

CITY OF SOUTHPORT

Financial Statements

Southport, North Carolina

For the Year Ended June 30, 2020

City of Southport, North Carolina
Financial Statements
June 30, 2020

Mayor

Joseph Hatem

Board of Aldermen

Thomas Lombardi

Karen Mosteller

John Allen

Lora Sharkey

Lowe Davis

Marc Spencer

City Manager

Gordon Hargrove

Finance Director

Melanie Trexler

City Clerk

Tanya Shannon

City of Southport, North Carolina
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June 30, 2020

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FINANCIAL SECTION



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Independent Auditors' Report

To the Honorable Mayor and Members of the Board of Aldermen
Southport, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Southport, North Carolina, as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southport ABC Board, which represents 100 percent of the assets, net position and revenues of the discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Southport ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Southport Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

Members

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Southport, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 53 through 54, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 55 through 56, Firefighters' Supplemental Retirement Plan on page 57, and the Changes in Total OPEB Liability and Related Ratios page 58, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Southport's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 on our consideration of the City of Southport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Southport's internal control over financial reporting and compliance.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 16, 2020

Management's Discussion and Analysis

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

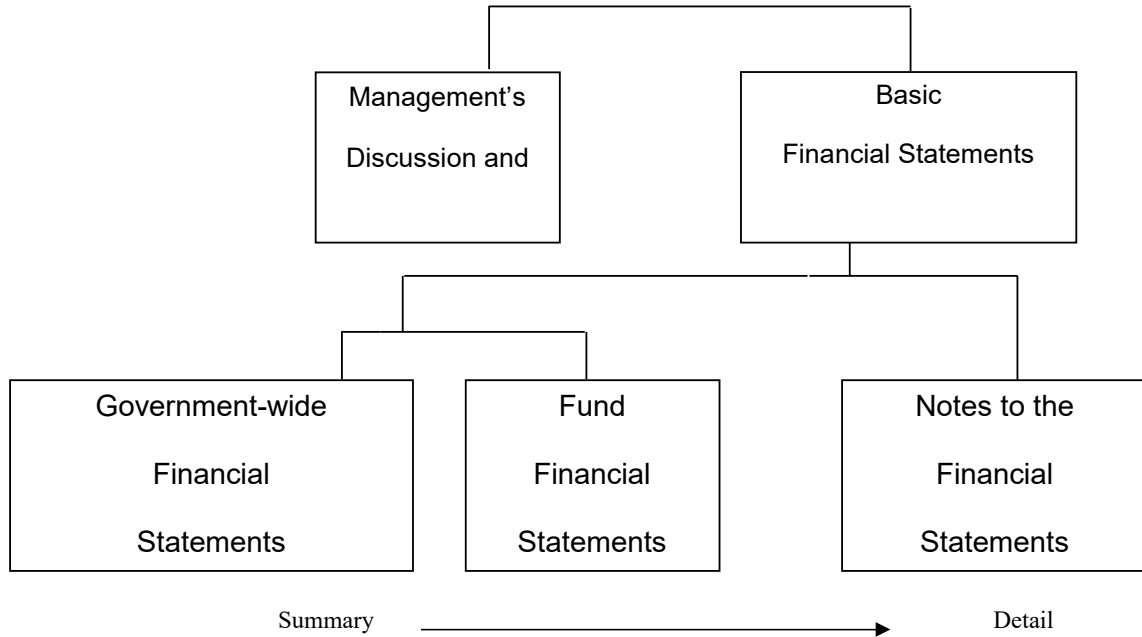
Financial Highlights

- The assets and deferred outflows of the City of Southport exceeded its liabilities and deferred inflows at the close of the fiscal year by \$44,401,765 (net position).
- Total government's total net position increased by \$4,267,746, which consisted of an increase in governmental activities of \$610,228 and an increase in business-type activities of \$3,657,518.
- As of the close of the current fiscal year, the City of Southport's governmental funds reported combined ending fund balances of \$4,448,755, an increase of \$905,819 in comparison with the prior year. Approximately \$959,565 (21.57 percent) is unavailable (nonspendable or restricted). Approximately 76.09 percent is unassigned or available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,385,055 or 48.68 percent of total general fund expenditures for the fiscal year; compared to \$2,077,188, or 27.0 percent the prior fiscal year.
- The City of Southport's total debt (excluding compensated absences, net pension liability, total pension liability, and total OPEB liability) decreased by \$204,802 (6.12 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Southport's basic financial statements. The City'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 City 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 City of Southport. As an overview, the following chart outlines the required components of the annual financial report.

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 City’s financial status.

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City’s government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City’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 City'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 City's financial status as a whole.

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

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 City's basic services such as public safety, streets and public works, sanitation, culture and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water, sewer, and electric services offered by the City of Southport. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City. The City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City.

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 City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Southport, 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 the General Statutes or the City's budget ordinance. All of the funds of City of Southport 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 City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – The City of Southport 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. City of Southport uses enterprise funds to account for its water and sewer activities and for its electric operations. These funds are the same as the separate activity shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Southport has one fiduciary fund; the Firemen's Relief Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are included in this report after Exhibit 10 of this report.

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

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

Government-Wide Financial Analysis

**City of Southport's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 5,059,267	\$ 4,179,097	\$ 13,021,849	\$ 10,485,505	\$ 18,081,116	\$ 14,664,602
Capital assets	14,018,075	14,170,831	25,303,762	23,013,007	39,321,837	37,183,838
Deferred outflows of resources	788,430	707,000	228,764	276,558	1,017,194	983,558
Total assets and deferred outflows of resources	19,865,772	19,056,928	38,554,375	33,775,070	58,420,147	52,831,998
Other liabilities	918,436	834,344	3,139,961	1,926,177	4,058,397	2,760,521
Long-term liabilities	6,959,465	6,950,536	2,296,968	2,450,061	9,256,433	9,400,597
Deferred inflows of resources	534,776	429,180	168,777	107,681	703,553	536,861
Total liabilities and deferred inflows of resources	8,412,676	8,214,060	5,605,706	4,483,919	14,018,382	12,697,979
Net position:						
Invested in capital assets, net of related debt	11,674,799	11,726,154	24,507,772	22,113,616	36,182,571	33,839,770
Restricted	934,996	1,192,742	1,740,494	2,139,350	2,675,490	3,332,092
Unrestricted	(1,156,699)	(2,076,028)	6,700,403	5,038,185	5,543,704	2,962,157
Total net position	\$ 11,453,096	\$ 10,842,868	\$ 32,948,669	\$ 29,291,151	\$ 44,401,765	\$ 40,134,019

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$44,401,765 as of June 30, 2020. The City's net position increased by \$4,267,746 for the fiscal year ended June 30, 2020. The largest portion of net position \$36,182,571 (81.49%) reflects the City's investment in capital assets (e.g. land, buildings, and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Southport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net position \$2,675,490 (6.03%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$5,543,704 (12.49%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.96%.

City of Southport' Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 2,207,252	\$ 2,840,671	\$ 12,313,070	\$ 11,472,080	\$ 14,520,322	\$ 14,312,751
Operating grants and contributions	460,046	750,789	260,094	61,326	720,140	812,115
Capital grants and contributions	-	-	2,363,506	377,915	2,363,506	377,915
General revenues:						
Property taxes	3,033,318	2,474,916	-	-	3,033,318	2,474,916
Other taxes and licenses	110,312	114,400	-	-	110,312	114,400
Unrestricted intergovernmental	1,805,501	1,581,321	-	-	1,805,501	1,581,321
Investment earnings, unrestricted	52,106	160,882	119,035	6,001	171,141	166,883
Other	170,137	183,800	-	744,058	170,137	927,858
Gain/Loss on disposal of fixed assets	-	(9,180)	650,000	-	650,000	(9,180)
Total revenues	7,838,672	8,097,599	15,705,705	12,661,380	23,544,377	20,758,979
Expenses						
General government	2,100,294	2,565,198	-	-	2,100,294	2,565,198
Public safety	3,623,508	3,445,381	-	-	3,623,508	3,445,381
Transportation	648,328	1,184,505	-	-	648,328	1,184,505
Environmental Protection	529,251	254,976	-	-	529,251	254,976
Cultural and recreation	264,263	642,246	-	-	264,263	642,246
Interest on long-term debt	62,800	64,694	-	-	62,800	64,694
Electric	-	-	7,046,686	7,469,893	7,046,686	7,469,893
Water and sewer	-	-	5,001,501	4,447,850	5,001,501	4,447,850
Total expenses	7,228,444	8,157,000	12,048,187	11,917,743	19,276,631	20,074,743
Change in net position before Transfers	610,228	(59,401)	3,657,518	743,637	4,267,746	684,236
Transfers	-	-	-	-	-	-
Change in net position	610,228	(59,401)	3,657,518	743,637	4,267,746	684,236
Net Position						
Beginning of year - July 1	10,842,868	10,902,269	29,291,151	28,547,514	40,134,019	39,449,783
End of year - June 30	\$ 11,453,096	\$ 10,842,868	\$ 32,948,669	\$ 29,291,151	\$ 44,401,765	\$ 40,134,019

Governmental activities. Governmental activities revenues exceeded expenses by \$610,228. The City's population growth continues to grow at a rate of 6%. Key elements for the increase are as follows:

- The City is receiving FEMA reimbursements for hurricane damage
- Significant increase in property tax collections due to an increase in property evaluations

Business-type activities: Business-type activities increased the City's net position by \$3,657,518. Key elements of this increase are as follows:

- DOT reimbursements received for project expenditures that are capitalized.
- Decrease in overall expenditures of the electric fund; power purchases decreased by \$343,031
- Sale of sewer treatment property

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the City of Southport's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources; such information is useful in assessing the City of Southport'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 City of Southport. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,385,055, while total fund balance reached \$4,448,755. The City currently has an available fund balance of 50.57% of total General Fund expenditures, while total fund balance represents 63.98% of that same amount.

At June 30, 2020, the governmental funds of the City of Southport reported a combined fund balance of \$4,448,755, a 25.57% increase over last year.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments were made during the year to increase the General Fund budget by \$332,130.

Proprietary Funds. The City of Southport's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year was \$1,238,024 and for the Electric Fund was \$5,462,379. The total increase in net position for the Water and Sewer Fund was \$1,000,366, and the Electric Fund had a total increase in net position of \$2,657,152.

Capital Asset and Debt Administration

Capital Assets. The City of Southport's capital assets for its governmental and business-type activities as of June 30, 2020 totals \$39,321,837 (net of accumulated depreciation). These assets include buildings, land, improvements, equipment, vehicles, infrastructure, utility systems, and construction in progress.

