

**Town of Bermuda Run  
Bermuda Run, North Carolina  
For the year ended  
June 30, 2020**

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

**Town of Bermuda Run**

**Table of Contents**  
**June 30, 2020**

<b>Independent Auditor's Report</b>	<b>1-2</b>
<b>Management's Discussion and Analysis</b>	<b>3-12</b>
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Exhibit 1          Statement of Net Position	13
Exhibit 2          Statement of Activities	14
Fund Financial Statements	
Exhibit 3          Balance Sheet – Governmental Funds	15
Exhibit 4          Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Exhibit 5          Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit 6          Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund and Annually Budgeted Special Revenue Fund	18
Exhibit 7          Statement of Fund Net Position – Proprietary Fund	19
Exhibit 8          Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	20
Exhibit 9          Statement of Cash Flows – Proprietary Funds	21
Notes to the Financial Statements	22-39

**Required Supplementary Information:**

Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System	40
Schedule of Contributions – Local Government Employees' Retirement System	41

**Individual Funds Statements and Schedules:**

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	42-43
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Capital Projects Fund – US 158	44
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund – Gated Security	45
Schedule of Revenues and Expenditures - Budget and Actual – (Non-GAAP) Sewer Fund	46-47

**Other Schedules:**

Schedule of Changes in Ad Valorem Taxes Receivable	48
Analysis of Current Tax Levy	49

# **EDDIE CARRICK, CPA, PC**

Certified Public Accountant

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## **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Bermuda Run, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Bermuda Run, North Carolina, as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-12 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 40 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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 and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bermuda Run, North Carolina's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Emphasis of Matter**

As discussed in Note IV to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter

Eddie Carrick CPA, PC

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

Lexington, North Carolina  
October 4, 2020



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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, 2020. 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.

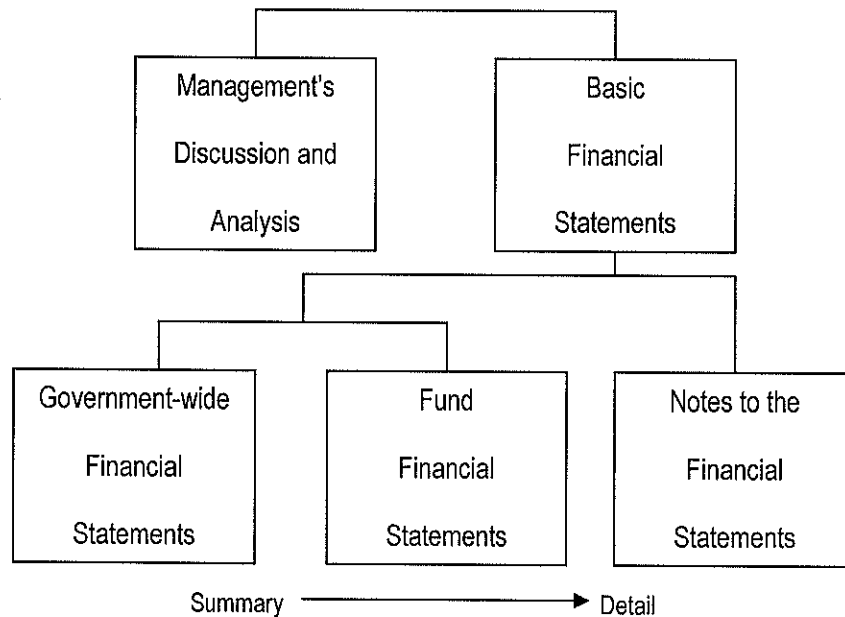
### Financial highlights

- 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 \$11,790,782 (*net position*).
- The government's total net position increased by \$1,137,098, primarily due to governmental-type activities 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 \$3,045,445 with a net change of \$115,645 in fund balance. Approximately 17% of this total amount, or \$519,705, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,525,740, or 144% of total general fund expenditures for the fiscal year.
- The Town of Bermuda Run's total debt increased by \$2,386 due to a decrease in accrued vacation of \$1,671, and an increase in net pension liability of \$4,057.

### 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 22 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>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Current and other assets	\$ 3,273,094	\$ 3,004,906	\$ 1,949,827	\$ 1,635,615	\$ 5,222,921	\$ 4,640,521
Capital assets	4,881,341	4,073,573	1,948,180	2,036,919	6,829,521	6,110,492
Deferred outflows of resources	48,536	60,924	-	-	48,536	60,924
Total assets and deferred outflows of resources	8,202,971	7,139,403	3,898,007	\$3,672,534	12,100,978	10,811,937
Long-term liabilities	86,259	83,873	-	-	86,259	83,873
Other liabilities	217,125	68,174	83	83	217,208	68,257
Deferred inflows of resources	6,729	6,125	-	-	6,729	6,125
Total liabilities and deferred inflows of resources	310,113	158,172	83	83	310,196	158,255
Net position:						
Net investment in capital assets	4,881,341	4,073,573	1,948,180	2,036,919	6,829,521	6,110,492
Restricted for:					60,065	
Stabilization by State Statute	60,065	151,640	-	-		151,640
Streets	310,334	256,281	-	-	310,334	256,281
Unrestricted	2,641,118	2,499,737	1,949,743	1,635,532	4,590,861	4,135,269
Total net position	\$ 7,892,858	\$ 6,981,231	\$ 3,897,924	\$ 3,672,452	\$ 11,790,782	\$ 10,653,683

