

CITY OF SOUTHPORT

Financial Statements

Southport, North Carolina

For the Year Ended June 30, 2021

City of Southport, North Carolina
Financial Statements
June 30, 2021

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

Dorothy Dutton

City of Southport, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>		<u>Page(s)</u>
	Financial Section:	
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-11
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	12
2	Statement of Activities	13
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	14
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	18
7	Statement of Fund Net Position– Proprietary Funds	19
8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	20
9	Statement of Cash Flows – Proprietary Funds	21-22
10	Statement of Fund Net Position - Fiduciary Fund	23
11	Statement of Changes in Fiduciary Net Position-Fiduciary Funds	24
	Notes to the Financial Statements	25-54

City of Southport, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>		<u>Page(s)</u>
Required Supplementary Information		
A-1	Schedule of Proportionate Share of the Net Pension Asset - Local Government Employees' Retirement System	55
A-2	Schedule of Contributions - Local Government Employees' Retirement System	56
A-3	Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	57
A-4	Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	58
A-5	Schedule of Changes in the Total Pension Liability - Firefighters' Supplemental Retirement Plan	59
A-5	Schedule of Changes in the Total OPEB Liability and Related Ratios	60
Individual Fund Statements and Schedules:		
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	61-65
C-1	Combining Balance Sheet- Nonmajor Governmental Funds	66
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	67
C-3	Schedule of Revenues and Expenditures-Budget and Actual Capital Projects Fund	68
C-4	Schedule of Revenues and Expenditures - Budget and Actual- Taylor Field Park Part F Grant Phase 1 Capital Project	69
D-1	Schedule of Revenues and Expenditures - Budget and Actual - Electric Fund	70-71
D-1a	Schedule of Revenues and Expenditures - Budget and Actual - NCDOT Improvement Program	72
D-2	Schedule of Revenues and Expenditures - Budget and Actual - Water and Sewer Fund	73-74
D-2a	Schedule of Revenues and Expenditures - Budget and Actual - Howe Street Sewer Replacement Project	75

City of Southport, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>		<u>Page(s)</u>
Other Schedules		
E-1	Schedule of Ad Valorem Taxes Receivable	76
E-2	Analysis of Current Tax Levy (City - Wide Levy)	77
Compliance Section:		
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements performed in accordance with <i>Governmental Auditing Standards</i>	78-79
	Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With Applicable Sections of Uniform Guidance and the State Single Audit Implementation Act	80-81
	Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance In Accordance With Applicable Sections of Uniform Guidance and the State Single Audit Implementation Act	82-83
	Schedule of Findings and Questioned Cost	84-85
	Summary Schedule of Prior Year Audit Findings	86
	Corrective Action Plan	87
	Schedule of Expenditures of Federal and State Awards	88

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, 2021, 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, 2021, 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 55 through 56, 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 57 through 58, Firefighters' Supplemental Retirement Plan on page 59, and the Changes in Total OPEB Liability and Related Ratios page 60, 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 November 4, 2021 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
November 4, 2021

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, 2021. 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.

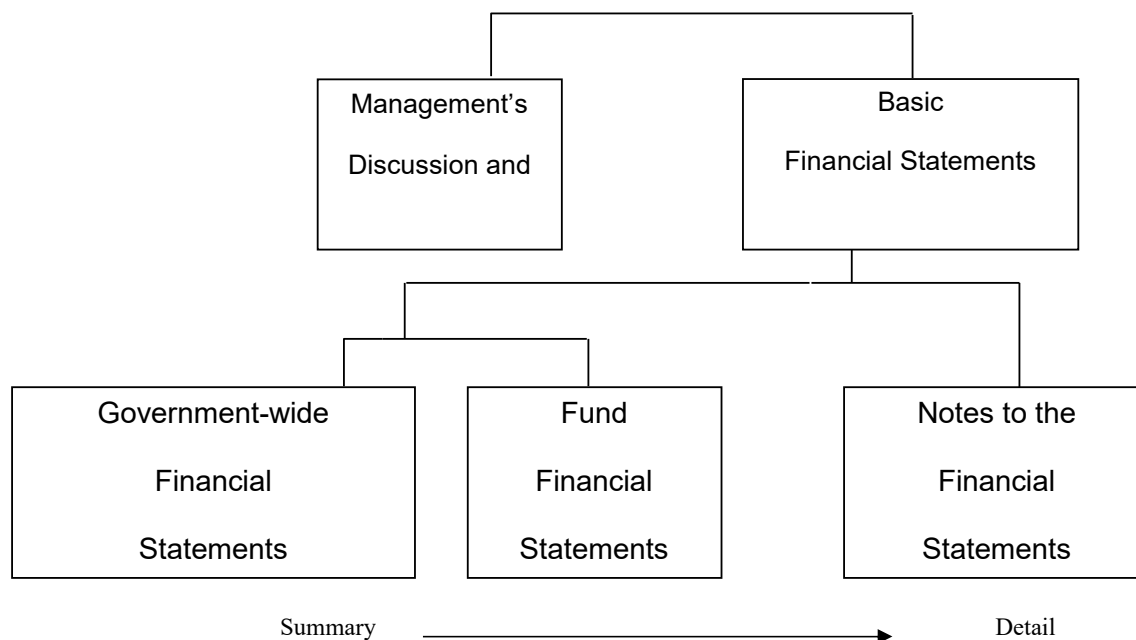
Financial Highlights

- The assets and deferred outflows of the City of Southport exceeded its liabilities and deferred inflows at the close of the fiscal year by \$48,873,020 (net position).
- Total government's total net position increased by \$4,471,255 which consisted of an increase in governmental activities of \$1,339,935 and an increase in business-type activities of \$3,131,320.
- As of the close of the current fiscal year, the City of Southport's governmental funds reported combined ending fund balances of \$6,104,265, an increase of \$1,655,510 in comparison with the prior year. Approximately \$1,485,963 (24.34 percent) is unavailable (nonspendable or restricted). Approximately 55.41 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 \$3,434,217 or 38.42 percent of total general fund expenditures for the fiscal year; compared to \$3,385,055, or 38.42 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 \$431,376 (13.74 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 Analysis

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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 6,559,168	\$ 5,059,267	\$ 13,236,466	\$13,021,849	\$ 19,795,634	\$ 18,081,116
Capital assets	13,715,007	14,018,075	27,457,584	25,303,762	41,172,591	39,321,837
Deferred outflows of resources	1,729,802	788,430	567,959	228,764	2,297,761	1,017,194
Total assets and deferred outflows of resources	22,003,977	19,865,772	41,262,009	38,554,375	63,265,986	58,420,147
Other liabilities	811,556	918,436	2,381,096	3,139,961	3,192,652	4,058,397
Long-term liabilities	7,957,031	6,959,465	2,686,933	2,296,968	10,643,964	9,256,433
Deferred inflows of resources	442,359	534,776	113,991	168,777	556,350	703,553
Total liabilities and deferred inflows of resources	9,210,946	8,412,677	5,182,020	5,605,706	14,392,966	14,018,383
Net position:						
Invested in capital assets, net of related debt	11,699,706	11,674,799	26,764,995	24,507,772	38,464,701	36,182,571
Restricted	2,685,963	934,996	2,189,666	1,740,494	4,875,629	2,675,490
Unrestricted	(1,592,638)	(1,156,699)	7,125,328	6,700,403	5,532,690	5,543,704
Total net position	\$ 12,793,031	\$ 11,453,096	\$ 36,079,989	\$ 32,948,669	\$ 48,873,020	\$ 44,401,765

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 \$48,873,020 as of June 30, 2021. The City's net position increased by \$4,471,255 for the fiscal year ended June 30, 2021. The largest portion of net position \$38,464,701 (78.70%) 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 \$4,875,629 (9.98%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$5,532,690 (11.32%) 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 99.07%.

