	(433,514)	(433,514)
Principal paid on long-term debt	(11,757)	(11,757)
Interest paid on long-term debt	(847)	(847)
Contributions from customers	<u>381,276</u>	<u>381,276</u>
Net cash provided (used) for capital and related financing activities	<u>(46,062)</u>	<u>(46,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	1,326	1,326
Investments purchased	<u>(49,603)</u>	<u>(49,603)</u>
Net cash provided (used) for investing activities	<u>(48,277)</u>	<u>(48,277)</u>
Net increase (decrease) in cash and cash equivalents	746,278	746,278
Cash and cash equivalents at beginning of year	<u>1,377,584</u>	<u>1,377,584</u>
Cash and cash equivalents at end of year	<u>2,123,862</u>	<u>2,123,862</u>

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2022

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>473,718</u>	<u>473,718</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	391,166	391,166
Changes in assets, deferred outflows, and liabilities:		
(Increase) decrease in accounts receivable	39,989	39,989
(Increase) decrease in inventory	(76,577)	(76,577)
Increase in deferred outflows of resources - pensions	(40,066)	(40,066)
Increase in net pension liability	(170,045)	(170,045)
Decrease in deferred inflows of resources - pensions	195,508	195,508
Increase (decrease) in accounts payable	(24,727)	(24,727)
Increase (decrease) in accrued wages	(22,505)	(22,505)
Increase (decrease) in accrued vacation	2,087	2,087
Increase (decrease) in unearned income	<u>72,069</u>	<u>72,069</u>
Total adjustments	<u>366,899</u>	<u>366,899</u>
Net cash provided (used) by operating activities	<u>840,617</u>	<u>840,617</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, 2022

EXHIBIT 9
Page 1 of 29

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 the Stormwater Management Fund and the Beach Renourishment, Recreation and Tourism Fund. Under GASB 54 guidance the Stormwater Management Fund and the Beach Renourishment, Recreation and Tourism Fund are consolidated in the

General Fund. The budgetary comparison for the Stormwater Management Fund and the Beach Renourishment, Recreation and Tourism Fund have 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 elected to report this fund as a major fund since it has been a major fund for the past several years. The fund was closed during the current fiscal year.

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. This fund was closed during the current fiscal year.

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

Ladder Truck Acquisition Capital Project Fund. This fund is used to account for the construction of a new ladder fire truck.

ARP Grant Fund. This fund accounts for the transactions related to the American Rescue Plan Funds.

Fines and Forfeitures Special Revenue Fund. This fund accounts for various legal fines and forfeitures that the Village is required to remit to the Brunswick County Board of Education.

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 and the Lift Station Upgrade Capital Project Fund. These funds are budgeted separately but consolidated into the Water & Sewer Fund for reporting purposes. The budgetary comparison for these funds have 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, the Stormwater Management Fund, the Beach Renourishment, Recreation and Tourism 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 and the ARP Grant Special Revenue Fund. The Wastewater Treatment Upgrades Project Fund and the Lift Station Upgrade

Capital Project Fund are consolidated with the Water and Sewer Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing Board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

The NCCMT, which consists of an SEC-registered (2a-7) mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a7) and maintains an AAAm rating from S&P and AAAMf by Moody's Investor service. It is reported 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. Fines due to the school are restricted to the county for which the fine was collected [G.S. 115C-437]. 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 Renourishment, Recreation and Tourism Fund are classified as restricted because they represent unspent accommodation tax receipts. Funds received in advance for the Federal American Rescue Plan (ARP) are classified as restricted because their use is restricted to COVID-19 relief and economic recovery. Funds in proprietary capital projects are restricted when the fund is integrated into the proprietary fund.

Village of Bald Head Island Restricted Cash and Investments

Governmental Activities

General Fund

Customer Deposits	\$ 65,600
Accommodation Taxes	1,400,608
Inspection Fees	132,680
Fines owed to School System	4,677
Beach Renourishment, Recreation & Tourism- Cash	2,040,806
Beach Renourishment, Recreation & Tourism- Investments	310,024
Stormwater Management - Cash	178,680
Stormwater Management - Investments	<u>26,924</u>

American Rescue Plan Grant Fund

Cash	\$ 25,194
Investments	<u>3,825</u>

Total governmental activities \$ 4,189,018

Business-type Activities

Water and Sewer Fund

Wastewater Treatment Upgrade- Cash	\$ 192,542
Wastewater Treatment Upgrade- Investments	29,234
Lift Station Upgrade- Cash	423,774
Lift Station Upgrade- Investments	<u>64,365</u>

Total business-type activities \$ 709,915

Total Restricted Cash and Investments \$ 4,898,933

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, 2021.

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. Right to use assets

The Village has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight line basis over the life of the related lease.

9. 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 2022 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.

10. 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.

11. 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.

12. 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 Renourishment, Recreation and Tourism 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].

Restricted for Fire Protection – portion of fund balance restricted for the public safety department by revenue source for Ladder Truck Acquisition [G.S. 159, Article 3, Part 2].

Restricted for Education – portion of fund balance that consists of fines and forfeitures that must be paid to the Brunswick County Board of Education [G.S. 115C-437].

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 Director 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 Director has the authority to deviate from this policy if it is in the best interest of the Village.

13. 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 Village being unable to collect all data to properly report their lease obligations under GASB 87.

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, 2022, the Village's deposits had a carrying amount of \$10,639,495 and a bank balance of \$11,080,417. Of the bank balance, \$263,6041 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, 2022, the Village's petty cash fund totaled \$500.

2. Investments

At June 30, 2022, the Village of Bald Head Island had \$1,616,576 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's (S&P). 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, 2022 are not presented net of allowances for doubtful accounts. Experience has shown that amounts charged off are immaterial.

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2022, 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	<u>1,479,624</u>	<u>(54,877)</u>	<u>624,022</u>	<u>-</u>	<u>2,048,769</u>
Total capital assets not being depreciated	<u>7,532,499</u>	<u>(54,877)</u>	<u>624,022</u>	<u>-</u>	<u>8,101,644</u>
Capital assets being depreciated					
Buildings	10,102,210	54,877	467,422	-	10,624,509
Other improvements	1,183,526	-	68,000	-	1,251,526
Vehicles and motorized equipment	1,489,810	-	82,265	15,112	1,556,963
Furniture and equipment	1,081,510	-	57,467	47,041	1,091,936
Infrastructure	<u>13,457,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,457,864</u>
Total capital assets being depreciated	<u>27,314,920</u>	<u>54,877</u>	<u>675,154</u>	<u>62,153</u>	<u>27,982,798</u>
Less accumulated depreciation for:					
Buildings	1,092,788	-	203,124	-	1,295,912
Other improvements	718,080	-	35,405	-	753,485
Vehicles and motorized equipment	1,141,935	-	57,576	13,015	1,186,496
Furniture and equipment	752,543	-	93,089	44,428	801,204
Infrastructure	<u>2,353,526</u>	<u>-</u>	<u>373,722</u>	<u>-</u>	<u>2,727,248</u>
Total accumulated depreciation	<u>6,058,872</u>	<u>-</u>	<u>762,916</u>	<u>57,443</u>	<u>6,764,345</u>
Total capital assets being depreciated, net	<u>21,256,048</u>				<u>21,218,453</u>
Governmental activity capital assets, net	<u>28,788,547</u>				<u>29,320,097</u>

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

General government	52,649
Public safety	247,950
Public works	<u>462,317</u>
Total depreciation expense	<u>762,916</u>