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 \$11,790,782 as of June 30, 2020. The Town's net position increased by \$1,137,098 for the fiscal year ended June 30, 2020. However, the largest portion (58%) 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, \$7,199,921, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,590,861 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:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.31%, compared to the state average of 97%.
- Timely maintenance of Town assets to maximize lives.
- Capital grant associated with the General Fund capital project.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 512,652	\$ 520,082	\$ 527,122	\$ 546,697	\$ 1,039,774	\$ 1,066,779
Operating grants and contributions	61,896	63,191	-	-	61,896	63,191
Capital grants and contributions	770,000	-	-	-	770,000	-
General revenues:						
Property taxes	849,843	839,912	-	-	849,843	839,912
Other taxes	486,533	544,616	-	-	486,533	544,616
Other	556,814	525,753	850	2,550	557,664	528,303
Total revenues	3,237,738	2,493,554	527,972	549,247	3,765,710	3,042,801
Expenses:						
General government	960,164	1,001,455	-	-	960,164	1,001,455
Safety	87,740	89,573	-	-	87,740	89,573
Gate operations	545,210	531,537	-	-	545,210	531,537
Transportation	732,997	842,855	-	-	732,997	842,855
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	302,500	289,516	302,500	289,516
Total expenses	2,326,111	2,465,421	302,500	289,516	2,628,611	2,754,936
Increase in net position before transfers	911,626	28,132	225,472	259,731	1,137,098	287,863
Transfers	-	-	-	-	-	-
Increase in net position	911,626	28,132	225,472	259,731	1,137,098	287,863
Net position, July 1	6,981,231	6,953,099	3,672,452	3,412,721	10,653,683	10,365,820
Net position, June 30	\$ 7,892,858	\$ 6,981,231	\$ 3,897,924	\$ 3,672,452	\$ 11,790,782	\$ 10,653,683

Management Discussion and Analysis  
Town of Bermuda Run

**Governmental activities.** Governmental activities increased the Town's net position by \$911,626, thereby accounting for 81% of the total growth in net position of the Town. The increase in net position was the result of increased revenue generation, capital contributions 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 2020 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 contributions associated with the General Fund capital project

**Business-type activities:** Business-type activities increased the Town's net position by \$225,472, accounting for 19% of the total growth in the government's net position. Key elements of this increase are as follows:

- Sewer charges remain steady
- 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 \$2,525,740, while total fund balance reached \$2,896,139. The Town currently has an available fund balance of 144% of general fund expenditures, while total fund balance represents 165% of the same amount.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$3,045,445 with a net increase in fund balance of \$115,645. Included in this change in fund balance are increases in the General Fund of \$189,877, a decrease in the General Fund Capital Project of \$58,646, and a decrease in Special Revenue Fund of \$15,586.

Management Discussion and Analysis  
Town of Bermuda Run

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget on one occasion. 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 Special Revenue's gate expenditures.

**Proprietary Funds:** The Town's proprietary funds provide the same type of information 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 \$1,949,743. The total change in net position was \$225,472. 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, 2020, totals \$6,829,521 (net of accumulated depreciation). These assets include buildings, roads, machinery and equipment.

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

- Construction in progress - road improvements \$828,646
- Road improvements \$60,225
- Sidewalk improvement \$205,903

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Construction in progress	\$ 828,646				\$ 828,646	\$ -
Road improvements	3,119,290	3,212,864	-	-	3,119,290	3,212,864
Buildings	428,400	464,100	-	-	428,400	464,100
Other improvements	382,011	362,323	-	-	382,011	362,323
Equipment and furnishings	122,992	34,286	-	-	122,992	34,286
Plant and distribution	-	-	1,948,182	2,036,919	1,948,182	2,036,919
	<u>\$ 4,881,341</u>	<u>\$ 4,073,573</u>	<u>\$ 1,948,180</u>	<u>\$ 2,036,919</u>	<u>\$ 6,829,521</u>	<u>\$ 6,110,492</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, 2020, 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>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Pension related debt (LGERS)	\$ 83,293	\$ 79,236	\$ -	\$ -	\$ 83,293	\$ 79,236
Compensated absences	2,966	4,637	-	-	2,966	4,637
	<u>\$ 86,259</u>	<u>\$ 83,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,259</u>	<u>\$ 83,873</u>

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

The Town of Bermuda Run's total debt increased by \$2,386 due to a decrease in accrued vacation of \$1,671 and an increase in net pension liability of \$4,057.

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 \$45,154,027.

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.