City of Southport' Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 2,367,052	\$ 2,207,252	\$ 12,554,310	\$12,313,070	\$ 14,921,362	\$ 14,520,322
Operating grants and contributions	1,064,447	460,046	279,808	260,094	1,344,255	720,140
Capital grants and contributions	-	-	1,799,515	2,363,506	1,799,515	2,363,506
General revenues:						
Property taxes	3,202,648	3,033,318	-	-	3,202,648	3,033,318
Other taxes and licenses	169,447	110,312	-	-	169,447	110,312
Unrestricted intergovernmental	2,126,345	1,805,501	-	-	2,126,345	1,805,501
Investment earnings, unrestricted	14,741	52,106	29,515	119,035	44,256	171,141
Other	476,928	170,137	71,671	-	548,599	170,137
Gain/Loss on disposal of fixed assets	(2,306)	-	(12,053)	650,000	(14,359)	650,000
Total revenues	9,419,302	7,838,672	14,722,766	15,705,705	24,142,068	23,544,377
Expenses						
General government	2,617,817	2,100,294	-	-	2,617,817	2,100,294
Public safety	4,162,755	3,623,508	-	-	4,162,755	3,623,508
Transportation	519,836	648,328	-	-	519,836	648,328
Environmental Protection	275,276	529,251	-	-	275,276	529,251
Cultural and recreation	447,251	264,263	-	-	447,251	264,263
Interest on long-term debt	56,432	62,800	-	-	56,432	62,800
Electric	-	-	7,235,755	7,046,686	7,235,755	7,046,686
Water and sewer	-	-	4,355,691	5,001,501	4,355,691	5,001,501
Total expenses	8,079,367	7,228,444	11,591,446	12,048,187	19,670,813	19,276,631
Change in net position before Transfers	1,339,935	610,228	3,131,320	3,657,518	4,471,255	4,267,746
Transfers		-	-	-	-	-
Change in net position	1,339,935	610,228	3,131,320	3,657,518	4,471,255	4,267,746
Net Position						
Beginning of year - July 1	11,453,096	10,842,868	32,948,669	29,291,151	44,401,765	40,134,019
End of year - June 30	\$ 12,793,031	\$ 11,453,096	\$ 36,079,989	\$ 32,948,669	\$ 48,873,020	\$ 44,401,765

Governmental activities. Governmental activities revenues exceeded expenses by \$1,339,935. The increase in net position was due in part, to management's adoption of a conservative budget due to the unknown effects of the COVID-19 pandemic. City management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across departments. Certain non-recurring expenses were either postponed or renegotiated to maintain a healthy net position. Other Key elements for the increase are as follows:

- FEMA reimbursements continued in 2021, with additional revenues increasing in 2021 due to Hurricane Isaias in September 2020.
- 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 \$3,131,320. Management's response to the ongoing COVID-19 pandemic also played a key part in the increase in net position of the Business-type activities. In response to the delay in collections of revenues, the City established payment plans as required by law to keep citizens with water, sewer, and electric services. Other elements of this increase in net position are as follows:

- DOT reimbursements received for project expenditures that are capitalized.
- Decrease in operating expenditures of the Water and Sewer Fund of \$643,548.

Financial Analysis of the City's Funds

As noted earlier, the City of Southport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Additionally, during the year the City established two governmental capital project funds. The first, The General Capital Project Fund was established for construction of various upcoming projects. No expenses were recorded in this fund during the fiscal year. The second capital project fund, The Taylor Field Part F Grant-Phase 1 Fund was created for the development of a new park. Capital expenditures for this project totaled \$51,700. This fund is to be financed partial through PART F grant funding, therefore the City does not feel that this project will significantly affect overall availability of fund resources for future use.

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 \$3,434,217, while total fund balance reached \$4,955,965. The City currently has an available fund balance of 38.42% of total General Fund expenditures, while total fund balance represents 55.45% of that same amount.

At June 30, 2021, the governmental funds of the City of Southport reported a combined fund balance of \$6,104,265, a 37.21% 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 \$2,663,348.

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 \$789,451 and for the Electric Fund was \$6,335,877. The total increase in net position for the Water and Sewer Fund was \$1,406,359, and the Electric Fund had a total increase in net position of \$1,724,961.

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, 2021 totals \$41,172,591 (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:

- Replacement of vehicles and generators damaged during Hurricane Isaias
- water and sewer and electric capital projects

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,917,452	\$ 2,917,452	\$ 2,827,985	\$ 2,827,985	\$ 5,745,437	\$ 5,745,437
Building and improvements	6,849,417	7,038,326	69,926	71,822	6,919,343	7,110,148
Improvements other than Buildings	337,147	379,577	-	-	337,147	379,577
Utility systems	-	-	19,102,672	19,746,101	19,102,672	19,746,101
Furniture and Equipment	376,153	420,779	536,969	377,066	913,122	797,845
Infrastructure	2,293,250	2,178,305	-	-	2,293,250	2,178,305
Vehicles and motorized equipment	640,218	833,966	176,665	260,233	816,883	1,094,199
Construction in progress	301,370	249,670	4,743,367	2,020,555	5,044,737	2,270,225
Total	<u>\$ 13,715,007</u>	<u>\$ 14,018,075</u>	<u>\$ 27,457,584</u>	<u>\$ 25,303,762</u>	<u>\$ 41,172,591</u>	<u>\$ 39,321,837</u>

Long-term Debt. As of June 30, 2021, the City of Southport had total debt from financing of assets outstanding of \$2,707,890 as noted in the following table.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct Borrowing / Placement						
Installment Agreements	\$ 2,015,301	\$ 2,343,276	\$ 692,589	\$ 795,990	\$ 2,707,890	\$ 3,139,266
Compensated absences	206,956	193,891	25,103	18,771	232,059	212,662
Net pension liability (LGERS)	916,507	605,798	406,019	268,370	1,322,526	874,168
Total pension liability (FIRE)	817,081	697,962	-	-	817,081	697,962
Total pension liability (LEOSSA)	409,347	356,652	-	-	409,347	356,652
Total OPEB Liability	3,971,553	3,138,333	1,672,899	1,321,930	5,644,452	4,460,263
Total	<u>\$ 8,336,745</u>	<u>\$ 7,335,912</u>	<u>\$ 2,796,610</u>	<u>\$ 2,405,061</u>	<u>\$ 11,133,355</u>	<u>\$ 9,740,973</u>

The City of Southport's total debt increased by \$1,392,382 during the past fiscal year, primarily due to changes in pension liability associated with GASB 68, 73, and 75. The amounts of these increases were \$448,358, \$171,814 and \$1,184,189 respectively.