Business-type activities:	Beginning	Reclassi-			Ending
<i>Utilities Fund</i>	Balances	fications	Increases	Decreases	Balances
Capital assets not being depreciated:					
Land	35,000	-	-	-	35,000
Construction in progress	-	-	132,588	-	132,588
Total capital assets not being depreciated	35,000	-	132,588	-	167,588
Capital assets being depreciated					
Buildings	768,567		13,482		782,049
Utility systems	13,949,231	-	74,387		14,023,618
Vehicles and motorized equipment	276,176		-	-	276,176
Furniture and equipment	754,475	-	310,513	-	1,064,988
Total capital assets being depreciated	15,748,449	-	398,382	-	16,146,831
Less accumulated depreciation for:					
Buildings	191,290		15,758		207,048
Utility systems	3,555,519		279,730		3,835,249
Vehicles and motorized equipment	111,119		25,072	-	136,191
Furniture and equipment	305,890	-	59,279	-	365,169
Total accumulated depreciation	4,163,818	-	379,839	-	4,543,657
Total capital assets being depreciated, net	11,584,631				11,603,174
Business-type activities capital assets, net	11,619,631				11,770,762

Constructions commitments

The government has active construction project as of June 30, 2022. 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	37,411	114,904
Village Hall Redesign	109,762	42,773
Stormwater Gates	17,950	100,050
WWTP Upgrades	65,589	152,059
Lift Station Upgrades	67,000	388,000
Total	<u>297,712</u>	<u>797,786</u>

5. Right to Use Leased Assets

The Village has recorded two right to use leased assets. The assets are right to use assets for leased equipment and leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Village of Bald Head Island for the year ended June 30, 2022, was as follows:

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities:				
Right to use assets				
Leased vehicles	-	44,115		44,115
Leased equipment	-	4,243	-	4,243
Total right to use assets	-	48,358	-	48,358
Less accumulated amortization for:				
Leased vehicles	-	20,632		20,632
Leased equipment	-	1,376	-	1,376
Total accumulated amortization	-	22,008	-	22,008
Right to use assets, net	-	26,350	-	26,350
Business type activities:				
Right to use assets				
Leased vehicles	-	17,366		17,366
Leased equipment	-	1,414	-	1,414
Total right to use assets	-	18,780	-	18,780
Less accumulated amortization for:				
Leased vehicles	-	10,868		10,868
Leased equipment	-	459	-	459
Total accumulated amortization	-	11,327	-	11,327
Right to use assets, net	-	7,453	-	7,453

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, 2022, was 12.10% of compensation for law enforcement officers and 11.35% 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 \$479,959 for the year ended June 30, 2022.

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, 2022, the Village reported a liability of \$893,780 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021, the Village's proportion was 0.05828%, which was an increase of 0.00220% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Village recognized pension expense of \$391,597. At June 30, 2022, 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	284,343	-
Changes of assumptions	561,522	
Net difference between projected and actual earnings on pension plan investments		1,276,943
Changes in proportion and differences between Village contributions and proportionate share of contributions	43,514	7,024
Village contributions subsequent to the measurement date	<u>479,959</u>	
Total	<u><u>1,369,338</u></u>	<u><u>1,283,967</u></u>

\$479,959 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	95,203
2023	(7,968)
2024	(91,070)
2025	<u>(390,753)</u>
Total	<u><u>(394,588)</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2021 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 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Village's proportionate share of the net pension liability (asset)	3,469,579	893,780	(1,225,953)

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, 2020, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>23</u>
Total	24

(2) Summary of Significant Accounting Policies

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

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

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 percent

The discount rate is the S&P Municipal Bond 20 Year High Grade Index as of December 31, 2020.

Mortality rates are based are projected from 2010 using generational improvement with Scale MP-2019.

(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 \$7,338 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, 2022, the Village reported a total pension liability of \$893,036. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Village recognized pension expense of \$174,554.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	213,059	-
Changes of assumptions	179,565	30,824
Village benefit payments and administrative expense made subsequent to the measurement date	<u>1,965</u>	<u> </u>
Total	<u><u>394,589</u></u>	<u><u>30,824</u></u>

\$1,965 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	90,923
2024	85,428
2025	83,701
2026	64,457
2027	33,939
Thereafter	<u>3,352</u>
	<u><u>361,800</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 2.25 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 (1.25 percent) or 1-percentage point higher (3.25 percent) than the current rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension Liability	994,408	893,036	801,716

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

Beginning balance	796,618
Service cost	66,516
Interest on the total pension liability	15,270
Differences between expected and actual experience in the measurement of the total pension liability	56,752
Changes of assumptions or other inputs	(31,314)
Benefit payments	<u>(10,806)</u>
Ending balance of the total pension liability	<u><u>893,036</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, 2020 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employees' Retirement System for the period January 1, 2015 through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension expense	391,597	174,554	566,151
Pension liability	893,780	893,036	1,786,816
Proportionate share of net pension liability	0.05826%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	284,343	213,059	497,402
Changes of assumptions	561,522	179,565	741,087
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	43,514	-	43,514
Benefit payments and administrative costs paid subsequent to measurement date	479,959	1,965	481,924
Total	1,369,338	394,589	1,763,927
Deferred Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	30,824	30,824
Net difference between projected and actual earnings on plan investments	1,276,943	-	1,276,943
Changes in proportion and differences between contributions and proportionate share of contributions	7,024	-	7,024
Total	1,283,967	30,824	1,314,791

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 \$200,346 for the year ended June 30, 2022. 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	\$ 479,959
Benefit payments made and administrative expenses for LEOSA	1,965
Differences between expected and actual experience	497,402
Changes of assumptions	741,087
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,514
Total	<u>\$ 1,763,927</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)	\$ -	\$ 19,707
Uninstalled taps (Water & Sewer Fund)	138,366	
Changes in assumptions	30,824	
Net differences between projected and actual earnings on plan investments	1,276,943	
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,024	-
Total	<u>\$ 1,453,157</u>	<u>\$ 19,707</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 director 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

At June 30, 2022, the Village was a defendant to various lawsuits. In the opinion of the Village's management and the Village attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Village's financial position.

5. Long-Term Obligations

- a. Leases: The Village has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their exception.

The first agreement was executed on July 1, 2021, to lease three golf carts and requires 32 monthly payments of \$788. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.5% which is the implicit rate in the lease agreement. As a result of the lease, the Village has recorded a right to use asset with a net book value of \$15,525 at June 30, 2022. The right to use asset is discussed in more detail in the Intangible Asset section III.A.4 of this note.

The second agreement was executed on July 1, 2021, to lease five golf carts and requires 15 monthly payments of \$1,369. There are no variable payment components of the lease. The lease liability

is measured at a discount rate of 6.3% which is the implicit rate in the lease agreement. As a result of the lease, the Village has recorded a right to use asset with a net book value of \$4,951 at June 30, 2022. The right to use asset is discussed in more detail in the Intangible Asset section III.A.4 of this note.

The third agreement was executed on July 1, 2021, to lease one golf cart and requires 32 monthly payments of \$253. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.6%, which is the implicit rate in the lease agreement. As a result of the lease, the Village has recorded a right to use asset with a net book value of \$4,987 at June 30, 2022. The right to use asset is discussed in more detail in the Intangible Asset section III.A.4 of this note.

The fourth agreement was executed on July 1, 2021, to lease one golf cart and requires 22 monthly payments of \$462. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 8.5%, which is the implicit rate in the lease agreement. As a result of the lease, the Village has recorded a right to use asset with a net book value of \$4,518 at June 30, 2022. The right to use asset is discussed in more detail in the Intangible Asset section III.A.4 of this note.

The fifth agreement was executed on July 24, 2021, to lease four copiers and requires 36 monthly payments of \$164. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.0%, which is the incremental borrowing rate of the Village for the lease agreement. As a result of the lease, the Village has recorded a right to use asset with a net book value of \$3,822 at June 30, 2022. The right to use asset is discussed in more detail in the Intangible Asset section III.A.4 of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	15,961	433	16,394	6,539	213	6,752
2024	9,699	102	9,801	484	8	492
Total	<u>25,660</u>	<u>535</u>	<u>26,195</u>	<u>7,023</u>	<u>221</u>	<u>7,244</u>

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

On January 12, 2017 the Village entered into a direct borrowing installment purchase contract in the amount of \$3,000,000 with PNC Bank, National Association for additional construction on the new public safety building. The property is pledged as collateral for the debt while the debt is outstanding. The

financing contract requires quarterly principal payments of \$75,000 beginning in fiscal year 2017 with an annual interest of 2.82%.