- The continued build out of Kinderton Village Residential Community with a new 72 unit single family section
- A fully operational 50 bed tower in for the Davie Medical Center – Bermuda Run Campus, as well as a fully operational joint replacement unit
- The expansion of services for Bermuda Village Premier Retirement Community
- Increased commercial and retail growth in the Town and surrounding areas
- Increased destination driven economic impact from Truist Sports Park for tournaments and special events
- The construction of the new R.I.S.E. 100,000 square foot indoor sports and events facility adjacent to Truist Sports Park that is scheduled for completion in June of 2021
- Continued increased use of WinMock at Kinderton for corporate events, weddings, and regional programs.
- Work toward the recruitment of a 130 room boutique/upscale hotel adjacent to WinMock at Kinderton
- The completion of a 224 unit market rate apartment community within the Kinderton Commercial Core area
- Two new access streets to the Kinderton Commercial Core area adding additional opportunities for mixed-use development

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

**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 2019-2020 fiscal year.

The Town has chosen not to appropriate fund balance in the fiscal year 2021 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 \$56,053 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 2020-2021 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, 2020**

	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	\$ 2,800,252	\$ 1,949,827	\$ 4,750,079	\$ -
Property taxes receivable (net)	10,524	-	10,524	-
Accounts receivable (net)	151,984	-	151,984	1,768
Restricted cash	310,334	-	310,334	184,521
Total current assets	<u>3,273,094</u>	<u>1,949,827</u>	<u>5,222,921</u>	<u>186,289</u>
Non-current assets:				
Capital assets (Note 4):				
Construction in progress	828,646	-	828,646	-
Other capital assets, net of depreciation	4,052,695	1,948,180	6,000,875	-
Total Capital assets	<u>4,881,341</u>	<u>1,948,180</u>	<u>6,829,521</u>	<u>-</u>
Total assets	<u>8,154,435</u>	<u>3,898,007</u>	<u>12,052,442</u>	<u>186,289</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	48,536	-	48,536	-
Total deferred inflows of resources	<u>48,536</u>	<u>-</u>	<u>48,536</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	217,125	83	217,208	-
Long-term liabilities:				
Net pension liability	83,293	-	83,293	-
Accrued vacation	2,966	-	2,966	-
Total liabilities	<u>303,384</u>	<u>83</u>	<u>303,467</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	6,729	-	6,729	-
Total deferred inflows of resources	<u>6,729</u>	<u>-</u>	<u>6,729</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,881,341	1,948,180	6,829,521	-
Restricted for:				
Stabilization by State Statute	60,065	-	60,065	1,768
Streets	310,334	-	310,334	-
Tourism Development	-	-	-	184,521
Unrestricted	2,641,118	1,949,743	4,590,861	-
Total net position	<u>\$ 7,892,858</u>	<u>\$ 3,897,924</u>	<u>\$ 11,790,782</u>	<u>\$ 186,289</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, 2020**

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Town of Bermuda Run Tourism Development Authority
<b>Governmental activities:</b>								
General government	\$ 960,164	\$ -	\$ -	\$ -	\$ (960,164)	\$ -	\$ (960,164)	\$ (26,816)
Safety	87,740	-	-	-	(87,740)	-	(87,740)	-
Gate operations	545,210	512,652	-	-	(32,558)	-	(32,558)	-
Transportation	732,997	-	61,896	770,000	98,899	-	98,899	-
Interest on long-term debt	-	-	-	-	-	-	-	-
Sponsorship	-	-	-	-	-	-	-	(30,000)
Total governmental activities	<u>2,326,111</u>	<u>512,652</u>	<u>61,896</u>	<u>770,000</u>	<u>(981,563)</u>	<u>-</u>	<u>(981,563)</u>	<u>(56,816)</u>
<b>Business-type activities</b>								
Sewer	<u>302,500</u>	<u>527,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,622</u>	<u>224,622</u>	<u>-</u>
Total business activities	<u>302,500</u>	<u>527,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,622</u>	<u>224,622</u>	<u>-</u>
<b>Total government</b>	<u>\$ 2,628,611</u>	<u>\$ 1,039,774</u>	<u>\$ 61,896</u>	<u>\$ 770,000</u>	<u>(981,563)</u>	<u>224,622</u>	<u>(532,319)</u>	<u>(56,816)</u>
General revenues:								
Taxes:								
Property taxes levied for general purposes					849,843	-	849,843	-
Other taxes					486,533	-	486,533	60,006
Unrestricted intergovernmental					221,372	-	221,372	-
Restricted intergovernmental					166,000	-	166,000	-
Unrestricted investment earnings					33,392	-	33,392	26
Other unrestricted revenues					136,050	850	136,900	-
Transfers					-	-	-	-
Total general government revenues and transfers					<u>1,893,190</u>	<u>850</u>	<u>1,894,040</u>	<u>60,032</u>
Change in net position					911,626	225,472	1,137,098	3,216
Net position, beginning					6,981,231	3,672,452	10,653,683	183,073
Net position, ending					<u>\$ 7,892,858</u>	<u>\$ 3,897,924</u>	<u>\$ 11,790,782</u>	<u>\$ 186,289</u>

