

**Town of Bermuda Run  
Bermuda Run, North Carolina  
For the year ended  
June 30, 2023**

**Independent Auditor's Reports  
Basic Financial Statements  
And  
Information Accompanying the  
Basic Financial Statements**

**Town of Bermuda Run**

**Table of Contents**  
**June 30, 2023**

<b>Independent Auditor's Report</b>		1-3
<b>Management's Discussion and Analysis</b>		4-13
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements:		
Exhibit 1	Statement of Net Position	14
Exhibit 2	Statement of Activities	15
Fund Financial Statements		
Exhibit 3	Balance Sheet – Governmental Funds	16
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Exhibit 5	Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Exhibit 6	Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund and Annually Budgeted Special Revenue Fund	19
Exhibit 7	Statement of Fund Net Position – Proprietary Fund	20
Exhibit 8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	21
Exhibit 9	Statement of Cash Flows – Proprietary Funds	22
Notes to the Financial Statements		23-40

**Required Supplementary Information:**

Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System	41
Schedule of Contributions – Local Government Employees' Retirement System	42

**Individual Funds Statements and Schedules:**

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	43-44
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund – Gated Security	45
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Capital Projects Fund – Blue Heron Trail	46
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund – American Rescue Plan	47
Schedule of Revenues and Expenditures - Budget and Actual – (Non-GAAP) Sewer Fund	48-49
Schedule of Revenues and Expenditures-Budget and Actual – (Non-GAAP) Sewer Capital Projects Fund – WWTP	50

**Other Schedules:**

Schedule of Changes in Ad Valorem Taxes Receivable	51
Analysis of Current Tax Levy	52

**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 <u>Government Auditing Standards</u>	53-54
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act	55-56
Schedule of Findings and Questioned Costs	57-59
Schedule of Federal and State Financial Assistance	60

**Independent Auditor's Report**

To the Honorable Mayor and Town Council  
Town of Bermuda Run, North Carolina

**Report on the Audit of Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, business-type activities, the aggregately discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Bermuda Run, North Carolina as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Bermuda Run's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Bermuda Run, North Carolina as of June 30, 2023, and the respective changes in financial position 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 the Financial Statements section of our report. We are required to be independent of the Town of Bermuda Run, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Bermuda Run TDA were not audited in accordance with the *Governmental Auditing Standards*.

***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 Town of Bermuda Run'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 responsive 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 Town of Bermuda Run'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 Town of Bermuda Run'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 on pages 4 through 13, the budgetary comparison information on page 19, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 41 through 42, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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 responses 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 me 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 Town of Bermuda Run's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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, the 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 October 5, 2023 on our consideration of the Town of Bermuda Run's internal control over financial reporting and on our tests 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 the effectiveness of Town of Bermuda Run's 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 Town of Bermuda Run's internal control over financial reporting and compliance.

Eddie Carrick CPA, PC

A handwritten signature in black ink, appearing to read "Eddie Carrick, CPA". The signature is fluid and cursive, with the initials "EC" being prominent.

Lexington, North Carolina  
October 5, 2023



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## Management's Discussion and Analysis

As management of the Town of Bermuda Run, we offer the readers of the Town of Bermuda Run's financial statements this narrative overview and analysis of the financial activities of the Town of Bermuda Run 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 Town's financial statements, which follow this narrative.

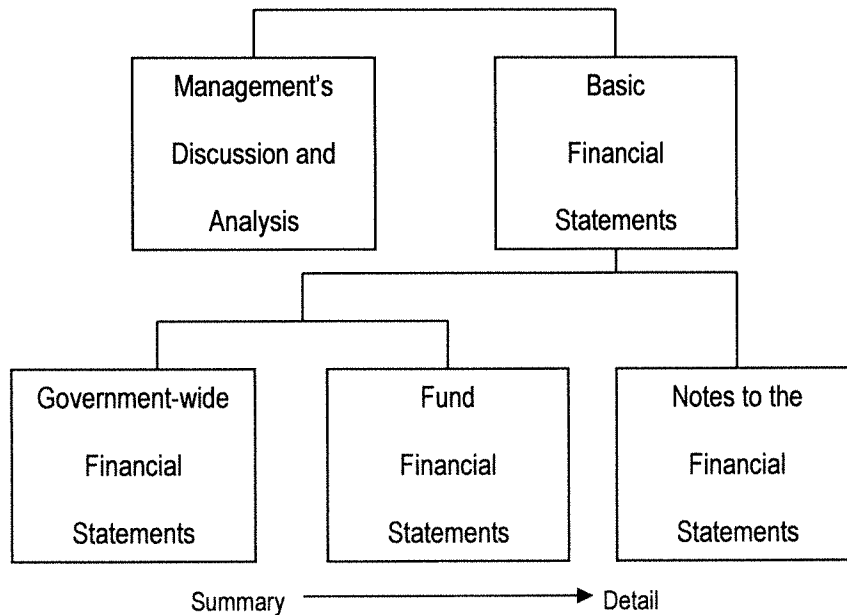
### Financial highlights

- The assets and deferred outflows of resources of the Town of Bermuda Run exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,081,849 (*net position*).
- The government's total net position increased by \$4,995,431, primarily due to grants and a conservative approach to spending.
- As of the close of the current fiscal year, the Town of Bermuda Run's governmental funds reported combined ending fund balances of \$2,385,417 with a net increase of \$492,533 in fund balance. Approximately 43% of this total amount, or \$1,031,673, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,353,743, or 71% of total general fund expenditures for the fiscal year.
- The Town of Bermuda Run's total debt increased by \$102,316 due to a decrease in accrued vacation of \$3,263, and an increase in net pension liability of \$105,779.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as introduction to the Town of Bermuda Run's basic financial statements. The Town'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 Town 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 Town of Bermuda Run.

**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 Town's financial status.

The next statements (Exhibit 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund 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 Town's individual funds. Budgetary information required by the 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 Town'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 Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town'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 Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities 2) business-type activities and 3) component units. The governmental activities include most of the Town's basic services such as safety and security, transportation and administration. Property tax and state shared revenues finance these activities. The business-type activities are those that the Town charges customers to provide. These include sewer services offered by the Town. The final category is component unit. Although legally separate from the Town, the Tourism Development Authority is important to the Town. The Town exercises control over the Authority by appointing its members.

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 Town's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Bermuda Run, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as General Statutes or the Town's budget ordinance. All of the funds of the Town of Bermuda Run 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 Town'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. Government funds are reported using an accounting method called *modified accrual accounting* which 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

## Management Discussion and Analysis

### Town of Bermuda Run

The Town of Bermuda Run adopts an annual budget for the General Fund and Special Revenue Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance the current period activities. The budgetary statement provided for the General Fund and Special Revenue Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 in the same format, language and classifications as the legal 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 Special Revenue Fund, and 4) the differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary funds** – The Town of Bermuda Run has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its sewer activity. This fund is the same as the functions shown in the business-type activities in the Statement of Net Position and Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

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

Management Discussion and Analysis  
Town of Bermuda Run

**Government-Wide Financial Statements**

**Town of Bermuda Run's Net Position (Figure 2)**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,466,852	\$ 2,635,040	\$ 2,796,125	\$ 2,367,837	\$ 5,262,977	\$ 5,002,877
Capital assets	8,430,631	5,894,186	3,501,255	1,977,625	11,931,886	7,871,811
Deferred outflows of resources	98,293	62,051	-	-	98,293	62,051
Total assets and deferred outflows of resources	10,995,776	8,591,277	6,297,380	\$4,345,461	17,293,156	12,936,738
Long-term liabilities	151,198	48,882	-	-	151,198	48,882
Other liabilities	54,035	298,550	-	4,180	54,035	302,730
Deferred inflows of resources	6,073	498,710	-	-	6,073	498,710
Total liabilities and deferred inflows of resources	211,306	846,142	-	4,180	211,306	850,322
Net position:						
Net investment in capital assets	8,430,631	5,894,186	3,501,255	1,977,625	11,931,886	7,871,811
Restricted for:						
Stabilization by State Statute	440,963	555,256	-	-	440,963	555,256
Streets	410,135	328,965	-	-	410,135	328,965
Capital project	59,749	-	-	-	59,749	-
Unrestricted	1,442,992	966,728	2,796,125	2,363,657	4,239,117	3,330,385
Total net position	\$ 10,784,469	\$ 7,745,135	\$ 6,297,380	\$ 4,341,282	\$ 17,081,849	\$ 12,086,417

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 resources of the Town exceeded liabilities and deferred inflows by \$17,081,849 as of June 30, 2023. The Town's net position increased by \$4,995,431 for the fiscal year ended June 30, 2023. However, the largest portion (70%) reflects the Town's net investment in capital assets (road improvements, equipment, machinery, utility plant) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$910,847, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,239,117 is unrestricted.

