

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2023

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, 2023 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, 2023, and the respective changes in financial position and cash flows, 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.

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; and for 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 8, 2023 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 8, 2023

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, 2023. 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.

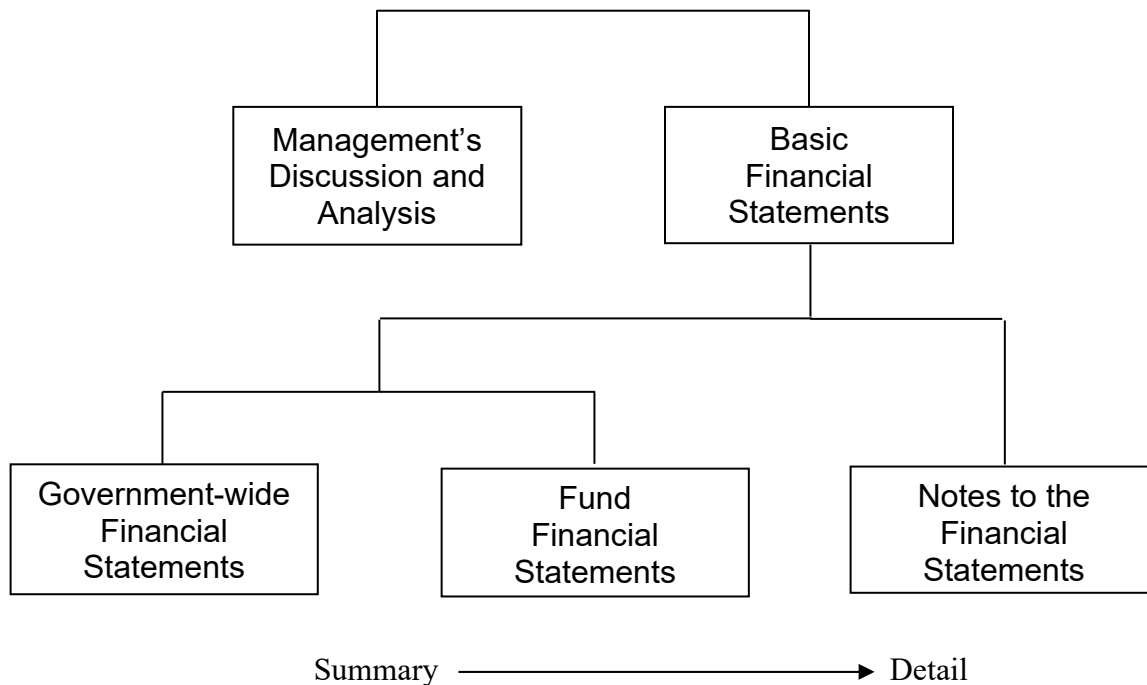
Financial Highlights

- 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 \$41,786,256 (*net position*).
- The government's total net position increased by \$2,542,357 primarily due to an increase in investments in capital assets and a decrease in Long-term Outstanding Liabilities through the payments of annual debt service principal owed.
- As of the close of the current fiscal year, the Village of Bald Head Island's governmental funds reported combined ending fund balances of \$9,324,550, a decrease of \$1,128,115 in comparison with the prior year. Approximately 30% percent of this total amount or \$2,788,336 is available for spending at the government's direction (*assigned and unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,788,336 which is a decrease of \$1,135,510 from the previous fiscal year.
- The Village of Bald Head Island's total governmental debt decreased by \$1,142,465 during the current fiscal year, mainly attributable to planned debt service principal payments offset by an increase in Net Pension Liabilities.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the 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 governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Village of Bald Head Island's Net Position
June 30, 2023
Figure 2

	Government Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$10,024,738	\$11,045,709	\$ 3,424,391	\$ 2,976,154	\$13,449,129	\$ 14,021,863
Capital assets	29,565,882	29,346,447	12,206,219	11,778,215	41,772,101	41,124,662
Deferred outflows of resources	2,126,723	1,553,028	258,129	210,899	2,384,852	1,763,927
Total assets and deferred outflows of resources	41,717,343	41,945,184	15,888,739	14,965,268	57,606,082	56,910,452
Long-term liabilities outstanding	14,060,504	15,202,969	493,018	178,481	14,553,522	15,381,450
Other liabilities	720,010	637,687	105,211	193,989	825,221	831,676
Deferred inflows of resources	259,826	1,114,492	180,987	338,665	440,813	1,453,157
Total liabilities and deferred inflows of resources	15,040,340	16,955,148	779,216	711,135	15,819,556	17,666,283
Net position:						
Net Investment Capital Assets	19,353,114	16,069,848	12,173,946	11,771,192	31,527,060	27,841,040
Restricted	6,471,685	6,021,020	-	-	6,471,685	6,021,020
Unrestricted	852,204	2,899,168	2,935,577	2,482,941	3,787,781	5,382,109
Total net position	\$ 26,677,003	\$ 24,990,036	\$ 15,109,523	\$ 14,254,133	\$41,786,526	\$ 39,244,169

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 \$41,786,526 as of June 30, 2023. The Village's net position increased by \$ 2,542,357 for the fiscal year ended June 30, 2023. However, the largest portion \$31,527,060 (75.5%) 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 \$6,471,685 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,787,781 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 99.76%. In comparison, the statewide average for FY 2020 was 98.96%.
- Accommodation Tax revenue remained relatively stable, slightly decreasing by approximately 2% from the prior year from \$2,176,387 to \$2,129,364. This could be due to a slight decrease in property rentals and/or the cost of rentals.
- Sales Tax collections also increased from the prior year from \$102,365 to \$120,569.

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

	Government Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for services	1,954,976	1,936,093	3,226,014	2,994,944	5,180,990	4,931,037
Operating grants and contributions	508,544	674,140			508,544	674,140
Capital grants and contributions	227	447,234	424,669	381,276	424,896	828,510
General revenues:						
Property taxes	9,052,419	8,474,385			9,052,419	8,474,385
Other taxes & licenses	2,682,710	2,685,605			2,682,710	2,685,605
Unrestricted investment earnings	290,587	6,341	86,544	1326	377,131	7,667
Other	56,796	50,998	723	1378	57,519	52,376
Total Revenues	14,546,259	14,274,796	3,737,950	3,378,924	18,284,209	17,653,720
Expenses:						
General government	5,095,530	3,300,463			5,095,530	3,300,463
Public Safety	4,023,874	3,442,236			4,023,874	3,442,236
Transportation	61,203	639,720			61,203	639,720
Environmental protection	2,399,221	2,043,225			2,399,221	2,043,225
Economic & physical development	920,204	862,659			920,204	862,659
Interest on long term debt	359,260	452,579			359,260	452,579
Water & Sewer			2,882,560	2,523,489	2,882,560	2,523,489
Total Expenses	12,859,292	10,740,882	2,882,560	2,523,489	15,741,852	13,264,371
Increase in net position	1,686,967	3,533,914	855,390	855,435	2,542,357	4,389,349
Net position, July 1	24,990,036	21,456,122	14,254,133	13,398,698	39,244,169	34,854,820
Net position, June 30	26,677,003	24,990,036	15,109,523	14,254,133	41,786,526	39,244,169

Governmental activities. Governmental activities increased the Village's net position by \$1,686,967, accounting for sixty-six percent (66%) 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 and a tax rate change.

Business-type activities. Business-type activities increased the Village's net position by \$855,390, which accounts for thirty-four percent (34%) 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 number of water users on the island.

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, the Village of Bald Head's fund balance available in the General Fund was \$2,788,336 while total fund balance reached \$8,503,850. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. In Fiscal Year 2023, the Village had an available fund balance of 18% of general fund expenditures, while total fund balance represents 55% of the same amount.

At June 30, 2023, the governmental funds of Village of Bald Head Island reported a combined fund balance of \$9,324,550, which equals an 11% percent decrease from last fiscal year. This decrease is mainly due to an increase in Professional Services costs due to ongoing litigation that the Village is involved in, as well

as a change in Salaries and Benefits due to a newly adopted Pay and Classification Study that occurred midway through the Fiscal Year.

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

Revenues were less than the budgeted amounts primarily due to the reallocation of interest earned from the General Fund to the other funds. 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 \$2,935,577. The total change in net position for the fund was an increase of \$855,390.

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, 2023, totals \$41,772,101 (net of accumulated depreciation/amortization). 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/amortization)
Figure 4

	Government Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$6,052,875	\$6,052,875	\$35,000	\$35,000	\$6,087,875	\$6,087,875
Buildings	10,041,416	9,328,597	558,782	575,001	\$10,600,198	\$9,903,598
Other Improvements	1,499,647	498,041			\$1,499,647	\$498,041
Utility Systems			10,031,788	10,188,369	\$10,031,788	\$10,188,369
Furniture and Equipment	636,907	290,732	1,043,400	699,819	\$1,680,307	\$990,551
Infrastructure	10,542,349	10,730,616			\$10,542,349	\$10,730,616
Vehicles and Motorized Equipment	448,318	370,467	119,519	139,985	\$567,837	\$510,452
Right to use assets- Leases	56,639	26,350	33,231	7,453	89,870	33,803
Construction in Progress	287,731	2,048,769	384,499	132,588	\$672,230	\$2,181,357
Total	\$29,565,882	\$29,346,447	\$12,206,219	\$11,778,215	\$41,772,101	\$41,124,662

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, 2023, the Village of Bald Head Island had a total long-term debt of \$14,553,522. Of this amount, \$5,847,648 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. \$1,750,000 and \$1,050,000 are Installment Notes with PNC secured by a Deed of Trust on the Public Safety Complex. \$1,509,043 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 5.7% at June 30, 2023. The Village has \$56,300,000 in bonds authorized but unissued at June 30, 2023.

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.

Economic factors that affect the Village's budget are mostly attributable to tourism, inflation, and sales tax distributions. The Village's Accommodation Tax Collections remained relatively stable, only slightly decreasing from \$2,176,387 in FY 22 to \$2,129,364 in FY 23. The inflation rate for the Fiscal Year Ending June 30, 2023 was approximately 3.0%. The Village recognized this increase in inflation through increased operating expenses. Sales Tax distributions for the Village increased by almost 18% from \$102,365 in FY 22 to \$120,569 in FY 23.

Budget Highlights for the Fiscal Year Ending June 30, 2023.

Governmental Activities: Property taxes (due to development within the Village) are expected to continue to lead the increase in budgeted revenue. The Village recognized increases in this key revenue in FY 23 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 maintaining service levels, continued growth, and protecting the public's interest and resources.