On September 22, 2021 the Village entered into a direct borrowing installment purchase contract in the amount of \$1,680,000 with First Bank to finance the contractor services and public works campus redesign project. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires quarterly principal payments of \$32,519 beginning in fiscal year 2022 with an annual interest of 1.99%.

Annual debt service payments of the installment purchases as of June 30, 2022, including \$320,090 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	898,386	114,852
2024	900,386	92,693
2025	902,427	70,491
2026	904,509	48,248
2027	506,633	27,224
2028-2032	566,579	83,807
2033-2037	528,509	24,319
Total	<u>5,207,429</u>	<u>461,634</u>

c. 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, 2022 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.

8,043,510
8,043,510

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	2,195,862	260,868
2024	2,276,212	180,517
2025	2,359,503	97,226
2026	<u>1,211,933</u>	<u>16,430</u>
Total	<u>8,043,510</u>	<u>555,041</u>

At June 30, 2022, the Village of Bald Head Island had bonds authorized by a voter referendum but not yet issued or approved by the North Carolina State Treasurer's Office of \$54,000,000 and a legal debt margin of \$93,628,040.

d. Changes in Long-Term Liabilities

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

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Governmental activities:					
General obligation bond	10,161,858		2,118,348	8,043,510	2,195,862
Direct borrowing installment purchases	4,534,375	1,680,000	1,006,946	5,207,429	898,386
Lease liabilities	-	48,358	22,698	25,660	15,961
Compensated absences	264,128	150,760	148,101	266,787	150,000
Net pension liability (LGERS)	1,706,699	-	940,152	766,547	-
Net pension obligation (LEO)	<u>796,618</u>	<u>107,224</u>	<u>10,806</u>	<u>893,036</u>	<u>-</u>
Governmental activity long-term liabilities	<u>17,463,678</u>	<u>1,986,342</u>	<u>4,247,051</u>	<u>15,202,969</u>	<u>3,260,209</u>
Business type activities:					
Lease liabilities	-	18,780	11,757	7,023	6,539
Compensated absences	42,138	40,187	38,100	44,225	40,000
Net pension liability (LGERS)	<u>297,278</u>	<u>-</u>	<u>170,045</u>	<u>127,233</u>	<u>-</u>
Business-type activity long-term liabilities	<u>339,416</u>	<u>58,967</u>	<u>219,902</u>	<u>178,481</u>	<u>46,539</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2022, consist of the following:

From the General Fund to the Contractor Services and Public Works Campus Redesign Project Fund	185,000
From the General Fund to the Beach Renourishment, Recreation and Tourism Fund	774,715
From the General Fund to the New Village Hall Project Fund	35,000
From the IPC Improvements Project Fund to the General Fund	21,541
From the Water and Sewer Fund to the Lift Station Upgrade Project Fund	488,000
From the Beach Stabilization Fund to the Beach Renourishment, Recreation and Tourism Fund	<u>1,586,287</u>
Total	<u>3,090,543</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 Beach Renourishment, Recreation and Tourism Fund was the annual transfer of Accommodation tax revenue less the amount needed to fund the Shoreline Protection department and service the GO bond and Marina Park debt.

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

The transfer from the IPC Improvements Project Fund to the General Fund was a one-time transfer to close out the project.

The transfer from the Water and Sewer Fund to the Lift Station Upgrade Project Fund was a one-time transfer to fund construction costs of the new project.

The transfer from the Beach Stabilization Fund to the Beach Renourishment, Recreation and Tourism Fund was a one-time transfer to close out the fund.

D. On-Behalf Payments for Fringe Benefits and Salaries

The Village has recognized as a revenue and expenditure, on behalf payments for fringe benefits and salaries of \$11,800 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2022. Under State law, the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets for Fringe Benefits and Salaries

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	29,320,097	11,770,762
Lease assets	26,350	7,453
Less: long term debt	13,250,939	-
Less: lease liabilities	<u>25,660</u>	<u>7,023</u>
Net investment in capital asset	<u>16,069,848</u>	<u>11,771,192</u>

F. 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>\$9,745,627</u>
Less:	
Prepaid expenses	14,500
Inventories	24,299
Stabilization by State Statute	1,167,657
Economic Development	3,968,040
Inspections	178,285
Subsequent Expenditures	469,000
Remaining Fund Balance	3,923,846

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

<u>Encumbrances</u>	<u>General Fund</u>	<u>Beach Stabilization Fund</u>	<u>Non-major Funds</u>
	\$2,850	\$0	\$0

IV. JOINTLY GOVERNED ORGANIZATIONS

Cape Fear Council of Governments

The Village, in conjunction with four counties and thirty two other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Village paid membership fees of \$334 to the Council during the fiscal year ended June 30, 2022.

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, 2022, the Village made no contributions 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, 2022. 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, 2022, the Village reported revenues and expenditures for the payments of \$11,800 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, 2022. 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, 2022 were evaluated by management on December 9, 2022 to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included.

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 NINE FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Village of Bald Head Island's proportion of the net pension liability (asset) (%)	0.05828%	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) (\$)	893,780	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	3,890,250	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	22.97%	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	95.51%	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 NINE FISCAL YEARS**

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required Contribution	479,959	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>479,959</u>	<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>	<u>-</u>
Village of Bald Head Island's covered-employee payroll	4,110,430	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	11.68%	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, 2022

EXHIBIT A-3

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	796,618	368,906	218,726	187,620	126,210	108,672
Service cost	66,516	42,439	31,054	25,848	19,064	17,605
Interest on the total pension liability	15,270	11,818	7,703	5,744	4,806	3,866
Difference between expected and actual experience in the measurement of the total pension liability	56,752	141,380	110,155	22,542	25,649	-
Changes of assumptions or other inputs	(31,314)	244,834	15,459	(11,330)	15,276	(3,152)
Benefit payments	<u>(10,806)</u>	<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>893,036</u>	<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
LAST SIX FISCAL YEARS

EXHIBIT A-4

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	893,036	796,618	368,906	218,726	187,620	126,210
Covered payroll	1,789,959	1,677,950	1,327,100	1,123,876	1,031,058	799,951
Total pension liability as a percentage of covered payroll	49.89%	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, 2022 and 2021**