Management Discussion and Analysis  
Town of Bermuda Run

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

- Operating and capital grants
- Timely maintenance of Town assets to maximize lives.
- Conservative spending approach by management

Town of Bermuda Run's Changes in Net Position (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 659,362	\$ 571,768	\$ 670,501	\$ 609,975	\$ 1,329,863	\$ 1,181,743
Operating grants and contributions	3,460,014	575,525	-	-	3,460,014	575,525
Capital grants and contributions	-	-	1,800,000	-	1,800,000	-
General revenues:						
Property taxes	1,006,020	963,020	-	-	1,006,020	963,020
Other taxes	452,956	429,253	-	-	452,956	429,253
Other	391,050	549,944	-	-	391,050	549,944
Total revenues	5,969,402	3,089,510	2,470,501	609,975	8,439,903	3,699,485
Expenses:						
General government	1,366,217	2,061,684	-	-	1,366,217	2,061,684
Safety	70,664	87,022	-	-	70,664	87,022
Gate operations	669,967	684,550	-	-	669,967	684,550
Transportation	823,223	403,106	-	-	823,223	403,106
Interest on long-term debt	-	-	-	-	-	-
Sewer	-	-	514,402	334,786	514,402	334,786
Total expenses	2,930,071	3,236,362	514,402	334,786	3,444,473	3,571,148
Increase in net position before transfers	3,039,333	(146,851)	1,956,099	275,189	4,995,433	128,338
Transfers	-	-	-	-	-	-
Increase in net position	3,039,333	(146,851)	1,956,099	275,189	4,995,431	128,338
Net position, July 1	7,745,135	7,891,985	4,341,282	4,066,093	12,086,417	11,958,078
Net position, June 30	\$ 10,784,469	\$ 7,745,135	\$ 6,297,380	\$ 4,341,282	\$ 17,081,849	\$ 12,086,417

## Management Discussion and Analysis

### Town of Bermuda Run

**Governmental activities.** Governmental activities increased the Town's net position by \$3,039,333, thereby accounting for 61% of the total increase in net position of the Town. The increase in net position was the result of operating and capital grants as well as continued effort to control costs and manage expenditures. Management believes healthy investment in the Town will result in additional revenues, adding to the Town's net position by investing in capital assets which were largely funded by capital contribution revenues. Tax revenue remained steady in the current year. Town management acknowledges that 2023 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- Tax revenues remained steady
- Town council has adopted a conservative approach to general fund spending
- Capital project and special projects grants

**Business-type activities:** Business-type activities increased the Town's net position by \$1,956,099, accounting for 39% of the total growth in the government's net position. Key elements of this increase are as follows:

- Sewer charges increased
- Capital grants
- Conservative approach to spending

### Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Bermuda Run's fund balance available in the General Fund was \$1,353,743, while total fund balance reached \$2,204,841. The Town currently has an available fund balance of 71% of general fund expenditures, while total fund balance represents 115% of the same amount.

At June 30, 2023, the governmental funds of the Town reported a combined fund balance of \$2,385,417 with a net increase in fund balance of \$492,533. Included in this change in fund balance are increases in the General Fund of \$318,364, a decrease in Special Revenue Fund-Gate of \$850, an increase in the General Fund Capital Project-Blue Heron of \$175,336, and a decrease in Special Revenue Fund-ARPA of \$317.

Management Discussion and Analysis  
Town of Bermuda Run

**General Fund Budgetary Highlights:** During the fiscal year, the Town 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 Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The Town amended the budget in order to account for the various operating expenditures as well as other special and capital projects.

**Proprietary Funds:** The Town's proprietary funds provide the same type of information as found in the government-wide statements but in more detail. Unrestricted net position in the Sewer Fund at the end of the fiscal year amounted to \$2,796,125. The total change in net position was \$1,956,099. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

### Capital Asset and Debt Administration

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$11,931,886 (net of accumulated depreciation). These assets include buildings, roads, machinery and equipment, and construction in progress.

Major capital asset transactions during the year included the following additions:

- Construction in progress – Blue Heron Trail \$2,881,220
- Sewer WWTP construction in progress – \$1,608,024

**Town of Bermuda Run's Capital Assets (net of depreciation) (Figure 4)**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Construction in progress	\$ 3,459,150	\$ 577,930	\$ 1,808,656	\$ 200,632	\$ 5,267,806	\$ 778,562
Road improvements	4,391,039	4,620,439	-	-	4,391,039	4,620,439
Buildings	321,300	357,000	-	-	321,300	357,000
Other improvements	231,378	297,082	-	-	231,378	297,082
Equipment and furnishings	27,764	41,733	-	-	27,764	41,733
Plant and distribution	-	-	1,692,599	1,776,994	1,692,599	1,776,994
	<u>\$ 8,430,631</u>	<u>\$ 5,894,186</u>	<u>\$ 3,501,255</u>	<u>\$ 1,977,625</u>	<u>\$ 11,931,886</u>	<u>\$ 7,871,810</u>

Additional information on the Town's capital assets can be found in the Note III.A.4 of the Basic Financial Statements.

Management Discussion and Analysis  
Town of Bermuda Run

**Long-term Debt.** As of June 30, 2023, the Town's long-term debt was made up of the following:

**Town of Bermuda Run's Long-term Debt (Figure 5)**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Pension related debt (LGERS)	\$ 146,113	\$ 40,334	\$ -	\$ -	\$ 146,113	\$ 40,334
Compensated absences	5,085	8,548	-	-	5,085	8,548
	<u>\$ 151,198</u>	<u>\$ 48,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,198</u>	<u>\$ 48,882</u>

**Town of Bermuda Run's Outstanding Debt**

- The Town of Bermuda Run's total debt increased by \$102,316 due to a decrease in accrued vacation of \$3,263, and an increase in net pension liability of \$105,779.

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 property located within that government's boundaries. The legal debt margin for the Town is \$53,133,013.

Additional information regarding the Town's long-term debt can be found in Note II.B.6 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Town.

- Increased commercial and retail growth in the Town and surrounding areas
- Increased destination driven economic impact from Truist Sports Park and RISE indoor sports and events facility for tournaments and special events. These facilities produce over 18,000 room nights for the region
- The recent construction of a Chick-Fila restaurant, repurposing an existing vacant building/property within the Lowes Foods Shopping Center.
- Continued increased use of WinMock at Kinderton for corporate events, weddings, and regional programs. WinMock produces between 8,000 and 10,000 room nights for the region.
- Continued work toward the recruitment of a boutique/upscale hotel adjacent to WinMock at Kinderton
- The near completion of the Ariston Place 96-unit market rate apartment community.
- Two new access streets to the Kinderton Commercial Core area adding additional opportunities for mixed-use development
- The completed availability of sewer for a 125-acre undeveloped mixed-use zoned area called "Hillsdale at Bermuda Run" that is ready for development.
- Continued infrastructure and utilities upgrades.
- Continued retail and residential construction and expansions.
- The Town continues to take an aggressive approach toward the use of grant funding where available to supplement revenues.

### **Budget Highlights for the Fiscal Year Ending June 30, 2024**

**Governmental Activities** Property tax revenues are expected to increase slightly in conjunction with new construction in the commercial areas, as well as renewed residential family home construction in the residential zoned areas. The Town has budgeted monies to enhance quality of life by interconnecting residential and retail areas with multi-use paths. Other revenues and expenses are expected to remain consistent with the 2022-2023 fiscal year.

The Town has chosen not to appropriate fund balance in the fiscal year 2024 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$65,081 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

**Business-type Activities:** Revenues for the 2023-2024 year are expected to increase slightly due to projected volume increase in sales tax distribution from the State of North Carolina. However, this will be tempered with a change from per capita to ad valorem method of sales tax distribution by the Davie County Commissioners.

### **Requests for Information**

This report is designed to provide an overview of the Town'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 directed to the Town Manager, Town of Bermuda Run, 120 Kinderton Blvd, Suite 100, Bermuda Run, NC 27006.