General Fund budgeted expenditures are expected to decrease by approximately \$226,000 in Fiscal Year 2024. 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, as well as unknown fees due to outstanding litigation, 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, 2023

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	255,303	423,927	679,230
Investments	4,331,300	1,092,398	5,423,698
Taxes receivable (net)	26,476	-	26,476
Accrued interest receivable on taxes	2,061	-	2,061
Accounts receivable	87,379	227,735	315,114
Due from other governmental agencies	1,029,881	-	1,029,881
Inventories	27,951	457,544	485,495
Prepaid expenses	14,500	2,500	17,000
Restricted assets			
Restricted cash and cash equivalents	2,241,418	344,116	2,585,534
Restricted investments	2,008,469	876,171	2,884,640
Total current assets	<u>10,024,738</u>	<u>3,424,391</u>	<u>13,449,129</u>
Non-current assets			
Right to use leased assets, net of amortization	56,639	33,231	89,870
Capital assets			
Land and improvements not being depreciated	6,340,606	419,499	6,760,105
Other capital assets, net of depreciation	23,168,637	11,753,489	34,922,126
Total capital assets	<u>29,509,243</u>	<u>12,172,988</u>	<u>41,682,231</u>
Total non-current assets	<u>29,565,882</u>	<u>12,206,219</u>	<u>41,772,101</u>
Total assets	<u>39,590,620</u>	<u>15,630,610</u>	<u>55,221,230</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>2,126,723</u>	<u>258,129</u>	<u>2,384,852</u>
LIABILITIES			
Accounts payable and accrued expenses	549,708	105,079	654,787
Accrued interest	48,359	132	48,491
Customer deposits	62,650	-	62,650
Payable from restricted assets	59,293	-	59,293
Long-term liabilities			
Due within one year	<u>3,370,986</u>	<u>52,438</u>	<u>3,423,424</u>
Total current liabilities	<u>4,090,996</u>	<u>157,649</u>	<u>4,248,645</u>
Long-term liabilities			
Net pension liability	2,780,640	404,510	3,185,150
Total pension liability	758,623		758,623
Due in more than one year	<u>7,150,255</u>	<u>36,070</u>	<u>7,186,325</u>
Total liabilities	<u>14,780,514</u>	<u>598,229</u>	<u>15,378,743</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes			
Pension deferrals	259,826	7,873	267,699
Unearned income	-	173,114	173,114
Total deferred inflows of resources	<u>259,826</u>	<u>180,987</u>	<u>440,813</u>
NET POSITION			
Net investment in capital assets	19,353,114	12,173,946	31,527,060
Restricted for:			
Stabilization by State Statute	1,172,586		1,172,586
Economic Development	4,674,597		4,674,597
Public Safety	622,272		622,272
Education	2,230	-	2,230
Unrestricted	<u>852,204</u>	<u>2,935,577</u>	<u>3,787,781</u>
Total net position	<u>26,677,003</u>	<u>15,109,523</u>	<u>41,786,526</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, 2023

EXHIBIT 2

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants	Capital Grants	Governmental	Business-type	Total
Primary government		Services	and	and	Activities	Activities	
			Contributions	Contributions			
Governmental activities							
General Government	5,095,530	1,156,028	-	227	(3,939,275)		(3,939,275)
Public Safety	4,023,874	666,656	379,637	-	(2,977,581)		(2,977,581)
Transportation	61,203	-	84,134	-	22,931		22,931
Environmental protection	2,399,221	-	2,614	-	(2,396,607)		(2,396,607)
Economic and Physical Development	920,204	132,292	42,159	-	(745,753)		(745,753)
Interest on Long-term debt	359,260	-	-	-	(359,260)		(359,260)
Total governmental activities	12,859,292	1,954,976	508,544	227	(10,395,545)		(10,395,545)
Business-type activities							
Water and Sewer Operations	2,882,560	3,226,014	-	424,669		768,123	768,123
Total business-type activities	2,882,560	3,226,014	-	424,669		768,123	768,123
Total primary government	15,741,852	5,180,990	508,544	424,896	(10,395,545)	768,123	(9,627,422)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					9,052,419	-	9,052,419
Other taxes					2,682,710	-	2,682,710
Unrestricted investment earnings					290,587	86,544	377,131
Miscellaneous					56,796	723	57,519
Total general revenues					12,082,512	87,267	12,169,779
Change in net position					1,686,967	855,390	2,542,357
Net position, beginning					24,990,036	14,254,133	39,244,169
Net position - ending					26,677,003	15,109,523	41,786,526

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

**VILLAGE OF BALD HEAD ISLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

EXHIBIT 3
Page 1 of 2

	<u>Major Fund</u>	<u>Non-Major Funds</u>	
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	10,704	262,810	273,514
Restricted cash	2,223,207		2,223,207
Investments	3,721,899	662,329	4,384,228
Restricted investments	1,955,541		1,955,541
Taxes receivable, net	26,476	-	26,476
Receivable from other governments	1,029,881	-	1,029,881
Other receivables	87,379	-	87,379
Prepaid expenses	14,500		14,500
Inventory	27,951	-	27,951
	<u>9,097,538</u>	<u>925,139</u>	<u>10,022,677</u>
Total assets			
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	504,454	102,279	606,733
Payable to other governments	-	2,160	2,160
Payable from restricted assets	108		108
Deposits	62,650		62,650
	<u>567,212</u>	<u>104,439</u>	<u>671,651</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	26,476	-	26,476
	<u>26,476</u>	<u>-</u>	<u>26,476</u>
Total deferred inflows of resources			
FUND BALANCES			
Non Spendable			
Prepaid expenses	14,500		14,500
Inventories	27,951		27,951
Restricted			
Stabilization by State Statute	1,172,586	-	1,172,586
Fire Protection	-	461,751	461,751
Economic Development	4,325,383	349,214	4,674,597
Inspections	175,094		175,094
Education		9,735	9,735
Assigned			
Unassigned	2,788,336	-	2,788,336
	<u>8,503,850</u>	<u>820,700</u>	<u>9,324,550</u>
Total fund balances			
Total liabilities, deferred inflows of resources and fund balances	<u>9,097,538</u>	<u>925,139</u>	<u>10,022,677</u>

VILLAGE OF BALD HEAD ISLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

EXHIBIT 3
Page 2 of 2

Total fund balance, governmental funds		9,324,550
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.		29,565,882
Deferred outflows of resources related to pensions are not reported in the funds		2,126,723
Other long-term assets (accrued interest receivable from taxes) are not available to pay current period expenditures and therefore are inflows of resources in the funds.		2,061
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.		26,476
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	(10,521,241)	
Net pension liability	(2,780,640)	
Total pension liability	<u>(758,623)</u>	(14,060,504)
Deferred inflows of resources related to pensions are not reported in the funds		(259,826)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(48,359)</u>
Net position of governmental activities		<u><u>26,677,003</u></u>

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

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

EXHIBIT 4
Page 1 of 2

	<u>Major Fund</u>	<u>Non-Major Funds</u>	
	<u>General Fund</u>	<u>Total Non- Major funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	9,044,930		9,044,930
Other taxes	2,129,364		2,129,364
Unrestricted intergovernmental revenues	556,499		556,499
Restricted intergovernmental revenues	444,669	29,001	473,670
Licenses and permits	665,721		665,721
Sales and services	1,269,889	22,393	1,292,282
Investment earnings	261,467	29,120	290,587
Miscellaneous	85,725	-	85,725
Total revenues	<u>14,458,264</u>	<u>80,514</u>	<u>14,538,778</u>
 Current:			
General government	4,935,936	73,627	5,009,563
Public safety	3,652,043	-	3,652,043
Transportation	246,658	-	246,658
Environmental protection	1,969,254	-	1,969,254
Economic and physical development	1,093,242	258,225	1,351,467
Debt Service:			
Principal	3,112,487	-	3,112,487
Interest and other charges	376,592	-	376,592
Total expenditures	<u>15,386,212</u>	<u>331,852</u>	<u>15,718,064</u>
Excess (deficiency) of revenues over expenditures	<u>(927,948)</u>	<u>(251,338)</u>	<u>(1,179,286)</u>
 OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	51,171	-	51,171
Transfers in	1,245,944	365,000	1,610,944
Transfers out	(1,610,944)	-	(1,610,944)
Total other financing sources and uses	<u>(313,829)</u>	<u>365,000</u>	<u>51,171</u>
 Net change in fund balances	(1,241,777)	113,662	(1,128,115)
Fund balances - beginning	<u>9,745,627</u>	<u>707,038</u>	<u>10,452,665</u>
 Fund balances - ending	<u>8,503,850</u>	<u>820,700</u>	<u>9,324,550</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, 2023

EXHIBIT 4
Page 2 of 2

Net change in fund balances - total governmental funds: (1,128,115)

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	1,008,950
Depreciation	(819,804)

Right to use leased asset capital outlay expenditures which were capitalized	51,171
Amortization expense for intangible assets	(18,359)

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. (8)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	493,200
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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	6,769
Increase in interest receivable on property taxes	720

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	(51,171)
Principal payments on long-term debt	3,112,487

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	17,332
Compensated absences	(41,686)
Pension expense (LGERS)	(1,078,932)
Net pension expense (LEO)	134,413

Change in net position of governmental activities	1,686,967
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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, 2023

EXHIBIT 5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	8,956,000	9,060,000	9,044,930	(15,070)
Unrestricted intergovernmental revenues	517,900	562,900	556,499	(6,401)
Restricted intergovernmental revenues	471,600	482,600	431,511	(51,089)
Licenses and permits	646,500	708,800	665,721	(43,079)
Sales and services	953,200	1,019,900	1,137,597	117,697
Investment earnings	1,500	361,500	175,495	(186,005)
Miscellaneous	19,900	71,900	70,725	(1,175)
Total revenues	11,566,600	12,267,600	12,082,478	(185,122)
EXPENDITURES				
Current:				
General government	3,347,700	5,116,473	4,935,936	180,537
Public safety	3,373,200	3,733,130	3,652,043	81,087
Transportation	192,000	252,000	246,658	5,342
Environmental protection	2,059,600	2,162,040	1,969,254	192,786
Economic and physical development	720,500	837,957	685,743	152,214
Debt Service:				
Principal	3,094,500	3,113,000	3,112,487	513
Interest and other charges	376,200	377,200	376,592	608
Total expenditures	13,163,700	15,591,800	14,978,713	613,087
Excess (deficiency) of revenues over expenditures	(1,597,100)	(3,324,200)	(2,896,235)	427,965
OTHER FINANCING SOURCES (USES)				
Lease liabilities issue	-	51,255	51,171	84
Transfers in	1,128,100	1,245,945	1,245,944	1
Total other financing sources and uses	1,128,100	1,297,200	1,297,115	85
Fund balance appropriated	469,000	2,027,000	-	2,027,000
Net change in fund balances	-	-	(1,599,120)	1,599,120
Fund balances - beginning			7,178,195	
Fund balances - ending			5,579,075	
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			155,193	
Expenditures			(108,690)	
Fund balances - beginning			216,690	
Beach Renourishment, Recreation and Tourism				
Revenue			2,220,593	
Expenditures			(298,809)	
Other sources			(1,610,944)	
Fund balances - beginning			2,350,742	
Fund balances - ending (Exhibit 4)			8,503,850	