Major capital asset transactions during the year include:

- 2 ambulances
- water and sewer and electric capital projects

**City of Southport's Capital Assets
(Net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,917,452	\$ 2,917,452	\$ 2,827,985	\$ 2,827,985	\$ 5,745,437	\$ 5,745,437
Building and improvements	7,038,326	7,227,235	71,822	73,718	7,110,148	7,300,953
Improvements other than Buildings	379,577	421,234	-	-	379,577	421,234
Utility systems	-	-	19,746,101	19,379,623	19,746,101	19,379,623
Furniture and Equipment	420,779	411,011	377,066	366,040	797,845	777,051
Infrastructure	2,178,305	2,319,911	-	-	2,178,305	2,319,911
Vehicles and motorized equipment	833,966	751,594	260,233	316,841	1,094,199	1,068,435
Construction in progress	249,670	122,394	2,020,555	48,800	2,270,225	171,194
Total	\$ 14,018,075	\$ 14,170,831	\$ 25,303,762	\$ 23,013,007	\$ 39,321,837	\$ 37,183,838

Long-term Debt. As of June 30, 2020, the City of Southport had total debt from financing of assets outstanding of \$3,139,266 as noted in the following table.

**City of Southport's Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct Borrowing / Placement						
Installment Agreements	\$ 2,343,276	\$ 2,444,677	\$ 795,990	\$ 899,391	\$ 3,139,266	\$ 3,344,068
Capital leases	-	-	-	-	-	-
Compensated absences	193,891	133,419	18,771	21,519	212,662	154,938
Net pension liability (LGERS)	605,798	600,210	268,370	265,932	874,168	866,142
Total pension liability (FIRE)	697,962	625,124	-	-	697,962	625,124
Total pension liability (LEOSSA)	356,652	200,689	-	-	356,652	200,689
Total OPEB Liability	3,138,333	3,257,200	1,321,930	1,372,000	4,460,263	4,629,200
Total	\$ 7,335,912	\$ 7,261,319	\$ 2,405,061	\$ 2,558,842	\$ 9,740,973	\$ 9,820,161

The City of Southport's total debt decreased by \$79,188 during the past fiscal year, primarily due to principal payments on all outstanding debt offset by an additional installment purchase agreement of \$300,000.

The state of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Southport is approximately \$80,214,288.

Additional information regarding the City of Southport's long-term debt can be found in the notes of this audited financial report.

Economic Factors and Next Year's Budget Rates

The following key economic indicators reflect the growth and prosperity of the City:

- New residential homes continue to be built at the rate of 3% annually with one of the newest developments along Lord St.
- Redevelopment of existing Commercial property has sparked a renewal of vitality within the City's business districts and new development in the shopping center will continue in the next year.
- The Covid Pandemic has left tourism industry a little shaken, with no rental of city buildings and parks for events and a slower market for collections of occupancy taxes. Hopefully this will turn around in the next twelve months.
- We expect the collection of local option sales tax to continue to increase as the year progresses.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property tax is projected to grow at a steady 3%, however due to the pandemic collections are being projected conservatively in this year budget. This growth is based on the sale of the City's property on Brunswick St and the increasing development of residential and commercial property. The city also projects an increase in ABC revenues and local option sale taxes. The City will use increases to continue to repair and maintain the city's infrastructure on an as needed basis.

Budgeted expenditures in the General Fund are expected to decrease due to the projected continuation of the pandemic into the next year. The largest percentage increments are employee compensation and benefits.

The City has chosen to appropriate fund balance in the fiscal year 2021 budget for projects in process at year end. Management believes that increased revenues and continued restriction on spending will maintain the City's financial position. Though management believes current growth will generate enough revenue to support City operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-Type Activities: The water and sewer rates in the City will increase by 2% for the consumer price index increase. Collections of utility bills are projected to be less than prior years due to the pandemic and payment plans are now in effect for those who could not pay their bill during the initial months of the pandemic. Rates for electricity have remain unchanged. City has held off on the overhead to underground program until the collections for billing has returned to normal. City still encourages citizens to participated in the load management program to aid in controlling the cost of electricity for the citizens and the city.

Requests for Information

This report is designed to provide an overview of the City'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 Director of Finance, City of Southport, 1029 N. Howe St, Southport, NC 28461. One can also call (910) 457-7900, visit our website www.CityofSouthport.com, or send an email to www.SouthportNC.com for more information.

BASIC FINANCIAL STATEMENTS

City of Southport, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental	Business-type	Total	Southport ABC
	Activities	Activities		Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,130,329	\$ 8,705,653	\$ 12,835,982	\$ 594,868
Taxes receivables (net)	73,492		73,492	-
Accounts receivable (net)	33,517	1,250,137	1,283,654	-
Accrued interest receivable on taxes	12,122	-	12,122	-
Due from other governments	758,384	1,122,272	1,880,656	-
Inventories	-	-	-	234,974
Prepaid Expenses	24,569	-	24,569	13,102
Restricted cash and cash equivalents	26,854	1,943,787	1,970,641	-
Total current assets	5,059,267	13,021,849	18,081,116	842,944
Non-Current assets:				
Capital Assets:				
Land, non-depreciable, improvements, and construction in process	3,167,122	4,682,699	7,849,821	333,232
Other capital assets, net of depreciation	10,850,953	20,621,063	31,472,016	171,012
Total capital assets	14,018,075	25,303,762	39,321,837	504,244
Total non-current assets	14,018,075	25,303,762	39,321,837	504,244
Total assets	19,077,342	38,325,611	57,402,953	1,347,188
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferrals	682,064	179,448	861,512	47,587
OPEB related deferrals	106,366	49,316	155,682	11,822
Total Deferred Outflows of Resources	788,430	228,764	1,017,194	59,409
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	481,575	2,653,045	3,134,620	565,389
Customer deposits	2,003	203,293	205,296	-
Accrued interest payable	58,410	1,559	59,969	-
Payable from restricted assets	-	173,970	173,970	-
Current portion of long-term liabilities	376,448	108,094	484,542	18,436
Total current liabilities	918,436	3,139,961	4,058,397	583,825
Long-term liabilities:				
Net pension liability (LGRS)	605,798	268,370	874,168	67,454
Total pension liability	1,054,614	-	1,054,614	-
Total OPEB liability	3,138,333	1,321,931	4,460,264	83,774
Due in more than one year	2,160,719	706,667	2,867,387	334,169
Total long-term liabilities	6,959,465	2,296,968	9,256,433	485,397
Total liabilities	7,877,900	5,436,929	13,314,829	1,069,222
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	112,029	8,112	120,141	-
OPEB related deferrals	381,427	160,665	542,092	20,906
Unearned income	41,320	-	41,320	-
Total Deferred Inflows of Resources	534,776	168,777	703,553	20,906
NET POSITION				
Net investment in capital assets	11,674,799	24,507,772	36,182,571	151,639
Restricted for:				
Stabilization by State Statute	908,142	-	908,142	-
Streets - Powell Bill	26,854	-	26,854	-
Other Functions	-	-	-	123,584
Capital projects	-	1,740,494	1,740,494	-
Unrestricted	(1,156,699)	6,700,403	5,543,704	41,246
Total net position	\$ 11,453,096	\$ 32,948,669	\$ 44,401,765	\$ 316,469

**City of Southport, North Carolina
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Southport ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 2,100,294	\$ 55,537	\$ -	\$ -	\$ (2,044,757)	\$ -	\$ (2,044,757)	
Public safety	3,623,508	1,876,074	344,265	-	(1,403,169)	-	(1,403,169)	
Transportation	648,328	-	113,121	-	(535,207)	-	(535,207)	
Cultural and Recreational	264,263	256,750	2,660	-	(4,853)	-	(4,853)	
Environmental Protection	529,251	18,891	-	-	(510,360)	-	(510,360)	
Interest on long-term debt	62,800	-	-	-	(62,800)	-	(62,800)	
Total governmental activities	7,228,444	2,207,252	460,046	-	(4,561,146)	-	(4,561,146)	
Business-type activities:								
Electric	7,046,686	7,561,603	215,094	1,854,714	-	2,584,725	2,584,725	
Water and Sewer	5,001,501	4,751,467	45,000	508,792	-	303,758	303,758	
Total business-type activities	12,048,187	12,313,070	260,094	2,363,506	-	2,888,483	2,888,483	
Total primary government	\$ 19,276,631	\$ 14,520,322	\$ 720,140	\$ 2,363,506	(4,561,146)	2,888,483	(1,672,663)	
Component units:								
ABC Board	\$ 3,213,929	\$ 3,212,042	\$ -	\$ -				\$ (1,887)
Total component units	\$ 3,213,929	\$ 3,212,042	\$ -	\$ -				\$ (1,887)
General revenues:								
Taxes:								
Ad valorem taxes					3,033,318	-	3,033,318	-
Unrestricted intergovernmental					1,805,501	-	1,805,501	-
Other taxes and licenses					110,312	-	110,312	-
Unrestricted investment earnings					52,106	119,035	171,141	1,887
Miscellaneous					170,137	-	170,137	-
Special items:								
Gain (loss) on disposal of fixed assets					-	650,000	650,000	-
Transfers					-	-	-	-
Total general revenues, special items, and transfers					5,171,374	769,035	5,940,409	1,887
Change in net position					610,228	3,657,518	4,267,746	-
Net position, beginning					10,842,868	29,291,151	40,134,019	316,469
Net position, ending					\$ 11,453,096	\$ 32,948,669	\$ 44,401,765	\$ 316,469

City of Southport, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds	
	General Fund	Total Governmental Funds
ASSETS		
Cash and investments	\$ 4,130,329	\$ 4,130,329
Restricted Cash and cash equivalents	26,854	26,854
Taxes Receivable, net:	73,492	73,492
Accounts and Other Receivable	33,517	33,517
Due from other Component units	-	-
Due from other governments	758,384	758,384
Prepaid Expenses	24,569	24,569
Total assets	\$ 5,047,145	\$ 5,047,145
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 298,955	\$ 298,955
Accrued payroll and payroll liabilities	182,620	182,620
Customer Deposits	2,003	2,003
Total liabilities	483,578	483,578
 DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	73,492	73,492
Prepaid property taxes	382	382
Deferred revenues	40,938	40,938
Total deferred inflows of resources	114,812	114,812
 Fund balances:		
Nonspendable:		
Prepaid expenses	24,569	24,569
Restricted:		
Stabilization by State Statute	908,142	908,142
Streets	26,854	26,854
Committed:		
Fire Protection	55,362	55,362
Assigned:		
Subsequent year's expenditures	48,773	48,773
Unassigned	3,385,055	3,385,055
Total fund balances	4,448,755	4,448,755
Total liabilities, deferred inflows of resources and fund balances	\$ 5,047,145	

(cont)

The notes to the financial statements are an integral part of this statement.

City of Southport, North Carolina
Reconciliation of the Governmental Funds to the Statement of Net Position
June 30, 2020

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

Total Fund Balance, Governmental Funds	\$	4,448,755
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,018,075
Earned revenues considered deferred inflows of resources in fund statements.		73,492
Certain other long-term assests (accrued interest receivable from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.		12,122
Deferred outflows of resources related to OPEB are not reported in the funds		106,366
Deferred outflows of resources related to pensions are not recorded on the fund statements		682,064
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Installment Purchase Agreements		(2,343,276)
Compensated Absences		(193,891)
Net pension liability (LGERS)		(605,798)
Total pension liability (LEOSSA)		(356,652)
Total pension liability (Fire)		(697,962)
Total OPEB liability		(3,138,333)
Accrued interest payable		(58,410)
Deferred inflows of resources related to OPEB are not reported in the funds		(381,427)
Deferred inflows of resources related to pensions are not recorded on the fund statements		(112,029)
Net position of governmental activities	\$	11,453,096

The notes to the financial statements are an integral part of this statement.