EXHIBIT B-1
Page 1 of 6

	2022		Variance	2021
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues				
Ad valorem taxes				
Current year	8,470,400	8,457,905	(12,495)	8,410,097
Prior year	19,000	13,803	(5,197)	39,382
Penalties and interest	14,000	12,706	(1,294)	11,467
Total	<u>8,503,400</u>	<u>8,484,414</u>	<u>(18,986)</u>	<u>8,460,946</u>
Other taxes				
Accommodations tax	1,530,000	2,176,387	646,387	2,090,181
Total	<u>1,530,000</u>	<u>2,176,387</u>	<u>646,387</u>	<u>2,090,181</u>
Unrestricted intergovernmental				
Local option sales tax	98,000	102,365	4,365	63,848
Utility franchise tax	420,000	405,781	(14,219)	387,263
Beer and wine	750	1,072	322	781
CAMA - State portion	1,100	1,990	890	1,095
Intergovernmental revenue	4,100	3,834	(266)	3,658
Total	<u>523,950</u>	<u>515,042</u>	<u>(8,908)</u>	<u>456,645</u>
Restricted intergovernmental				
Powell Bill allocation	50,000	49,160	(840)	39,864
Solid waste disposal tax	100	204	104	140
FEMA reimbursement	-	166,438	166,438	168,639
Mosquito control	1,000	-	(1,000)	1,704
Grant revenue	160,000	119,241	(40,759)	147,071
Fireman's Relief Fund	-	11,800	11,800	-
Brunswick County - fire and rescue	298,500	298,500	-	298,500
Total	<u>509,600</u>	<u>645,343</u>	<u>135,743</u>	<u>655,918</u>
Permits and fees				
Building permits	219,400	257,276	37,876	148,866
Daily vehicle permits	160,000	174,075	14,075	182,750
Annual vehicle permits	206,000	204,770	(1,230)	164,255
Golf cart registration	70,000	67,680	(2,320)	64,800
EMS fees	33,000	29,415	(3,585)	20,294
Creek access permits	33,600	32,600	(1,000)	32,600
Total	<u>722,000</u>	<u>765,816</u>	<u>43,816</u>	<u>613,565</u>
Sales and services				
Sale of assets	2,000	2,601	601	3,508
Sale of gas and diesel	37,800	44,582	6,782	30,700
Contractor Services Sales	480,200	494,283	14,083	354,873
Island Parcel Center Receipts	389,250	385,369	(3,881)	337,411
Marina park lease	4,000	500	(3,500)	3,875
Marina park boat slip rentals	10,000	8,337	(1,663)	-
Island Parcel Center Interdepartmental	4,000	1,331	(2,669)	1,350
Post office operations	95,500	76,430	(19,070)	86,038
Total	<u>1,022,750</u>	<u>1,013,433</u>	<u>(9,317)</u>	<u>817,755</u>
Investment earnings				
Interest earned	5,000	4,126	(874)	1,649
Total	<u>5,000</u>	<u>4,126</u>	<u>(874)</u>	<u>1,649</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, 2022 and 2021

EXHIBIT B-1
Page 2 of 6

	2022			2021
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Miscellaneous				
Fines	11,000	5,840	(5,160)	7,062
Insurance reimbursements	4,000	3,983	(17)	2,504
Road repair reimbursement	-	-	-	37,700
Donations	-	-	-	130,000
Special events	5,300	16,625	11,325	400
Miscellaneous	34,900	28,665	(6,235)	31,886
Total	55,200	55,113	(87)	209,552
 Total revenues	12,871,900	13,659,674	787,774	13,306,211
 <u>Expenditures</u>				
General government				
Governing body				
Codification	2,500	4,623		762
Travel	20,000	6,245	-	3,326
Total	22,500	10,868	11,632	4,088
 Administration				
Salaries and wages	777,780	748,826		722,129
Employee benefits	259,580	243,952		243,111
Utilities	8,000	5,815		7,114
Telephone	-	-		-
Travel	5,000	2,496		2,333
Ferry costs	35,140	28,925		23,941
Parking	7,000	7,576		8,827
Equipment maintenance	2,500	1,292		5,479
Non-depreciable equipment	-	-		-
Building maintenance	33,500	32,896		23,603
Planning board	-	-		-
Office supplies	9,200	10,924		13,141
Copies and printing	-	50		-
Postage	1,800	678		804
Advertising	3,800	3,478		2,489
Dues and subscriptions	11,050	11,681		9,515
HR Dues and subscriptions	-	-		-
Training and certification	12,000	6,786		4,653
HR Professional	-	-		-
Bank charges	33,000	34,897		23,927
Miscellaneous	2,000	1,163		2,501
Professional services	577,000	644,484		323,778
Medical services	-	-		-
County collection fee	65,500	63,633		63,457
BHI Daily permit collection fee	12,000	13,000		12,000
BHI Conservancy	195,850	189,598		193,500
Insurance	223,000	218,766		200,612
Golf cart lease	10,600	3,557		33,587
Manager's discretion	35,000	2,249		9,847
Capital outlay	-	19,639		13,200
Capital outlay - nondepreciable	-	-	-	5,426
Total	2,320,300	2,296,361	23,939	1,948,974

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, 2022 and 2021

EXHIBIT B-1
Page 3 of 6

	2022			2021
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Information Technology				
Telephone	52,000	54,925		53,381
Travel	1,000	275		-
Equipment maintenance and supplies	10,000	6,720		8,339
Building and grounds maintenance	4,400	2,014		4,283
Cable and internet	20,000	20,045		14,980
Copies and printing	11,520	7,994		11,819
IT Training and certification	1,500	-		-
Professional system and software	79,780	61,403		80,179
Capital outlay - nondepreciable	20,500	22,274	-	15,366
Total	200,700	175,650	25,050	188,347
Human Resources				
Travel	5,500	1,765		104
Advertising	1,000	1,050		-
Dues and subscriptions	900	949		608
Professional development	4,500	1,003		914
Professional services	13,000	13,898		168
Medical services	5,000	1,852		3,279
Village events and wellness	29,500	11,483		12,503
Educational assistance	5,000	3,660	-	1,833
Total	64,400	35,660	28,740	19,409
Island Parcel Center				
Salaries and wages	185,200	135,072		146,764
Employee benefits	66,140	47,407		46,264
Ferry expenses	14,060	11,650		10,793
Parking expenses	2,800	2,800		2,800
Equipment maintenance	500	2,783		982
Barge and shipping expense	85,000	107,975		121,202
Shipping supplies	1,500	2,295		255
Building and grounds maintenance	7,000	7,936		6,892
Office supplies	4,700	4,885		5,502
Postage	53,000	37,380		44,547
Uniforms	1,000	664		
Miscellaneous	3,150	1,730		120
Software and treminal fees	3,500	2,508		701
Capital outlay - nondepreciable	21,200	19,912		6,077
Capital outlay	-	-	-	6,800
Total	448,750	384,997	63,753	399,699
Contractor Services				
Salaries and wages	50,100	46,167		44,201
Employee benefits	16,980	14,898		14,756
Utilities	15,500	4,922		3,461
Purchase for resale	270,000	249,341		166,729
Barge cost	11,500	6,300		5,615
Ferry cost	3,520	3,178		3,606
Parking	700	700		700
Equipment maintenance	-	-		88
Building and grounds maintenance	16,000	30,622		7,807

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, 2022 and 2021

EXHIBIT B-1
Page 4 of 6

	2022		Variance	2021
	Budget	Actual	Favorable (Unfavorable)	Actual
Other expense	1,000	-		176
Office supplies	1,500	1,452		214
Capital outlay - nondepreciable	1,000	245	-	1,349
Capital outlay	-	3,293	-	-
Total	387,800	361,118	26,682	248,702
 Total general government	 3,444,450	 3,264,654	 179,796	 2,809,219
Public safety				
Police, fire and EMS				
Salaries	1,978,200	1,929,968		1,828,157
LEO Separation allowance	7,400	7,338		10,966
Employee benefits	651,000	612,797		593,931
Utilities	21,000	20,979		17,623
Communications	14,000	31,678		6,153
Gas and oil	17,000	19,995		13,974
LP gas	3,000	1,886		2,148
Travel	4,000	3,950		4,118
Ferry costs	46,000	40,848		39,696
Parking	26,200	24,080		20,985
Barge expenses	3,000	1,380		1,435
Repairs - equipment	3,000	2,267		955
Repairs - vehicles	20,000	19,468		15,874
Vehicle permits	13,510	13,440		11,694
Repairs - building & grounds	9,000	13,153		12,877
Maintenance contracts	21,900	23,310		16,079
Supplies	33,925	35,163		32,962
EMS billing expense	4,000	3,697		2,132
Dosher medical clinic supplies	1,000	743		509
Law enforcement supplies	6,115	5,960		1,324
EMS supplies	7,600	8,180		7,580
ALS medication	9,500	8,811		6,316
Water rescue supplies	1,500	1,566		2,516
Fire supplies	33,000	18,159		6,464
Volunteer incentive	22,600	22,700		21,412
Copies and printing	4,750	4,600		2,773
Munitions	6,300	5,288		-
Dues and subscriptions	8,100	9,317		9,795
Uniforms	12,850	12,074		19,444
Training and certification	4,850	3,275		4,602
Public education	3,000	866		1,278
Miscellaneous	1,000	2,370		2,171
Animal control	500	479		-
Medical services	11,000	11,800		10,838
Capital outlay - Nondepreciable	9,500	13,558		650
Capital outlay	84,000	48,982	-	17,480
Total	3,103,300	2,984,125	119,175	2,746,911