The accompanying notes are an integral part of the financial statements

**Town of Bermuda Run, North Carolina**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	Major			Total
	Capital			Governmental
	General	Project US 158	Special Revenue	Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,588,238	\$ -	\$ 212,014	\$ 2,800,252
Restricted cash	310,334	-	-	310,334
Due to (from) other funds	(91,919)	91,919	-	-
Property taxes receivable (net)	10,524	-	-	10,524
Accounts receivable (net)	151,984	-	-	151,984
	<u>\$ 2,969,161</u>	<u>\$ 91,919</u>	<u>\$ 212,014</u>	<u>\$ 3,273,094</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 62,498	\$ 150,565	\$ 4,063	\$ 217,125
	<u>62,498</u>	<u>150,565</u>	<u>4,063</u>	<u>217,125</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	10,524	-	-	10,524
Total deferred inflows of resources	<u>10,524</u>	<u>-</u>	<u>-</u>	<u>10,524</u>
<b>Fund balances:</b>				
Restricted for:				
Stabilization by state statute	60,065	-	-	60,065
Streets	310,334	-	-	310,334
Capital project	-	(58,646)	-	(58,646)
Assigned for gate operations	-	-	207,952	207,952
Unassigned	2,525,740	-	-	2,525,740
Total Fund Balances	<u>2,896,139</u>	<u>(58,646)</u>	<u>207,952</u>	<u>3,045,445</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,969,161</u>	<u>\$ 91,919</u>	<u>\$ 212,014</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.				4,881,341
Net pension liability				(83,293)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position				48,536
Liabilities for earned revenues considered deferred inflows of resources in fund statements.				10,524
Pension related deferrals				(6,729)
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				(2,966)
Net position of the governmental activities				<u>\$ 7,892,858</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, 2020**

	Major			Total
	General	Capital Project US 158	Special Revenue	Governmental Funds
<b>Revenues:</b>				
Ad Valorem taxes	\$ 846,251	\$ -	\$ -	\$ 846,251
Other taxes and licenses	486,533	-	-	486,533
Unrestricted intergovernmental revenues	221,372	-	-	221,372
Restricted intergovernmental revenues	227,896	-	-	227,896
Investment earnings	33,392	-	-	33,392
Gate fees	-	-	512,652	512,652
Other revenues	136,050	-	-	136,050
	<u>1,951,494</u>	<u>-</u>	<u>512,652</u>	<u>2,464,145</u>
<b>Other financing sources:</b>				
Proceeds from long-term debt	-	-	-	-
Capital contributions	-	770,000	-	770,000
Appropriated fund balance	-	-	-	-
Total revenues and other sources	<u>1,951,494</u>	<u>770,000</u>	<u>512,652</u>	<u>3,234,145</u>
<b>Expenditures:</b>				
General government	870,763	-	-	870,763
Safety	87,740	-	-	87,740
Gate operations	-	-	528,237	528,237
Transportation	803,114	828,646	-	1,631,760
Debt service	-	-	-	-
	<u>1,761,617</u>	<u>828,646</u>	<u>528,237</u>	<u>3,118,500</u>
<b>Other Financing Uses:</b>				
Transfers	-	-	-	-
Total Expenditures and Other Uses	<u>1,761,617</u>	<u>828,646</u>	<u>528,237</u>	<u>3,118,500</u>
Excess of revenues and other sources over (under) expenditures and other uses	189,877	(58,646)	(15,586)	115,645
<b>Fund Balances</b>				
Beginning of year, July 1	<u>2,706,262</u>	<u>-</u>	<u>223,537</u>	<u>2,929,800</u>
End of year, June 30	<u>\$ 2,896,139</u>	<u>\$ (58,646)</u>	<u>\$ 207,952</u>	<u>\$ 3,045,445</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, 2020**

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

Net changes in fund balances - total governmental funds	\$	115,645
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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	\$ 266,128		
Construction in progress	828,646		
Depreciation	<u>(287,007)</u>		807,767

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		3,592
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Changes in pension expense

Changes in net pension assets	-		
Changes in deferred outflows	(12,388)		
Changes in net pension liability	(4,057)		
Changes in deferred inflows	<u>(604)</u>		(17,049)

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>1,671</u>
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Total changes in net position of governmental activities	\$	<u><u>911,626</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, 2020**

	General				Special Revenue			
	Budget		Actual	Variance with Final budget Favorable (Unfavorable)	Budget		Actual	Variance with Final budget Favorable (Unfavorable)
	Original	Final			Original	Final		
<b>Revenues:</b>								
Ad Valorem taxes	\$ 836,000	\$ 836,000	\$ 846,251	\$ 10,251	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	478,000	478,000	486,533	8,533	-	-	-	-
Unrestricted intergovernmental revenues	178,000	178,000	221,372	43,372	-	-	-	-
Restricted intergovernmental revenues	213,000	213,000	227,896	14,896	-	-	-	-
Investment earnings	10,000	10,000	33,392	23,392	-	-	-	-
Gate fees	-	-	-	-	513,000	513,000	512,652	(348)
Other revenues	125,300	125,300	136,050	10,750	-	-	-	-
	<u>1,840,300</u>	<u>1,840,300</u>	<u>1,951,494</u>	<u>111,194</u>	<u>513,000</u>	<u>513,000</u>	<u>512,652</u>	<u>(348)</u>
<b>Other financing sources:</b>								
Proceeds from long-term debt	-	-	-	-	-	-	-	-
Appropriated fund balance	-	197,403	-	(197,403)	-	31,250	-	(31,250)
Total revenues and other sources	<u>1,840,300</u>	<u>2,037,703</u>	<u>1,951,494</u>	<u>(86,209)</u>	<u>513,000</u>	<u>544,250</u>	<u>512,652</u>	<u>(31,598)</u>
<b>Expenditures:</b>								
General government	1,064,400	1,064,400	870,763	193,637	-	-	-	-
Safety	88,900	90,800	87,740	3,060	-	-	-	-
Gate operations	-	-	-	-	513,000	544,250	528,237	16,013
Transportation	687,000	882,503	803,114	79,389	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
	<u>1,840,300</u>	<u>2,037,703</u>	<u>1,761,617</u>	<u>276,086</u>	<u>513,000</u>	<u>544,250</u>	<u>528,237</u>	<u>16,013</u>
<b>Other Financing Uses:</b>								
Unappropriated fund balance	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Total Expenditures and Other Uses	<u>1,840,300</u>	<u>2,037,703</u>	<u>1,761,617</u>	<u>276,086</u>	<u>513,000</u>	<u>544,250</u>	<u>528,237</u>	<u>16,013</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	189,877	<u>\$ 189,877</u>	<u>\$ -</u>	<u>\$ -</u>	(15,586)	<u>\$ (15,586)</u>
<b>Fund Balances</b>								
Beginning of year, July 1			2,706,262				223,537	
End of year, June 30			<u>\$ 2,896,139</u>				<u>\$ 207,952</u>	