City of Southport
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Funds</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 3,053,587	\$ 3,053,587
Other taxes and licenses	110,312	110,312
Unrestricted intergovernmental	1,805,501	1,805,501
Restricted intergovernmental	1,652,933	1,652,933
Permits and fees	392,460	392,460
Sales and services	621,906	621,906
Investment earnings	52,106	52,106
Miscellaneous	170,137	170,137
Total revenues	<u>7,858,942</u>	<u>7,858,942</u>
EXPENDITURES		
Current:		
General government	2,000,282	2,000,282
Public safety	3,502,558	3,502,558
Street and Public Works	573,596	573,596
Sanitation	264,263	264,263
Cultural and recreation	442,159	442,159
Debt service:		
Principal	301,401	301,401
Interest and other charges	68,864	68,864
Total expenditures	<u>7,153,123</u>	<u>7,153,123</u>
Excess (deficiency) of revenues over expenditures	<u>705,819</u>	<u>705,819</u>
OTHER FINANCING SOURCES (USES)		
Transfers (to) other funds	-	-
Transfers from other funds	-	-
Loan proceeds	200,000	200,000
Sales of capital assets	-	-
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>
Net Change in fund balance	905,819	905,819
Fund balances, beginning	<u>3,542,936</u>	<u>3,542,936</u>
Fund balances, ending	<u>\$ 4,448,755</u>	<u>\$ 4,448,755</u>

City of Southport
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
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	\$	905,819
<p>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 depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	535,642	
Depreciation expense for governmental assets	(688,398)	
Loss on disposal of capital assets	<u>-</u>	(152,756)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		178,012
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		92,657
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		6,410
Benefit payments and pension administration costs for the Volunteer Firefighters' Retirement Plan are not included in the Statement of Activities		11,400
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		(10,580)
Change in accrued interest on taxes receivable		(9,690)
<p>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.</p>		
Loan proceeds	(200,000)	
Principal payments on debt	<u>301,401</u>	101,401
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		6,064
<p>Some 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.</p>		
Compensated absences		(60,472)
Pension expense		(276,220)
Separation allowance		(45,676)
Firefighters' retirement		(44,873)
OPEB Expense		<u>(91,268)</u>
Total changes in net position of governmental activities		<u>\$ 610,228</u>

The notes to the financial statements are an integral part of this statement.

City of Southport
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,845,770	\$ 2,845,770	\$ 3,053,587	\$ 207,817
Other taxes and licenses	107,760	107,760	110,312	2,552
Unrestricted intergovernmental	1,746,535	1,746,535	1,805,501	58,966
Restricted intergovernmental	1,611,631	1,611,631	1,652,933	41,302
Permits and fees	268,851	268,852	392,460	
Sales and services	613,119	607,239	621,906	14,667
Investment earnings	125,000	125,000	52,106	(72,894)
Miscellaneous	145,543	169,423	170,137	714
Total revenues	<u>7,464,209</u>	<u>7,482,210</u>	<u>7,858,942</u>	<u>253,124</u>
Expenditures:				
Current:				
General government	2,460,107	2,437,912	2,000,282	437,630
Public safety	3,980,625	3,962,054	3,502,558	459,496
Transportation	574,916	667,124	573,596	93,528
Environmental protection	240,000	260,000	264,263	(4,263)
Cultural and recreation	913,515	923,937	442,159	481,778
Debt service:				
Principal retirement	100,000	301,402	301,401	1
Interest and other charges	30,000	68,864	68,864	-
Total expenditures	<u>8,299,163</u>	<u>8,621,293</u>	<u>7,153,123</u>	<u>1,468,170</u>
Revenues over (under) expenditures	<u>(834,954)</u>	<u>(1,139,083)</u>	<u>705,819</u>	<u>1,721,294</u>
Other financing sources (uses):				
Appropriated fund balance	834,954	317,129	-	(317,129)
Loan proceeds	-	831,954	200,000	(631,954)
Transfer from other funds	-	(10,000)	-	10,000
Total other financing sources (uses)	<u>834,954</u>	<u>1,139,083</u>	<u>200,000</u>	<u>(939,083)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>905,819</u>	<u>\$ 782,211</u>
Fund balances, beginning			<u>3,542,936</u>	
Fund balances, ending			<u>\$ 4,448,755</u>	

**City of Southport
Statement of Net Position
Proprietary Funds
June 30, 2020**

	Major		Total
	Electric Fund	Water and Sewer Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,228,926	\$ 2,476,727	\$ 8,705,653
Accounts receivable customers, net	420,810	428,758	849,568
Accounts receivable BEMC	400,569	-	400,569
Due from other governments	1,024,871	97,401	1,122,272
Restricted assets			
Cash and cash equivalents	112,542	1,831,245	1,943,787
Total current assets	<u>8,187,718</u>	<u>4,834,131</u>	<u>13,021,849</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	1,854,714	2,827,985	4,682,699
Other capital assets, net of depreciation	8,461,611	12,159,452	20,621,063
Capital assets (net)	<u>10,316,325</u>	<u>14,987,437</u>	<u>25,303,762</u>
Total noncurrent assets	<u>10,316,325</u>	<u>14,987,437</u>	<u>25,303,762</u>
Total assets	<u>18,504,043</u>	<u>19,821,568</u>	<u>38,325,611</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	64,064	115,384	179,448
OPEB deferrals	20,929	28,387	49,316
Total Deferred Outflows of Resources	<u>84,993</u>	<u>143,771</u>	<u>228,764</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,134,561	470,260	2,604,821
Salaries payable	18,962	29,262	48,224
Customer deposits	112,542	90,751	203,293
Accounts payable from restricted assets	-	173,970	173,970
Compensated absences	1,765	2,928	4,693
Accrued interest payable	-	1,559	1,559
Bonds, notes and loans payable	-	103,401	103,401
Total current liabilities	<u>2,267,830</u>	<u>872,131</u>	<u>3,139,961</u>
Noncurrent liabilities:			
Other non-current liabilities:			
Compensated absences	5,294	8,784	14,078
Net pension liability	95,809	172,561	268,370
Total OPEB Liability	390,984	930,947	1,321,931
Bonds, notes and loans payable	-	692,589	692,589
Total non-current liabilities	<u>492,087</u>	<u>1,804,881</u>	<u>2,296,968</u>
Total liabilities	<u>2,759,917</u>	<u>2,677,012</u>	<u>5,436,929</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,896	5,216	8,112
OPEB deferrals	47,519	113,146	160,665
Total Deferred Inflows of Resources	<u>50,415</u>	<u>118,362</u>	<u>168,777</u>
NET POSITION			
Net Investment in capital assets	10,316,325	14,191,447	24,507,772
Other restrictions	-	1,740,494	1,740,494
Unrestricted	5,462,379	1,238,024	6,700,403
Total net position	<u>\$ 15,778,704</u>	<u>\$ 17,169,965</u>	<u>\$ 32,948,669</u>

City of Southport
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 7,497,401	\$ 4,686,326	\$ 12,183,727
Other operating revenues	64,202	65,141	129,343
Total operating revenues	<u>7,561,603</u>	<u>4,751,467</u>	<u>12,313,070</u>
OPERATING EXPENSES			
Electric operations	6,722,485	-	6,722,485
Water and sewer operations	-	4,468,932	4,468,932
Depreciation	324,201	522,203	846,404
Total operating expenses	<u>7,046,686</u>	<u>4,991,135</u>	<u>12,037,821</u>
Operating income (loss)	<u>514,917</u>	<u>(239,668)</u>	<u>275,249</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	72,427	46,608	119,035
FEMA Reimbursements	215,094	-	215,094
Other grants	-	45,000	45,000
NCDOT Reimbursements	1,854,714	-	1,854,714
Sale of Assets	-	650,000	650,000
Interest and other charges	-	(10,366)	(10,366)
Total nonoperating revenues (expenses)	<u>2,142,235</u>	<u>731,242</u>	<u>2,873,477</u>
Income (loss) before contributions and transfers	2,657,152	491,574	3,148,726
Capital contributions	-	508,792	508,792
Transfer in (out)	-	-	-
Total income (loss) after contributions and transfers	<u>2,657,152</u>	<u>1,000,366</u>	<u>3,657,518</u>
Change in net position	2,657,152	1,000,366	3,657,518
Total net position , beginning	<u>13,121,552</u>	<u>16,169,599</u>	<u>29,291,151</u>
Total net position, ending	<u>\$ 15,778,704</u>	<u>\$ 17,169,965</u>	<u>\$ 32,948,669</u>

City of Southport
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,951,844	\$ 4,911,566	\$ 11,863,410
Cash paid for goods and services	(6,491,219)	(3,871,936)	(10,363,155)
Cash paid to or on behalf of employees for services	(504,222)	(763,885)	(1,268,107)
Net customer deposits	14,296	28,227	42,523
Other operating revenues	64,202	65,141	129,343
Net cash provided (used) by operating activities	<u>34,901</u>	<u>369,113</u>	<u>404,014</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due from other funds	-	-	-
Increase in due to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,287,537)	(179,144)	(1,466,681)
FEMA Reimbursements and Other Grants	215,094	45,000	260,094
Availability Fees	-	508,792	508,792
NCDOT Reimbursement	1,854,714	-	1,854,714
Sale of Assets	-	650,000	650,000
Principal paid on bonds and installment purchases	-	(103,401)	(103,401)
Interest paid on bonds and installment purchases	-	(10,540)	(10,540)
Net cash provided (used) by capital and related financing activities	<u>782,271</u>	<u>910,707</u>	<u>1,692,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	72,427	46,608	119,035
Net cash provided (used) by investing activities	<u>72,427</u>	<u>46,608</u>	<u>119,035</u>
Net increase (decrease) in cash and investments	889,599	1,326,428	2,216,027
Balances, beginning	5,451,868	2,981,544	8,433,412
Balances, ending	<u>\$ 6,341,467</u>	<u>\$ 4,307,972</u>	<u>\$ 10,649,439</u>

City of Southport
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Major		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 514,917	\$ (239,668)	\$ 275,249
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	324,201	522,203	846,404
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	112,177	(66,962)	45,215
(Increase) decrease in due from other governments	(657,734)	292,202	(365,532)
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid expenses	-	-	-
(Increase) in deferred outflows of resources - pensions	12,414	22,374	34,788
(Increase) in deferred outflows of resources - OPEB	2,112	10,894	13,006
Increase (decrease) in accounts payable and accrued liabilities	(291,195)	(220,930)	(512,125)
Increase (decrease) in accrued payroll and payroll	5,114	8,655	13,769
Increase (decrease) in customer deposits	14,296	28,227	42,523
Increase (decrease) in accrued vacation pay	(5,924)	3,176	(2,748)
Increase (decrease) in net pension liability	877	1,561	2,438
Increase (decrease) in deferred inflows of resources - pension	2,240	4,035	6,275
Increase (decrease) in deferred inflows of resources - OPEB	16,214	38,607	54,821
Increase (decrease) in OPEB liability	(14,808)	(35,261)	(50,069)
Total adjustments	\$ (480,016)	\$ 608,781	\$ 128,765
Net cash provided by operating activities	\$ 34,901	\$ 369,113	\$ 404,014

City of Southport, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 84,375
Total assets	<u>\$ 84,375</u>
LIABILITIES	
Miscellaneous liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
NET POSITION	<u>\$ 84,375</u>

City of Southport, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the City of Southport (the City) and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant account policies:

A. Reporting Entity

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

City of Southport ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State Statute to distribute 100% of its surpluses to the General fund of the City. The ABC Board, which has a June 30th year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Southport ABC Board, 714 North Howe Street, Southport, NC 28461.