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, 2022 and 2021

EXHIBIT B-1
Page 5 of 6

	2022			2021
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Development services				
Salaries	87,900	88,578		84,967
Employee benefits	25,900	19,646		14,439
Travel	1,500	438		-
Ferry	3,600	2,954		3,108
Parking	700	700		700
Supplies	250	160		3
Training	2,000	492		934
Miscellaneous	500	172		-
Professional services	8,000	6,706		8,494
Capital outlay - Nondepreciable	-	4,750		-
Capital outlay	5,000	-	-	-
Total	135,350	124,596	10,754	112,645
 Total public safety	 3,238,650	 3,108,721	 129,929	 2,859,556
Transportation				
Road maintenance	-	-		67,270
Transportation funding	-	-	-	130,000
Road resurfacing	640,000	639,720	280	-
Total	640,000	639,720	280	197,270
Environmental protection				
Public works				
Salaries and wages	590,700	493,604		472,952
Employee benefits	263,500	213,718		203,822
Utilities	35,500	27,468		39,154
Gas and oil	13,500	13,139		11,512
LP gas	3,000	3,684		2,428
Travel	1,000	371		638
Ferry expense	45,700	30,241		27,277
Parking	9,100	7,420		6,728
Barge expense	40,400	46,189		41,400
Repairs - equipment	24,000	20,786		19,564
Vehicle permits	10,000	9,470		6,670
Maintenance - building & grounds	45,200	42,005		28,246
Right-of-way maintenance	100,000	71,094		-
Contract - mulch site	100,000	100,000		194,803
Storm prep, assessment & clean up	7,000	1,800		204,859
Contract services	420,500	471,416		404,089
Office supplies	1,000	754		1,023
Safety equipment supplies	8,000	2,551		7,861
Building supplies	9,000	5,881		5,289
Signs	15,000	4,381		13,750
Uniforms	6,500	6,116		4,312
Training and certification	1,500	987		225
Miscellaneous	460	173		-
Mosquito control	8,000	6,305		4,677
Equipment rental	5,340	-		-
Capital outlay	272,000	263,780		150,516
Capital outlay - nondepreciable	5,000	3,978	-	5,985
Total environmental protection	2,040,900	1,847,311	193,589	1,857,780

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, 2022 and 2021

EXHIBIT B-1
Page 6 of 6

	2022			2021
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Economic and physical development				
Shoreline preservation				
Salaries	89,900	77,716		29,966
Employee benefits	27,980	20,507		6,936
Travel	1,000	1,608		-
Ferry	3,520	2,674		532
Parking	700	700		-
Building and grounds maintenance	45,000	42,438		-
Office supplies	-	1,615		-
Safety equipment and supplies	-	627		-
Dues and subscriptions	2,000	1,875		1,600
Uniforms	-	310		-
Training and certification	3,000	3,435		3,000
Engineering	-	11,760		-
Monitoring	210,000	201,157		174,870
Legal	25,000	27,338		53,641
Dune restoration/vegetation	15,000	15,730		-
Lobbying	114,000	114,000		114,000
Marina channel maintenance	240,000	169,850		220,931
Beach access grant expenses	-	4,802		-
Capital outlay - Shoreline	200,000	125,000	-	-
Total	977,100	823,142	153,958	605,476
Debt service				
Principal	3,148,380	3,147,992		3,737,320
Interest and fees	470,220	469,123	-	575,026
Total	3,618,600	3,617,115	1,485	4,312,346
Total expenditures	13,959,700	13,300,663	659,037	12,641,647
Revenues over (under) expenditures	(1,087,800)	359,011	1,446,811	664,564
Other financing sources (uses)				
Fund balance appropriated	2,061,000	-	(2,061,000)	-
Operating transfers in				
IPC Improvements Capital Projects	21,600	21,541	(59)	-
Operating transfers out				
IPC Expansion Fund	-	-	-	(400,000)
Contractor Services & Public Works				
Redesign Fund	(185,000)	(185,000)	-	(1,640,420)
New Village Hall Project	(35,000)	(35,000)		
Beach Renourishment, Recreation and Tourism Fund	(774,800)	(774,715)	85	
Stormwater management fund				
Installment debt proceeds	-	1,680,000	1,680,000	-
Lease liabilities issued	-	48,358	48,358	-
Total	1,087,800	755,184	(332,616)	(2,040,420)
Revenues and other financing sources over (under) expenditures	-	1,114,195	1,114,195	(1,375,856)
Fund balance				
Beginning of year - July 1		6,064,000		7,439,856
End of year - June 30		7,178,195		6,064,000

VILLAGE OF BALD HEAD ISLAND
BEACH RENOURISHMENT, RECREATION AND TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

EXHIBIT B-2

	2022			2021
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>	<u>Actual</u>
Revenues				
Interest earned	<u>-</u>	<u>305</u>	<u>305</u>	<u>-</u>
Total revenues	<u>-</u>	<u>305</u>	<u>305</u>	<u>-</u>
Expenditures				
Economic and Physical Development				
Tourism expenses	50,000	-	50,000	-
Recreational expenses	50,000	-	50,000	-
Beach renourishment expenses	150,000	10,565	139,435	-
Beach restoration expenses	<u>170,000</u>	<u>-</u>	<u>170,000</u>	<u>-</u>
Total expenditures	<u>420,000</u>	<u>10,565</u>	<u>409,435</u>	<u>-</u>
Expenditures exceed revenues	<u>(420,000)</u>	<u>(10,260)</u>	<u>409,740</u>	<u>-</u>
Other financing sources (uses)				
Transfer from General Fund	774,900	774,715	(185)	
Transfer from Beach Stabilization	1,590,100	1,586,287	(3,813)	
Future Appropriation	<u>(1,945,000)</u>	<u>-</u>	<u>1,945,000</u>	<u>-</u>
Net financing sources	<u>420,000</u>	<u>2,361,002</u>	<u>1,941,002</u>	<u>-</u>
Revenues and financing sources over expenditures and uses	<u>-</u>	<u>2,350,742</u>	<u>2,350,742</u>	<u>-</u>
		<u>-</u>		<u>-</u>
		<u>2,350,742</u>		<u>-</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, 2022 and 2021**

EXHIBIT B-3

	<u>2022</u>			<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>	<u>Actual</u>
<u>Revenues</u>				
Sales and services				
Stormwater fees	126,300	129,315	3,015	126,674
Investment earnings				
Interest earned	-	1,470	1,470	59
	<u>126,300</u>	<u>130,785</u>	<u>4,485</u>	<u>126,733</u>
<u>Expenditures</u>				
Economic and physical development				
Construction	236,000	130,733	105,267	14,030
Stormwater equipment	20,000	-	20,000	-
Engineering	10,000	2,160	7,840	16,920
	<u>266,000</u>	<u>132,893</u>	<u>133,107</u>	<u>30,950</u>
Revenues over (under) expenditures	(139,700)	(2,108)	137,592	95,783
Other financing sources (uses)				
Fund balance appropriated	<u>139,700</u>	-	(139,700)	-
Revenues and other financing sources over (under) expenditures and uses	<u>-</u>	(2,108)	<u>(2,108)</u>	<u>95,783</u>
Fund balance, beginning		<u>218,798</u>		<u>123,015</u>
Fund balance, ending		<u>216,690</u>		<u>218,798</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, 2022**