**Town of Bermuda Run, North Carolina**  
**Statement of Net Position**  
**June 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Town of Bermuda Run Tourism Development Authority
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,500,956	\$ 1,025,818	\$ 2,526,773	\$ -
Property taxes receivable (net)	27,399	-	27,399	-
Due (to) from other funds	37,978	(37,978)	-	-
Grants receivable		1,800,000	1,800,000	
Accounts receivable (net)	490,384	8,285	498,669	6,827
Restricted cash	410,135	-	410,135	212,432
Total current assets	<u>2,466,852</u>	<u>2,796,125</u>	<u>5,262,977</u>	<u>219,259</u>
Non-current assets:				
Capital assets (Note 4):				
Construction in progress	3,459,151	1,808,657	5,267,808	-
Other capital assets, net of depreciation	4,971,480	1,692,598	6,664,078	-
Total Capital assets	<u>8,430,631</u>	<u>3,501,255</u>	<u>11,931,886</u>	<u>-</u>
Total assets	<u>10,897,483</u>	<u>6,297,380</u>	<u>17,194,863</u>	<u>219,259</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	98,293	-	98,293	-
Total deferred inflows of resources	<u>98,293</u>	<u>-</u>	<u>98,293</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	54,035	-	54,035	-
Long-term liabilities:				
Net pension liability	146,113	-	146,113	-
Accrued vacation	5,085	-	5,085	-
Total liabilities	<u>205,233</u>	<u>-</u>	<u>205,233</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	6,073	-	6,073	-
Total deferred inflows of resources	<u>6,073</u>	<u>-</u>	<u>6,073</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,430,631	3,501,255	11,931,886	-
Restricted for:				
Stabilization by State Statute	440,963	-	440,963	6,827
Streets	410,135	-	410,135	-
Capital project	59,749	-	59,749	-
Tourism Development	-	-	-	212,432
Unrestricted	1,442,992	2,796,125	4,239,117	-
Total net position	<u>\$ 10,784,469</u>	<u>\$ 6,297,380</u>	<u>\$ 17,081,849</u>	<u>\$ 219,259</u>

The accompanying notes are an integral part of the financial statements

**Town of Bermuda Run, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 1,366,217	\$ -	\$ 3,378,144	\$ -	\$ 2,011,927	\$ -	\$ 2,011,927	\$ (8,366)
Safety	70,664	-	-	-	(70,664)	-	(70,664)	-
Gate operations	669,967	659,362	-	-	(10,605)	-	(10,605)	-
Transportation	823,223	-	81,870	-	(741,353)	-	(741,353)	-
Interest on long-term debt	-	-	-	-	-	-	-	-
Sponsorship	-	-	-	-	-	-	-	(52,612)
Total governmental activities	2,930,071	659,362	3,460,014	-	1,189,305	-	1,189,305	(60,978)
<b>Business-type activities</b>								
Sewer	514,402	670,501	-	1,800,000	-	1,956,099	1,956,099	-
Total business activities	514,402	670,501	-	1,800,000	-	1,956,099	1,956,099	-
<b>Total government</b>	<b>\$ 3,444,473</b>	<b>\$ 1,329,863</b>	<b>\$ 3,460,014</b>	<b>\$ 1,800,000</b>	<b>1,189,305</b>	<b>1,956,099</b>	<b>5,101,503</b>	<b>(60,978)</b>
General revenues:								
Taxes:								
					1,006,020	-	1,006,020	-
					452,956	-	452,956	79,062
					233,616	-	233,616	-
					-	-	-	-
					17,203	-	17,203	14
					140,231	-	140,231	-
					-	-	-	-
					1,850,026	-	1,850,026	79,076
Total general government revenues and transfers								
Change in net position								
Net position, beginning								
Net position, ending								

The accompanying notes are an integral part of the financial statements

**Town of Bermuda Run, North Carolina**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2023**

	Major				Total
	General	Special Revenue Gate	Capital Project Blue Heron	Special Revenue ARPA	Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,380,130	\$ 120,826	\$ -	\$ -	\$ 1,500,956
Restricted cash	410,135	-	-	-	410,135
Due (to) from other funds	229,004	-	(191,027)	-	37,978
Property taxes receivable (net)	27,399	-	-	-	27,399
Accounts receivable (net)	239,607	-	250,777	-	490,384
	<u>\$ 2,286,275</u>	<u>\$ 120,826</u>	<u>\$ 59,749</u>	<u>\$ -</u>	<u>\$ 2,466,852</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 54,035	\$ -	\$ -	\$ -	\$ 54,035
	<u>54,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,035</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	27,399	-	-	-	27,399
Total deferred inflows of resources	<u>27,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,399</u>
<b>Fund balances:</b>					
Restricted for:					
Stabilization by state statute	440,963	-	-	-	440,963
Streets	410,135	-	-	-	410,135
Capital project	-	-	59,749	-	59,749
Assigned for gate operations	-	120,826	-	-	120,826
Unassigned	<u>1,353,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,353,743</u>
Total Fund Balances	<u>2,204,841</u>	<u>120,826</u>	<u>59,749</u>	<u>-</u>	<u>2,385,417</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,286,275</u>	<u>\$ 120,826</u>	<u>\$ 59,749</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,430,631
Net pension liability	(146,113)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	98,293
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	27,399
Pension related deferrals	(6,073)
Some liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the net position of the governmental activities:	
Accrued vacation	(5,085)
Net position of the governmental activities	<u>\$ 10,784,469</u>

**Town of Bermuda Run, North Carolina**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

	Major				Total
	General	Special Revenue Gate	Capital Project Blue Heron	Special Revenue ARPA	Governmental Funds
<b>Revenues:</b>					
Ad Valorem taxes	\$ 990,546	\$ -	\$ -	\$ -	\$ 990,546
Other taxes and licenses	452,956	-	-	-	452,956
Unrestricted intergovernmental revenues	233,616	-	-	-	233,616
Restricted intergovernmental revenues	316,112	-	2,279,933	863,359	3,459,404
Investment earnings	17,203	-	-	610	17,813
Gate fees	-	659,362	-	-	659,362
Other revenues	140,231	-	-	-	140,231
	<u>2,150,665</u>	<u>659,362</u>	<u>2,279,933</u>	<u>863,969</u>	<u>5,953,928</u>
<b>Other financing sources:</b>					
Proceeds from long-term debt	-	-	-	-	-
Transfers in	864,286	-	776,623	-	1,640,908
Capital contributions	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
Total revenues and other sources	<u>3,014,950</u>	<u>659,362</u>	<u>3,056,556</u>	<u>863,969</u>	<u>7,594,837</u>
<b>Expenditures:</b>					
General government	1,299,748	-	2,881,220	-	4,180,969
Safety	70,664	-	-	-	70,664
Gate operations	-	660,211	-	-	660,211
Transportation	549,552	-	-	-	549,552
Debt service	-	-	-	-	-
	<u>1,919,964</u>	<u>660,211</u>	<u>2,881,220</u>	<u>-</u>	<u>5,461,396</u>
<b>Other Financing Uses:</b>					
Transfers out	<u>776,623</u>	<u>-</u>	<u>-</u>	<u>864,286</u>	<u>1,640,908</u>
Total Expenditures and Other Uses	<u>2,696,587</u>	<u>660,211</u>	<u>2,881,220</u>	<u>864,286</u>	<u>7,102,304</u>
Excess of revenues and other sources over (under) expenditures and other uses	318,364	(850)	175,336	(317)	492,533
<b>Fund Balances</b>					
<b>Beginning of year, July 1</b>	<u>1,886,477</u>	<u>121,676</u>	<u>(115,586)</u>	<u>317</u>	<u>1,892,884</u>
<b>End of year, June 30</b>	<u>\$ 2,204,841</u>	<u>\$ 120,826</u>	<u>\$ 59,749</u>	<u>\$ -</u>	<u>\$ 2,385,417</u>

The accompanying notes are an integral part of the financial statements

**Town of Bermuda Run, North Carolina**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

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

Net changes in fund balances - total governmental funds	\$	492,533
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation for the current period.

Capital outlay	\$	-	
Construction in progress		2,881,220	
Depreciation		<u>(344,775)</u>	2,536,445

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		15,476
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Changes in pension expense

Increase (decrease) in net pension assets		-	
(Increase) decrease in net pension liability		(105,779)	
Increase (decrease) in deferred outflows		36,242	
(Increase) decrease in deferred inflows		60,954	

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.