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, 2023

EXHIBIT 6

	Enterprise Funds	
	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	423,927	423,927
Investments	1,092,398	1,092,398
Accounts receivable, net	227,735	227,735
Inventories	457,544	457,544
Prepaid expenses	2,500	2,500
Restricted assets		
Cash and cash equivalents	344,116	344,116
Investments	876,171	876,171
Total current assets	<u>3,424,391</u>	<u>3,424,391</u>
Non-current assets:		
Right to use leased assets, net of amortization	33,231	33,231
Capital assets:		
Land and construction in progress	419,499	419,499
Other capital assets, net of depreciation	11,753,489	11,753,489
Total capital assets	<u>12,172,988</u>	<u>12,172,988</u>
Total non-current assets	<u>12,206,219</u>	<u>12,206,219</u>
Total assets	<u>15,630,610</u>	<u>15,630,610</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>258,129</u>	<u>258,129</u>
LIABILITIES		
Current liabilities:		
Accounts payable	94,493	94,493
Salaries payable	10,586	10,586
Accrued interest payable	132	132
Compensated absences - current	40,000	40,000
Capital lease obligation	12,438	12,438
Total current liabilities	<u>157,649</u>	<u>157,649</u>
Non-current liabilities:		
Compensated absences	16,235	16,235
Capital lease obligation	19,835	19,835
Net pension liability	404,510	404,510
Total non-current liabilities	<u>440,580</u>	<u>440,580</u>
Total liabilities	<u>598,229</u>	<u>598,229</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	7,873	7,873
Unearned income	173,114	173,114
Total deferred inflows of resources	<u>180,987</u>	<u>180,987</u>
NET POSITION		
Net investment in capital assets	12,173,946	12,173,946
Unrestricted	2,935,577	2,935,577
Total net position	<u>15,109,523</u>	<u>15,109,523</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, 2023

EXHIBIT 7

	Enterprise Funds	
	<u>Water and Sewer</u>	
	<u>Fund</u>	<u>Total</u>
REVENUES		
Charges for services	3,226,014	3,226,014
Miscellaneous operating revenue	723	723
Total operating revenues	<u>3,226,737</u>	<u>3,226,737</u>
OPERATING EXPENSES		
Water operations	898,792	898,792
Sewer operations	1,572,812	1,572,812
Depreciation and amortization	409,681	409,681
Total operating expenses	<u>2,881,285</u>	<u>2,881,285</u>
Operating income (loss)	<u>345,452</u>	<u>345,452</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	86,544	86,544
Interest expense	(1,793)	(1,793)
Gain on sale of assets	518	518
Total non-operating revenue (expenses)	<u>85,269</u>	<u>85,269</u>
Income (loss) before contributions and transfers	430,721	430,721
Capital contributions	424,669	424,669
Change in net position	855,390	855,390
Total net position - beginning	<u>14,254,133</u>	<u>14,254,133</u>
Total net position - ending	<u>15,109,523</u>	<u>15,109,523</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, 2023

EXHIBIT 8
Page 1 of 2

	<u>Enterprise Funds</u>	
	Water & Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	3,261,178	3,261,178
Cash paid for goods and services	(1,798,056)	(1,798,056)
Cash paid to employees	(749,243)	(749,243)
Other operating revenue	723	723
Net cash provided (used) by operating activities	<u>714,602</u>	<u>714,602</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from leases	38,424	38,424
Acquisition of capital assets	(954,763)	(954,763)
Principal paid on long-term debt	(12,336)	(12,336)
Interest paid on long-term debt	(1,699)	(1,699)
Contributions from customers	424,669	424,669
Proceeds from sale of assets	522	522
Net cash provided (used) for capital and related financing activities	<u>(505,183)</u>	<u>(505,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	86,544	86,544
Investments purchased	<u>(1,651,782)</u>	<u>(1,651,782)</u>
Net cash provided (used) for investing activities	<u>(1,565,238)</u>	<u>(1,565,238)</u>
Net increase (decrease) in cash and cash equivalents	(1,355,819)	(1,355,819)
Cash and cash equivalents at beginning of year	<u>2,123,862</u>	<u>2,123,862</u>
Cash and cash equivalents at end of year	<u><u>768,043</u></u>	<u><u>768,043</u></u>

VILLAGE OF BALD HEAD ISLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2023

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>345,452</u>	<u>345,452</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	409,681	409,681
Changes in assets, deferred outflows, and liabilities:		
(Increase) decrease in accounts receivable	416	416
(Increase) decrease in inventory	(152,690)	(152,690)
Increase in deferred outflows of resources - pensions	(47,230)	(47,230)
Increase in net pension liability	277,277	277,277
Decrease in deferred inflows of resources - pensions	(192,426)	(192,426)
Increase (decrease) in accounts payable	21,932	21,932
Increase (decrease) in accrued wages	5,432	5,432
Increase (decrease) in accrued vacation	12,010	12,010
Increase (decrease) in unearned income	<u>34,748</u>	<u>34,748</u>
Total adjustments	<u>369,150</u>	<u>369,150</u>
Net cash provided (used) by operating activities	<u>714,602</u>	<u>714,602</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, 2023

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.

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.

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.

Jay Bird Shoals Dredging Capital Project Fund. This fund is used to account for the construction of a beach erosion prevention project.

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, the Lift Station Upgrade Capital Project Fund, the Lift Station Upgrade Phase II Capital Project Fund and the Water/Wastewater Capital Improvement Capital Project Fund. These funds are budgeted separately but consolidated into the Water & Sewer Fund for reporting purposes. The budgetary comparison for these funds has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization 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 and IT subscriptions 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, the Fines and Forfeitures Special Revenue 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, the Lift Station Upgrade Capital Project Fund, the Lift Station Upgrade Phase II Capital Project Fund and the Water/Wastewater Capital Improvement 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, the North Carolina Capital Management Trust (NCCMT) and the North Carolina Investment Pool (NCIP). 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	\$ 62,650
Accommodation Taxes	1,400,608
Inspection Fees	175,094
Fines owed to School System- Cash	1,498
Fines owed to School System- Investments	10,397
Beach Renourishment, Recreation & Tourism- Cash	512,892
Beach Renourishment, Recreation & Tourism- Investments	1,775,818
Stormwater Management - Cash	71,963
Stormwater Management - Investments	<u>179,723</u>

American Rescue Plan Grant Fund

Cash	\$ 16,713
Investments	<u>42,531</u>

Total governmental activities \$ 4,249,887

Business-type Activities

Water and Sewer Fund

Wastewater Treatment Upgrade- Cash	\$ 3,235
Wastewater Treatment Upgrade- Investments	8,257
Lift Station Upgrade- Cash	96,195
Lift Station Upgrade- Investments	245,225
Lift Station Upgrade Phase II- Cash	152,346
Lift Station Upgrade Phase II- Investments	387,698
Water/Wastewater Capital Improvement- Cash	92,340
Water/Wastewater Capital Improvement- Investments	<u>234,991</u>

Total business-type activities \$ 1,220,287

Total Restricted Cash and Investments \$ 5,470,174

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, 2022.

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 fund inventory consists of expendable supplies that are recognized as expenditures when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement Activities the cost of these inventories is expensed as the items are used.

The inventories of the Village's enterprise fund consist 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.

The Village's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Village reports a lease (only applies when the Village is the lessee) or agreements where the Village reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

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 received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such

prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village has one item that meets this criterion, pension deferrals for the 2023 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, unavailable revenues (reported only on Balance Sheet of the Governmental Funds) and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what

is known as “restricted by State statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Economic Development – portion of fund balance restricted for economic development due to the source of funding for Beach 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.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Late Submission of Audited Financial Statements

The Village was late submitting its annual independent audit in accordance with LGC-205 (Contract to Audit Accounts). The Local Government Commission requires annual audited financial statements to be submitted within four months of the fiscal year. The late filing was due to the 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, 2023, the Village's deposits had a carrying amount of \$3,264,264 and a bank balance of \$3,856,372. Of the bank balance, \$262,560 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, 2023, the Village's petty cash fund totaled \$500.

2. Investments

At June 30, 2023, the Village's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/23	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	4,758,220	N/A	AAAm
North Carolina Investment Pool	Fair Value Level 2	<u>3,550,118</u>	N/A	AAAm
Total		<u>8,308,338</u>		

Because the NC Capital Management Trust- Governmental Portfolio has a weighted average maturity of less than 90 days and the North Carolina Investment Pool has a weighted average of less than 90 days, they are presented as investments with maturities of less than 12 months.

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

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Village has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Village's internal investment policy limits at least half of the City's investment portfolio to maturities of less than 12 months. Also, the City's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit risk. The City has no formal policy regarding credit risk but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Village's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023. The North Carolina Investment Pool carried an AAAm credit rating by Standard and Poor's (S&P) and AAAmmf by Fitch Ratings as of June 30, 2023.

Custodial credit risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no formal policy on custodial credit risk, but management procedures are that the Village shall utilize a third-party custodial agent for book entry transactions, all of which shall be held in the Village's name.