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, 2020**

**Assets**

## Current assets:

Cash and investments	\$ 1,949,827
Accounts receivable (net)	<u>-</u>
Total current assets	<u>1,949,827</u>

## Noncurrent assets:

## Capital assets:

Other capital assets, net of depreciation	1,948,180
Total non-current assets	<u>1,948,180</u>
Total assets	<u>3,898,007</u>

**Liabilities**

## Current liabilities:

Current maturities on long-term debt	-
Accounts payable	<u>83</u>
Total current liabilities	<u>83</u>

## Long-term liabilities:

Due in more than one year	-
Total liabilities	<u>83</u>

**Net Position**

Net investment in capital assets	1,948,180
Unrestricted	<u>1,949,743</u>
Total net position of business-type activities	<u>\$ 3,897,924</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, 2020**

<b>Operating revenues:</b>	
Sewer charges	\$ 527,122
	<u>527,122</u>
<b>Operating expenses:</b>	
Administration	51,010
Sewer operations	162,751
Depreciation	88,739
	<u>302,500</u>
 <b>Operating income</b>	 <u>224,622</u>
 <b>Nonoperating revenue (expense):</b>	
Interest income	-
Other income	850
<b>Total nonoperating revenue (expense)</b>	<u>850</u>
 Income before operating transfers	 225,472
 <b>Operating transfers in (out)</b>	 <u>-</u>
 <b>Change in net position - business type activities</b>	 225,472
 <b>Total net position - July 1</b>	 <u>3,672,452</u>
 <b>Total net position - June 30</b>	 <u><u>\$ 3,897,924</u></u>

**Town of Bermuda Run, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

**Cash flows from operating activities:**

Cash received from customers	\$ 527,122
Cash payment to suppliers of goods and services	(213,760)
Cash payment to employees and benefits	-
<b>Net Cash Provided By Operating Activities</b>	<u>313,362</u>

**Cash flows from noncapital financial activities:**

Transfer from General Fund	-
Sewer assessments	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>-</u>

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

Interest paid	-
Payments on long-term debt	-
Purchase of capital assets	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>-</u>

**Cash flows from investing activities:**

Interest on investments	850
<b>Net Cash Provided by Investing Activities</b>	<u>850</u>

Net Increase (Decrease) In Cash 314,212

Cash - Beginning of Year, July 1 1,635,615

Cash - End of Year, June 30 \$ 1,949,827

**Adjustments to Reconcile Net Operating Income****to Net Cash Provided by Operating Activities:**

Net operating income	\$ 224,622
Depreciation	88,739
Changes in current assets and liabilities:	
(Increase) decrease in accounts receivable	-
Increase (decrease) in accounts payable	-

**Net Cash Provided (Used) By Operating Activities** \$ 313,362

Interest paid \$ -



## ***Town of Bermuda Run, North Carolina***

### ***NOTES TO FINANCIAL STATEMENTS As of or for the Year Ended June 30, 2020***

#### ***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 2,700 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 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 Fund***

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 one Special Revenue Fund, the Gated Security Fund.

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.

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.

### ***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

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

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

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.

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

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

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

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. Fund. 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) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The Town does not have a formal investment or credit risk policy.

#### ***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.

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

### **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 Bermua Run Restricted Cash

Governmental Activities	
General Fund	Streets
	<u>\$310,334</u>
Total Restricted Cash	<u>\$310,334</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, 2019. 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.

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

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

### **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 2020 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.

### **10. 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.

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

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

#### 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.

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.

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.