EXHIBIT B-4
Page 1 of 3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental FEMA reimbursement	1,877,000	1,876,290	-	1,876,290	(710)
Investment earnings					
Interest earned	201,300	201,710	-	201,710	410
Interest on bond proceeds	63,000	62,023	-	62,023	(977)
Total	264,300	263,733	-	263,733	(567)
Miscellaneous					
Marina Entrance Channel Agreement	831,000	830,514	-	830,514	(486)
Refund State of NC	528,000	526,967	-	526,967	(1,033)
Total	1,359,000	1,357,481	-	1,357,481	(1,519)
Total revenues	3,500,300	3,497,504	-	3,497,504	(2,796)
Expenditures					
Capital outlay:					
Beach Renourishment					
Administration/Engineering	1,597,600	1,561,222	30,494	1,591,716	5,884
Monitoring	1,157,700	1,152,696	4,926	1,157,622	78
Legal	794,100	794,057	-	794,057	43
Construction	1,824,900	1,756,665	69,381	1,826,046	(1,146)
Dune restoration	699,700	699,606	-	699,606	94
Vitex restoration	29,500	29,406	-	29,406	94
Lobbying	34,500	34,448	-	34,448	52
Subtotal	6,138,000	6,028,100	104,801	6,132,901	5,099
Engineered Beach					
Administration/Engineering	340,096	340,062	-	340,062	34
Legal	212,904	212,867	-	212,867	37
Subtotal	553,000	552,929	-	552,929	71
Marine Groins - Harbor Groin System					
Administration/Engineering	86,900	86,818	-	86,818	82
Legal	17,500	17,460	-	17,460	40
Construction	236,600	236,555	-	236,555	45
Subtotal	341,000	340,833	-	340,833	167
BHI Creek Dredging					
Administration/Engineering	220,700	220,687	-	220,687	13
Subtotal	220,700	220,687	-	220,687	13
Jetty Extension Project					
Administration/Engineering	208,300	208,241	-	208,241	59
Legal	2,400	2,303	-	2,303	97
Construction	1,245,800	1,245,771	-	1,245,771	29
Subtotal	1,456,500	1,456,315	-	1,456,315	185

**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, 2022**

EXHIBIT B-4
Page 2 of 3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
Sand Replacement Project					
Administration/Engineering	402,900	402,893	-	402,893	7
Monitoring	50,900	50,804	-	50,804	96
Legal	160,800	160,795	-	160,795	5
Construction	16,048,000	16,047,974	-	16,047,974	26
Dune Restoration/Vegetation	20,000	20,000	-	20,000	-
Subtotal	16,682,600	16,682,466	-	16,682,466	134
Terminal Groins Project					
Administration/Engineering	2,856,900	2,856,867	-	2,856,867	33
Legal	391,900	391,846	-	391,846	54
Construction	5,826,400	5,826,381	-	5,826,381	19
Subtotal	9,075,200	9,075,094	-	9,075,094	106
BHI Creek Dredging					
Administration/Engineering	365,200	365,113	-	365,113	87
Monitoring	46,000	45,944	-	45,944	56
Construction	1,241,900	1,241,869	-	1,241,869	31
Subtotal	1,653,100	1,652,926	-	1,652,926	174
Sandtube Groins					
Administration/Engineering	62,300	62,267	-	62,267	33
Construction	676,700	676,653	-	676,653	47
Subtotal	739,000	738,920	-	738,920	80
Row Boat Row Beach					
Administration/Engineering	329,900	327,242	2,617	329,859	41
Construction	964,400	964,395	-	964,395	5
Subtotal	1,294,300	1,291,637	2,617	1,294,254	46
Shoreline Beach Renourishment					
Engineering	435,000	435,000	-	435,000	-
Legal	62,200	62,500	-	62,500	(300)
Construction	13,342,500	13,342,185	-	13,342,185	315
Subtotal	13,839,700	13,839,685	-	13,839,685	15
Total expenditures	51,993,100	51,879,592	107,418	51,987,010	6,090
Revenues over (under) expenditures	(48,492,800)	(48,382,088)	(107,418)	(48,489,506)	3,294

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, 2022

EXHIBIT B-4
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	9,999,900	9,993,598	-	9,993,598	(6,302)
Village Facilities Fund	1,664,000	1,663,470	-	1,663,470	(530)
Operating transfer to					
Beach Renourishment, Recreation					
and Tourism Fund	(1,590,100)		(1,586,287)	(1,586,287)	3,813
Bonds Issued - 2009	15,000,000	15,000,000	-	15,000,000	-
Bonds Issued - 2012	1,719,000	1,718,725	-	1,718,725	(275)
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)	48,492,800	50,075,793	(1,586,287)	48,489,506	(3,294)
Revenues and other					
financing sources over					
(under) expenditures	-	1,693,705	(1,693,705)	-	-
Fund balance, beginning			1,693,705		
Fund balance, ending			-		

**VILLAGE OF BALD HEAD ISLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022**

EXHIBIT B-5

	<u>Contractor Services & Public Works Redesign Project</u>	<u>IPC Improvements Capital Project Fund</u>	<u>New Village Hall Capital Project Fund</u>	<u>Ladder Truck Acquisition Fund</u>	<u>ARP Grant Fund</u>	<u>Special Revenue Fund - Fines and Forfeitures</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS							
Cash and cash equivalents	135,309	-	63,053	388,234	25,194	4,677	616,467
Investments	20,543	-	9,573	58,944	3,825	-	92,885
Receivable from other governments	5,133	-	-	-	-	-	5,133
Total assets	<u>160,985</u>	<u>-</u>	<u>72,626</u>	<u>447,178</u>	<u>29,019</u>	<u>4,677</u>	<u>714,485</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	-	-	5,000	-	-	-	5,000
Payable to other governments	-	-	-	-	-	2,447	2,447
Total liabilities	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>2,447</u>	<u>7,447</u>
Fund balances:							
Restricted for:							
Fire Protection	-	-	-	447,178	-	-	447,178
Economic Development	160,985	-	67,626	-	29,019	-	257,630
Education	-	-	-	-	-	2,230	2,230
Total fund balances	<u>160,985</u>	<u>-</u>	<u>67,626</u>	<u>447,178</u>	<u>29,019</u>	<u>2,230</u>	<u>707,038</u>
Total liabilities and fund balances	<u>160,985</u>	<u>-</u>	<u>72,626</u>	<u>447,178</u>	<u>29,019</u>	<u>4,677</u>	<u>714,485</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, 2022

EXHIBIT B-6

	<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>Ladder Truck</u> <u>Acquisition Fund</u>	<u>ARP Grant Fund</u>	<u>Special Revenue</u> <u>Fund - Fines and</u> <u>Forfeitures</u>	<u>Total Non-Major</u> <u>Governmental</u> <u>Funds</u>
REVENUES							
Restricted intergovernmental	-	-	-	-	29,001	-	29,001
Charges for services	-	-	-	-		22,300	22,300
Investment earnings	97	-	45	280	18	-	440
Miscellaneous	-	-	-	447,030	-	-	447,030
Total revenues	<u>97</u>	<u>-</u>	<u>45</u>	<u>447,310</u>	<u>29,019</u>	<u>22,300</u>	<u>498,771</u>
EXPENDITURES							
Current:							
General government	-	323,582	142,964	-	-	20,070	486,616
Public Safety	-	-	-	132	-	-	132
Economic and physical development	334,212	-	-	-	-	-	334,212
Total expenditures	<u>334,212</u>	<u>323,582</u>	<u>142,964</u>	<u>132</u>	<u>-</u>	<u>20,070</u>	<u>820,960</u>
Excess (deficiency) of revenues over expenditures	<u>(334,115)</u>	<u>(323,582)</u>	<u>(142,919)</u>	<u>447,178</u>	<u>29,019</u>	<u>2,230</u>	<u>(322,189)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	185,000	-	35,000	-	-	-	220,000
Transfers out	-	(21,541)	-	-	-	-	(21,541)
Total other financing sources and uses	<u>185,000</u>	<u>(21,541)</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,459</u>
Net change in fund balances	<u>(149,115)</u>	<u>(345,123)</u>	<u>(107,919)</u>	<u>447,178</u>	<u>29,019</u>	<u>2,230</u>	<u>(123,730)</u>
Fund balances - beginning	<u>310,100</u>	<u>345,123</u>	<u>175,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>830,768</u>
Fund balances - ending	<u>160,985</u>	<u>-</u>	<u>67,626</u>	<u>447,178</u>	<u>29,019</u>	<u>2,230</u>	<u>707,038</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, 2022