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

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 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, 2023, 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	2,048,769	(1,762,453)	1,415	-	287,731
Total capital assets not being depreciated	8,101,644	(1,762,453)	1,415	-	6,340,606
Capital assets being depreciated					
Buildings	10,624,509	947,546	-	-	11,572,055
Other improvements	1,251,526	735,195	333,336	-	2,320,057
Vehicles and motorized equipment	1,556,963	-	133,076	48,360	1,641,679
Furniture and equipment	1,091,936	79,712	355,668	-	1,527,316
Infrastructure	13,457,864	-	185,455	-	13,643,319
Total capital assets being depreciated	27,982,798	1,762,453	1,007,535	48,360	30,704,426
Less accumulated depreciation for:					
Buildings	1,295,912	-	234,727	-	1,530,639
Other improvements	753,485	-	66,925	-	820,410
Vehicles and motorized equipment	1,186,496	-	55,225	48,360	1,193,361
Furniture and equipment	801,204	-	89,205	-	890,409
Infrastructure	2,727,248	-	373,722	-	3,100,970
Total accumulated depreciation	6,764,345	-	819,804	48,360	7,535,789
Total capital assets being depreciated, net	21,218,453				23,168,637
Capital assets being amortized					
Leased vehicles	44,115		35,862	-	79,977
Leased equipment	4,243	-	15,309	4,243	15,309
Total capital assets being amortized	48,358	-	51,171	4,243	95,286
Less accumulated amortization for:					
Leased vehicles	20,632	-	16,360	-	36,992
Leased equipment	1,376	-	1,999	1,720	1,655
Total accumulated amortization	22,008	-	18,359	1,720	38,647
Total capital assets being amortized, net	26,350				56,639
Governmental activity capital assets, net	29,346,447				29,565,882

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

General government	66,000
Public safety	235,776
Public works	<u>536,387</u>
Total depreciation expense	<u>838,163</u>

Business-type activities:	Beginning Balances	Reclassi- fications	Increases	Decreases	Ending Balances
<i>Utilities Fund</i>					
Capital assets not being depreciated:					
Land	35,000	-	-	-	35,000
Construction in progress	<u>132,588</u>	-	<u>251,911</u>	-	<u>384,499</u>
Total capital assets not being depreciated	<u>167,588</u>	-	<u>251,911</u>	-	<u>419,499</u>
Capital assets being depreciated					
Buildings	782,049		-		782,049
Utility systems	14,023,618	-	126,271		14,149,889
Vehicles and motorized equipment	276,176		-	-	276,176
Furniture and equipment	<u>1,064,988</u>	-	<u>421,921</u>	-	<u>1,486,909</u>
Total capital assets being depreciated	<u>16,146,831</u>	-	<u>548,192</u>	-	<u>16,695,023</u>
Less accumulated depreciation for:					
Buildings	207,048		16,219		223,267
Utility systems	3,835,249		282,852		4,118,101
Vehicles and motorized equipment	136,191		20,466	-	156,657
Furniture and equipment	<u>365,169</u>	-	<u>78,340</u>	-	<u>443,509</u>
Total accumulated depreciation	<u>4,543,657</u>	-	<u>397,877</u>	-	<u>4,941,534</u>
Total capital assets being depreciated, net	<u>11,603,174</u>				<u>11,753,489</u>
Capital assets being amortized					
Leased vehicles	17,365		38,424	-	55,789
Leased equipment	<u>1,415</u>	-	-	<u>1,415</u>	-
Total capital assets being amortized	<u>18,780</u>	-	<u>38,424</u>	<u>1,415</u>	<u>55,789</u>
Less accumulated amortization for:					
Leased vehicles	10,868	-	11,690	-	22,558
Leased equipment	<u>459</u>	-	<u>114</u>	<u>573</u>	-
Total accumulated amortization	<u>11,327</u>	-	<u>11,804</u>	<u>573</u>	<u>22,558</u>
Total capital assets being amortized, net	<u>7,453</u>				<u>33,231</u>
Business-type activities capital assets, net	<u>11,778,215</u>				<u>12,206,219</u>

Constructions commitments

The government has active construction project as of June 30, 2023. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining commitment</u>
Jay Bird Shoals	148,052	62,460
Village Hall Redesign	158,834	42,773
WWTP Upgrades	227,000	0
Lift Station Upgrades	<u>157,500</u>	<u>297,500</u>
Total	<u>691,386</u>	<u>402,733</u>

B. Liabilities

1. Pension Plan Obligation

a. Local Governmental Employees' Retirement System

Plan Description. The Village of Bald Head Island is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Village of Bald Head Island employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Village of Bald Head Island's contractually required

contribution rate for the year ended June 30, 2023, was 13.10% of compensation for law enforcement officers and 12.10% 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 \$551,134 for the year ended June 30, 2023.

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, 2023, the Village reported a liability of \$3,185,150 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022, the Village's proportion was 0.05646%, which was a decrease of 0.00182% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Village recognized pension expense of \$902,735. At June 30, 2023, 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	137,245	13,456
Changes of assumptions	317,807	
Net difference between projected and actual earnings on pension plan investments	1,052,725	
Changes in proportion and differences between Village contributions and proportionate share of contributions	24,652	44,964
Village contributions subsequent to the measurement date	<u>551,134</u>	
Total	<u><u>2,083,563</u></u>	<u><u>58,420</u></u>

\$551,134 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	474,935
2025	394,020
2026	103,516
2027	<u>501,538</u>
Total	<u><u>1,474,009</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 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, 2021 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, 2022 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	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	<u>6.0%</u>	2.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 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:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Village's proportionate share of the net pension liability (asset)	5,748,786	3,185,150	1,072,566

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, 2021, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>24</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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 percent

The discount rate is the S&P Municipal Bond 20 Year High Grade Index as of December 31, 2021.

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 \$6,417 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, 2023, the Village reported a total pension liability of \$758,623. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Village recognized pension expense of \$143,585.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	157,594	32,072
Changes of assumptions	137,278	177,207
Village benefit payments and administrative expense made subsequent to the measurement date	<u>6,417</u>	<u> </u>
Total	<u><u>301,289</u></u>	<u><u>209,279</u></u>

\$6,417 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	54,650
2025	52,923
2026	33,679
2027	3,161
2028	(27,426)
Thereafter	<u>(31,394)</u>
	<u><u>85,593</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 4.31 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 (3.31 percent) or 1-percentage point higher (5.31 percent) than the current rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension Liability	840,548	758,623	685,098

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

Beginning balance	893,036
Service cost	62,817
Interest on the total pension liability	20,079
Differences between expected and actual experience in the measurement of the total pension liability	(37,399)
Changes of assumptions or other inputs	(178,663)
Benefit payments	<u>(1,247)</u>
Ending balance of the total pension liability	<u><u>758,623</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, 2021 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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	902,735	143,585	1,046,320
Pension liability	3,185,150	758,623	3,943,773
Proportionate share of net pension liability	0.05646%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	137,245	157,594	294,839
Changes of assumptions	317,807	137,278	455,085
Net difference between projected and actual earnings on plan investments	1,052,725	-	1,052,725
Changes in proportion and differences between contributions and proportionate share of contributions	24,652	-	24,652
Benefit payments and administrative costs paid subsequent to measurement date	551,134	6,417	557,551
Total	<u>2,083,563</u>	<u>301,289</u>	<u>2,384,852</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	13,456	32,072	45,528
Changes of assumptions	-	177,207	177,207
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	44,964		44,964
Total	<u>58,420</u>	<u>209,279</u>	<u>267,699</u>

c. Supplemental Retirement Income Plan

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

Funding Policy – Article 12E of G.S. Chapter 143 requires the Village to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Village has elected to allow employees not engaged in law enforcement to participate in the Supplemental Retirement Income Plan. The Village made contributions of \$231,400 for the year ended June 30, 2023. 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. 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 \$1,000,000 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.

3. Claims, Judgments and Contingent Liabilities

At June 30, 2023, 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.

4. 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 \$6,654 at June 30, 2023. 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 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 \$2,137 at June 30, 2023. 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 February 1, 2023, to lease three golf carts and requires 36 monthly payments of \$1,145. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.9%, 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 \$33,235 at June 30, 2023. 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 April 1, 2023, to lease one golf cart and requires 36 monthly payments of \$386. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.9%, 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 \$11,887 at June 30, 2023. 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 June 1, 2023, to lease two golf carts and requires 36 monthly payments of \$683. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.9%, 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 \$22,306 at June 30, 2023. The right to use asset is discussed in more detail in the Intangible Asset section III.A.4 of this note.

The sixth agreement was executed on March 1, 2023, to lease five copiers and requires 36 monthly payments of \$488. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 9.65%, 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 \$13,654 at June 30, 2023. 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, 2023, were as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	24,388	2,594	26,982	12,438	1,305	13,743
2025	17,191	1,486	18,677	13,061	681	13,742
2026	14,498	388	14,886	6,774	97	6,871
Total	56,077	4,468	60,545	32,273	2,083	34,356

- 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, 2023, including \$326,782 of interest are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	900,386	92,692
2025	902,427	70,491
2026	904,509	28,248
2027	506,633	27,224
2028	108,801	21,276
2029-2033	578,098	72,289
2034-2038	408,189	14,562
Total	4,309,043	326,782

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, 2023 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.

5,847,648
5,847,648

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	2,276,212	180,517
2025	2,359,503	97,226
2026	1,211,933	16,431
Total	5,847,648	294,174

At June 30, 2023, the Village of Bald Head Island had a legal debt margin of \$95,199,026.

d. Changes in Long-Term Liabilities

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

	Balance <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2023</u>	Current Portion of Balance
Governmental activities:					
General obligation bond	8,043,510		2,195,862	5,847,648	2,276,212
Direct borrowing installment					
purchases	5,207,429		898,386	4,309,043	900,386
Lease liabilities	25,660	51,171	20,754	56,077	24,388
Compensated absences	266,787	206,522	164,836	308,473	170,000
Net pension liability (LGERS)	766,547	2,014,093		2,780,640	-
Net pension obligation (LEO)	<u>893,036</u>	<u>143,585</u>	<u>277,998</u>	<u>758,623</u>	<u>-</u>
Governmental activity					
long-term liabilities	<u>15,202,969</u>	<u>2,415,371</u>	<u>3,557,836</u>	<u>14,060,504</u>	<u>3,370,986</u>
Business type activities:					
Lease liabilities	7,023	38,424	13,174	32,273	12,438
Compensated absences	44,225	42,246	30,236	56,235	40,000
Net pension liability (LGERS)	<u>127,233</u>	<u>277,277</u>	<u>-</u>	<u>404,510</u>	<u>-</u>
Business-type activity					
long-term liabilities	<u>178,481</u>	<u>357,947</u>	<u>43,410</u>	<u>493,018</u>	<u>52,438</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2023, consist of the following:

From the Beach Renourishment, Recreation and Tourism Fund to the General Fund	1,245,944
From the Beach Renourishment, Recreation and Tourism Fund to the Jay Bird Shoals Dredging Project Fund	365,000
From the Water and Sewer Fund to the Lift Station Upgrade Phase II Project Fund	523,000
From the Water and Sewer Fund to the Water/Wastewater Capital Improvement Project Fund	<u>317,000</u>
Total	<u>2,450,944</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 transfers from the Beach Renourishment, Recreation and Tourism Fund to the General Fund were transfers of Accommodation tax revenue needed to fund the Shoreline Protection department service the GO bond debt per the budget ordinance.