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

### **11. 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 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.



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

**1. Deposits (continued)**

At June 30, 2020, the Town's deposits had a carrying amount of \$4,743,239 and a bank balance of \$4,917,725. 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, 2020, the TDA's deposits had a carrying amount of \$184,521 and a bank balance of \$184,971. 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, 2020, the Town had \$317,174 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, 2020 are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2020</u>
None	-0-

**4. Capital Assets - Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2020:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ -	\$ 828,646	\$ -	\$ 828,646
<b>Capital assets being depreciated:</b>				
Road improvements	\$ 4,876,533	\$ 60,225	\$ -	\$ 4,936,758
Building	892,500	-	-	892,500
Other improvements	965,558	205,903	-	1,171,461
Equipment and furnishings	595,625	-	-	595,625
Total capital assets being depreciated:	7,330,216	266,128	-	7,596,344
<b>Less, accumulated depreciation for:</b>				
Road improvements	1,663,669	153,799	-	1,817,468
Building	428,400	35,700	-	464,100
Other improvements	713,130	76,320	-	789,450
Equipment	451,445	21,188	-	472,633
Total accumulated depreciation	3,256,644	287,007	-	3,543,651
<b>Governmental activity capital assets, net</b>	<u>\$ 4,073,573</u>	<u>\$ (20,879)</u>	<u>\$ -</u>	<u>\$ 4,881,341</u>

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

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

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

General government	\$ 74,023
Gate operations	16,973
Transportation	<u>196,011</u>
	\$ 287,007

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Sewer fund:</b>				
<b>Capital assets not being depreciated:</b>				
Sewer construction	\$ -	\$ -	\$ -	\$ -
<b>Capital assets being depreciated:</b>				
Plant and distribution	3,313,403	-	-	3,313,403
Total capital assets being depreciated:	<u>3,313,403</u>	<u>-</u>	<u>-</u>	<u>3,313,403</u>
<b>Less, accumulated depreciation for:</b>				
Plant and distribution	1,276,482	88,739	-	1,365,221
Total accumulated depreciation	<u>1,276,482</u>	<u>88,739</u>	<u>-</u>	<u>1,365,221</u>
<b>Business-type activity capital assets, net</b>	<u><u>\$ 2,036,919</u></u>	<u><u>\$ (88,739)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,948,180</u></u>

**Construction commitments**

The government has active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
General Capital Project - US 158	\$ 828,646	\$ 834,554

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

### ***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). 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, 2020, was 8.95% for general employees actuarially determined as an amount that, when combined with employee

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

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

contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$17,973 for the year ended June 30, 2020.

*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, 2020, the Town reported a liability of \$83,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the Town's proportion was 0.00305% (measured as of June 30, 2019), which was a decrease of 0.00029% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$35,022. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,262	\$ -
Changes of assumptions	13,575	-
Net difference between projected and actual earnings on pension plan investments	2,032	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	694	6,729
Town contributions subsequent to the measurement date	17,973	-
Total	<u>\$ 48,536</u>	<u>\$ 6,729</u>

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

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

\$17,973 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$	12,273
2022		3,487
2023		610
2024		1,462
2025		-
Thereafter		-

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

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

<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 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

*Sensitivity of the 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 190,507	\$ 83,293	\$ (5,823)

*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.

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

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

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

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

The Town contracts all security and has no eligible law enforcement 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 \$3,614 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, 2020.

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

Deferred outflows of resources are comprised of the following:

Source	Amount
Differences between expected and actual experience	\$ 14,262
Changes in assumptions	13,575
Net difference between projected and actual earnings on pension plan investments	2,032
Changes in proportion and differences between employer contributions and proportionate share of contributions	694
Town contributions subsequent to the measurement date	17,973
Total	<u>\$ 48,536</u>

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

### **2. Deferred Outflows and Inflows of Resources (continued)**

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)	\$ -	\$ 10,524
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,729	-
Total	<u>\$ 6,729</u>	<u>\$ 10,524</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 has a public officials bond of \$50,000 on the Finance Officer and \$10,000 on the Tax Collector. The Town currently has no flood insurance coverage.

### **4. Long-Term Obligations:**

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

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Installment Note	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability (LGERS)	79,236	4,057	-	83,293	-
Accrued Vacation	4,637	-	1,671	2,966	-
	<u>\$ 83,873</u>	<u>\$ 4,057</u>	<u>\$ 1,671</u>	<u>\$ 86,259</u>	<u>\$ -</u>



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

**a. Changes in Long-term Liabilities (continued)**

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

At June 30, 2020, the Town of Bermuda Run had bonds authorized but un-issued of \$-0- and a legal debt margin of \$45,154,027.

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to/from other funds:			
From	General Fund	\$	91,919
To	General Fund Capital Project	\$	91,919

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.

**D. Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 4,881,341	\$ 1,948,180
less: long-term debt	-	-
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 4,881,341</u>	<u>\$ 1,948,180</u>

**E. Fund Balance**

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

<b><u>Total fund balance - General Fund</u></b>	<b>\$ 2,896,139</b>
Less:	
Stabilization by State Statute	60,065
Streets - Powell Bill	310,334
Remaining Fund Balance	\$ 2,525,740

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

### **E. Fund Balance (continued)**

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

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
	\$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. Significant Effects of Subsequent Events**

Subsequent events occurring after the statement of financial position date have been evaluated through October 4, 2020, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Authority and its ability to carry out its activities which could impact its financial results.