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 \$85,048,545.

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 5% annually with are projected to steadily increase over the next 10 years.
- The City of Southport unemployment rate of 2.4% is well below the State average of 5.1%
- The Covid Pandemic has left tourism industry a little shaken, with the closure of the Community Building.
- The greatest economic impact of Covid-19 pandemic on City revenue has been on the closure of the Community Building with no rental revenue. Approximately 5% of customers had to take advantage of a payment plan for paying utilities bills. Utility collections are back to normal. Businesses have rebounded from the closures and tourism is on the rise.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes (benefiting from the economic growth and annexation) and revenues from permits and fees are expected to lead the increase in budgeted revenue by 2%. The City will use these increases in revenues to finance programs currently in place. Management has seen some improvement in areas that were affected by the recession and anticipates more growth in coming years.

Budgeted expenditures in the General Fund are expected to rise approximately 5% to \$2,363,405. The largest increments are in employee compensation, including compensation and benefits adjustments.

Management believes that increased revenues and continued restrictions on spending will maintain the City's financial position. As the City considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$1.3 million at current values and collection rate. 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 5%, primarily to cover increased costs of operations and infrastructure maintenance. General operating expenses will increase by 2% to cover increased personnel costs, and 2.5% to cover increased costs of material, supplies, and other operating expenses. Rates for electricity will increase by an average of 4% to cover an equal increase in operating costs, primarily personnel and equipment maintenance expense.

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, 2021

	Primary Government			Component Unit
	Governmental	Business-type		Southport ABC
	Activities	Activities	Total	Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,163,389	\$ 8,356,784	\$ 13,520,173	\$ 537,288
Taxes receivables (net)	54,217		54,217	-
Accounts receivable (net)	26,309	1,393,782	1,420,091	-
Accrued interest receivable on taxes	7,680	-	7,680	-
Due from other governments	1,230,154	1,074,013	2,304,167	-
Internal balances	-	-	-	-
Inventories	-	-	-	272,054
Prepaid Expenses	-	-	-	15,061
Restricted cash and cash equivalents	77,419	2,411,887	2,489,306	-
Total current assets	6,559,168	13,236,466	19,795,634	824,403
Non-Current assets:				
Capital Assets:				-
Land, non-depreciable, improvements, and construction in process	3,218,822	7,571,352	10,790,174	443,715
Other capital assets, net of depreciation	10,496,185	19,886,232	30,382,417	152,733
Total capital assets	13,715,007	27,457,584	41,172,591	596,448
Total non-current assets	13,715,007	27,457,584	41,172,591	596,448
Total assets	20,274,175	40,694,050	60,968,225	1,420,851
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferrals	1,014,825	264,525	1,279,350	64,172
OPEB related deferrals	714,977	303,434	1,018,411	26,210
Total Deferred Outflows of Resources	1,729,802	567,959	2,297,761	90,382
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	378,258	1,874,599	2,252,857	510,530
Customer deposits	2,003	222,221	224,224	-
Accrued interest payable	51,581	629	52,210	-
Payable from restricted assets	-	173,970	173,970	-
Current portion of long-term liabilities	379,714	109,677	489,391	29,394
Total current liabilities	811,556	2,381,096	3,192,652	539,924
Long-term liabilities:				
Net pension liability (LGRS)	916,507	406,019	1,322,526	101,843
Total pension liability	1,226,428	-	1,226,428	-
Total OPEB liability	3,971,553	1,672,899	5,644,452	112,727
Due in more than one year	1,842,543	608,015	2,450,558	419,273
Total long-term liabilities	7,957,031	2,686,933	10,643,964	633,843
Total liabilities	8,768,587	5,068,029	13,836,616	1,173,767
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	173,369	6,055	179,424	-
OPEB related deferrals	256,245	107,936	364,181	20,997
Unearned income	12,745	-	12,745	-
Total Deferred Inflows of Resources	442,359	113,991	556,350	20,997
NET POSITION				
Net investment in capital assets	11,699,706	26,764,995	38,464,701	147,781
Restricted for:				
Stabilization by State Statute	1,408,544	-	1,408,544	-
Streets - Powell Bill	77,419		77,419	
Other Functions	-	-	-	139,085
Capital projects	1,200,000	2,189,666	3,389,666	
Unrestricted	(1,592,638)	7,125,328	5,532,690	29,603
Total net position	\$ 12,793,031	\$ 36,079,989	\$ 48,873,020	\$ 316,469

City of Southport, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Southport ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 2,617,817	\$ (11,263)	\$ -	\$ -	\$ (2,629,080)	\$ -	\$ (2,629,080)	
Public safety	4,162,755	2,097,348	939,937	-	(1,125,470)	-	(1,125,470)	
Transportation	519,836	-	108,439	-	(411,397)	-	(411,397)	
Cultural and Recreational	447,251	267,392	2,721	-	(177,138)	-	(177,138)	
Environmental Protection	275,276	13,575	13,350	-	(248,351)	-	(248,351)	
Interest on long-term debt	56,432	-	-	-	(56,432)	-	(56,432)	
Total governmental activities	8,079,367	2,367,052	1,064,447	-	(4,647,868)	-	(4,647,868)	
Business-type activities:								
Electric	7,235,755	7,622,876	279,808	1,040,343	-	1,707,272	1,707,272	
Water and Sewer	4,355,691	4,931,434	-	759,172	-	1,334,915	1,334,915	
Total business-type activities	11,591,446	12,554,310	279,808	1,799,515	-	3,042,187	3,042,187	
Total primary government	\$ 19,670,813	\$ 14,921,362	\$ 1,344,255	\$ 1,799,515	(4,647,868)	3,042,187	(1,605,681)	
Component units:								
ABC Board	\$ 4,873,966	\$ 4,873,955	\$ -	\$ -				\$ (11)
Total component units	\$ 4,873,966	\$ 4,873,955	\$ -	\$ -				\$ (11)
General revenues:								
Taxes:								
Ad valorem taxes					3,202,648	-	3,202,648	-
Unrestricted intergovernmental					2,126,345	-	2,126,345	-
Other taxes and licenses					169,447	-	169,447	-
Unrestricted investment earnings					14,741	29,515	44,256	11
Miscellaneous					476,928	71,671	548,599	-
Special items:								
Gain (loss) on disposal of fixed assets					(2,306)	(12,053)	(14,359)	-
Transfers					-	-	-	-
Total general revenues, special items, and transfers					5,987,803	89,133	6,076,936	11
Change in net position					1,339,935	3,131,320	4,471,255	-
Net position, beginning					11,453,096	32,948,669	44,401,765	316,469
Net position, ending					\$ 12,793,031	\$ 36,079,989	\$ 48,873,020	\$ 316,469