The transfer from the Beach Renourishment, Recreation and Tourism Fund to the Jay Bird Shoals Dredging Project Fund was a one-time transfer to fund construction costs of the beach nourishment project.

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

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

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, 2023. 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

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	29,509,243	12,172,988
Lease assets	56,639	33,231
Less: long term debt	10,156,691	-
Less: lease liabilities	<u>56,077</u>	<u>32,273</u>
Net investment in capital asset	<u>19,353,114</u>	<u>12,173,946</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>\$8,503,850</u>
Less:	
Prepaid expenses	14,500
Inventories	27,951
Stabilization by State Statute	1,172,586
Economic Development	4,325,383
Inspections	175,094
Remaining Fund Balance	2,788,336

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>Non-major Funds</u>
	\$55,326	\$867,507

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 \$349 to the Council during the fiscal year ended June 30, 2023.

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, 2023, 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, 2023. 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, 2023, 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, 2023. 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, 2023 were evaluated by management on December 8, 2023 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 TEN FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Village of Bald Head Island's proportion of the net pension liability (asset) (%)	0.05646%	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) (\$)	3,185,150	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	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	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	77.49%	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	84.14%	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 TEN FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required Contribution	551,134	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	551,134	479,959	406,405	350,863	279,424	243,270	227,594	204,876	189,469	186,326
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Village of Bald Head Island's covered-employee payroll	4,738,557	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	11.63%	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, 2023

EXHIBIT A-3

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	893,036	796,618	368,906	218,726	187,620	126,210	108,672
Service cost	62,817	66,516	42,439	31,054	25,848	19,064	17,605
Interest on the total pension liability	20,079	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	(37,399)	56,752	141,380	110,155	22,542	25,649	-
Changes of assumptions or other inputs	(178,663)	(31,314)	244,834	15,459	(11,330)	15,276	(3,152)
Benefit payments	<u>(1,247)</u>	<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>758,623</u>	<u>893,036</u>	<u>796,618</u>	<u>368,906</u>	<u>218,726</u>	<u>126,210</u>	<u>108,672</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 SEVEN FISCAL YEARS

EXHIBIT A-4

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	758,623	893,036	796,618	368,906	218,726	187,620	126,210
Covered payroll	1,832,899	1,667,981	1,677,950	1,327,100	1,123,876	1,031,058	799,951
Total pension liability as a percentage of covered payroll	41.39%	53.54%	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, 2023 and 2022**

EXHIBIT B-1
Page 1 of 7

	2023		Variance	2022
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues				
Ad valorem taxes				
Current year	9,016,000	9,015,933	(67)	8,457,905
Prior year	30,000	15,268	(14,732)	13,803
Penalties and interest	14,000	13,729	(271)	12,706
Total	<u>9,060,000</u>	<u>9,044,930</u>	<u>(15,070)</u>	<u>8,484,414</u>
Other taxes				
Accommodations tax	-	-	-	2,176,387
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,176,387</u>
Unrestricted intergovernmental				
Local option sales tax	117,900	120,569	2,669	102,365
Utility franchise tax	439,000	431,499	(7,501)	405,781
Beer and wine	800	1,278	478	1,072
CAMA - State portion	1,100	935	(165)	1,990
Intergovernmental revenue	4,100	2,218	(1,882)	3,834
Total	<u>562,900</u>	<u>556,499</u>	<u>(6,401)</u>	<u>515,042</u>
Restricted intergovernmental				
Powell Bill allocation	49,000	49,033	33	49,160
Solid waste disposal tax	100	227	127	204
FEMA reimbursement	-	-	-	166,438
Mosquito control	3,000	2,614	(386)	-
Grant revenue	132,000	69,337	(62,663)	119,241
Fireman's Relief Fund	-	11,800	11,800	11,800
Brunswick County - fire and rescue	298,500	298,500	-	298,500
Total	<u>482,600</u>	<u>431,511</u>	<u>(51,089)</u>	<u>645,343</u>
Permits and fees				
Building permits	200,000	139,949	(60,051)	257,276
Permits - Special Use/Other	-	1,650	1,650	-
Daily vehicle permits	170,100	184,045	13,945	174,075
Annual vehicle permits	213,100	221,300	8,200	204,770
Golf cart registration	73,000	67,480	(5,520)	67,680
EMS fees	17,900	17,047	(853)	29,415
Creek access permits	34,700	34,250	(450)	32,600
Total	<u>708,800</u>	<u>665,721</u>	<u>(43,079)</u>	<u>765,816</u>
Sales and services				
Sale of assets	2,000	3,962	1,962	2,601
Sale of gas and diesel	42,500	55,524	13,024	44,582
Contractor Services Sales	500,700	625,132	124,432	494,283
PW - Bulk Pickup/Drop Off Fees	14,000	13,045	(955)	-
Island Parcel Center Receipts	362,600	348,208	(14,392)	385,369
Marina park lease	4,000	4,900	900	500
Marina park boat slip rentals	7,600	8,436	836	8,337
Island Parcel Center Interdepartmental	4,000	1,041	(2,959)	1,331
Post office operations	82,500	77,349	(5,151)	76,430
Total	<u>1,019,900</u>	<u>1,137,597</u>	<u>117,697</u>	<u>1,013,433</u>
Investment earnings				
Interest earned	361,500	175,495	(186,005)	4,126
Total	<u>361,500</u>	<u>175,495</u>	<u>(186,005)</u>	<u>4,126</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, 2023 and 2022**

EXHIBIT B-1
Page 2 of 7

	2023			2022
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Miscellaneous				
Fines	5,000	-	(5,000)	5,840
Insurance reimbursements	6,000	5,327	(673)	3,983
Donations	29,000	35,101	6,101	-
Special events	22,300	20,096	(2,204)	16,625
Miscellaneous	9,600	10,201	601	28,665
Total	71,900	70,725	(1,175)	55,113
Total revenues	12,267,600	12,082,478	(185,122)	13,659,674
<u>Expenditures</u>				
General government				
Governing body				
Codification	2,500	625		4,623
Travel	20,000	7,912	-	6,245
Total	22,500	8,537	13,963	10,868
Administration				
Salaries and wages	786,000	799,280		748,826
Employee benefits	291,200	280,008		243,952
Utilities	8,600	8,385		5,815
Travel	7,800	6,704		2,496
Ferry costs	32,700	30,837		28,925
Parking	6,800	7,614		7,576
Equipment maintenance	2,500	1,174		1,292
Building maintenance	14,500	11,073		32,896
Office supplies	10,500	27,067		10,924
Copies and printing	-	-		50
Postage	2,800	642		678
Advertising	3,000	2,604		3,478
Dues and subscriptions	21,300	9,049		11,681
Training and certification	12,000	3,398		6,786
Bank charges	28,400	26,122		34,897
Miscellaneous	2,000	2,291		1,163
Professional services	2,080,200	2,070,023		644,484
County collection fee	69,000	67,837		63,633
BHI Daily permit collection fee	12,000	12,000		13,000
BHI Conservancy	197,100	198,858		189,598
Insurance	225,500	225,343		218,766
Golf cart lease	18,808	-		3,557
Manager's discretion	35,000	-		2,249
Capital outlay	9,185	14,635		19,639
Capital outlay - nondepreciable	-	2,350	-	-
Total	3,876,893	3,807,294	69,599	2,296,361

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, 2023 and 2022

EXHIBIT B-1
Page 3 of 7

	2023			2022
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Information Technology				
Telephone	48,000	59,885		54,925
Travel	1,000	310		275
Equipment maintenance and supplies	14,000	15,259		6,720
Building and grounds maintenance	4,400	3,817		2,014
Cable and internet	27,000	20,284		20,045
Copies and printing	9,280	4,088		7,994
IT Training and certification	1,500	301		-
Professional system and software	102,500	93,257		61,403
Capital outlay - nondepreciable	25,000	25,630	-	22,274
Total	232,680	222,831	9,849	175,650
Human Resources				
Travel	5,500	1,359		1,765
Office supplies and equipment	-	3,395		-
Advertising	1,000	1,482		1,050
Dues and subscriptions	900	499		949
Professional development	4,500	2,624		1,003
Professional services	37,800	25,046		13,898
Medical services	5,000	2,010		1,852
Village events and wellness	31,800	22,946		11,483
Educational assistance	7,000	4,306	-	3,660
Total	93,500	63,667	29,833	35,660
Island Parcel Center				
Salaries and wages	181,200	176,195		135,072
Employee benefits	84,700	68,071		47,407
Travel	-	1,162		-
Ferry expenses	14,300	14,698		11,650
Parking expenses	2,800	3,500		2,800
Equipment maintenance	1,000	378		2,783
Barge and shipping expense	100,000	104,908		107,975
Shipping supplies	1,500	424		2,295
Building and grounds maintenance	7,600	10,543		7,936
Office supplies	5,300	4,088		4,885
Postage	43,000	33,599		37,380
Uniforms	600	997		664
Miscellaneous	3,200	2,024		1,730
Software and treminal fees	3,900	2,967		2,508
Liability insurance	-	260		-
Capital outlay - nondepreciable	-	2,949		19,912
Capital outlay	8,000	7,200	-	-
Total	457,100	433,963	23,137	384,997
Contractor Services				
Salaries and wages	49,700	49,266		46,167
Employee benefits	20,700	17,225		14,898
Utilities	15,800	10,295		4,922
Purchase for resale	279,900	276,341		249,341
Barge cost	26,400	7,500		6,300
Gas & Oil	500	-		-
Ferry cost	3,600	3,322		3,178
Parking	700	712		700
Equipment maintenance	-	77		-
Building and grounds maintenance	12,000	11,019		30,622