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Some of the expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		<u>3,463</u>
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Total changes in net position of governmental activities	\$	<u><u>3,039,333</u></u>
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**Town of Bermuda Run, North Carolina**  
**General Fund and Annually Budgeted Special Revenue Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	General				Special Revenue - Gate			
	Budget			Variance with	Budget			Variance with
	Original	Final	Actual	Final budget Favorable (Unfavorable)	Original	Final	Actual	Final budget Favorable (Unfavorable)
<b>Revenues:</b>								
Ad Valorem taxes	\$ 948,860	\$ 957,860	\$ 990,546	\$ 32,686	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	400,000	455,000	452,956	(2,044)	-	-	-	-
Unrestricted intergovernmental revenues	212,000	236,000	233,616	(2,384)	-	-	-	-
Restricted intergovernmental revenues	274,000	306,000	316,112	10,112	-	-	-	-
Investment earnings	8,000	16,500	17,203	703	-	-	-	-
Gate fees	-	-	-	-	674,600	679,600	659,362	(20,238)
Other revenues	151,000	151,000	140,231	(10,769)	-	-	-	-
	1,993,860	2,122,360	2,150,665	28,305	674,600	679,600	659,362	(20,238)
<b>Other financing sources:</b>								
Proceeds from long-term debt	-	-	-	-	-	-	-	-
Transfers from other funds	-	865,000	864,286	(714)	-	-	-	-
Appropriated fund balance	181,500	181,500	-	(181,500)	-	-	-	-
Total revenues and other sources	2,175,360	3,168,860	3,014,950	(153,910)	674,600	679,600	659,362	(20,238)
<b>Expenditures:</b>								
General government	1,231,460	1,377,560	1,299,748	77,812	-	-	-	-
Safety	96,000	96,000	70,664	25,336	-	-	-	-
Gate operations	-	-	-	-	674,600	679,600	660,211	19,389
Transportation	847,900	918,300	549,552	368,748	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
	2,175,360	2,391,860	1,919,964	471,896	674,600	679,600	660,211	19,389
<b>Other Financing Uses:</b>								
Unappropriated fund balance	-	-	-	-	-	-	-	-
Transfers to other funds	-	777,000	776,623	377	-	-	-	-
Total Expenditures and Other Uses	2,175,360	3,168,860	2,696,587	472,273	674,600	679,600	660,211	19,389
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	318,364	\$ 318,364	\$ -	\$ -	(850)	\$ (850)
Fund Balances								
Beginning of year, July 1			1,886,477				121,676	
End of year, June 30			\$ 2,204,841				\$ 120,826	

The accompanying notes are an integral part of the financial statements

**Town of Bermuda Run, North Carolina**  
**Proprietary Funds**  
**Statement of Fund Net Position**  
**June 30, 2023**

**Assets**

## Current assets:

Cash and investments	\$ 1,025,818
Grants receivable	1,800,000
Sales tax refund receivable	8,285
Accounts receivable (net)	-
Total current assets	<u>2,834,102</u>

## Noncurrent assets:

## Capital assets:

Construction in progress	1,808,657
Other capital assets, net of depreciation	<u>1,692,598</u>
Total non-current assets	<u>3,501,255</u>
Total assets	<u>6,335,357</u>

**Liabilities**

## Current liabilities:

Current maturities on long-term debt	-
Accounts payable	-
Due to (from) other funds	37,978
Total current liabilities	<u>37,978</u>

## Long-term liabilities:

Due in more than one year	-
Total liabilities	<u>37,978</u>

**Net Position**

Net investment in capital assets	3,501,255
Unrestricted	<u>2,796,125</u>
Total net position of business-type activities	<u>\$ 6,297,380</u>

**Town of Bermuda Run, North Carolina**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

<b>Operating revenues:</b>	
Sewer charges	\$ 670,501
Tap fees	-
	<u>670,501</u>
<b>Operating expenses:</b>	
Administration	66,210
Sewer operations	363,798
Depreciation	84,394
	<u>514,402</u>
<b>Operating income</b>	<u>156,099</u>
<b>Nonoperating revenue (expense):</b>	
Interest income	-
Other income	-
Project grants	1,800,000
Total nonoperating revenue (expense)	<u>1,800,000</u>
Income before operating transfers	1,956,099
<b>Operating transfers in (out)</b>	<u>-</u>
<b>Change in net position - business type activities</b>	1,956,099
<b>Total net position - July 1</b>	<u>4,341,282</u>
<b>Total net position - June 30</b>	<u><u>\$ 6,297,380</u></u>

The accompanying notes are an integral part of the financial statements



**Town of Bermuda Run, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

**Cash flows from operating activities:**

Cash received from customers	\$ 670,501
Cash payment to suppliers of goods and services	(434,188)
Cash payment to employees and benefits	-
<b>Net Cash Provided By Operating Activities</b>	<u>236,313</u>

**Cash flows from noncapital financial activities:**

Transfer from General Fund	-
Increase in interfund payable	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>-</u>

**Cash from capital and related financing activities:**

Grants received	
Interest paid	-
Payments on long-term debt	-
Increase in construction in progress	(1,616,309)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(1,616,309)</u>

**Cash flows from investing activities:**

Interest on investments	-
<b>Net Cash Provided by Investing Activities</b>	<u>-</u>

Net Increase (Decrease) In Cash	(1,379,996)
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<b>Cash - Beginning of Year, July 1</b>	<u>2,405,814</u>
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<b>Cash - End of Year, June 30</b>	<u><u>\$ 1,025,818</u></u>
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**Adjustments to Reconcile Net Operating Income****to Net Cash Provided by Operating Activities:**

Net operating income	\$ 1,956,099
Depreciation	84,394
Changes in current assets and liabilities:	
(Increase) decrease in accounts receivable	-
(Increase) decrease in grants receivable	(1,800,000)
Increase (decrease) in accounts payable	(4,180)

<b>Net Cash Provided (Used) By Operating Activities</b>	<u><u>\$ 236,313</u></u>
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<b>Interest paid</b>	<u><u>\$ -</u></u>
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## ***Town of Bermuda Run, North Carolina***

### **NOTES TO FINANCIAL STATEMENTS As of or for the Year Ended June 30, 2023**

#### ***Description of the unit***

The Town of Bermuda Run is located in Davie County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 3,232 and covers approximately two thirds of one square mile. The Town provides sewer services to its residents.

#### ***I. Summary of Significant Accounting Policies***

The accounting policies of the Town of Bermuda Run and its discretely presented component unit 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 Town of Bermuda Run is a municipal corporation governed by an elected mayor and council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate for the Town.

##### **Town of Bermuda Run Tourism Development Authority**

The Town of Bermuda Run Tourism Development Authority was established December 1, 2010 for the purpose of collecting a 3% occupancy tax to be used for the promotion of tourism in Bermuda Run. The members of the Tourism Development Authority's governing board are appointed by the Town. The Tourism Development Authority, which has a June 30 year-end, is presented as if it were a special revenue fund. Information concerning the Tourism Development Authority can be obtained by contacting the Finance Officer, Town of Bermuda Run, Bermuda Run, NC.

##### ***B. Basis of presentation***

*Government-wide Statements:* The statement of net position and the statement of activities display the information about the government and its component unit. These statements include the 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 Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

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

## ***Notes to the Financial Statements (continued)***

### ***B. Basis of presentation (continued)***

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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 the equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

#### ***General Fund***

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for streets and general government services.

#### ***Special Revenue Funds***

The Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The Town maintains two Special Revenue Funds, the Gated Security Fund and the American Rescue Plan Act (ARPA).

#### ***Capital Project – Blue Heron Fund***

This fund is used to account for the construction of the Blue Heron trail.

The Town reports the following major enterprise funds:

#### ***Sewer Fund***

The Town maintains an Enterprise Fund, the Sewer Fund, to account for its sewer services. This fund is financed and operated in the same manner as a private business enterprise. A Capital Project Fund has been consolidated into the Sewer Fund for financial reporting purposes. The budgetary comparison for the Sewer Capital Project Fund has been included in the supplemental information.

It is the intent of the governing body that costs (expenses, including depreciation) of providing these services to the public on a continuing basis be financed or recovered primarily through user charges. Therefore, periodic accounting is necessary for determination of net income and rate control.