B. Basis of Presentation

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

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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 or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – 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 equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and recreational facilities and programs.

The City reports the following major enterprise funds:

Electric Fund. This fund is used to account for the City's electric fund operations.

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

The Town reports the following fund types:

Agency Trust Fund. The Agency Fund is used to account for assets held as an agent for individuals, private organizations, other governments, or other funds. They are custodial in nature and do not involve measurement of results or operations. The city has one agency trust fund: the Firemen's Relief Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City 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 a 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 City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Brunswick County and remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City 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 City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for capital project funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The City manager is authorized to reallocate departmental appropriations among the various objects of expenditures as he or she sees necessary; however, the governing board must approve any revisions that alter the total expenditures on any fund by \$5,000. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board 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 majority of the City's and the ABC Board's investments are carried at fair value. Non-participating interest earning investment contracts are accounted for at cost.

The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended impact fees of the Water and Sewer Fund are classified as restricted assets for the enterprise fund because their use is completely restricted to the purposes of water and sewer system expansion. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. 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.

City of Southport Restricted Cash

Governmental Activities		
General Fund		
Customer deposits	\$	-
Streets		26,854
Total governmental activities	\$	<u>26,854</u>
Business-type Activities		
Electric Fund		
Customer deposits	\$	112,542
Water and Sewer Fund		
Customer deposits		90,751
System Development Fees		1,740,494
Total business-type activities	\$	<u>1,943,787</u>
Total Restricted Cash	\$	<u><u>1,970,641</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first in, first out), which approximates market. The inventory consists of products for resale to customers. The cost of these inventories is expensed when sold rather than when purchased. The ABC Board also has payments to vendors which reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements and are recorded as expenditures as used rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical costs. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consisting mainly of road networks, are not reported, because the City is a Phase III city under GASB 34, and not required to report those assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives to cost of the assets:

<u>Asset Class</u>	<u>Years</u>
Infrastructure	25-30
Utility systems	40
Intangible assets	40
Buildings	50
Improvements	25
Vehicles	5-10

The City has a collection of art work and historical artifacts for public exhibition and education that is being preserved for future generations. This collection was donated and has restrictions on both its use and disposal. The collection is not capitalized or depreciated as part of capital assets.

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings	25
Furniture and equipment	10
Building improvements	10-20

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meets this criterion; pension related deferrals and OPEB related deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, deferrals of pension expense, and OPEB related deferrals.

9. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to two hundred forty (240) hours earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The ABC Board employees may earn two weeks of vacation each year. This must be taken before the end of the fiscal year and does not accumulate. The current portion is not material and is not recorded in these financial statements.

Both the City's and the ABC Board'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 neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories - Portion of the fund balance that is not an available recourse because it represents the year-end balance of ending inventories, which are not spendable resources. At June 30, 2020, the City of Southport had no fund balance with this classification.

Fund Balances (continued)

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

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

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

Restricted for Capital Outlay - portion of fund balance restricted for capital outlay by G.S. Chapter 159, Article 3, Part 2.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Southport'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.

Committed for fire protection - portion of fund balance allowed by the Board to be used at the discretion of the leadership of the fire department. This balance represents balance of funds raised by the department through various fund-raising programs.

Assigned Fund Balance - portion of fund balance that the City of Southport intends to use for specific purposes.

Assigned for subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$5,000.

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

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

12. Defined Benefit Cost-Sharing Plans

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

13. Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriation

None Noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and ABC Board 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 City's and ABC Board agents in the Town's 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 City and ABC Board, these deposits are considered to be held by the City's and ABC Boards agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City and ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and ABC Board under the Pooling Method, the potential exists for 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, 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 City complies with the provisions of G.S. 159.31 when designating official depositories and verifying that deposits are property secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$14,546,651 and a bank balance of \$14,636,541. The carrying amount of the deposits of the ABC Board was \$593,368 and the bank balance was \$566,289. \$250,000 of the ABC Board and \$282,116 of the City was covered by federal depository insurance. The balance of the deposits \$14,354,424 for the City and \$316,289 by the ABC Board were collateralized by institutions using the Pooling Method. The City's cash on hand totaled \$450 at June 30, 2020.

2. Investments

At June 30, 2020, the Town's investment balances were as follows:

Investment by Type	Valuation Measurement Method	Book Value at 06/30/2020	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value - Level	\$ 85,214	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value - Level	259,133	.11 years	Unrated

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1: Debt securities using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The City does not have a formal investment policy that specifically limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

Credit Risk. The City has no formal policy regarding credit risk. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the balance sheet and the statement of net position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts.

	Accounts	Taxes	Due from other governments	Total
Governmental Activities:				
General	\$ 43,615	\$ 104,581	\$ 758,384	\$ 906,580
Allowance for doubtful accounts	(10,098)	(31,089)	-	(41,187)
Total governmental activities	\$ 33,517	\$ 73,492	\$ 758,384	\$ 865,393
Business-Type Activities:				
Electric	\$ 1,311,776	\$ -	\$ 1,024,871	\$ 2,336,647
Water and Sewer	617,382	-	97,401	714,783
Allowance for doubtful accounts	(679,021)	-	-	(679,021)
Total business-type activities	\$ 1,250,137	\$ -	\$ 1,122,272	\$ 2,372,409

Due from other governments consisted of the following:

Local option sales tax	\$	167,603
Franchise tax		77,288
Sales tax		329,796
Solid waste disposal tax		635
Miscellaneous		54
FEMA		568,350
Due from NCDOT		714,414
Taxes - Due from the County		22,516
	\$	<u>1,880,656</u>

4. Capital Assets

Primary Government

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,917,452	\$ -	\$ -	\$ 2,917,452
Construction in Progress	122,394	127,276	-	249,670
Total capital assets not being depreciated	<u>3,039,846</u>	<u>127,276</u>	<u>-</u>	<u>3,167,122</u>
Capital assets being depreciated:				
Buildings	9,458,462	-	-	9,458,462
Other Improvements	974,360	-	-	974,360
Infrastructure	3,519,244	-	-	3,519,244
Vehicles and motorized equipment	4,045,086	300,000	-	4,345,086
Furniture and equipment	1,283,494	108,366	-	1,391,860
Total capital assets being depreciated	<u>19,280,646</u>	<u>408,366</u>	<u>-</u>	<u>19,689,012</u>
Less accumulated depreciation for:				
Buildings	2,231,227	188,909	-	2,420,136
Other improvements	553,126	41,657	-	594,783
Infrastructure	1,199,333	141,606	-	1,340,939
Vehicle and motorized equipment	3,293,492	217,628	-	3,511,120
Furniture and equipment	872,483	98,598	-	971,081
Total accumulated depreciation	<u>8,149,661</u>	<u>\$ 688,398</u>	<u>\$ -</u>	<u>8,838,059</u>
Total capital assets being depreciated, net	<u>11,130,985</u>			<u>10,850,953</u>
Governmental activity capital assets, net	<u>\$ 14,170,831</u>			<u>\$ 14,018,075</u>

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

General government	\$	149,846
Public safety		347,126
Transportation		131,359
Cultural and recreational		60,067
	\$	<u>688,398</u>

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	1,854,714	-	1,854,714
Total capital assets not being depreciated	-	1,854,714	-	1,854,714
Capital assets being depreciated:				
Buildings	94,816	-	-	94,816
Utility systems	11,845,483	1,087,373	-	12,932,856
Vehicles and motorized equipment	21,156	-	-	21,156
Furniture and equipment	271,463	15,928	-	287,391
Total capital assets being depreciated	12,232,918	1,103,301	-	13,336,219
Less accumulated depreciation for:				
Buildings	21,098	1,896	-	22,994
Utility systems	4,350,507	300,903	-	4,651,410
Vehicles and motorized equipment	21,156	-	-	21,156
Furniture and equipment	157,646	21,402	-	179,048
Total accumulated depreciation	4,550,407	\$ 324,201	\$ -	4,874,608
Total capital assets being depreciated, net	7,682,511			8,461,611
Electric fund capital assets, net	<u>\$ 7,682,511</u>			<u>\$ 10,316,325</u>
	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 2,827,985	\$ -	\$ -	\$ 2,827,985
Construction in progress	48,800	117,041	-	165,841
Total capital assets not being depreciated	2,876,785	117,041	-	2,993,826
Capital assets being depreciated:				
Utility systems	18,559,710	-	-	18,559,710
Vehicles and motorized equipment	771,909	-	-	771,909
Furniture and equipment	697,124	62,103	-	759,227
Total capital assets being depreciated	20,028,743	62,103	-	20,090,846
Less accumulated depreciation for:				
Utility systems	6,675,063	419,992	-	7,095,055
Vehicles and motorized equipment	455,068	56,608	-	511,676
Furniture and equipment	444,901	45,603	-	490,504
Total accumulated depreciation	7,575,032	\$ 522,203	\$ -	8,097,235
Total capital assets being depreciated, net	12,453,711			11,993,611
Water and Sewer fund capital assets, net	<u>\$ 15,330,496</u>			<u>\$ 14,987,437</u>
Business-type activities capital assets, net	<u>\$ 23,013,007</u>			<u>\$ 25,303,762</u>

Construction Commitments

The City had no outstanding construction commitments as of June 30, 2020.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 4,600	\$ 328,632	\$ -	\$ 333,232
Total Capital assets not being depreciated:	<u>4,600</u>	<u>328,632</u>	<u>-</u>	<u>333,232</u>
Capital assets being depreciated:				
Buildings	121,037	-	-	121,037
Building improvements	165,856	-	-	165,856
Furnitures and fixtures	3,760	-	-	3,760
Equipment	54,628	2,519	-	57,147
Total Capital assets being depreciated:	<u>345,281</u>	<u>2,519</u>	<u>-</u>	<u>347,800</u>
Less Accumulated depreciation for:				
Buildings	64,334	1,557	-	65,891
Building improvements	54,175	10,216	-	64,391
Furnitures and fixtures	3,197	58	-	3,255
Equipment	34,709	8,542	-	43,251
Total accumulated depreciation:	<u>156,415</u>	<u>\$ 20,373</u>	<u>\$ -</u>	<u>176,788</u>
Total Capital assets being depreciated, net:	<u>188,866</u>			<u>171,012</u>
ABC Board Capital Assets, net:	<u>\$ 193,466</u>			<u>\$ 504,244</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Southport 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service of 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. City of Southport 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 of Smithfield contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.04% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Southport were \$256,871 for the year ended June 30, 2020.