**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, 2023 and 2022**

EXHIBIT B-1
Page 4 of 7

	2023			2022
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Other expense	1,000	15		-
Office supplies	1,500	1,489		1,452
Bank processing charges	-	1,700		-
Professional services	17,000	14,875		-
Property and liability insurance	4,000	3,858		-
Capital outlay - nondepreciable	1,000	1,950	-	245
Capital outlay	-	-	-	3,293
Total	433,800	399,644	34,156	361,118
 Total general government	 5,116,473	 4,935,936	 180,537	 3,264,654
Public safety				
Police, fire and EMS				
Salaries	2,016,200	2,074,529		1,929,968
LEO Separation allowance	8,000	6,417		7,338
Employee benefits	711,400	708,586		612,797
Utilities	24,000	20,590		20,979
Communications	15,000	14,966		31,678
Gas and oil	25,400	26,532		19,995
LP gas	4,000	2,895		1,886
Travel	4,500	4,459		3,950
Ferry costs	46,000	45,965		40,848
Parking	26,200	26,018		24,080
Barge expenses	3,000	2,943		1,380
Repairs - equipment	11,000	7,345		2,267
Repairs - vehicles	20,000	18,044		19,468
Vehicle permits	13,500	14,780		13,440
Repairs - building & grounds	140,200	85,923		13,153
Maintenance contracts	21,900	26,525		23,310
Supplies	37,800	35,152		35,163
EMS billing expense	9,300	3,158		3,697
Dosher medical clinic supplies	1,000	700		743
Law enforcement supplies	6,100	6,060		5,960
EMS supplies	9,200	9,553		8,180
ALS medication	15,000	13,897		8,811
Water rescue supplies	1,500	1,449		1,566
Fire supplies	56,700	40,350		18,159
Volunteer incentive	25,700	34,494		22,700
Copies and printing	5,900	5,458		4,600
Postage	1,200	-		-
Munitions	11,300	11,883		5,288
Dues and subscriptions	8,200	11,894		9,317
Uniforms	17,000	17,651		12,074
Training and certification	7,200	7,958		3,275
Public education	3,000	2,573		866
Miscellaneous	2,000	2,618		2,370
Animal control	500	468		479
Medical services	11,000	11,800		11,800
Capital outlay - Nondepreciable	21,000	22,767		13,558
Capital outlay	224,130	180,853	-	48,982
Total	3,565,030	3,507,253	57,777	2,984,125

**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, 2023 and 2022**

EXHIBIT B-1
Page 5 of 7

	2023			2022
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Development services				
Salaries	120,300	106,493		88,578
Employee benefits	31,300	31,498		19,646
Travel	1,500	1,631		438
Ferry	5,800	2,940		2,954
Parking	1,400	1,400		700
Supplies	5,300	8		160
Training	2,000	496		492
Miscellaneous	500	83		172
Professional services	-	241		6,706
Capital outlay - Nondepreciable	-	-	-	4,750
Total	168,100	144,790	23,310	124,596
Total public safety	3,733,130	3,652,043	81,087	3,108,721
Transportation				
Road resurfacing	252,000	246,658	5,342	639,720
Total	252,000	246,658	5,342	639,720
Environmental protection				
Public works				
Salaries and wages	615,000	589,124		493,604
Employee benefits	300,100	273,129		213,718
Utilities	38,500	31,836		27,468
Gas and oil	19,300	18,227		13,139
LP gas	3,600	907		3,684
Travel	1,000	1,334		371
Ferry expense	40,500	38,668		30,241
Parking	7,000	8,528		7,420
Barge expense	57,900	43,890		46,189
Repairs - equipment	25,500	24,772		20,786
Vehicle permits	9,200	9,570		9,470
Maintenance - building & grounds	79,600	35,953		42,005
Right-of-way maintenance	130,000	68,931		71,094
Contract - mulch site	110,000	106,000		100,000
Storm prep, assessment & clean up	18,000	17,924		1,800
Contract services	478,000	483,264		471,416
Office supplies	1,200	1,393		754
Safety equipment supplies	5,800	4,991		2,551
Building supplies	8,400	4,027		5,881
Signs	15,000	13,192		4,381
Uniforms	7,000	5,798		6,116
Training and certification	4,500	590		987
Miscellaneous	500	153		173
Mosquito control	8,000	7,162		6,305
Capital outlay	173,440	170,834		263,780
Capital outlay - nondepreciable	5,000	9,057	-	3,978
Total environmental protection	2,162,040	1,969,254	192,786	1,847,311

**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, 2023 and 2022**

EXHIBIT B-1
Page 6 of 7

	2023			2022
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Economic and physical development				
Shoreline preservation				
Salaries	105,000	99,265		77,716
Employee benefits	40,400	28,343		20,507
Travel	3,500	3,027		1,608
Ferry	3,600	2,926		2,674
Parking	700	700		700
Building and grounds maintenance	-	-		42,438
Office supplies	3,000	2,764		1,615
Safety equipment and supplies	-	-		627
Dues and subscriptions	3,000	2,799		1,875
Uniforms	200	102		310
Training and certification	4,000	3,686		3,435
Miscellaneous	3,500	3,279		-
Professional Services	1,000	780		-
Capital outlay - nondepreciable	4,000	3,557		-
Engineering	50,000	47,040		11,760
Monitoring	216,000	208,412		201,157
Legal	60,000	56,097		27,338
Dune restoration/vegetation	16,000	-		15,730
Lobbying	114,000	118,966		114,000
Marina channel maintenance	210,057	104,000		169,850
Beach access grant expenses	-	-		4,802
Capital outlay - Shoreline	-	-	-	125,000
Total	837,957	685,743	152,214	823,142
Debt service				
Principal	3,113,000	3,112,487		3,147,992
Interest and fees	377,200	376,592	-	469,123
Total	3,490,200	3,489,079	1,121	3,617,115
Total expenditures	15,591,800	14,978,713	613,087	13,300,663
Revenues over (under) expenditures	(3,324,200)	(2,896,235)	427,965	359,011
Other financing sources (uses)				
Fund balance appropriated	2,027,000	-	(2,027,000)	-
Operating transfers in				
IPC Improvements Capital Projects	-	-	-	21,541
Braat Fund (Accommodation Taxes)	1,245,945	1,245,944	(1)	-
Operating transfers out				
Contractor Services & Public Works				
Redesign Fund	-	-	-	(185,000)
New Village Hall Project	-	-		(35,000)
Beach Renourishment, Recreation and Tourism Fund	-	-	-	(774,715)
Stormwater management fund				
Installment debt proceeds	-	-	-	1,680,000
Lease liabilities issued	51,255	51,171	(84)	48,358
Total	3,324,200	1,297,115	(2,027,085)	755,184

**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, 2023 and 2022**

EXHIBIT B-1
Page 7 of 7

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues and other financing sources over (under)				
expenditures	<u>-</u>	<u>(1,599,120)</u>	<u>(1,599,120)</u>	1,114,195
Fund balance				
Beginning of year - July 1		<u>7,178,195</u>		<u>6,064,000</u>
End of year - June 30		<u>5,579,075</u>		<u>7,178,195</u>

VILLAGE OF BALD HEAD ISLAND
BEACH RENOURISHMENT, RECREATION AND TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2023 and 2022

EXHIBIT B-2

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>	<u>Actual</u>
<u>Revenues</u>				
Other taxes				
Accommodation taxes	1,815,960	2,129,364	313,404	
Restricted intergovernmental				
Grant revenue	-	13,158	13,158	
Investment earnings				
Interest earned	-	78,071	78,071	305
Total revenues	<u>1,815,960</u>	<u>2,220,593</u>	<u>404,633</u>	<u>305</u>
<u>Expenditures</u>				
Economic and physical development				
Tourism	25,000	-	25,000	-
Recreation	25,000	5,040	19,960	-
Beach renourishment	75,000	44,491	30,509	10,565
Beach access repairs	<u>278,000</u>	<u>249,278</u>	<u>28,722</u>	<u>-</u>
Total expenditures	<u>403,000</u>	<u>298,809</u>	<u>104,191</u>	<u>10,565</u>
Revenues over (under)				
expenditures	<u>1,412,960</u>	<u>1,921,784</u>	<u>508,824</u>	<u>(10,260)</u>
Other financing sources (uses)				
Fund balance appropriated	198,000		(198,000)	
Transfer from other funds				
General fund	-	-	-	774,715
Beach renourishment fund	-	-	-	1,586,287
Transfer to other funds				
General Fund	(1,245,960)	(1,245,944)	16	
Jay Bird Shoals Dredging Project	<u>(365,000)</u>	<u>(365,000)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(1,412,960)</u>	<u>(1,610,944)</u>	<u>(197,984)</u>	<u>2,361,002</u>
Revenues and other financing sources				
over (under) expenditures and uses	<u>-</u>	<u>310,840</u>	<u>310,840</u>	<u>2,350,742</u>
Fund balance, beginning		<u>2,350,742</u>		<u>-</u>
Fund balance, ending		<u><u>2,661,582</u></u>		<u><u>2,350,742</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, 2023 and 2022**

EXHIBIT B-3

	<u>2023</u>			<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>Unfavorable</u>	<u>Actual</u>
<u>Revenues</u>				
Sales and services				
Stormwater fees	128,000	132,292	4,292	129,315
Investment earnings				
Interest earned	-	7,901	7,901	1,470
Miscellaneous				
Stormwater donations	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total revenues	<u>128,000</u>	<u>155,193</u>	<u>27,193</u>	<u>130,785</u>
<u>Expenditures</u>				
Economic and physical development				
Administration	8,000	-	8,000	-
Construction	120,000	105,200	14,800	130,733
Stormwater equipment	-	3,490	(3,490)	-
Engineering	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,160</u>
Total expenditures	<u>128,000</u>	<u>108,690</u>	<u>19,310</u>	<u>132,893</u>
Revenues over (under) expenditures	-	46,503	46,503	(2,108)
Other financing sources (uses)				
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and uses	<u>-</u>	46,503	<u>46,503</u>	<u>(2,108)</u>
Fund balance, beginning		<u>216,690</u>		<u>218,798</u>
Fund balance, ending		<u>263,193</u>		<u>216,690</u>