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bermuda Run's proportion of the net pension liability (asset) (%)	0.00305%	0.00334%	0.00342%	0.00289%	0.00372%	0.00290%	0.00260%
Bermuda Run's proportion of the net pension liability (asset) (\$)	\$ 83,293	\$ 79,236	\$ 52,248	\$ 61,335	\$ 16,695	\$ (17,103)	\$ 30,555
Bermuda Run's covered-employee payroll	\$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	43.03%	42.50%	29.11%	41.99%	9.54%	( 10.52%)	21.96%
percentage of the total pension liability**	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 Seven Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17,973	\$ 15,002	\$ 13,982	\$ 13,012	\$ 14,808	\$ 12,375	\$ 14,538
Contributions in relation to the contractually required contribution	17,973	15,002	13,982	13,012	14,808	12,375	14,538
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bermuda Run's covered-employee payroll	\$ 200,814	\$ 193,571	\$ 186,423	\$ 179,470	\$ 146,070	\$ 175,030	\$ 162,623
Contributions as a percentage of covered-employee payroll	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, 2020**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2019)**

	Budget	Actual	Variance Favorable (Unfavorable)	Actual - Year Ended June 30, 2019
<b>Revenues:</b>				
Ad Valorem taxes (net of refunds)				
Current levies		\$ 843,867		\$ 836,701
Prior levies		993		4,990
Penalties and interest		1,391		2,520
	\$ 836,000	846,251	\$ 10,251	844,211
Other taxes and licenses:				
Local option sales tax		486,533		544,616
	478,000	486,533	8,533	544,616
Unrestricted intergovernmental revenues:				
Utilities franchise tax		203,404		195,109
Cable franchise		6,505		7,334
Beer and wine tax		11,462		11,666
	178,000	221,372	43,372	214,109
Restricted intergovernmental revenues:				
Powell Bill allocation		61,896		63,191
ABC revenues		166,000		154,616
	213,000	227,896	14,896	217,807
Investment earnings	10,000	33,392	23,392	20,874
Other revenues:				
Other income		36,050		36,154
Insurance proceeds		-		-
Reimbursement for administrative charges		100,000		100,000
	125,300	136,050	10,750	136,154
 Total Revenues	 1,840,300	 1,951,494	 111,194	 1,977,770
Other financing sources:				
Appropriated fund balance	197,403	-	(197,403)	-
 Total revenues and other financing sources	 2,037,703	 1,951,494	 (86,209)	 1,977,770

**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, 2019</u>
<b>Expenditures:</b>				
General Government				
Governing Body	\$ 11,400	\$ 10,850	\$ 550	\$ 11,400
Administration:				
Salaries and Employee Benefits		242,767		234,397
Operating Expenses		104,244		92,348
Professional Services		31,844		27,015
Tax collection fees		27,441		17,739
Town Hall expenses		24,095		21,921
Capital outlay		-		7,329
Election costs		4,171		-
	<u>435,350</u>	<u>434,563</u>	<u>787</u>	<u>400,748</u>
Community Services:				
Planning and zoning		52,855		62,374
Community and economic development		-		-
Ground / general maintenance		63,934		80,051
Leaf removal		35,325		24,750
Waste removal		200,924		190,895
Town projects		28,540		75,592
Repairs - storm water		-		-
Post office		707		1,069
Capital outlay		-		-
Contribution to DOT - pedestrian bridge		-		5,573
Other		43,066		74,215
	<u>617,650</u>	<u>425,350</u>	<u>192,300</u>	<u>514,520</u>
Total General Government	<u>1,064,400</u>	<u>870,763</u>	<u>193,637</u>	<u>926,667</u>
Safety - Community police program	<u>88,900</u>	<u>87,740</u>	<u>1,160</u>	<u>89,573</u>
Transportation:				
Street Department:				
Engineering		15,929		29,823
Repairs - streets		323,587		443,638
Other		109,054		116,039
Street lights		80,571		73,481
Capital outlay		266,128		118,219
Powell - street repairs		7,844		-
Total Transportation	<u>884,403</u>	<u>803,114</u>	<u>81,289</u>	<u>781,199</u>
Debt service:				
Principal		-		-
Interest		-		-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,037,703</u>	<u>1,761,617</u>	<u>276,086</u>	<u>1,797,440</u>
Revenues over Expenditures	<u>-</u>	<u>189,877</u>	<u>189,877</u>	<u>180,330</u>
Other Financing Sources (Uses)				
Transfer to general capital project	-	-	-	-
Transfer to water and sewer fund	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>189,877</u>	<u>\$ 189,877</u>	<u>180,330</u>
Fund Balance:				
Beginning of Year, July 1		<u>2,706,262</u>		<u>2,525,930</u>
End of Year, June 30		<u>\$ 2,896,139</u>		<u>\$ 2,706,262</u>

**Town of Bermuda Run North Carolina**  
**General Capital Projects Fund - US 158**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2020**

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Capital contributions:					
Hillsdale Group	\$ 770,000	\$ -	\$ 770,000	\$ 770,000	\$ -
Total revenues	770,000	-	770,000	770,000	-
Expenditures:					
Road construction	1,540,000	-	767,046	767,046	772,954
Right of way	123,200	-	61,600	61,600	61,600
Total expenditures	1,663,200	-	828,646	828,646	834,554
Revenues over expenditures	(893,200)	-	(58,646)	(58,646)	(834,554)
Other financing sources:					
Transfer from General Fund - Powell Bill	123,200	-	-	-	123,200
Transfer from General Fund	770,000	-	-	-	770,000
Total other financing sources	893,200	-	-	-	893,200
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ (58,646)	\$ (58,646)	\$ 58,646