## ***Notes to the Financial Statements (continued)***

### ***C. Measurement Focus and Basis of Accounting***

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified 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 recorded at the time liabilities are incurred regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, including 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 Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town 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 registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

## ***Notes to the Financial Statements (continued)***

### ***C. Measurement Focus and Basis of Accounting (continued)***

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 Town are recognized as revenue. Sales taxes are considered shared revenue for the Town because the tax is levied by Davie 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 Town funds certain programs by a combination of specific cost-reimbursement 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 Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

### ***D. Budgetary data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Gated Security Special Revenue Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Blue Heron Capital Project Fund, the US 158 Capital project fund, and the Enterprise Sewer Capital Project fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Town does not have a current policy which allows for departmental transfers without council approval.

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

#### ***1. Deposits and Investments***

All deposits of the Town and the Tourism Development Authority are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town and the Tourism Development Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the Tourism Development Authority 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 Town and the Tourism Development Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's and the Tourism Development Authority investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The Town does not have a formal investment or credit risk policy.

## ***Notes to the Financial Statements (continued)***

### **2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Tourism Development Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

### **3. Restricted Assets**

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

#### Town of Bermuda Run Restricted Cash

Governmental Activities	
General Fund	Streets <u>\$410,135</u>
Total Restricted Cash	<u><u>\$410,135</u></u>

### **4. Ad Valorem Taxes Receivable**

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

### **5. Allowances for Doubtful Accounts**

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

### **6. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life of more than two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and improvements that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.

## **Notes to the Financial Statements (continued)**

### **6. Capital Assets (continued)**

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

<u>Asset Class</u>	<u>Useful Life - Yrs</u>
Road improvements	25
Furniture and office equipment	10-15
Infrastructure	15-40

### **7. 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 Town has one that meet this criterion, contributions made to the pension plan in 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 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 Town has one item that meets the criterion for this category –deferrals of pension expense that result from the implementation of GASB Statement 68.

### **8. 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 statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line discounts, as well as issuance costs, 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 premium or discount. Bond issuance cost, 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 ported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

### **9. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has not recognized a current liability due to the immaterial nature of this liability.

The Town'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 Town does not have any obligation for the accumulation of sick leave until it is actually taken, no accrual for sick leave has been made.

## ***Notes to the Financial Statements (continued)***

### **10. Reimbursements for Pandemic-Related Expenditures**

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$863,351 of fiscal recovery funds to be paid in two equal installments. The first installment of \$431,676 was received in July 2021. The second installment was received in mid-2023. The Town management and the Board of Commissioners have opted to use the ARPA funds for the Standard Allowance provision of the act. The prior year and current year's allocation totaling \$863,351 was transferred to the General Fund from the ARPA Fund during the year.

### **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, net of related debt; restricted and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

#### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

*Restricted for Stabilization by State statute* - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

*Restricted for Streets* - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

*Restricted for Capital Project* - portion of fund balance that is restricted for the construction of the Blue Heron trail.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Bermuda Run'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.



## ***Notes to the Financial Statements (continued)***

### **11. Net Position/ Fund Balances (continued)**

Assigned fund balance – portion of fund balance that Town of Bermuda Run intends to use for specific purposes.

*Gate Operations* – portion of fund balance that intended to be used for the security gate operations.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

### **12. Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension asset, 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 Town of Bermuda Run's employer contributions are recognized when due and the Town of Bermuda Run 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:***

***A. Material Violations of Finance-Related Legal and Contractual Provisions:*** None

***B. Excess of Expenditures over Appropriations:*** None

### ***III. Detail Notes on All Funds and Account Groups:***

#### ***A. Assets:***

##### ***1. Deposits***

All the deposits of the Town and the Tourism Development Authority 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 Town's or the Tourism Development Authority's agents in these units' names. 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 Town and the Tourism Development Authority, these deposits are considered to be held by the Town's and the Tourism Development Authority's agents in their names. The amount of the pledged collateral is based on an

## ***Notes to the Financial Statements (continued)***

### ***1. Deposits (continued)***

approval 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 Town, the Tourism Development Authority, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the Tourism Development Authority under the Pooling Method, the potential exists to undercollateralization, and 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 Town 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 Town complies with provisions of GS 159-31 when designating official depositories and verifying that deposits are properly secured. The Tourism Development Authority has no formal policy regarding custodial credit risk for deposits.

At June 30, 2023, the Town's deposits had a carrying amount of \$2,608,565 and a bank balance of \$2,770,196. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above.

At June 30, 2023, the TDA's deposits had a carrying amount of \$212,432 and a bank balance of \$212,432. The bank balances of the TDA were covered by \$250,000 of federal depository insurance. Any excess balance of deposits is collateralized under the Pooling Method as enumerated above.

### ***2. Investments***

At June 30, 2023, the Town had \$328,343 invested with the North Carolina Capital Management Trust Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

### ***3. Receivable - Allowances for Doubtful Accounts***

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ending June 30, 2023 are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2023</u>
None	-0-

**Notes to the Financial Statements (continued)**

**4. Capital Assets - Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2023:

	Beginning Balances	Increases	(Decreases)	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ 577,930	\$ 2,881,220	\$ -	\$ 3,459,151
<b>Capital assets being depreciated:</b>				
Road improvements	6,826,778	-	-	6,826,779
Building	892,500	-	-	892,500
Other improvements	1,175,681	-	-	1,175,681
Equipment and furnishings	622,291	-	-	622,291
Total capital assets being depreciated:	9,517,250	-	-	9,517,251
<b>Less, accumulated depreciation for:</b>				
Road improvements	2,206,339	229,400	-	2,435,740
Building	535,500	35,700	-	571,200
Other improvements	878,599	65,704	-	944,303
Equipment	580,558	13,971	-	594,529
Total accumulated depreciation	4,200,995	344,775	-	4,545,771
<b>Governmental activity capital assets, net</b>	<b>\$ 5,894,186</b>	<b>\$ (344,775)</b>	<b>\$ -</b>	<b>\$ 8,430,631</b>

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

General government	\$ 61,348
Gate operations	9,756
Transportation	273,671
	<u>\$ 344,775</u>

**Construction commitments**

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

Project	Spent-to-date	Remaining Commitment
General Capital Project -Blue Heron Trail	\$ 3,459,151	\$ 271,867
Sewer Capital Project -WWTP	1,808,657	-
	<u>\$ 5,267,808</u>	<u>\$ 271,867</u>

**Notes to the Financial Statements (continued)**

**4. Capital Assets - Primary Government (continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Sewer fund:</b>				
<b>Capital assets not being depreciated:</b>				
Sewer construction	\$ 200,632	\$ 1,608,024	\$ -	\$ 1,808,656
<b>Capital assets being depreciated:</b>				
Plant and distribution	3,313,403	-	-	3,313,403
Total capital assets being depreciated:	3,313,403	-	-	3,313,403
<b>Less, accumulated depreciation for:</b>				
Plant and distribution	1,536,409	84,394	-	1,620,803
Total accumulated depreciation	1,536,409	84,394	-	1,620,803
<b>Business-type activity capital assets, net</b>	<b>\$ 1,977,625</b>	<b>\$ 1,523,630</b>	<b>\$ -</b>	<b>\$ 3,501,255</b>

**B. Liabilities:**

**1. Pension Plan Obligations:**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town 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 governmental 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 State Superintendent, who serve 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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).

## ***Notes to the Financial Statements (continued)***

### ***a. Local Governmental Employees' Retirement System (continued)***

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. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2023, was 12.10% for general employees 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 Town were \$28,930 for the year ended June 30, 2023.

*Refunds of Contributions* – Town 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 Town reported a liability of \$146,113 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 Town's proportion of the net pension liability was based on a projection of the Town'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, 2023, the Town's proportion was 0.00259% (measured as of June 30, 2022), which was an increase of 0.0004% from its proportion as of June 30, 2022 (measured as of June 30, 2021).

**Notes to the Financial Statements (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

For the year ended June 30, 2023, the Town recognized pension expense of \$37,513. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,296	\$ 617
Changes of assumptions	14,579	-
Net difference between projected and actual earnings on pension plan investments	48,292	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	196	5,456
Town contributions subsequent to the measurement date	28,930	-
Total	\$ 98,293	\$ 6,073

\$23,879 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2024	\$ 18,348
2025	16,432
2026	5,502
2027	23,007
2028	-
Thereafter	-

**Actuarial Assumptions.** The total pension liability in the December 31, 2022 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 percent to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

**Notes to the Financial Statements (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

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

## **Notes to the Financial Statements (continued)**

### **a. Local Governmental Employees' Retirement System (continued)**

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 Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town'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:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 263,715	\$ 146,113	\$ 49,202

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

### **b. Law Enforcement Officers Special Separation Allowance**

The Town contracts all security and has no eligible law enforcement employees.