Refunds of Contributions - City 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 City reported a liability of \$874,168 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 City's proportion of the net pension asset was based on a projection of the City'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, 2019 (measurement date), the City's proportion was 0.0320% which was a decrease of 0.00450% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$396,586. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 149,680	\$ -
Changes of assumptions	142,475	-
Net difference between projected and actual earnings on pension plan investments	21,322	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,173	26,422
Employer contributions subsequent to the measurement date	256,871	-
Total	<u>\$ 584,521</u>	<u>\$ 26,422</u>

\$256,871 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 157,895
2022	47,392
2023	78,044
2024	17,897
2025	-
Thereafter	-
	<u>\$ 301,228</u>

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

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

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

The actuarial assumptions used in the December 31, 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 expectations of forward yields projected and interpolated for multiple tenor 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 for each major asset class as of June 30, 2019 are summarized in the following table:

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 1,999,382	\$ 874,168	\$ (61,113)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Southport administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u><u>8</u></u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. 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	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

4. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The City's paid \$12,819 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$356,652. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$45,676.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 150,027	\$ 1,570
Changes of assumptions	14,782	7,271
City benefit payments and plan administrative expense made subsequent to the measurement date	6,410	-
Total	<u>\$ 171,219</u>	<u>\$ 8,841</u>

\$6,410 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 35,206
2022	35,206
2023	35,262
2024	29,475
2025	20,819
Thereafter	-

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) and 1-percentage-point higher (4.26 percent) than the current rate.

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 384,302	\$ 356,652	\$ 331,169

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

	<u>2020</u>
Beginning balance	\$ 200,689
Service Cost	10,300
Interest on the total pension liability	7,072
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	141,477
Changes of assumptions or other inputs	9,933
Benefit payments	(12,819)
Other changes	-
Net Change	<u>155,963</u>
Ending balance of the total pension liability	<u><u>\$ 356,652</u></u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

c. Volunteer Firefighters' Supplemental Retirement Plan

1. Plan Description

The City of Southport administers a public employee retirement system, the Volunteer Firefighters Retirement Plan (the Plan), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified volunteer firefighters age 55 and over, who have completed at least 20 years of service with the City of Southport. The annual benefit is equal to \$100 per month. Members with 20 years of service can continue to work and accrue a greater benefit while continuing to receive monthly payments. For each additional year employed with the City beyond 20 years, a Firefighter's benefit will increase by \$5 per month.

All volunteer firefighters of the City are covered by the Plan. At the December 31, 2019 valuation, the plans membership consisted of:

Retiree receiving benefits	14
Terminated plan members entitled to but not yet receiving benefits	1
Active Plan members	49
Total	<u><u>64</u></u>

2. *Summary of Significant Accounting Policies*

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

The volunteer Firefighters Supplemental Retirement Plan has no assets accumulated in a trust that meet the following criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement.

Inflation	2.50 Percent
Salary increases	Not applicable
Discount Rate	3.26 Percent

The discount rate is based on the yield of the bond buyer General Obligation 20-year Municipal Bond Index Rate at December 31, 2018.

Mortality rates are based on the RP-2014 Mortality tables projected to the valuation date using the MP-2015.

4. *Contributions*

The retirement benefits were established by Board Action. The Board has chosen to fund the benefit payments and administrative costs on a pay as you go basis through the appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The City paid \$22,800 as benefits came due for the reporting period.

5. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*

At June 30, 2020, the City reported a total pension liability of \$697,962. The total pension liability was measured as of December 31, 2019 based on a December 31, 2019 actuarial valuation. For the year ended June 30, 2020, the City recognized pension expense of \$44,873.

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,120
Changes of assumptions	94,372	59,758
City benefits payments and plan and plan administrative expense made subsequent to the measurement date	11,400	-
	<u>\$ 105,772</u>	<u>\$ 84,878</u>

\$11,400 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$	809
2022		809
2023		809
2024		809
2025		809
Thereafter:		5,449
Total	\$	9,494

6. Sensitivity of the City's Total Pension liability to changes in Discount Rate

The following presents the City's total pension liability calculated using the discount rate of 3.26%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.26 percent) or 1 percent point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 823,012	\$ 697,962	\$ 599,379

**Schedule of Changes in Total Pension Liability
Volunteer Firefighters' Supplemental Retirement Plan**

	<u>2020</u>
Beginning Balance	\$ 625,124
Service Cost	33,124
Interest on the total pension liability	22,340
Change of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	-
Changes of assumptions and inputs	40,174
Benefit payments	(22,800)
Other Charges	-
Ending balance of the total pension liability	<u>\$ 697,962</u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>VFSRP</u>	<u>TOTAL</u>
Pension Expense	\$ 396,586	\$ 45,676	\$ 44,873	\$ 487,135
Pension Liability	874,168	356,652	697,962	1,928,782
Proportionate share of the net Pension Liability	0.03201%	n/a	n/a	

Deferred Outflows of Resources

Differences between expected and actual experience	149,680	150,027	-	299,707
Changes of assumptions	142,475	14,782	94,372	251,629
Net difference between projected and actual earnings on plan investments	21,322	-	-	21,322
Changes in proportion and differences between contributions and proportionate share of contributio	14,173	-	-	14,173
Benefit payments and administrative costs paid subsequent to the measurement date	256,871	6,410	11,400	274,681
Total	\$ 584,521	\$ 171,219	\$ 105,772	\$ 861,512

Deferred Inflows of Resources

Differences between expected and actual experience	\$ -	\$ 1,570	\$ 25,120	\$ 26,690
Changes of assumptions	-	7,271	59,758	67,029
Changes in proportion and differences between contributions and proportionate share of contributio	26,422	-	-	26,422
Total	\$ 26,422	\$ 8,841	\$ 84,878	\$ 120,141

d. Supplemental Retirement Income Plan

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The City has elected to contribute five percent for non-law enforcement employees. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$113,695 for nonlaw and \$26,018 for law, with no amounts forfeited.

e. Other Post-Employment Benefits - Retiree's Health Care Plan

Healthcare Benefits

Plan Description. According to City personnel policy and City resolution on September 11, 2003, the City provides postretirement health and dental care benefits to retirees of the City who meet the following requirements:

- (1) Employees retiring with ten years of continuous service with Southport may continue in the City's group health and dental plan, if allowed by the plan provider, with the premium for the employee's coverage paid at 50% by the City, and 50% by the employee. Family or spouse coverage premiums shall be paid 100% by the employee.
- (2) Employees retiring with twenty years of continuous service with Southport may continue in the City's group health and dental plan, if allowed by the plan provider, with the City paying 100% of the premium for the employee's coverage and the employee paying 100% of the premium for family or spouse coverage.

When the employee becomes eligible for Medicare, such coverage in the City's group plan will be the Medicare supplement, if offered by the plan provider.

On March 14, 2013, the above policy was changed to state that the City would not provide retiree insurance to any employee who began creditable service in the retirement system as a City of Southport employee after March 14, 2013 or who is hired as a City employee after March 14, 2013.

The Retiree Health Plan does not issue a publicly available financial report.

Membership of the Plan consisted of the following at June 30, 2018, the date of the last actuarial valuation:

Inactive employees or Beneficiaries Currently Receiving Benefits	23
Inactive Members Entitled to but not Receiving Benefits	0
Active Employees	50
Total	<u><u>73</u></u>

Total OPEB Liability

The City's total OPEB liability of \$4,460,264 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.0 percent
Wage Inflation	3.5 percent
Salary increases	
General employees	3.50% - 7.75%
Law Enforcement employees	3.50% - 7.35%
Discount rate	3.89 percent

Healthcare cost trend rate	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.5% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.5% by 2021

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 4,629,200
Changes for the year	
Service cost	192,535
Interest	177,124
Changes of benefit terms	-
Differences between expected and actual experience	(370,197)
Changes in assumptions or other inputs	(15,169)
Benefit payments	(153,229)
Net changes	<u>(168,936)</u>
Balance at June 30, 2020	<u><u>\$ 4,460,264</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.5%.

Mortality rates were based on the RP-2014 Total Date Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Sensitivity of the Total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) and 1-percentage-point higher (4.50 percent).

	1% Decrease	Discount Rate	1% Increase
	<u>(2.50%)</u>	<u>(3.50%)</u>	<u>(4.50%)</u>
Total OPEB liability	\$ 5,226,638	\$ 4,460,264	\$ 3,852,551

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	\$ 3,823,755	\$ 4,460,264	\$ 5,270,146

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$179,087. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,483	\$ 306,370
Changes of assumptions	-	235,722
Benefit payments and administrative costs made subsequent to the measurement date	136,200	-
Total	\$ 155,683	\$ 542,092

\$136,200 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement period ended June 30:	
2021	\$ (172,752)
2022	\$ (96,777)
2023	\$ (96,777)
2024	\$ (96,777)
2025	\$ (59,526)
Thereafter	\$ -

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience		
LGERS	\$ 149,680	\$ -
LEOSSA	150,027	1,570
VFSR	-	25,120
OPEB	19,483	306,370
Changes of assumptions		
LGERS	142,474	-
LEOSSA	14,782	7,271
VFSR	94,372	59,758
OPEB	-	235,722

3. Deferred Outflows and Inflows of Resources (continued)

Difference between projected and actual investment		
LGERS	21,322	-
Change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	14,173	26,422
Contributions to pension plan in current fiscal year		
LGERS	256,871	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	6,410	-
Benefit payments/administration costs paid subsequent to the measurement date (VFSR)	11,400	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	136,200	-
Bond Deposits (General)	-	40,938
Prepaid Property Taxes (General)	-	382
Taxes receivable, net (General)	-	73,492
Total	\$ 1,017,194	\$ 777,045

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, worker's compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contracting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

The City does not carry flood insurance. There are only three structures in the flood plain, the sewer plant and two pump stations. The pump stations have been elevated and made flood proof. The Sewer plant is below ground and cannot be insured. The City does not believe that separate flood insurance is necessary.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance officer and tax collector are each individually bonded for \$100,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

5. Claims and Judgements

According to the City Attorney and City management at June 30, 2020, the City was not a defendant in any lawsuit whose outcome could affect the City's ability to pay obligations as they become due.