**VILLAGE OF BALD HEAD ISLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

EXHIBIT B-4

	<u>Contractor Services & Public Works Redesign Project</u>	<u>Jay Bird Shoals Project</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	30,961	64,091	19,287	130,260	16,713	1,498	262,810
Investments	65,727	163,101	49,082	331,491	42,531	10,397	662,329
Total assets	<u>96,688</u>	<u>227,192</u>	<u>68,369</u>	<u>461,751</u>	<u>59,244</u>	<u>11,895</u>	<u>925,139</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	42,986	3,073	-	-	56,220	-	102,279
Payable to other governments	-	-	-	-	-	2,160	2,160
Total liabilities	<u>42,986</u>	<u>3,073</u>	<u>-</u>	<u>-</u>	<u>56,220</u>	<u>2,160</u>	<u>104,439</u>
Fund balances:							
Restricted for:							
Fire Protection	-	-	-	461,751	-	-	461,751
Economic Development	53,702	224,119	68,369	-	3,024	-	349,214
Education	-	-	-	-	-	9,735	9,735
Total fund balances	<u>53,702</u>	<u>224,119</u>	<u>68,369</u>	<u>461,751</u>	<u>3,024</u>	<u>9,735</u>	<u>820,700</u>
Total liabilities and fund balances	<u>96,688</u>	<u>227,192</u>	<u>68,369</u>	<u>461,751</u>	<u>59,244</u>	<u>11,895</u>	<u>925,139</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, 2023

EXHIBIT B-5

	<u>Contractor</u> <u>Services & Public</u> <u>Works Redesign</u> <u>Project</u>	<u>Jay Bird Shoals</u> <u>Project</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	-	-	-	-		22,393	22,393
Investment earnings	2,890	7,171	2,158	14,573	1,871	457	29,120
Total revenues	<u>2,890</u>	<u>7,171</u>	<u>2,158</u>	<u>14,573</u>	<u>30,872</u>	<u>22,850</u>	<u>80,514</u>
EXPENDITURES							
Current:							
General government	-	-	1,415	-	56,867	15,345	73,627
Economic and physical development	110,173	148,052	-	-			258,225
Total expenditures	<u>110,173</u>	<u>148,052</u>	<u>1,415</u>	<u>-</u>	<u>56,867</u>	<u>15,345</u>	<u>331,852</u>
Excess (deficiency) of revenues over expenditures	<u>(107,283)</u>	<u>(140,881)</u>	<u>743</u>	<u>14,573</u>	<u>(25,995)</u>	<u>7,505</u>	<u>(251,338)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	365,000	-	-	-	-	365,000
Total other financing sources and uses	<u>-</u>	<u>365,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,000</u>
Net change in fund balances	(107,283)	224,119	743	14,573	(25,995)	7,505	113,662
Fund balances - beginning	<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>
Fund balances - ending	<u>53,702</u>	<u>224,119</u>	<u>68,369</u>	<u>461,751</u>	<u>3,024</u>	<u>9,735</u>	<u>820,700</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, 2023

EXHIBIT B-6

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	488	2,890	3,378	3,378
Total revenues	-	488	2,890	3,378	3,378
<u>Expenditures</u>					
Capital outlay:					
Administration	80,000	139,748	-	139,748	(59,748)
Construction	1,825,000	1,604,755	110,173	1,714,928	110,072
Total expenditures	1,905,000	1,744,503	110,173	1,854,676	50,324
Revenues over (under) expenditures	(1,905,000)	(1,744,015)	(107,283)	(1,851,298)	53,702
Other financing sources (uses)					
Operating transfer from General Fund	2,095,000	2,095,000	-	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	1,905,000	-	1,905,000	
Revenues and other financing sources over (under) expenditures	-	160,985	(107,283)	53,702	53,702
Fund balance, beginning			160,985		
Fund balance, ending			53,702		

**VILLAGE OF BALD HEAD ISLAND
JAY BIRD SHOALS PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2023**

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	-	-	7,171	7,171	7,171
Total revenues	-	-	7,171	7,171	7,171
<u>Expenditures</u>					
Capital outlay:					
Administration and Engineering	350,000	-	148,052	148,052	201,948
Contingency	15,000	-	-	-	15,000
Total expenditures	365,000	-	148,052	148,052	216,948
Revenues over (under) expenditures	(365,000)	-	(140,881)	(140,881)	224,119
Other financing sources (uses)					
Operating transfer from BRRAT Fund	365,000	-	365,000	365,000	-
Total other financing sources (uses)	365,000	-	365,000	365,000	-
Revenues and other financing sources over (under) expenditures	-	-	224,119	224,119	224,119
Fund balance, beginning			-		
Fund balance, ending			224,119		

**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, 2023**

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	-	45	2,158	2,203	2,203
Total revenues	-	45	2,158	2,203	2,203
<u>Expenditures</u>					
Capital outlay:					
Administration	175,000	154,469	1,415	155,884	19,116
Construction	40,500	2,950	-	2,950	37,550
Contingency	9,500	-	-	-	9,500
Total expenditures	225,000	157,419	1,415	158,834	66,166
Revenues over (under) expenditures	(225,000)	(157,374)	743	(156,631)	68,369
Other financing sources (uses)					
Operating transfer from General Fund	225,000	225,000	-	225,000	-
Total other financing sources (uses)	225,000	225,000	-	225,000	-
Revenues and other financing sources over (under) expenditures	-	67,626	743	68,369	68,369
Fund balance, beginning			67,626		
Fund balance, ending			68,369		

VILLAGE OF BALD HEAD ISLAND
LADDER TRUCK ACQUISITION 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, 2023

EXHIBIT B-9

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Miscellaneous revenue					
Donations	450,000	447,030	-	447,030	(2,970)
Investment earnings					
Interest earned	-	280	14,573	14,853	14,853
Total revenues	450,000	447,310	14,573	461,883	11,883
<u>Expenditures</u>					
Public Safety					
Capital outlay:					
Administration	25,000	132	-	132	24,868
Equipment purchase	2,800,000	-	-	-	2,800,000
Contingency	141,000	-	-	-	141,000
Total expenditures	2,966,000	132	-	132	2,965,868
Revenues over (under)					
expenditures	(2,516,000)	447,178	14,573	461,751	2,977,751
Other financing sources (uses)					
Loan proceeds	2,516,000	-	-	-	2,516,000
Total other financing sources (uses)	2,516,000	-	-	-	2,516,000
Revenues and other					
financing sources over					
(under) expenditures	-	447,178	14,573	461,751	461,751
Fund balance, beginning			447,178		
Fund balance, ending			461,751		

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, 2023

EXHIBIT B-10

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Restricted Intergovernmental ARP Grant	58,003	29,001	29,001	58,002	(1)
Investment earnings Interest earned	-	18	1,871	1,889	1,889
Total revenues	58,003	29,019	30,872	59,891	1,888
<u>Expenditures</u>					
General Government Grant project	58,003	-	56,867	56,867	1,136
Total expenditures	58,003	-	56,867	56,867	1,136
Revenues over (under) expenditures	-	29,019	(25,995)	3,024	3,024
Fund balance, beginning			29,019		
Fund balance, ending			3,024		

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, 2023 and 2022

EXHIBIT B-11

	<u>2023</u>			<u>2022</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>25,000</u>	<u>22,393</u>	<u>(2,607)</u>	<u>22,300</u>
Investment earnings				
Interest earned	<u>-</u>	<u>457</u>	<u>457</u>	<u>-</u>
Total revenues	<u>25,000</u>	<u>22,850</u>	<u>(2,150)</u>	<u>22,300</u>
<u>Expenditures</u>				
General Government				
Fines paid to BC Board of Education	<u>25,000</u>	<u>15,345</u>	<u>9,655</u>	<u>20,070</u>
Total expenditures	<u>25,000</u>	<u>15,345</u>	<u>9,655</u>	<u>20,070</u>
Revenues over (under) expenditures	<u>-</u>	<u>7,505</u>	<u>7,505</u>	<u>2,230</u>
Fund balance, beginning		<u>2,230</u>		
Fund balance, ending		<u>9,735</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, 2023**

EXHIBIT C-1
Page 1 of 4

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water charges			
Water service	1,070,600	1,014,948	(55,652)
Water tap fees	350,800	490,590	139,790
Pipeline surcharge	286,600	278,871	(7,729)
Miscellaneous revenue	5,000	723	(4,277)
Total	<u>1,713,000</u>	<u>1,785,132</u>	<u>72,132</u>
Sewer charges			
Sewer service	1,247,200	1,148,979	(98,221)
Sewer tap fees	487,000	184,092	(302,908)
Septic maintenance	17,300	14,360	(2,940)
Port-O-John rentals	100,800	94,174	(6,626)
Total	<u>1,852,300</u>	<u>1,441,605</u>	<u>(410,695)</u>
Total operating revenues	<u>3,565,300</u>	<u>3,226,737</u>	<u>(338,563)</u>
Nonoperating revenues			
Interest income	-	48,025	48,025
Sale of assets	-	522	522
Contributions from customers	-	424,669	424,669
Total nonoperating revenues	<u>-</u>	<u>473,216</u>	<u>473,216</u>
Total revenues	<u>3,565,300</u>	<u>3,699,953</u>	<u>134,653</u>
Expenditures			
Operating expenditures			
Water Operations			
Salaries and wages	284,600	278,193	
Employee benefits	111,600	110,797	
Utilities	62,400	25,168	
Telephone	48,300	49,738	
Gas and oil	5,100	128	
Travel	1,800	3,215	
Ferry expense	16,300	14,376	
Parking	3,300	2,291	
Barges and shipping	18,000	18,406	
Equipment maintenance	15,400	4,007	
Non-expendable supplies	800	129	
Cart maintenance	500	17	
Vehicle maintenance	5,400	298	
Vehicle permits and BHI parking	5,300	6,870	
Building and grounds maintenance	6,600	7,829	
System repairs and maintenance	166,200	92,868	
Office supplies	800	1,553	
Water supplies	32,000	12,088	
Safety equipment	2,500	2,053	
Tools	3,300	1,940	
Building supplies	11,200	78	