City of Southport, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
ASSETS			
Cash and investments	\$ 3,963,389	\$ 1,200,000	\$ 5,163,389
Restricted Cash and cash equivalents	77,419	-	77,419
Taxes Receivable, net:	54,217	-	54,217
Accounts and Other Receivable	26,309	-	26,309
Due from other Component units	-	-	-
Due from other governments	1,230,154	-	1,230,154
Due from other funds	28,960	-	28,960
Prepaid Expenses	-	-	-
Total assets	<u>\$ 5,380,448</u>	<u>\$ 1,200,000</u>	<u>\$ 6,580,448</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 185,513	\$ 22,740	\$ 208,253
Accrued payroll and payroll liabilities	170,005	-	170,005
Due to other funds	-	28,960	28,960
Customer Deposits	2,003	-	2,003
Total liabilities	<u>357,521</u>	<u>51,700</u>	<u>409,221</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	54,217	-	54,217
Prepaid property taxes	10,120	-	10,120
Deferred revenues	2,625	-	2,625
Total deferred inflows of resources	<u>66,962</u>	<u>-</u>	<u>66,962</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	-	-	-
Restricted:			
Stabilization by State Statute	1,408,544	-	1,408,544
Streets	77,419	-	77,419
Capital Outlay	-	1,200,000	1,200,000
Committed:			
Fire Protection	35,785	-	35,785
Assigned:			
Subsequent year's expenditures	-	-	-
Unassigned	3,434,217	(51,700)	3,382,517
Total fund balances	<u>4,955,965</u>	<u>1,148,300</u>	<u>6,104,265</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,380,448</u>	<u>\$ 1,200,000</u>	<u>\$ 6,580,448</u>

(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, 2021

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

Total Fund Balance, Governmental Funds	\$ 6,104,265
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,715,007
Earned revenues considered deferred inflows of resources in fund statements.	54,217
Certain other long-term assets (accrued interest receivable from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	7,680
Deferred outflows of resources related to OPEB are not reported in the funds	714,977
Deferred outflows of resources related to pensions are not recorded on the fund statements	1,014,825
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	(2,015,301)
Compensated Absences	(206,956)
Net pension liability (LGERS)	(916,507)
Total pension liability (LEOSSA)	(409,347)
Total pension liability (Fire)	(817,081)
Total OPEB liability	(3,971,553)
Accrued interest payable	(51,581)
Deferred inflows of resources related to OPEB are not reported in the	(256,245)
fund statements	(173,369)
Net position of governmental activities	<u><u>\$ 12,793,031</u></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
Governmental Funds
For the Year Ended June 30, 2021

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,226,365	\$ -	\$ 3,226,365
Other taxes and licenses	169,447	-	169,447
Unrestricted intergovernmental	2,126,345	-	2,126,345
Restricted intergovernmental	2,352,536	-	2,352,536
Permits and fees	547,474	-	547,474
Sales and services	531,490	-	531,490
Investment earnings	14,741	-	14,741
Miscellaneous	476,927	-	476,927
Total revenues	<u>9,445,325</u>	<u>-</u>	<u>9,445,325</u>
EXPENDITURES			
Current:			
General government	2,417,326	-	2,417,326
Public safety	3,610,521	-	3,610,521
Street and Public Works	519,871	-	519,871
Sanitation	275,276	-	275,276
Cultural and recreation	523,885	51,700	575,585
Debt service:			
Principal	327,975	-	327,975
Interest and other charges	63,261	-	63,261
Total expenditures	<u>7,738,115</u>	<u>51,700</u>	<u>7,789,815</u>
Excess (deficiency) of revenues over expenditures	<u>1,707,210</u>	<u>(51,700)</u>	<u>1,655,510</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds	(1,200,000)	-	(1,200,000)
Transfers from other funds	-	1,200,000	1,200,000
Total other financing sources (uses)	<u>(1,200,000)</u>	<u>1,200,000</u>	<u>-</u>
Net Change in fund balance	507,210	1,148,300	1,655,510
Fund balances, beginning	<u>4,448,755</u>	<u>-</u>	<u>4,448,755</u>
Fund balances, ending	<u><u>\$ 4,955,965</u></u>	<u><u>\$ 1,148,300</u></u>	<u><u>\$ 6,104,265</u></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, 2021

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

Net changes in fund balances - total governmental funds	\$ 1,655,510
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay expenditures which were capitalized	381,771	
Depreciation expense for governmental assets	(682,533)	
Loss on disposal of capital assets	(2,306)	(303,068)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	222,722
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	93,250
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Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	6,410
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Benefit payments and pension administration costs for the Volunteer Firefighters' Retirement Plan are not included in the Statement of Activities	11,630
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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	(19,275)
Change in accrued interest on taxes receivable	(4,442)

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.

Loan proceeds	-	
Principal payments on debt	327,975	327,975

Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	6,829
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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.

Compensated absences	(13,065)	
Pension expense	(336,748)	
Separation allowance	(59,479)	
Firefighters' retirement	(55,637)	
OPEB Expense	(192,677)	(192,677)

Total changes in net position of governmental activities	\$ 1,339,935
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City of Southport
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,522,160	\$ 3,022,160	\$ 3,226,365	\$ 204,205
Other taxes and licenses	102,244	157,244	169,447	12,203
Unrestricted intergovernmental	1,591,075	1,741,075	2,126,345	385,270
Restricted intergovernmental	2,182,247	2,410,392	2,352,536	(57,856)
Permits and fees	397,372	422,372	547,474	125,102
Sales and services	904,400	905,600	531,490	(374,110)
Investment earnings	80,000	80,000	14,741	(65,259)
Miscellaneous	117,849	697,957	476,927	(221,030)
Total revenues	7,897,347	9,436,800	9,445,325	8,525
Expenditures:				
Current:				
General government	2,139,151	3,049,864	2,417,326	632,538
Public safety	3,599,080	4,097,968	3,610,521	487,447
Transportation	593,309	621,509	519,871	101,638
Environmental protection	273,000	273,000	275,276	(2,276)
Cultural and recreation	949,580	975,890	523,885	452,005
Debt service:				
Principal retirement	328,000	327,976	327,975	1
Interest and other charges	64,000	63,261	63,261	-
Total expenditures	7,946,120	9,409,468	7,738,115	1,671,353
Revenues over (under) expenditures	(48,773)	27,332	1,707,210	1,679,878
Other financing sources (uses):				
Appropriated fund balance	48,773	740,714	-	(740,714)
Loan proceeds	-	431,954	-	(431,954)
Transfer to Capital Project Funds	-	(1,200,000)	(1,200,000)	-
Total other financing sources (uses)	48,773	(27,332)	(1,200,000)	(1,172,668)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	507,210	\$ 507,210
Fund balances, beginning			4,448,755	
Fund balances, ending			\$ 4,955,965	