6. Long-Term Obligations

a. Installment Purchases

In June 2009, the City obtained \$3,784,000 in installment notes to finance the construction of a new fire station. The installment agreements required principal payments beginning in the fiscal year 2011 with an interest rate of 4.490%. Effective with the July 2014 payment, these notes were refinanced reducing the interest rate to 2.85% while annual payments remain the same. In the event of default BB&T may a) declare the unpaid principal components of the installment payments immediately due and payable; b) proceed by appropriate court action to enforce the Borrower's performance of the applicable covenants of this agreement or to recover for the breach thereof; c) as provided in the Project Fund Agreements, require BB&T to pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner BB&T may reasonably deem appropriate; and d) avail itself of all available remedies under this Agreement, including execution as provided, and recovery of attorneys' fees and other expenses. The property is held as collateral while the debt is outstanding.

On October 10, 2017, the City entered into a financing agreement of \$450,000 for the purchases of a Rosenbauer fire truck. The agreement required principal payments of \$95,388 annually for five years with an interest rate of 1.97%. In the event of default BB&T may a) declare the unpaid principal components of the installment payments immediately due and payable; b) proceed by appropriate court action to enforce the Borrower's performance of the applicable covenants of this agreement or to recover for the breach thereof; c) as provided in the Project Fund Agreements, require BB&T to pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner BB&T may reasonably deem appropriate; and d) avail itself of all available remedies under this Agreement, including execution as provided, and recovery of attorneys' fees and other expenses. The truck is held as collateral while the debt is outstanding.

On November 14, 2019, the City entered into a financing agreement of \$200,000 for the purchases of two ambulances. The agreement required principal and interest payments of \$26,363 semi annually for five years with an interest rate of 2.39%. In the event of default BB&T may a) declare the unpaid principal components of the installment payments immediately due and payable; b) proceed by appropriate court action to enforce the Borrower's performance of the applicable covenants of this agreement or to recover for the breach thereof; c) as provided in the Project Fund Agreements, require BB&T to pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner BB&T may reasonably deem appropriate; and d) avail itself of all available remedies under this Agreement, including execution as provided, and recovery of attorneys' fees and other expenses. The ambulances are held as collateral while the debt is outstanding.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$321,776 of interest is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 327,975	\$ 63,262
2022	330,920	54,924
2023	333,929	46,522
2024	215,252	38,057
2025	189,200	32,353
2026-2030	946,000	86,658
Total	<u>\$ 2,343,276</u>	<u>\$ 321,776</u>

b. Revolving Loans

In March 2005, the City entered into a \$1,377,975 revolving loan from the North Carolina Environmental Management Commission for the improvement of the City's wastewater treatment facilities. The revolving loan requires biannual interest payments due on November 1 and May 1 and an annual principal payment due on May 1; interest is at 2.205%. In the event of default the unit may be required to prepay the note in whole and any further commitment of funds may be withdrawn. The loan is secured by the revenues of the Project or benefited system.

On December 7, 2009, the City received a federal revolving loan (ARRA) from the Water Infrastructure Fund and Grant Program through the North Carolina Department of Environmental and Natural Resources for enhancement of the wastewater collection system. The total of this loan is \$1,404,695. There is a principal forgiveness of fifty percent of this loan totaling \$702,347. Equal payments of \$35,117 were made on the balance annually starting on May 1, 2012. There is no interest on this loan. In the event of default the unit may be required to prepare the whole note. The loan is secured by the revenues of the Project or benefited system.

Annual debt service requirements to maturity for the revolving loans are as follow:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 103,401	\$ 9,034
2022	103,401	7,528
2023	103,401	6,023
2024	103,401	4,517
2025	103,401	3,011
2026-2030	243,871	1,506
2031-2035	35,117	-
	<u>\$ 795,993</u>	<u>\$ 31,619</u>

c. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Direct Placement and Direct					
Borrowing Installment purchases	\$ 2,444,677	\$ 200,000	\$ 301,401	\$ 2,343,276	\$ 327,975
Compensated absences	133,419	60,472	-	193,891	48,473
Net pension liability (LGERS)	600,210	5,588	-	605,798	-
Total pension liability (FIRE)	625,124	72,838	-	697,962	-
Total pension liability (LEOSSA)	200,689	155,963	-	356,652	-
Total OPEB Liability	3,257,200	-	118,867	3,138,333	-
Total Governmental	<u>\$ 7,261,319</u>	<u>\$ 494,861</u>	<u>\$ 420,268</u>	<u>\$ 7,335,912</u>	<u>\$ 376,448</u>
Business-type activities:					
Electric Fund					
Compensated absences	12,983	-	5,924	7,059	1,765
Net pension liability (LGERS)	94,932	877	-	95,809	-
Total OPEB Liability	405,792	-	14,809	390,983	-
Total Electric Fund	<u>\$ 513,707</u>	<u>\$ 877</u>	<u>\$ 20,733</u>	<u>\$ 493,851</u>	<u>\$ 1,765</u>

Water and Sewer Fund

Revolving Loans	\$ 899,391	\$ -	\$ 103,401	\$ 795,990	\$ 103,401
Compensated absences	8,536	3,176	-	11,712	2,928
Net pension liability (LGERS)	171,000	1,561	-	172,561	-
Total OPEB Liability	966,208	-	35,261	930,947	
Total Water Fund	<u>\$ 2,045,135</u>	<u>\$ 4,737</u>	<u>\$ 138,662</u>	<u>\$ 1,911,210</u>	<u>\$ 106,329</u>
Total Business-type	<u>\$ 2,558,842</u>	<u>\$ 5,614</u>	<u>\$ 159,395</u>	<u>\$ 2,405,061</u>	<u>\$ 108,094</u>

Compensated absences and OPEB liability have typically been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis.

At June 30, 2020, the City of Southport had a legal debt margin of \$80,214,288.

C. Interfund Balances and Activity

There were no transfers recorded for the year ended June 30, 2020.

D. Contracts**1. Electric Maintenance Contract and Billing/Collections Contract**

The City of Southport has awarded a contract to Brunswick Electric Membership Corporation for the operation and maintenance of the Electric Distribution System and electric customer account services. The contract is for a five-year term beginning on July 1, 2017 and ending June 30, 2022. The initial cost to the City under the contract was \$11.4001 per meter per month for the operation and maintenance and \$5.2215 per meter per month for the customer account services. Effective each July 1, under the contract the annual fee will be adjusted based on the increase in the Consumer Price Index and City customer growth. Non-basic operations and maintenance service such as power restoration after catastrophic events, system improvements and upgrades, and system extension are to be provided on a cost-plus basis. The cost of non-basic service will be based on cost of materials, equipment and labor. System additions and extensions are to be approved by the City. For the year ended June 30, 2020, the City payments under this contract totaled \$892,176.

E. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$2,000 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2020. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

F. Net Investment in Capital Assets

	<u>Business-Type</u>		
	<u>Governmental</u>	<u>Water/Sewer</u>	<u>Electric</u>
Capital Assets	\$ 14,018,075	\$ 14,987,437	\$ 10,316,325
less: long-term debt	(2,343,276)	(795,990)	-
add: unexpended debt proceeds	-	-	-
Net Investment in Capital Assets	<u>\$ 11,674,799</u>	<u>\$ 14,191,447</u>	<u>\$ 10,316,325</u>

G. Fund Balance

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

Total Fund Balance - General Fund	\$ 4,448,755
Less restricted for:	
Stabilization by State statute	908,142
Streets (Powell Bill)	26,854
Appropriated Fund Balance in 2021 Budget	48,773
Committed for fire protection	55,362
Remaining Fund Balance	\$ 3,464,986

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. At June 30, 2020 the City had outstanding encumbrances of \$116,241 in the General Fund.

IV. Joint Ventures

The City and the members of the City's fire department each appoint two members to the five member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Fireman's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2020, the City reported revenues and expenditures for payments of \$2,000 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Jointly Governed Organizations

A. North Carolina Eastern Municipal Power Agency

The City is a member of the North Carolina Eastern Municipal Power Agency (Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The twenty-one members, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2020 were \$4,572,241.

B. Cape Fear Council of Governments

The City, in conjunction with four counties and forty other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. No membership dues were paid to the Council during the fiscal year ended June 30, 2020.

C. Brunswick County Airport Commission

The City in conjunction with Brunswick County and the Town of Oak Island established the Brunswick County Airport Commission. The purpose of the Commission is to acquire land, establish, construct, own, control, lease, equip, improve, maintain, operate, and regulate airports or landing fields within the County and to provide and maintain an airport facility for the use of the general aviation public and to promote the economic development of Brunswick County. The City of Southport appoints one member to the Commission. The Town of Oak Island appoints two members as the result of the merger of the Town of Long Beach and the Town of Yaupon Beach. Brunswick County appoints a total of four members. The City is not obligated to furnish any funds to the Commission but has made contributions in prior years. During the year ended June 30, 2020, the City made no contributions to the Commission. The participating governments do not have any equity interest in the Commission, so no equity interest has been reflected in the financial statements at June 30, 2020. Complete financial information for the Airport Commission can be obtained from the Airport's administrative offices at 380 Long Beach Road, Southport, North Carolina 28461.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City 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.

VII. Significant Effects of Subsequent Events

Every year since 2018, there have been major hurricanes to strike the coast of Southeastern North Carolina. The infrastructure of the City suffered severe damage. Claims for damages have been filed with FEMA for damages of around three million dollars. All of the claims have not been settled as of the date of these financial statements. It is the opinion of City management that these claims will cover the losses suffered by the City. No allowance has been recorded in these financial statements.

Other events occurring after June 30, 2020 were evaluated by management on October 16, 2020 to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included. There were no additional subsequent events needing disclosure.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

Schedule of Proportionate Share of the Net Pension Asset - Local Government Employee's Retirement System

Schedule of Contributions - Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in Total Pension Liability - Volunteer Firefighters' Supplemental Retirement Plan

Schedule of Changes in the Total OPEB Liability and Related Ratios

City of Southport
City of Southport'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>
Southport's proportion of the net liability (asset) (%)	0.0320%	0.03651%	0.03576%	0.03179%	0.03025%	0.02832%	0.02880%
Southport's proportion of the net pension liability (asset) (\$)	\$ 874,168	\$ 866,142	\$ 546,314	\$ 674,690	\$ 135,760	\$ (167,016)	\$ 347,151
Southport's covered payroll	\$ 2,364,012	\$ 2,228,199	\$ 2,164,697	\$ 2,000,892	\$ 1,863,345	\$ 1,773,533	\$ 1,752,169
Southport's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.98%	38.87%	25.24%	33.72%	7.29%	-9.42%	19.81%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	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.