### **c. Supplemental Retirement Income Plan**

401K plan for eligible employees

*Plan Description.* The Town 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 employees employed by the Town. 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 employees 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 employees. 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 Town to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan.

The Town made contributions of \$22,812 for the reporting year. No amounts were forfeited.

### **d. Other Post-employment Benefits**

The Town has not established policies concerning post-employment benefits as of June 30, 2023.



## **Notes to the Financial Statements (continued)**

### **2. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are comprised of the following:

Source	Amount
Differences between expected and actual experience	\$ 6,296
Changes in assumptions	14,579
Net difference between projected and actual earnings on pension plan investments	48,292
Changes in proportion and differences between employer contributions and proportionate share of contributions	196
Town contributions subsequent to the measurement date	28,930
Total	<u>\$ 98,293</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 27,399
Differences between expected and actual experience	617	-
Changes in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,456	-
Total	<u>\$ 6,073</u>	<u>\$ 27,399</u>

### **3. Risk Management**

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to \$20 million per building per occurrence, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000, up to \$500,000 for property, and \$250,000 up to \$5 million for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit of \$1,000,000 for the aggregate losses in a single year. After the property pool has paid out \$1,000,000, then the pool will be liable for a \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the re-insurer. The Town currently has no flood insurance coverage.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$200,000.

**Notes to the Financial Statements (continued)**

**4. Long-Term Obligations:**

**a. Changes in Long-term Liabilities**

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Governmental activities:					
Installment Note	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability (LGERS)	40,334	105,779	-	146,113	-
Accrued Vacation	8,548	-	3,463	5,085	-
	<u>\$ 48,882</u>	<u>\$ 105,779</u>	<u>\$ 3,463</u>	<u>\$ 151,198</u>	<u>\$ -</u>

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

At June 30, 2023, the Town of Bermuda Run had bonds authorized but un-issued of \$-0- and a legal debt margin of \$53,133,013.

**C. Interfund Balances and Activity**

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

Due to/from other funds:

To	General Fund	\$ 229,004
From	General Fund Capital Project	\$ 191,027
From	Sewer Fund	\$ 37,978
To	Sewer Fund	\$ 1,816,941
From	Sewer Fund Capital Project	\$ 1,816,941

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The General Fund has advanced the General Fund Capital Project Fund proceeds needed for various expenditures. The General Fund anticipates a repayment arrangement after the project is completed. The ARPA Fund transferred proceeds that the government must account for in other funds in accordance with budgetary authorizations.

**D. Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 8,430,631	\$ 3,501,255
less: long-term debt	-	-
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 8,430,631</u>	<u>\$ 3,501,255</u>

## ***Notes to the Financial Statements (continued)***

### ***E. Fund Balance***

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<b><i>Total fund balance - General Fund</i></b>	<b><i>\$ 2,204,841</i></b>
Less:	
Stabilization by State Statute	440,963
Streets - Powell Bill	410,135
Remaining Fund Balance	<b><i>\$ 1,353,743</i></b>

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

<b><i>Encumbrances</i></b>	<b><i>General Fund</i></b>	<b><i>Non-Major Funds</i></b>
\$0	\$0	\$0

### ***IV. Summary Disclosure of Significant Contingencies***

#### **Federal and State Assisted Programs**

The Town has received proceeds from several 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.

### ***V. Consideration of Change in Accounting Principal***

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was considered for the current year. However, it was determined the implementation would not have a material affect on the financials. Accordingly, there is no restatement to report.

GASB Statement No. 87, Leases, was considered for the current year. However, it was determined the implementation would not have a material affect on the financials. Accordingly, there is no restatement to report.

### ***VI. Significant Effects of Subsequent Events***

Subsequent events occurring after the statement of financial position date have been evaluated through October 5, 2023, which is the date the financial statements were available to be issued. No material subsequent events were noted.

**Town of Bermuda Run, North Carolina**  
**Town of Bermuda Run's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Ten Fiscal Years \***

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Local Government Employees' Retirement System</b>										
Bermuda Run's proportion of the net pension liability (asset) (%)	0.00259%	0.00263%	0.00303%	0.00305%	0.00334%	0.00342%	0.00289%	0.00372%	0.00290%	0.00260%
Bermuda Run's proportion of the net pension liability (asset) (\$)	\$146,113	\$ 40,334	\$108,275	\$ 83,293	\$ 79,236	\$ 52,248	\$ 61,335	\$ 16,695	\$ (17,103)	\$ 30,555
Bermuda Run's covered-employee payroll	\$210,384	\$201,139	\$200,814	\$193,571	\$186,423	\$179,470	\$146,070	\$175,030	\$162,623	\$139,108
Bermuda Run's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.45%	20.05%	53.92%	43.03%	42.50%	29.11%	41.99%	9.54%	( 10.52%)	21.96%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

**Town of Bermuda Run, North Carolina**  
**Town of Bermuda Run's Contributions**  
**Required Supplementary Information**  
**Last Ten Fiscal Years**

**Local Government Employees' Retirement System**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 28,930	\$ 23,879	\$ 20,416	\$ 17,973	\$ 15,002	\$ 13,982	\$ 13,012	\$ 14,808	\$ 12,375	\$ 14,538
Contributions in relation to the contractually required contribution	28,930	23,879	20,416	17,973	15,002	13,982	13,012	14,808	12,375	14,538
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bermuda Run's covered-employee payroll	\$ 239,088	\$ 210,384	\$ 201,139	\$ 200,814	\$ 193,571	\$ 186,423	\$ 179,470	\$ 146,070	\$ 175,030	\$ 162,623
Contributions as a percentage of covered-employee payroll	12.10%	11.35%	10.15%	8.95%	7.75%	7.50%	7.25%	10.14%	7.07%	8.94%

**Town of Bermuda Run, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2022)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual - Year Ended June 30, 2022</u>
<b>Revenues:</b>				
Ad Valorem taxes (net of refunds)				
Current levies		\$ 942,956		\$ 952,456
Prior levies		47,410		13,602
Penalties and interest		180		552
	<u>\$ 957,860</u>	<u>990,546</u>	<u>\$ 32,686</u>	<u>966,609</u>
Other taxes and licenses:				
Local option sales tax		452,956		429,253
	<u>455,000</u>	<u>452,956</u>	<u>(2,044)</u>	<u>429,253</u>
Unrestricted intergovernmental revenues:				
Utilities franchise tax		218,968		203,695
Beer and wine tax		14,648		12,414
	<u>236,000</u>	<u>233,616</u>	<u>(2,384)</u>	<u>216,109</u>
Restricted intergovernmental revenues:				
Powell Bill allocation		81,170		79,863
Davie Community Foundation		5,600		33,000
ABC revenues		229,342		204,397
	<u>306,000</u>	<u>316,112</u>	<u>10,112</u>	<u>317,260</u>
Investment earnings	<u>16,500</u>	<u>17,203</u>	<u>703</u>	<u>5,450</u>
Other revenues:				
Other income		10,231		23,989
Reimbursement for administrative charges		130,000		100,000
	<u>151,000</u>	<u>140,231</u>	<u>(10,769)</u>	<u>123,989</u>
 Total Revenues	 <u>2,122,360</u>	 <u>2,150,665</u>	 <u>28,305</u>	 <u>2,058,670</u>
Other financing sources:				
Appropriated fund balance	<u>181,500</u>	<u>-</u>	<u>(181,500)</u>	<u>-</u>
 Total revenues and other financing sources	 <u>2,303,860</u>	 <u>2,150,665</u>	 <u>(153,195)</u>	 <u>2,058,670</u>