EXHIBIT B-7

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	391	97	488	488
Total revenues	-	391	97	488	488
<u>Expenditures</u>					
Capital outlay:					
Administration	80,000	109,857	29,891	139,748	(59,748)
Construction	1,825,000	1,300,434	304,321	1,604,755	220,245
Total expenditures	1,905,000	1,410,291	334,212	1,744,503	160,497
Revenues over (under) expenditures	(1,905,000)	(1,409,900)	(334,115)	(1,744,015)	160,985
Other financing sources (uses)					
Operating transfer from General Fund	2,095,000	1,910,000	185,000	2,095,000	-
Operating transfer to New Village Hall Project Fund	(190,000)	(190,000)	-	(190,000)	-
Total other financing sources (uses)	1,905,000	1,720,000	185,000	1,905,000	
Revenues and other financing sources over (under) expenditures	-	310,100	(149,115)	160,985	160,985
Fund balance, beginning			310,100		
Fund balance, ending			160,985		

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, 2022

EXHIBIT B-8

	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	8,219	8,219	-	8,219	-
Construction	370,240	46,658	323,582	370,240	-
Contingency	-	-	-	-	-
Total expenditures	378,459	54,877	323,582	378,459	-
Revenues over (under) expenditures	(378,459)	(54,877)	(323,582)	(378,459)	-
Other financing sources (uses)					
Operating transfer from General Fund	400,000	400,000	-	400,000	-
Operating transfer to General Fund	(21,541)	-	(21,541)	(21,541)	
Total other financing sources (uses)	378,459	400,000	(21,541)	378,459	-
Revenues and other financing sources over (under) expenditures	-	345,123	(345,123)	-	-
Fund balance, beginning			345,123		
Fund balance, ending			-		

**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, 2022**

EXHIBIT B-9

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	45	45	45
Total revenues	-	-	45	45	45
<u>Expenditures</u>					
Capital outlay:					
Administration	175,000	11,505	142,964	154,469	20,531
Construction	40,500	2,950	-	2,950	37,550
Contingency	9,500	-	-	-	9,500
Total expenditures	225,000	14,455	142,964	157,419	67,581
Revenues over (under) expenditures	(225,000)	(14,455)	(142,919)	(157,374)	67,626
Other financing sources (uses)					
Operating transfer from General Fund	225,000	190,000	35,000	225,000	-
Total other financing sources (uses)	225,000	190,000	35,000	225,000	-
Revenues and other financing sources over (under) expenditures	-	175,545	(107,919)	67,626	67,626
Fund balance, beginning			175,545		
Fund balance, ending			67,626		

EXHIBIT B-10

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues					
Miscellaneous revenue					
Donations	500,000	-	447,030	447,030	(52,970)
Investment earnings					
Interest earned	-	-	280	280	280
Total revenues	500,000	-	447,310	447,310	(52,690)
Expenditures					
Public Safety					
Capital outlay:					
Administration	10,000	-	132	132	9,868
Equipment purchase	1,160,000	-	-	-	1,160,000
Contingency	58,000	-	-	-	58,000
Total expenditures	1,228,000	-	132	132	1,227,868
Revenues over (under) expenditures	(728,000)	-	447,178	447,178	1,175,178
Other financing sources (uses)					
Loan proceeds	728,000	-	-	-	728,000
Total other financing sources (uses)	728,000	-	-	-	728,000
Revenues and other financing sources over (under) expenditures	-	-	447,178	447,178	447,178
Fund balance, beginning			-		
Fund balance, ending			447,178		

VILLAGE OF BALD HEAD ISLAND
ARP GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2022

EXHIBIT B-11

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Restricted Intergovernmental ARP Grant	60,000	-	29,001	29,001	(30,999)
Investment earnings Interest earned	-	-	18	18	18
Total revenues	60,000	-	29,019	29,019	(30,981)
<u>Expenditures</u>					
General Government Grant project	60,000	-	-	-	60,000
Total expenditures	60,000	-	-	-	60,000
Revenues over (under) expenditures	-	-	29,019	29,019	29,019
Fund balance, beginning			-		
Fund balance, ending			29,019		

VILLAGE OF BALD HEAD ISLAND
FINES AND FORFEITURES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2022 and 2021

EXHIBIT B-12

	<u>2022</u>			<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>	<u>Actual</u>
<u>Revenues</u>				
Sales and services				
Fines and forfeitures	<u>-</u>	<u>22,300</u>	<u>22,300</u>	<u>-</u>
Total revenues	<u>-</u>	<u>22,300</u>	<u>22,300</u>	<u>-</u>
<u>Expenditures</u>				
General Government				
Fines paid to BC Board of Education	<u>-</u>	<u>20,070</u>	<u>(20,070)</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>20,070</u>	<u>(20,070)</u>	<u>-</u>
Revenues over (under) expenditures	-	2,230	2,230	-
Fund balance, beginning		<u>-</u>		
Fund balance, ending		<u><u>2,230</u></u>		<u><u>-</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, 2022**

EXHIBIT C-1
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water charges			
Water service	998,700	985,203	(13,497)
Water tap fees	373,600	403,104	29,504
Pipeline surcharge	262,800	267,271	4,471
Miscellaneous revenue	5,000	1,378	(3,622)
Total	<u>1,640,100</u>	<u>1,656,956</u>	<u>16,856</u>
Sewer charges			
Sewer service	1,090,000	1,095,337	5,337
Sewer tap fees	483,000	125,349	(357,651)
Septic maintenance	20,800	18,941	(1,859)
Port-O-John rentals	97,500	99,739	2,239
Total	<u>1,691,300</u>	<u>1,339,366</u>	<u>(351,934)</u>
Total operating revenues	<u>3,331,400</u>	<u>2,996,322</u>	<u>(335,078)</u>
Nonoperating revenues			
Interest income	-	1,059	1,059
Contributions from customers	-	381,276	381,276
Total nonoperating revenues	<u>-</u>	<u>382,335</u>	<u>382,335</u>
Total revenues	<u>3,331,400</u>	<u>3,378,657</u>	<u>47,257</u>
Expenditures			
Operating expenditures			
Salaries and wages	683,700	658,658	25,042
Employee benefits	266,700	224,251	42,449
Utilities	109,000	131,287	(22,287)
Telephone	74,000	74,451	(451)
Gas and oil	13,000	12,984	16
Travel	4,200	3,798	402
Ferry expense	35,140	29,874	5,266
Parking	9,000	8,446	554
Barges and shipping	107,800	98,310	9,490
Equipment maintenance	23,000	21,491	1,509
Non-expendable supplies	1,530	1,798	(268)
Cart maintenance	1,000	905	95
Vehicle maintenance	13,580	10,383	3,197
Building and grounds maintenance	15,000	15,546	(546)
System repairs and maintenance	582,960	433,157	149,803