City of Southport
Statement of Net Position
Proprietary Funds
June 30, 2021

	Major		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,346,617	\$ 2,010,167	\$ 8,356,784
Accounts receivable customers, net	397,229	525,779	923,008
Accounts receivable BEMC	470,774	-	470,774
Due from other governments	982,570	91,443	1,074,013
Restricted assets			
Cash and cash equivalents	126,677	2,285,210	2,411,887
Total current assets	<u>8,323,867</u>	<u>4,912,599</u>	<u>13,236,466</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	2,952,600	4,618,752	7,571,352
Other capital assets, net of depreciation	8,215,188	11,671,044	19,886,232
Capital assets (net)	<u>11,167,788</u>	<u>16,289,796</u>	<u>27,457,584</u>
Total noncurrent assets	<u>11,167,788</u>	<u>16,289,796</u>	<u>27,457,584</u>
Total assets	<u>19,491,655</u>	<u>21,202,395</u>	<u>40,694,050</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	94,439	170,086	264,525
OPEB deferrals	99,879	203,555	303,434
Total Deferred Outflows of Resources	<u>194,318</u>	<u>373,641</u>	<u>567,959</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,357,160	470,627	1,827,787
Salaries payable	17,209	29,603	46,812
Customer deposits	126,677	95,544	222,221
Accounts payable from restricted assets	-	173,970	173,970
Compensated absences	1,859	4,417	6,276
Accrued interest payable	-	629	629
Bonds, notes and loans payable	-	103,401	103,401
Total current liabilities	<u>1,502,905</u>	<u>878,191</u>	<u>2,381,096</u>
Noncurrent liabilities:			
Other non-current liabilities:			
Compensated absences	5,576	13,252	18,827
Net pension liability	144,954	261,065	406,019
Total OPEB Liability	494,788	1,178,111	1,672,899
Bonds, notes and loans payable	-	589,188	589,188
Total non-current liabilities	<u>645,318</u>	<u>2,041,616</u>	<u>2,686,933</u>
Total liabilities	<u>2,148,222</u>	<u>2,919,807</u>	<u>5,068,029</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,162	3,893	6,055
OPEB deferrals	31,924	76,012	107,936
Total Deferred Inflows of Resources	<u>34,086</u>	<u>79,905</u>	<u>113,991</u>
NET POSITION			
Net Investment in capital assets	11,167,788	15,597,207	26,764,995
Other restrictions	-	2,189,666	2,189,666
Unrestricted	6,335,877	789,451	7,125,328
Total net position	<u>\$ 17,503,665</u>	<u>\$ 18,576,324</u>	<u>\$ 36,079,989</u>

City of Southport
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 7,570,665	\$ 4,912,779	\$ 12,483,444
Other operating revenues	52,211	18,655	70,866
Total operating revenues	<u>7,622,876</u>	<u>4,931,434</u>	<u>12,554,310</u>
OPERATING EXPENSES			
Electric operations	6,884,858	-	6,884,858
Water and sewer operations	-	3,493,724	3,493,724
Depreciation	350,897	543,863	894,760
Contingency	-	310,000	310,000
Total operating expenses	<u>7,235,755</u>	<u>4,347,587</u>	<u>11,583,342</u>
Operating income (loss)	<u>387,121</u>	<u>583,847</u>	<u>970,968</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	17,689	11,826	29,515
FEMA Reimbursements	279,808	-	279,808
Insurance Recovery	-	71,671	71,671
NCDOT Reimbursements	1,040,343	-	1,040,343
Loss on asset disposal	-	(12,053)	(12,053)
Interest and other charges	-	(8,104)	(8,104)
Total nonoperating revenues (expenses)	<u>1,337,840</u>	<u>63,340</u>	<u>1,401,180</u>
Income (loss) before contributions and transfers	1,724,961	647,187	2,372,148
Capital contributions	-	759,172	759,172
Transfer in (out)	-	-	-
Total income (loss) after contributions and transfers	<u>1,724,961</u>	<u>1,406,359</u>	<u>3,131,320</u>
Change in net position	1,724,961	1,406,359	3,131,320
Total net position , beginning	15,778,704	17,169,965	32,948,669
Total net position, ending	<u>\$ 17,503,665</u>	<u>\$ 18,576,324</u>	<u>\$ 36,079,989</u>

City of Southport
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 7,566,341	\$ 4,821,716	\$ 12,388,057
Cash paid for goods and services	(7,314,923)	(2,961,556)	(10,276,479)
Cash paid to or on behalf of employees for services	(465,850)	(858,341)	(1,324,191)
Net customer deposits	14,135	4,793	18,928
Other operating revenues	52,211	18,655	70,866
Net cash provided (used) by operating activities	(148,086)	1,025,267	877,181
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	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,057,929)	(1,756,043)	(2,813,972)
FEMA Reimbursements and Other Grants	279,810	-	279,810
Availability Fees	-	759,172	759,172
NCDOT Reimbursement	1,040,343	-	1,040,343
Insurance Recovery	-	71,671	71,671
Sale of Assets	-	(12,053)	(12,053)
Principal paid on bonds and installment purchases	-	(103,401)	(103,401)
Interest paid on bonds and installment purchases	-	(9,034)	(9,034)
Net cash provided (used) by capital and related financing activities	262,224	(1,049,688)	(787,464)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	17,689	11,826	29,515
Net cash provided (used) by investing activities	17,689	11,826	29,515
Net increase (decrease) in cash and investments	131,827	(12,595)	119,232
Balances, beginning	6,341,467	4,307,972	10,649,439
Balances, ending	\$ 6,473,294	\$ 4,295,377	\$ 10,768,671

City of Southport
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 387,121	\$ 583,847	\$ 970,968
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	350,897	543,863	894,760
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(46,625)	(97,021)	(143,646)
(Increase) decrease in due from other governments	42,301	5,958	48,259
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid expenses	-	-	-
(Increase) in deferred outflows of resources - pensions	(30,375)	(54,702)	(85,077)
(Increase) in deferred outflows of resources - OPEB	(78,950)	(175,168)	(254,118)
Increase (decrease) in accounts payable and accrued liabilities	(921,832)	(89,812)	(1,011,644)
Increase (decrease) in accrued payroll and payroll	(1,753)	341	(1,412)
Increase (decrease) in customer deposits	14,135	4,793	18,928
Increase (decrease) in accrued vacation pay	375	5,957	6,332
Increase (decrease) in net pension liability	49,145	88,504	137,649
Increase (decrease) in deferred inflows of resources - pension	(734)	(1,323)	(2,057)
Increase (decrease) in deferred inflows of resources - OPEB	(15,595)	(37,134)	(52,729)
Increase (decrease) in OPEB liability	103,804	247,164	350,968
Total adjustments	\$ (535,207)	\$ 441,420	\$ (93,787)
Net cash provided by operating activities	\$ (148,086)	\$ 1,025,267	\$ 877,181

City of Southport, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and investments	\$ 85,755
Total assets	<u>\$ 85,755</u>
 LIABILITIES	
Miscellaneous liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
 NET POSITION	
Restricted for:	
Fireman's Relief	\$ 85,755
Total fiduciary net position	<u>\$ 85,755</u>

City of Southport, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Insurance Income	\$ 8,667
Investment Income	86
Other Income	<u>330</u>
Total assets	<u><u>9,083</u></u>
 DEDUCTIONS	
Firefighter Physicals	<u>7,703</u>
Total liabilities	<u>7,703</u>
 Net increase (decrease) in fiduciary net position	 1,380
 Net position - beginning as previously reported	 84,375
Prior period restatement	<u>-</u>
Net position - beginning, as restated	<u>84,375</u>
Net position - ending	<u><u>\$ 85,755</u></u>

City of Southport, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 funds:

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 non-major governmental funds:

Capital Project Fund. The Capital Project Fund is used to account for the construction of various projects including: sidewalk and road repair, erosion control, storm water projects, City Hall building upgrades, a kayak launch, pier construction, and other capital projects.

Taylor Field Part F Grant Phase 1 Capital Project Fund. This fund is used to account for the construction of a new city park.