**Town of Bermuda Run, North Carolina**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual - Year Ended June 30, 2022</u>
<b>Expenditures:</b>				
General Government				
Governing Body	\$ 13,900	\$ 13,820	\$ 80	\$ 10,639
Administration:				
Salaries and Employee Benefits		334,916		276,120
Operating Expenses		92,487		98,255
Professional Services		77,575		43,300
Tax collection fees		34,431		18,898
Town Hall expenses		22,865		36,073
Capital outlay		-		-
Ignite Davie		35,000		-
Consulting and contract labor		51,403		-
Election costs		1,885		4,635
	<u>715,688</u>	<u>650,561</u>	<u>65,127</u>	<u>477,280</u>
Community Services:				
Planning and zoning		50,374		49,557
Ground / general maintenance		50,175		46,076
Leaf removal		46,138		41,520
Waste removal		291,755		281,604
Town projects		112,794		427,413
Post office		842		798
Davie Community Foundation expenses		16,585		21,850
Capital outlay		-		-
Other		66,704		59,752
	<u>647,972</u>	<u>635,367</u>	<u>12,605</u>	<u>928,570</u>
Total General Government	<u>1,377,560</u>	<u>1,299,748</u>	<u>77,812</u>	<u>1,416,489</u>
Safety - Community police program	<u>96,000</u>	<u>70,664</u>	<u>25,336</u>	<u>87,022</u>
Transportation:				
Street Department:				
Engineering		39,089		87,008
Repairs - streets		276,379		400,507
Other		117,007		103,835
Street lights		104,188		93,806
Street ROW maintenance		12,887		22,211
Capital outlay		-		76,089
Powell - street repairs		-		-
Total Transportation	<u>918,300</u>	<u>549,552</u>	<u>368,748</u>	<u>783,455</u>
Debt service:				
Principal		-		-
Interest		-		-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,391,860</u>	<u>1,919,964</u>	<u>471,896</u>	<u>2,286,966</u>
Revenues over Expenditures	<u>(88,000)</u>	<u>230,701</u>	<u>318,701</u>	<u>(228,296)</u>
Other Financing Sources (Uses)				
Transfer to general capital project	(777,000)	(776,623)	377	(809,811)
Transfer from ARPA fund	865,000	864,286	(714)	-
Transfer to sewer fund	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>318,364</u>	<u>\$ 318,364</u>	<u>(1,038,107)</u>
Fund Balance:				
Beginning of Year, July 1		<u>1,886,477</u>		<u>2,924,584</u>
End of Year, June 30		<u>\$ 2,204,841</u>		<u>\$ 1,886,477</u>

**Town of Bermuda Run, North Carolina**  
**Special Revenue Fund - Gated Security**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2022)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual -Year Ended June 30, 2022</u>
<b>Operating revenues:</b>				
Gate fees		\$ 659,362		\$ 571,768
Insurance proceeds		-		-
	<u>\$ 679,600</u>	<u>659,362</u>	<u>\$ (20,238)</u>	<u>571,768</u>
 Fund balance appropriated	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total revenue and other financing sources	 <u>679,600</u>	 <u>659,362</u>	 <u>(20,238)</u>	 <u>571,768</u>
 <b>Operating expenditures:</b>				
Administrative		65,000		50,000
Gate operations expense		595,211		617,577
	<u>679,600</u>	<u>660,211</u>	<u>19,389</u>	<u>667,577</u>
 Other Financing Sources (Uses)				
Transfer to other funds		-		-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures and other financing uses	 <u>679,600</u>	 <u>660,211</u>	 <u>19,389</u>	 <u>667,577</u>
 Revenues over (under) expenditures	 <u>\$ -</u>	 <u>(850)</u>	 <u>\$ (850)</u>	 <u>(95,810)</u>
 Fund Balance:				
Beginning of year		<u>121,676</u>		<u>217,485</u>
 End of year		<u>\$ 120,826</u>		<u>\$ 121,676</u>



**Town of Bermuda Run North Carolina**  
**General Capital Projects Fund - Blue Heron Trail**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2023**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
NCDOT Funds	\$ 2,954,395	\$ 462,345	\$ 2,279,933	\$ 2,742,278	\$ (212,117)
Total revenues	<u>2,954,395</u>	<u>462,345</u>	<u>2,279,933</u>	<u>2,742,278</u>	<u>(212,117)</u>
Expenditures:					
Construction	2,801,732	539,633	2,375,173	2,914,805	(113,073)
CEI services	557,375	38,298	479,646	517,944	39,431
NCDOT project oversight	335,911	-	1,798	1,798	334,114
Administration	<u>36,000</u>	<u>-</u>	<u>24,605</u>	<u>24,605</u>	<u>11,395</u>
Total expenditures	<u>3,731,018</u>	<u>577,931</u>	<u>2,881,220</u>	<u>3,459,151</u>	<u>271,867</u>
Revenues over expenditures	<u>(776,623)</u>	<u>(115,586)</u>	<u>(601,287)</u>	<u>(716,873)</u>	<u>(59,749)</u>
Other financing sources:					
Transfer from general fund	<u>776,623</u>	<u>-</u>	<u>776,623</u>	<u>776,623</u>	<u>-</u>
Total other financing sources	<u>776,623</u>	<u>-</u>	<u>776,623</u>	<u>776,623</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (115,586)</u>	<u>\$ 175,336</u>	<u>\$ 59,749</u>	<u>\$ (59,749)</u>
Fund Balance:					
Beginning of year			<u>(115,586)</u>		
End of year			<u>\$ 59,749</u>		

**Town of Bermuda Run, North Carolina**  
**American Rescue Plan Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2022)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2022 Actual</u>
<b>REVENUES:</b>				
ARP Funds		\$ 863,359		\$ -
Interest income - ARP Funds		610		317
	<u>\$ 865,000</u>	<u>863,969</u>	<u>\$ (1,031)</u>	<u>317</u>
<b>EXPENDITURES:</b>				
Transfers out - General Fund	<u>865,000</u>	<u>864,286</u>	<u>714</u>	<u>-</u>
	<u>865,000</u>	<u>864,286</u>	<u>714</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>(317)</u>	<u><u>\$ 317</u></u>	<u>317</u>
Fund balances - beginning of year		<u>317</u>		<u>-</u>
Fund balances - end of year		<u><u>\$ -</u></u>		<u><u>\$ 317</u></u>

**Town of Bermuda Run, North Carolina**  
**Schedule of Revenues and Expenditures - Budget and Actual - (Non-GAAP)**  
**Sewer Fund**  
**For the Year Ended June 30, 2023**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2022)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual - Year Ended June 30, 2022</u>
Operating revenues:				
Sewer charges		\$ 670,501		\$ 607,425
Tap fees		-		2,550
	<u>\$ 530,850</u>	<u>670,501</u>	<u>\$ 139,651</u>	<u>609,975</u>
Other financing sources:				
Transfer from general fund		-		-
Appropriated fund balance		-		-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other financing sources	<u>530,850</u>	<u>670,501</u>	<u>139,651</u>	<u>609,975</u>
Operating expenditures:				
Administrative				
Licenses		1,210		3,116
Charges from general fund		65,000		50,000
	<u>51,200</u>	<u>66,210</u>	<u>(15,010)</u>	<u>53,116</u>
Sewer operations:				
Plant operations		44,246		63,123
Maintenance		-		-
Engineering		-		53,912
Repairs -plant		4,598		11,707
Repairs - lines		16,465		15,684
Utilities		33,505		37,782
Capital outlay		-		-
Other		264,984		14,092
	<u>479,650</u>	<u>363,798</u>	<u>115,852</u>	<u>196,299</u>
Total operating expenditures	<u>530,850</u>	<u>430,008</u>	<u>100,842</u>	<u>249,415</u>
Other budgetary appropriations:				
Principal paid on long-term debt		-		-
Interest paid		-		-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and budgetary appropriations	<u>530,850</u>	<u>430,008</u>	<u>100,842</u>	<u>249,415</u>
Total revenue and other financing sources over (under) expenditures and budgetary appropriations	<u>\$ -</u>	<u>\$ 240,493</u>	<u>\$ 240,493</u>	<u>\$ 360,560</u>

***Town of Bermuda Run, North Carolina***  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**Sewer Fund (continued)**  
**For the Year Ended June 30, 2023**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2022)**

	<u>2023 Actual</u>	<u>2022 Actual</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:		
Total Revenues and Other Financing Sources	\$ 670,501	\$ 609,975
Total Expenditures and Budgetary Appropriations	<u>430,008</u>	<u>249,415</u>
Excess of Revenues Over (Under) Expenditures	240,493	360,560
Capital outlay	-	-
Capital project grants	1,800,000	-
Depreciation	<u>(84,394)</u>	<u>(85,371)</u>
Change in net position	<u><u>\$ 1,956,099</u></u>	<u><u>\$ 275,189</u></u>