**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, 2022**

EXHIBIT C-1
Page 2 of 3

	Budget	Actual	Variance Positive (Negative)
Office supplies	1,460	628	832
Water supplies	47,300	38,559	8,741
Sewer supplies	61,000	49,515	11,485
Safety equipment	4,800	3,412	1,388
Tools	7,000	5,744	1,256
Building supplies	4,000	-	4,000
Copies and printing	11,000	9,406	1,594
Postage	650	98	552
Advertising	400	200	200
Dues and subscriptions	1,090	820	270
Uniforms	4,800	3,161	1,639
Training and certification	7,500	5,027	2,473
Permits	15,000	4,755	10,245
Miscellaneous	2,900	3,060	(160)
Bill adjustments	1,000	-	1,000
Professional services	147,900	62,971	84,929
Lab fees	35,300	32,357	2,943
Medical fees	500	-	500
Purchase of water	62,000	81,152	(19,152)
Insurance	68,000	65,976	2,024
IT Services	9,280	6,683	2,597
Equipment rental	4,300	3,699	601
Golf cart lease	5,000	919	4,081
Non-depreciable equipment	16,000	28,794	(12,794)
Manager's supplemental funds	13,500	11,679	1,821
Total	<u>2,471,290</u>	<u>2,143,954</u>	<u>327,336</u>
Debt service			
Principal payments	12,000	11,757	243
Interest and other costs	700	847	(147)
Total	<u>12,700</u>	<u>12,604</u>	<u>96</u>
Capital outlay			
Capital asset additions	<u>798,510</u>	<u>417,162</u>	<u>381,348</u>
Total expenditures	<u>3,282,500</u>	<u>2,573,720</u>	<u>708,780</u>
Revenues over (under) expenditures	<u>48,900</u>	<u>804,937</u>	<u>756,037</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, 2022**

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	439,100	-	(439,100)
Lease liabilities issued	-	18,780	18,780
Transfer from Capital Project	-	-	-
Transfer to Lift Station Upgrade Project	<u>(488,000)</u>	<u>(488,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(48,900)</u>	<u>(469,220)</u>	<u>(420,320)</u>
Revenues and other sources over expenditures and other uses	<u>-</u>	<u>335,717</u>	<u>335,717</u>
Fund Balance			
Beginning of year		<u>1,714,441</u>	
End of year		<u>2,050,158</u>	
Reconciliation from budgetary basis (modified accrual) to full accrual			
Revenues and other sources over expenditures and other uses		335,717	
Reconciling items:			
Lease principal payments		11,757	
Capital outlay - Water Fund		417,162	
Increase in interest expense accrued		(38)	
Increase in accrued vacation pay		(2,087)	
Increase in deferred outflows of resources - pensions		40,066	
Increase in net pension liability		170,045	
Decrease in deferred inflows of resources - pensions		(195,508)	
Depreciation		(379,839)	
Amortization		(11,327)	
Lease financing proceeds		(18,780)	
Interest income recorded in capital projects		267	
Transfer to Lift Station Upgrade Capital Project		<u>488,000</u>	
Change in net position per exhibit 7		<u>855,435</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, 2022**

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	-	-	128	128	128
Total revenues	-	-	128	128	128
<u>Expenditures</u>					
Capital outlay:					
Engineering and administration	227,000	-	65,588	65,588	161,412
Contingency	11,000	-	-	-	11,000
Total expenditures	238,000	-	65,588	65,588	172,412
Revenues over (under) expenditures	(238,000)	-	(65,460)	(65,460)	172,540
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	(65,460)	172,540	172,540
Fund balance, beginning			238,000		
Fund balance, ending			172,540		

VILLAGE OF BALD HEAD ISLAND
LIFT STATION UPGRADE CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2022

EXHIBIT C-3

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	139	139	139
Total revenues	-	-	139	139	139
<u>Expenditures</u>					
Capital outlay:					
Engineering and administration	10,000	-	-	-	10,000
Construction	455,000	-	67,000	67,000	388,000
Contingency	23,000	-	-	-	23,000
Total expenditures	488,000	-	67,000	67,000	421,000
Revenues over (under) expenditures	(488,000)	-	(66,861)	(66,861)	421,139
Other financing sources (uses)					
Operating transfer from Water and Sewer Fund	488,000	-	488,000	488,000	-
Total other financing sources (uses)	488,000	-	488,000	488,000	-
Revenues and other financing sources over (under) expenditures	-	-	421,139	421,139	421,139
Fund balance, beginning			-		
Fund balance, ending			421,139		

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, 2022

EXHIBIT D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	-	8,477,248	8,457,905	19,343
2020-2021	26,117	-	26,094	23
2019-2020	2,571	-	2,547	24
2018-2019	15	-	-	15
2017-2018	15	-	-	15
2016-2017	15		-	15
2015-2016	-		-	-
2014-2015	196		-	196
2013-2014	-		-	-
2012-2013	76		-	76
2011-2012	-		-	-
2010-2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>29,005</u>	<u>8,477,248</u>	<u>8,486,546</u>	<u>19,707</u>

Reconciliation with revenues

Taxes - ad valorem - General Fund	8,484,414
Less interest and penalties	12,706
Taxes written off	<u>14,838</u>
Total collections	<u>8,486,546</u>

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
VILLAGE-WIDE LEVY
For the Year Ended June 30, 2022

EXHIBIT D-2

	Village-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	1,164,874,227	0.006863	7,994,532	7,994,532	
Special district taxes			444,870	444,870	
Registered motor vehicles taxed at current year's rate	-	0.006863	-	-	-
Total original levy	1,164,874,227		8,439,402	8,439,402	-
Discoveries:					
Property taxed at current year's rate	6,524,357	0.006863	44,777	44,777	
Special district taxes			823	823	
Prior year taxes			-	-	
Prior year special district taxes	-		-	-	-
Total discoveries	6,524,357		45,600	45,600	-
Abatements:					
Property taxed at current year's rate	1,048,080	0.006863	7,193	7,193	
Special district taxes			561	561	
Registered motor vehicles taxed at current and prior year's rate	-	0.006863	-	-	-
Total abatements	1,048,080		7,754	7,754	-
Net levy	1,170,350,504		8,477,248	8,477,248	-
Uncollected taxes at June 30, 2022			19,343	19,343	-
Current year's taxes collected			8,457,905	8,457,905	-
Current levy collection percentage			99.77%	99.77%	0.00%

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, 2022, 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 December 9, 2022.

Report on 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 and therefore, material weaknesses or material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the schedule of findings and responses as item 2022-1 that we consider to be a significant deficiency.

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*.

Village of Bald Head Island's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village of Bald Head Island's response to the finding identified in our audit as described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Certified Public Accountants

Berry, Padgett & Chandler, PLLC
Southport, NC
December 9, 2022

**VILLAGE OF BALD HEAD ISLAND
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022**

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 Xno
- Significant Deficiency identified that are not considered to be Material weaknesses Xyes no

Noncompliance material to financial statements noted yes Xno

II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

2022-1 Failure to File Timely Audit Report

Criteria: The Local Government Commission requires that audited financial statements be submitted to them no later than October 31 following the financial year end.

Condition: Audited financial statements were submitted to the Local Government Commission later than the due date.

Effect: The Local Government Commission cannot timely monitor the financial condition of the Village to fulfill their responsibility to the State Treasurer and State Legislature. The governing body and management do not have timely information for monitoring, oversight and planning.

Cause: The Village of Bald Head Island was unable to timely file their audit report because of a delay in receiving information necessary to meet the new GASB 87 Leases reporting requirements from two of their vendors.

Recommendation: The Village should require any future lease vendors to provide all information needed to properly record lease transactions when the lease is originally signed.

Views of responsible officials and planned corrective actions: The Village agrees with this finding and will adhere to the corrective action plan on Exhibit E-2 in this audit report.



The Village of Bald Head Island

CORRECTIVE ACTION PLAN For the Year Ended June 30, 2022

I. Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding 2022-1

Name of contact person: Zachary Hewett, Finance Director

Corrective Action: To prevent recurrence of the late filing of financial statements, procedures have been implemented and put into place for proper gathering and tracking of required information. The necessary information will be compiled and tracked prior to initiating leases to ensure compliance with requirements.

Proposed completion date: Immediately

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

EXHIBIT E-3

None