The City reports the following major enterprise funds:

Electric Fund. This fund is used to account for the City's electric fund operations. An NCDOT Improvement Program Fund has been consolidated into the Electric Fund for financial reporting purposes. The budgetary comparison for the NCDOT Improvement Program Fund has been included in the supplemental information.

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations. A Howe Street Sewer Replacement Project Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Howe Street Sewer Replacement Project Fund has been included in the supplemental information.

The Town reports the following fund types:

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The city has one fiduciary fund: the Firemen's Relief Fund, which is a custodial 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 generally reported at fair value. Non-participating interest earning investment contracts are accounted for at cost.

The North Carolina Capital Management Trust (NCCMT), which consists of an SEC-registered money market mutual fund, (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market fund (2a7) and maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. It is 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		77,419
Total governmental activities	\$	<u>77,419</u>
Business-type Activities		
Electric Fund		
Customer deposits	\$	126,677
Water and Sewer Fund		
Customer deposits		95,544
System Development Fees		2,189,666
Total business-type activities	\$	<u>2,411,887</u>
Total Restricted Cash	\$	<u><u>2,489,306</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, 2020.

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 in the applicable governmental activities, business-type activities, or proprietary fund type statement 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 are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories - Portion of 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, 2021, 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, 2021, the City's deposits had a carrying amount of \$15,742,442 and a bank balance of \$16,024,098. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered under the pooling method. The carrying amount of the deposits of the ABC Board was \$535,788 and the bank balance was \$504,264. \$250,000 of the bank balance was covered by federal depository insurance, and the remainder was covered under the pooling method. The City's cash on hand totaled \$450 at June 30, 2021.

2. Investments

At June 30, 2021, the City had \$351,412 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

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 and AAAm-mf by Moody's Investor Service as of June 30, 2021.

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, 2021 are net of the following allowances for doubtful accounts.

	Accounts	Taxes	Due from other governments	Total
Governmental Activities:				
General	\$ 35,459	\$ 87,074	\$ 1,230,154	\$ 1,352,687
Allowance for doubtful accounts	(9,150)	(32,857)	-	(42,007)
Total governmental activities	<u>\$ 26,309</u>	<u>\$ 54,217</u>	<u>\$ 1,230,154</u>	<u>\$ 1,310,680</u>
Business-Type Activities:				
Electric	\$ 1,375,533	\$ -	\$ 982,570	\$ 2,358,103
Water and Sewer	696,684	-	91,443	788,127
Allowance for doubtful accounts	(678,435)	-	-	(678,435)
Total business-type activities	<u>\$ 1,393,782</u>	<u>\$ -</u>	<u>\$ 1,074,013</u>	<u>\$ 2,467,795</u>

Due from other governments consisted of the following:

Local option sales tax	\$ 229,245
Franchise tax	84,978
Sales tax	541,712
Solid waste disposal tax	674
Miscellaneous	1,404
FEMA	541,456
Due from NCDOT	858,845
Taxes - Due from the County	45,853
	<u>\$ 2,304,167</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021 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	249,670	51,700	-	301,370
Total capital assets not being depreciated	<u>3,167,122</u>	<u>51,700</u>	<u>-</u>	<u>3,218,822</u>
Capital assets being depreciated:				
Buildings	9,458,462	-	-	9,458,462
Other Improvements	974,360	-	-	974,360
Infrastructure	3,519,244	265,565	-	3,784,809
Vehicles and motorized equipment	4,345,086	-	(347,154)	3,997,932
Furniture and equipment	1,391,860	64,506	(11,425)	1,444,941
Total capital assets being depreciated	<u>19,689,012</u>	<u>330,071</u>	<u>(358,579)</u>	<u>19,660,504</u>
Less accumulated depreciation for:				
Buildings	2,420,136	188,909	-	2,609,045
Other improvements	594,783	42,430	-	637,213
Infrastructure	1,340,939	150,620	-	1,491,559
Vehicle and motorized equipment	3,511,120	191,442	(344,848)	3,357,714
Furniture and equipment	971,081	109,132	(11,425)	1,068,788
Total accumulated depreciation	<u>8,838,059</u>	<u>\$ 682,533</u>	<u>\$ (356,273)</u>	<u>9,164,319</u>
Total capital assets being depreciated, net	<u>10,850,953</u>			<u>10,496,185</u>
Governmental activity capital assets, net	<u>\$ 14,018,075</u>			<u>\$ 13,715,007</u>

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

General government	\$ 171,790
Public safety	325,511
Transportation	142,197
Cultural and recreational	43,035
	<u>\$ 682,533</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	1,097,886	-	2,952,600
Total capital assets not being depreciated	1,854,714	1,097,886	-	2,952,600
Capital assets being depreciated:				
Buildings	94,816	-	-	94,816
Utility systems	12,932,856	104,474	-	13,037,330
Vehicles and motorized equipment	21,156	-	-	21,156
Furniture and equipment	287,391	-	-	287,391
Total capital assets being depreciated	13,336,219	104,474	-	13,440,693
Less accumulated depreciation for:				
Buildings	22,994	1,896	-	24,890
Utility systems	4,651,410	327,911	-	4,979,321
Vehicles and motorized equipment	21,156	-	-	21,156
Furniture and equipment	179,048	21,090	-	200,138
Total accumulated depreciation	4,874,608	\$ 350,897	\$ -	5,225,505
Total capital assets being depreciated, net	8,461,611			8,215,188
Electric fund capital assets, net	<u>\$ 10,316,325</u>			<u>\$ 11,167,788</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	165,841	1,653,301	(28,375)	1,790,767
Total capital assets not being depreciated	2,993,826	1,653,301	(28,375)	4,618,752
Capital assets being depreciated:				
Utility systems	18,559,710	-	-	18,559,710
Vehicles and motorized equipment	771,909	-	(41,199)	730,710
Furniture and equipment	759,227	235,850	(75,720)	919,357
Total capital assets being depreciated	20,090,846	235,850	(116,919)	20,209,777
Less accumulated depreciation for:				
Utility systems	7,095,055	419,992	-	7,515,047
Vehicles and motorized equipment	511,676	69,014	(26,645)	554,045
Furniture and equipment	490,504	54,857	(75,720)	469,641
Total accumulated depreciation	8,097,235	\$ 543,863	\$ (102,365)	8,538,733
Total capital assets being depreciated, net	11,993,611			11,671,044
Water and Sewer fund capital assets, net	<u>\$ 14,987,437</u>			<u>\$ 16,289,796</u>
Business-type activities capital assets, net	<u>\$ 25,303,762</u>			<u>\$ 27,457,584</u>

Construction Commitments

The City had no outstanding construction commitments as of June 30, 2021.