**Town of Bermuda Run North Carolina**  
**Sewer Capital Project Fund - WWTP**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**From inception and for the fiscal year ended June 30, 2023**

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Grants	<u>\$ 1,800,000</u>	<u>\$ -</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ -</u>
Total revenues	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
Expenditures:					
Construction	<u>1,575,760</u>	<u>200,632</u>	<u>1,375,127</u>	<u>1,575,760</u>	<u>-</u>
Administration	<u>232,897</u>	<u>-</u>	<u>232,897</u>	<u>232,897</u>	<u>-</u>
Total expenditures	<u>1,808,657</u>	<u>200,632</u>	<u>1,608,024</u>	<u>1,808,657</u>	<u>-</u>
Revenues over expenditures	<u>(8,657)</u>	<u>(200,632)</u>	<u>191,976</u>	<u>(8,657)</u>	<u>-</u>
Other financing sources:					
Transfer from Sewer Fund	<u>8,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,657</u>
Total other financing sources	<u>8,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,657</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (200,632)</u>	<u>\$ 191,976</u>	<u>\$ (8,657)</u>	<u>\$ 8,657</u>

***Town of Bermuda Run, North Carolina***  
**Schedule of Changes in Ad Valorem Taxes Receivable**  
**For the Year ended June 30, 2023**

<u>Year of Levy</u>	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2023</u>
2022-2023		\$ 996,244	\$ 976,263	\$ 19,981
2021-2022	\$ 5,944		3,835	2,109
2020-2021	2,152		878	1,274
2019-2020	709		(730)	1,439
2018-2019	794		369	425
2017-2018	287		11	276
2016-2017	346		-	346
2015-2016	680		-	680
2014-2015	387		-	387
2013-2014	124		-	124
2012-2013	303		(55)	358
2011-2012	197		197	-
	<u>\$ 11,923</u>	<u>\$ 996,244</u>	<u>\$ 980,768</u>	
Ad Valorem Taxes Receivable - Net				<u>\$ 27,399</u>
Reconcilement with Revenues:				
Tax - Ad Valorem				\$ 990,366
Amounts written off per statute of limitations				197
Adjustments				<u>(9,795)</u>
Total collections and credits				<u>\$ 980,768</u>

**Town of Bermuda Run, North Carolina**

**Analysis of Current Tax Levy  
For the Year Ended June 30, 2023**

	Total Levy				
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax Levy - Town Wide	\$ 659,673,333	0.15	\$ 989,510	\$ 907,842	\$ 81,668
Discoveries	4,648,000		6,972	6,972	-
Abatements and Releases	<u>(158,667)</u>		<u>(238)</u>	<u>(238)</u>	<u>-</u>
Total for Year	<u>\$ 664,162,667</u>		996,244	914,576	81,668
Less, Uncollected Tax at June 30, 2023			<u>19,981</u>	<u>19,981</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 976,263</u>	<u>\$ 894,595</u>	<u>\$ 81,668</u>
<b>Percent Current Year Collected</b>			<u>97.99%</u>	<u>97.82%</u>	<u>100.00%</u>

**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  
Town Council  
Town of Bermuda Run, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Bermuda Run, North Carolina, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprises the Town of Bermuda Run's basic financial statements, and have issued our report thereon dated October 5, 2023.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, we considered the Town of Bermuda Run'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 Town of Bermuda Run's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses/schedule of findings and questioned costs we identified certain deficiencies as item 2023-1 that we consider to be a significant deficiency.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Bermuda Run'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*.

## **Town of Bermuda Run's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses /schedule of findings and questioned costs. The Town'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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eddie Carrick, CPA

A handwritten signature in black ink, appearing to read "Eddie Carrick, CPA".

Lexington, North Carolina  
October 5, 2023

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

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Town of Bermuda Run, North Carolina

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Town of Bermuda Run, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Bermuda Run's major federal programs for the year ended June 30, 2023. The Town of Bermuda Run's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Bermuda Run complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of The Town of Bermuda Run and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Bermuda Run's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The Town of Bermuda Run's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Town of Bermuda Run's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the

report on compliance about The Town of Bermuda Run's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Town of Bermuda Run's compliance with the compliance requirements referred to above and performing such other procedures as We considered necessary in the circumstances.
- obtain an understanding of The Town of Bermuda Run's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Town of Bermuda Run's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that We identified during the audit.

#### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Eddie Carrick, CPA, PC

A handwritten signature in black ink, appearing to read "E. Carrick" or similar, with a stylized flourish at the end.

Lexington, North Carolina  
October 5, 2023

**Town of Bermuda Run, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2023**

**I. Summary of Auditor's Results**

**Financial statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

\* Material weakness(es) identified? \_\_\_\_\_ yes   X   no

\* Significant Deficiency(s) identified that  
are not considered to be material weaknesses?   X   yes \_\_\_\_\_ no

Noncompliance material to financial  
statements noted \_\_\_\_\_ yes   X   no

**Federal and state awards**

\* Material weakness(es) identified? \_\_\_\_\_ yes   X   no

\* Significant Deficiency(s) identified that  
are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be  
accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major federal programs:

Program Name	FAL#
Coronavirus State and Local Fiscal Relief Funds	21.027
Highway Planning and Construction	20.205

Dollar threshold to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low risk auditee? \_\_\_\_\_ yes   X   no

**Town of Bermuda Run, North Carolina**  
**Financial Statement Findings**  
**For the Year Ended June 30, 2023**

**II Financial Statement Findings**

**Significant Deficiencies**

**2023-01      Segregation of Duties**

**Criteria:** The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled properly.

**Condition:** Key duties and functions are not segregated amount Town personnel. This is especially a concern in the cash management, account receivable, purchasing, and payroll functions in all departments.

**Effect:** Transaction could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

**Cause:** There are a limited number of personnel for certain functions.

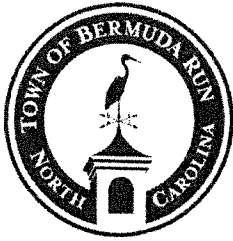
**Identification of a repeat finding:** This is a repeat finding from the immediate previous audit.

**Recommendation:** The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing Board should provide some of these controls

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding and will adhere to the corrective action plan on page 59 in this audit report.

**III Federal Award Findings and Questioned Costs**

None reported



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***Town of Bermuda Run, North Carolina***  
**Corrective Action Plan**  
**For the Year Ended June 30, 2023**

**II Financial Statement Findings**

**Significant Deficiencies**

**2023-01 Segregation of Duties**

**Name of contact person:** Andrew Meadwell, Town manager

**Corrective Action:** Duties and functions will be reviewed to determine where segregation needs to occur. The duties will be separated as much as possible and alternative controls will be implemented to compensate for lack of segregation. However, the risk of not segregated certain duties are not worth the additional costs. Nonfinancial employees will be trained and provide some assistance. The Town has implemented the following mitigating factors:

- \* Finance Director prepares deposits and the Town Manager or Town Clerk signs off on deposit.
- \* Bank reconciliations are reviewed monthly by Town Manager.
- \* Financials are reviewed by Town Council monthly.
- \* Quarterly financials are reviewed by an outside CPA.
- \* Dual check signatures with backup are required.

**Proposed Completion Date:** The Board will implement the above procedure immediately.

**III Federal Award Findings and Questioned Costs**

None reported

***The Town of Bermuda Run***  
**Schedule of Federal and State Financial Assistance**  
**For the year ended June 30, 2023**

GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ASSISTANCE LISTING No.	STATE GRANTOR'S NUMBER	FEDERAL (DIRECT) PASS THROUGH EXPENDITURES	STATE (DIRECT) PASS THROUGH EXPENDITURES
<b><u>Federal grants</u></b>				
<b><u>US DEPARTMENT OF TREASURY</u></b>				
Coronavirus State and Local Recovery Fund				
Direct Funding	21.027		\$ 863,359 **	
Pass-through from Davie County, NC	21.027		1,608,021 **	
<b><u>FEDERAL HIGHWAY ADMINISTRATION</u></b>				
Passed-through the N.C. Department of Transportation:				
Highway Planning and Construction	20.205		2,881,220 **	
<b><u>State Grants</u></b>				
None				
			\$ 5,352,600	-
			\$ 5,352,600	-

\*\* Major programs

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Bermuda Run, North Carolina, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or use in the preparation of the basic financial statements.

**Note 2: Summary of Significant Accounting Policies**

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