City of Southport
City of Southport's Contributions
Required Supplementary Information
Last Six 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	\$ 256,871	\$ 187,871	\$ 171,008	\$ 160,063	\$ 135,756	\$ 133,568	\$ 126,372
Contributions in relation to the contractually required contribution	<u>256,871</u>	<u>187,871</u>	<u>171,008</u>	<u>160,063</u>	<u>135,756</u>	<u>133,568</u>	<u>126,372</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Southport's covered payroll	\$ 2,809,085	\$2,364,012	\$2,228,199	\$2,164,697	\$2,000,892	\$1,863,345	\$1,773,533
Contributions as a percentage of covered payroll	9.14%	7.95%	7.67%	7.39%	6.78%	7.17%	7.13%

City of Southport, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 200,689	\$ 204,305	\$ 127,190
Service Cost	10,300	13,484	11,669
Interest on the total pension liability	7,072	6,253	4,662
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	141,477	(2,276)	61,353
Changes of assumptions or other inputs	9,933	(8,258)	12,250
Benefit payments	(12,819)	(12,819)	(12,819)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 356,652</u>	<u>\$ 200,689</u>	<u>\$ 204,305</u>

City of Southport, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 200,689	\$ 200,689	\$ 204,305
Covered Payroll	536,371	588,718	549,341
Total pension liability as a percentage of covered payroll	37.42%	34.09%	37.19%

Notes to the schedules:

The City of Southport has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

City of Southport, North Carolina
Schedule of Changes in the Total Pension Liability
Firefighters' Supplemental Retirement Plan
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 625,124	\$ 667,767	\$ 573,282
Service cost	33,124	36,691	24,438
Interest on the total pension liability	22,340	20,736	21,684
Changes on benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the total pension liability	-	(28,860)	-
Changes of assumptionser inputs	40,174	(48,060)	71,418
Benefit payments	(22,800)	(23,150)	(23,055)
Other charges	-	-	-
Ending Balance of the total pension liability:	<u>\$ 697,962</u>	<u>\$ 625,124</u>	<u>\$ 667,767</u>

Notes to the statements:

The City of Southport has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 to pay related benefits.

City of Southport, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
For the Year Ended June 30, 2020

Total OPEB Liability	2020	2019	2018
Service cost	\$ 192,535	\$ 97,192	\$ 109,016
Interest	177,124	150,311	135,410
Changes in benefit terms	-	431,879	-
Differences between expected and actual experience in the measurement of the total pension liability	(370,197)	21,056	24,508
Changes of assumptions	(15,169)	(209,436)	(381,868)
Benefit payments	(153,229)	(166,608)	(160,683)
Other changes	-	-	-
Net change in total OPEB liability	(168,936)	324,394	(273,617)
Total OPEB liability - beginning	4,629,200	4,304,806	4,578,423
Total OPEB liability - ending	\$ 4,460,264	\$ 4,629,200	\$ 4,304,806
Covered payroll	\$ 2,228,360	\$ 1,920,483	\$ 989,080
Total OPEB liability as a percentage of covered payroll	200.16%	241.04%	435.23%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effect of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal year	Rate
2018	3.56%
2019	3.89%
2020	3.50%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

This section contains additional information required by the
Local Government Commission in North Carolina

City of Southport, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes			
Current year	\$ 2,698,770	\$ 2,869,284	\$ 170,514
Prior years	40,000	33,560	(6,440)
Motor vehicles taxes	94,000	142,399	48,399
Penalties and interest	13,000	8,344	(4,656)
Total	<u>2,845,770</u>	<u>3,053,587</u>	<u>207,817</u>
Other taxes and licenses			
Dog taxes	585	1,435	850
Privilege licenses	500	885	385
Itinerant peddler permit	100	50	(50)
Accommodation tax	106,575	107,942	1,367
Total	<u>107,760</u>	<u>110,312</u>	<u>2,552</u>
Unrestricted intergovernmental			
Local option sales tax	997,434	1,030,485	33,051
Beer and wine tax	18,000	15,083	(2,917)
ABC board profit distribution	366,101	388,663	22,562
Utility franchise tax	365,000	371,270	6,270
Total	<u>1,746,535</u>	<u>1,805,501</u>	<u>58,966</u>
Restricted intergovernmental			
Powell Bill allocation	124,783	113,121	(11,662)
Solid Waste disposal tax	2,652	2,660	8
FEMA assistance to firefighters	25,000	17,521	(7,479)
ABC revenue for law enforcement	11,881	17,024	5,143
FEMA reimbursement	124,098	309,720	185,622
Fire district fees	1,191,315	1,192,887	1,572
Other miscellaneous grants	131,902	-	(131,902)
Total	<u>1,611,631</u>	<u>1,652,933</u>	<u>41,302</u>
Permits and fees			
Building permits	229,689	367,175	137,486
Fire inspection fees	15,000	6,110	(8,890)
Reinspection fees	2,550	1,280	(1,270)
Golf cart fees	1,613	3,225	1,612
Planning and zoning fees	20,000	14,670	(5,330)
Total	<u>268,852</u>	<u>392,460</u>	<u>123,608</u>

City of Southport, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and Services			
Cemetary lot sales	-	750	750
Refuse collection fees	240,000	256,750	16,750
Rescue squad fees	190,000	240,727	50,727
Community building rent	95,000	54,788	(40,212)
Payment in lieu - recreation facilities	10,065	1,304	(8,761)
Tourism - visitor center sales	-	-	-
Recreation fees	22,174	17,587	(4,587)
Duke Energy Progress for fire department	50,000	50,000	-
Total	<u>607,239</u>	<u>621,906</u>	<u>14,667</u>
Investment earnings	<u>125,000</u>	<u>52,106</u>	<u>(72,894)</u>
Miscellaneous			
Insurance reimbursement	15,028	29,173	14,145
Donations - firemen's fund	26,706	31,164	4,458
Fire department response fees	25,000	15,867	(9,133)
Homeowners recovery fund	77	131	54
Police - shop with a cop	5,770	5,211	(559)
Special events - tourism	14,915	16,000	1,085
Sales - fixed assets	25,000	-	(25,000)
Miscellaneous	56,927	72,591	15,664
Total	<u>169,423</u>	<u>170,137</u>	<u>714</u>
Total Revenues	<u>7,482,210</u>	<u>7,858,942</u>	<u>376,732</u>
Expenditures:			
General Government:			
Board Expenses			
Salaries and benefits	31,020	30,550	470
Operating expenditures	361,859	133,934	227,925
Capital outlay	99,000	59,505	39,495
Total	<u>491,879</u>	<u>223,989</u>	<u>267,890</u>
Administration			
Salaries and benefits	160,317	158,014	2,303
Operating expenditures	193,290	166,687	26,603
Capital outlay	5,153	4,571	582
Total	<u>358,760</u>	<u>329,272</u>	<u>29,488</u>

City of Southport, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Finance			
Salaries and benefits	176,675	173,080	3,595
Operating expenditures	106,463	84,071	22,392
Capital outlay	5,000	-	5,000
Total	<u>288,138</u>	<u>257,151</u>	<u>30,987</u>
Buildings and Grounds			
Salaries and benefits	423,730	420,704	3,026
Operating expenditures	198,927	191,220	7,707
Capital outlay	5,479	3,018	2,461
Total	<u>628,136</u>	<u>614,942</u>	<u>13,194</u>
Tourism			
Salaries and benefits	170,150	170,566	(416)
Operating expenditures	75,305	69,393	5,912
Capital outlay	8,936	8,936	-
Total	<u>254,391</u>	<u>248,895</u>	<u>5,496</u>
Community Building			
Salaries and benefits	66,333	52,426	13,907
Operating expenditures	99,210	42,818	56,392
Capital outlay	2,800	-	2,800
Total	<u>168,343</u>	<u>95,244</u>	<u>73,099</u>
City Garage			
Salaries and benefits	194,267	195,371	(1,104)
Operating expenditures	51,449	34,092	17,357
Capital outlay	2,549	1,326	1,223
Total	<u>248,265</u>	<u>230,789</u>	<u>17,476</u>
Total general government	<u>2,437,912</u>	<u>2,000,282</u>	<u>437,630</u>
Public Safety:			
Police			
Salaries and benefits	1,052,720	881,991	170,729
Operating expenditures	255,938	218,930	37,008
Capital outlay	48,348	36,504	11,844
Total	<u>1,357,006</u>	<u>1,137,425</u>	<u>219,581</u>

City of Southport, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire and Rescue Department			
Salaries and benefits	1,191,783	1,147,311	44,472
Operating expenditures	420,520	411,281	9,239
Capital outlay	522,398	375,572	146,826
Total	<u>2,134,701</u>	<u>1,934,164</u>	<u>200,537</u>
Code Enforcement			
Salaries and benefits	333,191	323,392	9,799
Operating expenditures	56,645	40,461	16,184
Capital outlay	80,511	67,116	13,395
Total	<u>470,347</u>	<u>430,969</u>	<u>39,378</u>
Total public safety	<u>3,962,054</u>	<u>3,502,558</u>	<u>459,496</u>
Transportation			
Street			
Salaries and benefits	218,762	197,927	20,835
Operating expenditures	187,107	184,875	2,232
Capital outlay	103,047	70,771	32,276
Total	<u>508,916</u>	<u>453,573</u>	<u>55,343</u>
Powell Bill			
Operating expenditures	25,046	2,561	22,485
Capital outlay	133,162	117,462	15,700
Total	<u>158,208</u>	<u>120,023</u>	<u>38,185</u>
Total transportation	<u>667,124</u>	<u>573,596</u>	<u>93,528</u>
Environmental Protection			
Solid waste			
Contract services	260,000	264,263	(4,263)
Total environmental protection	<u>260,000</u>	<u>264,263</u>	<u>(4,263)</u>
Cultural and recreational:			
Parks and recreation			
Salaries and benefits	285,345	259,380	25,965
Operating expenditures	206,627	182,779	23,848
Capital outlay	431,965	-	431,965
Total Cultural and Recreational	<u>923,937</u>	<u>442,159</u>	<u>481,778</u>

City of Southport, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement	301,402	301,401	1
Interest and other charges	68,864	68,864	-
Total debt service	<u>370,266</u>	<u>370,265</u>	<u>1</u>
Total expenditures	<u>8,621,293</u>	<u>7,153,123</u>	<u>1,468,170</u>
Revenues over (under) expenditures	<u>(1,139,083)</u>	<u>705,819</u>	<u>1,844,902</u>
Other financing sources (uses):			
Appropriated fund balance	317,129	-	(317,129)
Transfers to other funds	(10,000)		(10,000)
Proceeds of financing sources (uses)	831,954	200,000	(631,954)
	<u>1,139,083</u>	<u>200,000</u>	<u>(959,083)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	905,819	<u>\$ 885,819</u>
Fund balance, beginning		<u>3,542,936</u>	
Fund balance, ending		<u>\$ 4,448,755</u>	

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Electric Fund - This fund is used to account for the City's electric fund operations

Water and Sewer Fund - This fund is used to account for the City's water and sewer operations