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021, 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	\$ 333,232	\$ -	\$ -	\$ 333,232
Construction in progress	-	110,483	-	110,483
Total Capital assets not being depreciated:	333,232	-	-	443,715
Capital assets being depreciated:				
Buildings	121,037	-	-	121,037
Building improvements	165,856	-	-	165,856
Furnitures and fixtures	3,760	-	-	3,760
Equipment	57,147	-	-	57,147
Total Capital assets being depreciated:	347,800	-	-	347,800
Less Accumulated depreciation for:				
Buildings	65,891	1,557	-	67,448
Building improvements	64,391	10,216	-	74,607
Furnitures and fixtures	3,255	58	-	3,313
Equipment	43,251	6,448	-	49,699
Total accumulated depreciation:	176,788	\$ 18,279	\$ -	195,067
Total Capital assets being depreciated, net:	171,012			152,733
ABC Board Capital Assets, net:	<u>\$ 504,244</u>			<u>\$ 596,448</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 (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LERS. 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. LERS 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 City of Southport contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.23% 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 \$321,389 for the year ended June 30, 2021.

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, 2021, the City reported a liability of \$1,322,525 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the City's proportion was 0.0370% which was an increase of 0.0050% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$485,930. At June 30, 2021, 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	\$ 167,012	\$ -
Changes of assumptions	98,422	-
Net difference between projected and actual earnings on pension plan investments	186,110	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	88,706	19,723
Employer contributions subsequent to the measurement date	321,389	-
Total	<u>\$ 861,639</u>	<u>\$ 19,723</u>

\$321,389 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$	154,120
2023		190,465
2024		120,863
2025		55,079
2026		-
Thereafter		<u>-</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 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, 2020 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)	\$ 2,683,259	\$ 1,322,525	\$ 191,659

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	11
Total	12

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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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, 2019.

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, 2021, the City reported a total pension liability of \$409,347. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$59,479.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 116,248	\$ 31,837
Changes of assumptions	76,631	5,448
City benefit payments and plan administrative expense made subsequent to the measurement date	6,410	-
Total	\$ 199,289	\$ 37,285

\$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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as

Year ended June 30:

2022	\$	42,508
2023		42,564
2024		36,777
2025		28,121
2026		5,624
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 1.93 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 (0.93 percent) and 1-percentage-point higher (2.93 percent) than the current rate.

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 437,419	\$ 409,347	\$ 383,302

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

	2021
Beginning balance	\$ 356,652
Service Cost	11,962
Interest on the total pension liability	11,418
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(37,039)
Changes of assumptions or other inputs	79,173
Benefit payments	(12,819)
Other changes	-
Net Change	<u>52,695</u>
Ending balance of the total pension liability	<u><u>\$ 409,347</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, 2019 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, 2019.

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, 2020 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, 2020 valuation. The total pension liability in the December 31, 2020 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	1.93 Percent

The discount rate is based on the yield of the bond buyer General Obligation 20-year Municipal Bond Index Rate at December 31, 2019.

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, 2021, the City reported a total pension liability of \$817,081. The total pension liability was measured as of December 31, 2020 based on a December 31, 2020 actuarial valuation. For the year ended June 30, 2021, the City recognized pension expense of \$55,637.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 67,455
Changes of assumptions	206,792	54,961
City benefits payments and plan and plan administrative expense made subsequent to the measurement date	11,630	-
	<u>\$ 218,422</u>	<u>\$ 122,416</u>

\$11,630 was 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2022	\$	6,561
2023		6,561
2024		6,561
2025		6,561
2026		6,561
Thereafter:		<u>51,571</u>

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 1.93%, 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 (0.93 percent) or 1 percent point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total Pension Liability	\$ 967,577	\$ 817,081	\$ 698,574

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

	<u>2021</u>
Beginning Balance	\$ 697,962
Service Cost	38,094
Interest on the total pension liability	22,382
Change of benefit terms	-
Differences between expected and actual experience in the measurement of total pension liability	(47,564)
Changes of assumptions and inputs	129,007
Benefit payments	(22,800)
Other Charges	-
Ending balance of the total pension liability	<u>\$ 817,081</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 the cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>VFSRP</u>	<u>TOTAL</u>
Pension Expense	\$ 485,930	\$ 59,479	\$ 55,637	\$ 601,046
Pension Liability	1,322,525	409,347	817,081	2,548,953
Proportionate share of the net Pension Liability	0.03701%	n/a	n/a	

Deferred Outflows of Resources

Differences between expected and actual experience	167,012	116,248	-	283,260
Changes of assumptions	98,422	76,631	206,792	381,845
Net difference between projected and actual earnings on plan investments	186,110	-	-	186,110
Changes in proportion and differences between contributions and proportionate share of contributions	88,706	-	-	88,706
Benefit payments and administrative costs paid subsequent to the measurement date	321,389	6,410	11,630	339,429
Total	<u>\$ 861,639</u>	<u>\$ 199,289</u>	<u>\$ 218,422</u>	<u>\$ 1,279,350</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ -	\$ 31,837	\$ 67,455	\$ 99,292
Changes of assumptions	-	5,448	54,961	60,409
Changes in proportion and differences between contributions and proportionate share of contributions	19,723	-	-	19,723
Total	<u>\$ 19,723</u>	<u>\$ 37,285</u>	<u>\$ 122,416</u>	<u>\$ 179,424</u>

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021 were \$124,457 for nonlaw and \$31,917 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, 2019, 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>73</u>

Total OPEB Liability

The City's total OPEB liability of \$5,644,453 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 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	3.50 percent
Salary increases	
General employees	3.50% - 7.75%
Law Enforcement employees	3.50% - 7.35%
Discount rate	2.21 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, 2020	\$ 4,460,264
Changes for the year	
Service cost	132,536
Interest	158,028
Changes of benefit terms	-
Differences between expected and actual experience	(4,157)
Changes in assumptions or other inputs	1,054,545
Benefit payments	(156,763)
Net changes	<u>1,184,189</u>
Balance at June 30, 2021	<u><u>\$ 5,644,453</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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 (1.21 percent) and 1-percentage-point higher (3.21 percent).

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 6,728,559	\$ 5,644,453	\$ 4,799,498

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	\$ 4,711,462	\$ 5,644,453	\$ 6,862,698

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$278,350. At June 30, 2021, 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	\$ 10,883	\$ 245,983
Changes of assumptions	872,727	118,197
Benefit payments and administrative costs made subsequent to the measurement date	134,802	-
Total	<u>\$ 1,018,412</u>	<u>\$ 364,180</u>

\$134,802 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:

Measurement period ended June 30:

2022	\$ 84,324
2023	84,324
2024	84,324
2025	121,575
2025	144,883
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 Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
LGERS	\$ 167,012	\$ -
LEOSSA	116,248	31,837
VFSR	-	67,455
OPEB	10,883	245,983
Changes of assumptions		
LGERS	98,422	-
LEOSSA	76,631	5,448
VFSR	206,792	54,961
OPEB	872,727	118,197

3. Deferred Outflows and Inflows of Resources (continued)

Difference between projected and actual investment		
LGERS	186,109	-
Change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	88,706	19,724
Contributions to pension plan in current fiscal year		
LGERS	321,389	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	6,410	-
Benefit payments/administration costs paid subsequent to the measurement date (VFSR)	11,630	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	134,802	-
Bond Deposits (General)	-	2,625
Prepaid Property Taxes (General)	-	10,120
Taxes receivable, net (General, on General Fund Balance Sheet)	-	54,217
Total	<u>\$ 2,297,761</u>	<u>\$ 610,567</u>

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, 2021, the City was a defendant to various lawsuits, including one suit involving impact fees. The expected settlement amount of the suit is \$310,000 which was recorded as a liability in the financial statements.