**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, 2020**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2019)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual -Year Ended June 30, 2019</u>
<b>Operating revenues:</b>				
Gate fees		\$ 512,652		\$ 520,082
Insurance proceeds		-		-
	<u>\$ 513,000</u>	<u>512,652</u>	<u>\$ (348)</u>	<u>520,082</u>
 Fund balance appropriated	 <u>31,250</u>	 <u>-</u>	 <u>31,250</u>	 <u>-</u>
 Total revenue and other financing sources	 <u>544,250</u>	 <u>512,652</u>	 <u>30,902</u>	 <u>520,082</u>
 <b>Operating expenditures:</b>				
Administrative		50,000		50,000
Gate operations expense		478,237		464,564
	<u>544,250</u>	<u>528,237</u>	<u>16,013</u>	<u>514,564</u>
 Other Financing Sources (Uses)				
Transfer to capital project		-		-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures and other financing uses	 <u>544,250</u>	 <u>528,237</u>	 <u>16,013</u>	 <u>514,564</u>
 Revenues over (under) expenditures	 <u>\$ -</u>	 <u>(15,586)</u>	 <u>\$ (15,586)</u>	 <u>5,518</u>
 Fund Balance:				
Beginning of year		<u>223,537</u>		<u>218,020</u>
End of year		<u>\$ 207,952</u>		<u>\$ 223,537</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, 2020**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2019)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual - Year Ended June 30, 2019</u>
Operating revenues:				
Sewer charges		\$ 527,122		\$ 546,697
Tap fees		850		2,550
	<u>\$ 532,550</u>	<u>527,972</u>	<u>\$ (4,578)</u>	<u>549,247</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>532,550</u>	<u>527,972</u>	<u>(4,578)</u>	<u>549,247</u>
Operating expenditures:				
Administrative				
Licenses		1,010		960
Charges from general fund		50,000		50,000
	<u>52,000</u>	<u>51,010</u>	<u>990</u>	<u>50,960</u>
Sewer operations:				
Plant operations		49,852		48,332
Maintenance		1,991		833
Repairs -plant		7,955		13,524
Repairs - lines		55,355		39,885
Utilities		31,572		23,710
Capital outlay		-		3,850
Other		16,026		16,165
	<u>480,550</u>	<u>162,751</u>	<u>317,799</u>	<u>127,175</u>
Total operating expenditures	<u>532,550</u>	<u>213,761</u>	<u>318,789</u>	<u>197,258</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>532,550</u>	<u>213,761</u>	<u>318,789</u>	<u>197,258</u>
Total revenue and other financing sources over (under) expenditures and budgetary appropriations	<u>\$ -</u>	<u>\$ 314,211</u>	<u>\$ 314,211</u>	<u>\$ 351,989</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, 2020**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2019)**

	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:		
Total Revenues and Other Financing Sources	\$ 527,972	\$ 549,247
Total Expenditures and Budgetary Appropriations	<u>213,761</u>	<u>197,258</u>
Excess of Revenues Over (Under) Expenditures	314,211	351,989
Capital outlay	-	3,850
Depreciation	<u>(88,739)</u>	<u>(96,108)</u>
Change in net position	<u>\$ 225,472</u>	<u>\$ 259,731</u>

**Town of Bermuda Run, North Carolina**  
**Schedule of Changes in Ad Valorem Taxes Receivable**  
**For the Year ended June 30, 2020**

<u>Year of Levy</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2020</u>
2019-2020		\$ 846,638	\$ 840,762	\$ 5,876
2018-2019	\$ 3,155		1,781	1,374
2017-2018	293		(240)	533
2016-2017	536		38	498
2015-2016	682		292	390
2014-2015	387		372	15
2013-2014	138		(41)	179
2012-2013	317		81	236
2011-2012	158		3	155
2010-2011	67		(4)	71
2009-2010	19		(1,178)	1,197
2008-2009	11		11	-
2007-2008	<u>1,169</u>		<u>1,169</u>	<u>-</u>
	<u>\$ 6,932</u>	<u>\$ 846,638</u>	<u>\$ 843,046</u>	
Ad Valorem Taxes Receivable - Net				<u>\$ 10,524</u>
Reconciliation with Revenues:				
Tax - Ad Valorem				\$ 844,860
Adjustments				<u>(1,814)</u>
Total collections and credits				<u>\$ 843,046</u>

**Town of Bermuda Run, North Carolina**

**Analysis of Current Tax Levy  
For the Year Ended June 30, 2020**

	Total Levy				
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax Levy - Town Wide	\$ 560,663,333	0.15	\$ 840,995	\$ 777,755	\$ 63,240
Discoveries	3,762,000		5,643	5,643	-
Abatements and Releases	-		-	-	-
Total for Year	<u>\$ 564,425,333</u>		846,638	783,398	63,240
Less, Uncollected Tax at June 30, 2020			<u>5,876</u>	<u>5,876</u>	-
Current Year's Taxes Collected			<u>\$ 840,762</u>	<u>\$ 777,522</u>	<u>\$ 63,240</u>
Percent Current Year Collected			<u>99.31%</u>	<u>99.25%</u>	<u>100.00%</u>