**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, 2023**

EXHIBIT C-1
Page 2 of 4

	Budget	Actual	Variance Positive (Negative)
Copies and printing	5,500	5,790	
Postage	400	-	
Dues and subscriptions	800	1,652	
Uniforms	2,400	2,421	
Training and certification	2,800	3,176	
Bank charges	12,600	5,480	
Permits	2,500	2,210	
Miscellaneous	1,500	-	
Bill adjustments	500	-	
Professional services	81,800	62,483	
Lab fees	8,200	5,210	
Medical fees	300	-	
Purchase of water	119,000	126,988	
Insurance	33,900	37,862	
IT Services	21,400	1,920	
Equipment rental	3,200	-	
Non-depreciable equipment	9,000	5,553	
Future water mains	3,500	-	
Manager's supplemental funds	6,800	-	-
Total	<u>1,117,500</u>	<u>892,787</u>	<u>224,713</u>
Sewer Operations			
Salaries and wages	481,700	476,482	
Employee benefits	194,200	190,403	
Utilities	123,500	126,303	
Telephone	13,200	57,205	
Gas and oil	17,100	14,646	
Travel	4,300	5,380	
Ferry expense	26,900	14,396	
Parking	5,400	10,033	
Barges and shipping	31,900	25,960	
Sludge hauling	127,600	107,300	
Equipment maintenance	15,400	5,149	
Non-expendable supplies	800	1,512	
Cart maintenance	500	17	
Vehicle maintenance	10,800	1,203	
Building and grounds maintenance	10,600	12,236	
System repairs and maintenance	322,900	217,655	

**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, 2023**

EXHIBIT C-1
Page 3 of 4

	Budget	Actual	Variance Positive (Negative)
Office supplies	800	1,649	
Sewer supplies	53,700	32,933	
Safety equipment	2,500	2,095	
Tools	3,300	2,041	
Building supplies	4,000	3,640	
Copies and printing	5,500	5,791	
Postage	400	133	
Advertising	-	615	
Dues and subscriptions	700	243	
Uniforms	2,400	2,660	
Training and certification	7,500	3,169	
Bank charges	-	5,480	
Permits	2,500	1,360	
Miscellaneous	1,500	-	
Bill adjustments	500	-	
Professional services	74,200	57,113	
Lab fees	70,000	68,149	
Medical fees	300	-	
Insurance	34,000	37,862	
IT Services	12,800	13,905	
Equipment rental	3,200	-	
Future sewer mains	1,500	-	
Non-depreciable equipment	13,600	24,468	
Manager's supplemental funds	6,800	-	-
Total	<u>1,688,500</u>	<u>1,529,186</u>	<u>159,314</u>
Debt service			
Principal payments-leases	15,800	12,336	3,464
Interest and other costs	2,000	1,699	301
Total	<u>17,800</u>	<u>14,035</u>	<u>3,765</u>
Capital outlay			
Water capital outlay	299,000	199,040	
New water taps	64,900	59,783	
Sewer capital outlay	269,200	222,881	
New sewer taps	63,600	66,488	
Capital lease acquisitions	38,324	38,424	-
Total	<u>735,024</u>	<u>586,616</u>	<u>148,408</u>
Total expenditures	<u>3,558,824</u>	<u>3,022,624</u>	<u>536,200</u>
Revenues over (under) expenditures	<u>6,476</u>	<u>677,329</u>	<u>670,853</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, 2023**

EXHIBIT C-1
Page 4 of 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses)			
Fund balance appropriated	795,200	-	(795,200)
Lease liabilities issued	38,324	38,424	100
Transfer from Capital Project	-	-	-
Transfer to Capital Projects	<u>(840,000)</u>	<u>(840,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,476)</u>	<u>(801,576)</u>	<u>(795,100)</u>
Revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>(124,247)</u>	<u>(124,247)</u>
Fund Balance			
Beginning of year		<u>2,050,158</u>	
End of year		<u>1,925,911</u>	
Reconciliation from budgetary basis (modified accrual) to full accrual			
Revenues and other sources over (under) expenditures and other uses		(124,247)	
Reconciling items:			
Lease principal payments		12,336	
Capital outlay - Water and Sewer Fund		586,616	
Book value of assets sold		(4)	
Increase in interest expense accrued		(94)	
Increase in accrued vacation pay		(12,010)	
Increase in deferred outflows of resources - pensions		47,230	
Increase in net pension liability		(277,277)	
Decrease in deferred inflows of resources - pensions		192,426	
Depreciation		(397,877)	
Amortization		(11,804)	
Lease financing proceeds		(38,424)	
Interest income recorded in capital projects		38,519	
Transfer to capital projects		<u>840,000</u>	
Change in net position per exhibit 7		<u>855,390</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, 2023**

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	363	491	491
Total revenues	-	128	363	491	491
<u>Expenditures</u>					
Capital outlay:					
Engineering and administration	227,000	65,588	161,411	226,999	1
Contingency	11,000	-	-	-	11,000
Total expenditures	238,000	65,588	161,411	226,999	11,001
Revenues over (under) expenditures	(238,000)	(65,460)	(161,048)	(226,508)	11,492
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	-	172,540	(161,048)	11,492	11,492
Fund balance, beginning			172,540		
Fund balance, ending			11,492		

**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, 2023**

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	10,781	10,920	10,920
Total revenues	-	139	10,781	10,920	10,920
<u>Expenditures</u>					
Capital outlay:					
Engineering and administration	10,000	-	-	-	10,000
Construction	455,000	67,000	90,500	157,500	297,500
Contingency	23,000	-	-	-	23,000
Total expenditures	488,000	67,000	90,500	157,500	330,500
Revenues over (under) expenditures	(488,000)	(66,861)	(79,719)	(146,580)	341,420
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	(79,719)	341,420	341,420
Fund balance, beginning			421,139		
Fund balance, ending			341,420		

VILLAGE OF BALD HEAD ISLAND
WATER/WASTEWATER CAPITAL IMPROVEMENTS PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2023

EXHIBIT C-4

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	10,331	10,331	10,331
Total revenues	-	-	10,331	10,331	10,331
<u>Expenditures</u>					
Capital outlay:					
Water System Improvements	195,000	-	-	-	195,000
Sewer System Improvements	122,000	-	-	-	122,000
Total expenditures	317,000	-	-	-	317,000
Revenues over (under) expenditures	(317,000)	-	10,331	10,331	327,331
Other financing sources (uses)					
Operating transfer from Water and Sewer Fund	317,000	-	317,000	317,000	-
Total other financing sources (uses)	317,000	-	317,000	317,000	-
Revenues and other financing sources over (under) expenditures	-	-	327,331	327,331	327,331
Fund balance, beginning			-		
Fund balance, ending			327,331		

VILLAGE OF BALD HEAD ISLAND
LIFT STATIONS UPGRADES PROJECT PHASE II
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2023

EXHIBIT C-5

	Project Author- ization	Prior Year(s)	Actual Current Year	Total To Date	Variance Positive (Negative)
<u>Revenues</u>					
Investment earnings					
Interest earned	-	-	17,044	17,044	17,044
Total revenues	-	-	17,044	17,044	17,044
<u>Expenditures</u>					
Capital outlay:					
Construction	498,500	-	-	-	498,500
Contingency	24,500	-	-	-	24,500
Total expenditures	523,000	-	-	-	523,000
Revenues over (under) expenditures	(523,000)	-	17,044	17,044	540,044
Other financing sources (uses)					
Operating transfer from Water and Sewer Fund	523,000	-	523,000	523,000	-
Total other financing sources (uses)	523,000	-	523,000	523,000	-
Revenues and other financing sources over (under) expenditures	-	-	540,044	540,044	540,044
Fund balance, beginning			-		
Fund balance, ending			540,044		

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, 2023

EXHIBIT D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	-	9,038,046	9,015,933	22,113
2021-2022	19,343	-	15,268	4,075
2020-2021	23	-	-	23
2019-2020	24	-	-	24
2018-2019	15	-	-	15
2017-2018	15		-	15
2016-2017	15		-	15
2015-2016	-		-	-
2014-2015	196		-	196
2013-2014	-		-	-
2012-2013	<u>76</u>	<u>-</u>	<u>76</u>	<u>-</u>
Totals	<u>19,707</u>	<u>9,038,046</u>	<u>9,031,277</u>	<u>26,476</u>

Reconciliation with revenues

Taxes - ad valorem - General Fund	9,044,930
Less interest and penalties	13,729
Taxes written off	<u>76</u>
Total collections	<u><u>9,031,277</u></u>

VILLAGE OF BALD HEAD ISLAND, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
VILLAGE-WIDE LEVY
For the Year Ended June 30, 2023

EXHIBIT D-2

	<u>Village-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	1,188,316,987	0.007213	8,571,330	8,571,330	
Special district taxes			454,502	454,502	
Registered motor vehicles taxed at current year's rate	-	0.007213	-	-	-
Total original levy	<u>1,188,316,987</u>		<u>9,025,832</u>	<u>9,025,832</u>	<u>-</u>
Discoveries:					
Property taxed at current year's rate	2,228,665	0.007213	16,075	16,075	
Special district taxes			169	169	
Prior year taxes			-	-	
Prior year special district taxes	-		-	-	-
Total discoveries	<u>2,228,665</u>		<u>16,244</u>	<u>16,244</u>	<u>-</u>
Abatements:					
Property taxed at current year's rate	557,825	0.007213	4,024	4,024	
Special district taxes			6	6	
Registered motor vehicles taxed at current and prior year's rate	-	0.007213	-	-	-
Total abatements	<u>557,825</u>		<u>4,030</u>	<u>4,030</u>	<u>-</u>
Net levy	<u>1,189,987,827</u>		9,038,046	9,038,046	-
Uncollected taxes at June 30, 2023			<u>22,113</u>	<u>22,113</u>	<u>-</u>
Current year's taxes collected			<u>9,015,933</u>	<u>9,015,933</u>	<u>-</u>
Current levy collection percentage			<u>99.76%</u>	<u>99.76%</u>	<u>0.00%</u>

Compliance Section

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bald Head Island, North Carolina, as of and for the year ended June 30, 2023, 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 8, 2023.

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) as a basis for designing 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 2023-1 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 8, 2023

**VILLAGE OF BALD HEAD ISLAND
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023**

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? | <u> </u> yes | <u> X </u> no |
| • Significant Deficiency identified
that are not considered to be
Material weaknesses | <u> X </u> yes | <u> </u> no |
| Noncompliance material to financial
statements noted | <u> </u> yes | <u> X </u> no |

II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

2023-1 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 one of their vendors.

Recommendation: The Village should require any future lease vendors to provide all the 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, 2023

I. Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding 2023-1

Name of contact person: Zachary Hewett, Finance Director

Corrective Action: To prevent the 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 before 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, 2023

EXHIBIT E-3

Finding: 2022-1

Status: The Village has corrected all of their problems obtaining lease information from their prior vendors who caused the prior finding, but a new vendor who was engaged in the current year provided their information too late to have the audit submitted on time.