City of Southport, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues			
Electricity sales	\$ 7,925,739	\$ 7,497,401	\$ (428,338)
Service Charges	29,754	31,774	2,020
Total charges for services	<u>7,955,493</u>	<u>7,529,175</u>	<u>(426,318)</u>
Other operating revenues			
Miscellaneous	5,000	32,428	27,428
Total operating revenues	<u>7,960,493</u>	<u>7,561,603</u>	<u>27,428</u>
Nonoperating revenues:			
FEMA Reimbursement	-	215,094	215,094
Interest on investments	4,440	72,427	67,987
Total nonoperating revenues	<u>4,440</u>	<u>287,521</u>	<u>283,081</u>
Total revenues	<u>7,964,933</u>	<u>7,849,124</u>	<u>(115,809)</u>
Expenditures:			
Salaries	337,766	340,511	
Employee overtime	9,750	9,282	
Professional services	11,225	11,225	
Social security	25,831	26,045	
Group insurance	80,724	81,883	
Retirement	26,479	23,750	
401(k) retirement supplement	15,576	14,599	
Workers compensation insurance	2,552	2,041	
Uniforms and protective gear	2,075	2,012	
Telephone and postage	9,035	7,547	
Utilities	1,082	1,380	
Travel and training	11,548	7,729	
Equipment maintenance	2,000	79,875	
Vehicle maintenance	538	752	
Gas, oil and tires	2,200	1,157	
Departmental supplies	12,200	7,258	
Utility sales tax	451,851	515,520	
Power purchased	4,815,300	4,572,241	
Billing contract	185,000	193,808	
Contract servcies	50,000	50,264	
Operations and maintenance contract	719,863	698,368	
Install load management switches	54,445	54,445	
Insurance and bonding	11,928	7,668	
Total expenditures	<u>6,838,968</u>	<u>6,709,360</u>	<u>129,608</u>

City of Southport, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Supplemental budget expenditures			
Capital outlay	1,125,965	1,103,301	22,664
Total supplemental expenditures	<u>1,125,965</u>	<u>1,103,301</u>	<u>22,664</u>
 Total expenditures	 <u>7,964,933</u>	 <u>7,812,661</u>	 <u>152,272</u>
 Excess of revenues over (under) expenditures	 <u>-</u>	 <u>36,463</u>	 <u>36,463</u>
 Other financing sources (uses):			
Appropriated fund balance	-	-	-
Transfer to other project funds			
Transfer to general fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
 sources (uses)	 <u>\$ -</u>	 <u>36,463</u>	 <u>\$ 36,463</u>

Reconciliation from budgetary basis (modified accrual to full accrual:

Revenues and other sources over expenditures and other uses 36,463

Reconciliation of modified accrual basis to full accrual basis:

Depreciation	(324,201)
Capital outlay	1,103,301
Increase (Decrease) in deferred outflows of resources - pensions	(12,414)
Increase (Decrease) in deferred outflows of resources - OPEB	(2,112)
(Increase) Decrease in deferred inflows of resources - pension	(2,240)
(Increase) Decrease in deferred inflows of resources - OPEB	(16,214)
(Increase) Decrease in net pension liability	(877)
(Increase) Decrease in net OPEB liability	14,808
(Increase) Decrease in compensated absences	5,924
NCDOT Reimbursements (Ex C-1)	<u>1,854,714</u>
Total reconciling items	<u>2,620,689</u>
 Change in Net Position	 <u>\$ 2,657,152</u>

City of Southport, North Carolina
NCDOT Improvement Program
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NCDOT Reimbursements	\$ 2,410,418	\$ -	\$ 1,854,714	\$ 1,854,714	\$ (555,704)
Total charges for services	<u>2,410,418</u>	<u>-</u>	<u>1,854,714</u>	<u>1,854,714</u>	<u>(555,704)</u>
Expenditures:					
Capital Outlay	2,486,728	-	1,854,714	1,854,714	632,014
Total expenditures	<u>2,486,728</u>	<u>-</u>	<u>1,854,714</u>	<u>1,854,714</u>	<u>632,014</u>
Revenues over (under) expenditures	<u>(76,310)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,310</u>
Other financing sources (uses):					
Appropriated fund balance	-	-	-	-	-
Transfer (to) from other project funds	76,310	-	-	-	(76,310)
Total other financing sources (uses)	<u>76,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,310)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Southport, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ 1,421,350	\$ 1,596,028	\$ 174,678
Sewer sales	2,267,000	3,012,830	745,830
Water and sewer tap fees	18,000	57,000	39,000
Service charges	25,000	20,468	(4,532)
Total charges for services	<u>3,731,350</u>	<u>4,686,326</u>	<u>954,976</u>
Other operating revenues			
Credit card fees	13,000	10,830	(2,170)
Miscellaneous	-	54,311	54,311
Total operating revenues	<u>3,744,350</u>	<u>4,751,467</u>	<u>1,007,117</u>
Non-operating revenues:			
Interest on investments	1,000	46,608	45,608
Availability fees	300,000	508,792	208,792
Other Grants	65,000	45,000	(20,000)
Total	<u>366,000</u>	<u>600,400</u>	<u>234,400</u>
Total revenues	<u>4,110,350</u>	<u>5,351,867</u>	<u>1,241,517</u>
Expenditures:			
Salaries	484,094	489,290	(5,196)
Employee overtime	21,456	21,819	(363)
Professional fees	21,817	21,817	-
Social security	37,604	37,549	55
Group insurance	123,450	133,494	(10,044)
Retirement	41,682	28,050	13,632
401(k) retirement supplement	23,225	23,260	(35)
Unemployment expense	17,261	17,261	-
Uniforms and protective gear	12,300	12,083	217
Telephone and psotage	21,550	21,514	36
Utilities	49,657	46,289	3,368
Travel and training	5,928	4,563	1,365
Equipment repair	6,590	9,300	(2,710)
Vehicle repair	22,114	10,560	11,554
Sewer system repairs	550,000	414,886	135,114
Gas, oil and tires	17,645	18,539	(894)
Water and Sewer supplies	183,989	213,331	(29,342)
Annual permits and fees	5,709	4,235	1,474
Water purchases	740,000	664,124	75,876
Sewer capital charge	-	-	-
Contract services	2,306,823	2,211,966	94,857
Neighbors for neighbors	10,000	3,680	6,320
Insurance and bonding	13,573	15,936	(2,363)
Total expenditures other than depreciation	<u>4,716,467</u>	<u>4,423,546</u>	<u>292,921</u>

City of Southport, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year end June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Supplemental budget expenditures			
Capital outlay	181,014	62,103	118,911
Long-term debt payment	101,896	103,401	(1,505)
Interest expense	12,045	10,540	1,505
Contingency	115,128	-	115,128
Total supplemental expenditures	<u>410,083</u>	<u>176,044</u>	<u>234,039</u>
Total expenditures	<u>5,126,550</u>	<u>4,599,590</u>	<u>526,960</u>
Revenues over (under) expenditures	<u>(1,016,200)</u>	<u>752,277</u>	<u>1,768,477</u>
Other financing sources (uses):			
Fund balance appropriated	1,006,200	-	(1,006,200)
Sale of Fixed Assets	-	650,000	650,000
Transfer from other funds	310,000	-	(310,000)
Transfer (to) other funds	<u>(300,000)</u>	<u>(158,550)</u>	<u>141,450</u>
Total other financing sources (uses)	<u>1,016,200</u>	<u>491,450</u>	<u>(524,750)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>1,243,727</u>	<u>\$ 1,243,727</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		1,243,727	
Reconciling items:			
Principal repayment on long-term debt		103,401	
Capital outlay		62,103	
Depreciation		(522,203)	
(Increase) Decrease in deferred inflows of resources - OPEB		(38,607)	
(Increase) Decrease in deferred inflows of resources - pensions		(4,035)	
(Increase) Decrease in compensated absences		(3,176)	
(Increase) Decrease in interest payable		174	
Increase (Decrease) in deferred outflows of resources - OPEB		(10,894)	
Increase (Decrease) in deferred outflows of resources - pensions		(22,374)	
(Increase) Decrease in net pension liability		(1,561)	
(Increase) Decrease in net OPEB liability		35,261	
Transfer (from Ex C-2A)		158,550	
Total reconciling items		<u>(243,361)</u>	
Change in Net Position		<u>\$ 1,000,366</u>	

City of Southport, North Carolina
Howe Street Sewer Replacement Project
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Golden Leaf Grant Revenue	\$ 990,000	\$ -	\$ -	\$ -	\$ (990,000)
Total charges for services	<u>990,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(990,000)</u>
Expenditures:					
Contract Services	139,845	-	82,466	82,466	57,379
Capital Outlay	<u>1,008,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008,705</u>
Total expenditures	<u>1,148,550</u>	<u>-</u>	<u>82,466</u>	<u>82,466</u>	<u>1,066,084</u>
Revenues over (under) expenditures	<u>(158,550)</u>	<u>-</u>	<u>(82,466)</u>	<u>(82,466)</u>	<u>76,084</u>
Other financing sources (uses):					
Transfer from Water Sewer Fund	<u>158,550</u>	<u>-</u>	<u>158,550</u>	<u>158,550</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>158,550</u>	<u>158,550</u>	<u>-</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ (158,550)</u>	<u>\$ -</u>	<u>\$ 76,084</u>	<u>\$ 76,084</u>	<u>\$ 76,084</u>

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable
Analysis of Current Tax Levy - City-Wide

City of Southport, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2020	\$ -	\$ 3,052,832	\$ 3,021,032	\$ 31,800
2019	31,013	-	18,575	12,438
2018	16,017	-	6,505	9,512
2017	8,092	-	2,095	5,997
2016	6,337	-	940	5,397
2015	5,913	-	1,387	4,526
2014	6,635	-	827	5,808
2013	6,775	-	1,315	5,460
2012	5,284	-	302	4,982
2011	19,279	-	617	18,662
2010	9,187	-	9,187	-
	<u>\$ 114,532</u>	<u>\$ 3,052,832</u>	<u>\$ 3,062,782</u>	<u>\$ 104,582</u>
Less allowance for uncollectible ad valorem taxes receivable:				\$ (31,090)
Ad valorem taxes receivable, net				<u>\$ 73,492</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				
				\$ 3,053,587
				(8,344)
				17,539
				<u>9,195</u>
				<u>\$ 3,062,782</u>

City of Southport, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Fiscal Year Ended June 30, 2020

	City-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current Real and personal property	\$ 1,030,421,854	0.2956	\$ 3,045,927	\$ 2,902,215	\$ 143,712
Discoveries	1,547,700	0.2956	4,575	4,575	-
Penalties			2,330	2,330	-
Total Property Valuation	<u>\$ 1,031,969,553</u>				
Net levy			3,052,832	2,909,120	143,712
Uncollected taxes at June 30, 2020			<u>31,800</u>	<u>31,146</u>	<u>654</u>
Current year's taxes collected			<u>\$ 3,021,032</u>	<u>\$ 2,877,974</u>	<u>\$ 143,058</u>
Current levy collection percentage			<u>98.96%</u>	<u>98.93%</u>	<u>99.54%</u>

Compliance Section



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**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Honorable Mayor and
Members of the Board of Aldermen
City of Southport, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Southport, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the City of Southport's basic financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC

October 16, 2020

**City of Southport, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported.

**City of Southport, North Carolina
Summary Schedule of Prior Year's Findings
For the Fiscal Year Ended June 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-01 Reconciliation of records

Corrected