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, 2021, including \$258,514 of interest is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 330,920	\$ 54,924
2023	333,929	46,522
2024	215,252	38,057
2025	189,200	32,353
2026	189,200	26,961
2027-2031	756,800	59,697
Total	<u>\$ 2,015,301</u>	<u>\$ 258,514</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 follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2022	\$ 103,401	\$ 7,528
2023	103,401	6,023
2024	103,401	4,517
2025	103,401	3,011
2026	103,401	1,506
2027-2031	175,584	-
	<u>\$ 692,589</u>	<u>\$ 22,585</u>

c. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Direct Placement and Direct					
Borrowing Installment purchases	\$ 2,343,276	\$ -	\$ 327,975	\$ 2,015,301	\$ 327,975
Compensated absences	193,891	13,065	-	206,956	51,739
Net pension liability (LGERS)	605,798	310,709	-	916,507	-
Total pension liability (FIRE)	697,962	119,119	-	817,081	-
Total pension liability (LEOSSA)	356,652	52,695	-	409,347	-
Total OPEB Liability	3,138,333	833,220	-	3,971,553	-
Total Governmental	<u>\$ 7,335,912</u>	<u>\$ 1,328,808</u>	<u>\$ 327,975</u>	<u>\$ 8,336,745</u>	<u>\$ 379,714</u>
Business-type activities:					
Electric Fund					
Compensated absences	\$ 7,059	\$ 375	\$ -	\$ 7,434	\$ 1,859
Net pension liability (LGERS)	95,809	49,145	-	144,954	-
Total OPEB Liability	390,983	103,805	-	494,788	-
Total Electric Fund	<u>\$ 493,851</u>	<u>\$ 153,325</u>	<u>\$ -</u>	<u>\$ 647,176</u>	<u>\$ 1,859</u>

Water and Sewer Fund

Revolving Loans	\$ 795,990	\$ -	\$ 103,401	\$ 692,589	\$ 103,401
Compensated absences	11,712	5,957	-	17,669	4,417
Net pension liability (LGRS)	172,561	88,504	-	261,065	-
Total OPEB Liability	930,947	247,164	-	1,178,111	
Total Water Fund	<u>\$ 1,911,210</u>	<u>\$ 341,625</u>	<u>\$ 103,401</u>	<u>\$ 2,149,434</u>	<u>\$ 107,818</u>
Total Business-type	<u>\$ 2,405,061</u>	<u>\$ 494,950</u>	<u>\$ 103,401</u>	<u>\$ 2,796,610</u>	<u>\$ 109,677</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, 2021, the City of Southport had a legal debt margin of \$85,048,545

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021 consist of the following:

Due to the General Fund for capital expenditures paid for:

Taylor Field Park Part F- Phase 1	<u>\$ 28,960</u>
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2021, consist of the following:

Transfer from the General Fund to the Capital Projects Fund per board appropriation.	<u>\$ 1,200,000</u>
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Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs. Current transfers to the Capital Projects fund from the General Fund were to meet board appropriated funds for future capital projects.

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, 2021, the City payments under this contract totaled \$1,011,274.

E. Net Investment in Capital Assets

	<u>Business-Type</u>			<u>Total Business</u>
	<u>Governmental</u>	<u>Water/Sewer</u>	<u>Electric</u>	<u>Type</u>
Capital Assets	\$ 13,715,007	\$ 16,289,796	\$ 11,167,788	\$ 27,457,584
less: long-term debt	(2,015,301)	(692,589)	-	(692,589)
add: unexpended debt proceeds	-	-	-	-
Net Investment in Capital Assets	<u>\$ 11,699,706</u>	<u>\$ 15,597,207</u>	<u>\$ 11,167,788</u>	<u>\$ 26,764,995</u>

F. Fund Balance

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

Total Fund Balance - General Fund	\$ 4,955,965
Less restricted for:	
Stabilization by State statute	1,408,544
Streets (Powell Bill)	77,419
Appropriated Fund Balance in 2022 Budget	-
Committed for fire protection	35,785
Remaining Fund Balance	<u>\$ 3,434,217</u>

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. At June 30, 2021 the City had outstanding encumbrances of \$123,121 in the General Fund.

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, 2021 were \$4,739,152.

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. Dues in the amount of \$954 were paid to the Council during the fiscal year ended June 30, 2021.

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, 2021, 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, 2021. 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.

Coronavirus Disease (COVID-19) During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

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, 2021 were evaluated by management on November 4, 2021 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.

VIII. Change of Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. As part of implementing the statement, the City performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

Fiduciary Net
Position- Custodial
Fund- Increase
(Decrease)

\$ -

Cash and liabilities related to the Fireman's Relief Fund were reclassified out of the Agency Fund into a newly created Fireman's Relief Custodial Fund. The reclassifications did not result in a restatement of fund balance.

\$ -

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 Eight Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Southport's proportion of the net liability (asset) (%)	0.0370%	0.0320%	0.03651%	0.03576%
Southport's proportion of the net pension liability (asset) (\$)	\$ 1,322,525	\$ 874,168	\$ 866,142	\$ 546,314
Southport's covered payroll	\$ 2,809,085	\$ 2,364,012	\$ 2,228,199	\$ 2,164,697
Southport's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	47.08%	36.98%	38.87%	25.24%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Southport's proportion of the net liability (asset) (%)	0.03179%	0.03025%	0.02832%	0.02880%
Southport's proportion of the net pension liability (asset) (\$)	\$ 674,690	\$ 135,760	\$ (167,016)	\$ 347,151
Southport's covered payroll	\$ 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	33.72%	7.29%	-9.42%	19.81%
Plan fiduciary net position as a percentage of the total pension liability**	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 Eight Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 321,389	\$ 256,871	\$ 187,871	\$ 171,008
Contributions in relation to the contractually required contribution	<u>321,389</u>	<u>256,871</u>	<u>187,871</u>	<u>171,008</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Southport's covered payroll	\$ 3,103,894	\$ 2,809,085	\$ 2,364,012	\$ 2,228,199
Contributions as a percentage of covered payroll	10.35%	9.14%	7.95%	7.67%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 160,063	\$ 135,756	\$ 133,568	\$ 126,372
Contributions in relation to the contractually required contribution	<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>
Southport's covered payroll	\$ 2,164,697	\$ 2,000,892	\$ 1,863,345	\$ 1,773,533
Contributions as a percentage of covered payroll	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
Last Five Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 356,652	\$ 200,689	\$ 204,305	\$ 127,190
Service Cost	11,962	10,300	13,484	11,669
Interest on the total pension liability	11,418	7,072	6,253	4,662
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(37,039)	141,477	(2,276)	61,353
Changes of assumptions or other inputs	79,173	9,933	(8,258)	12,250
Benefit payments	(12,819)	(12,819)	(12,819)	(12,819)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 409,347</u>	<u>\$ 356,652</u>	<u>\$ 200,689</u>	<u>\$ 204,305</u>

*The amounts presented for each fiscal year were determined as of the prior year ending December 31.

City of Southport, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Five Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 409,347	\$ 356,652	\$ 200,689	\$ 204,305
Covered Payroll	510,625	392,499	588,718	549,341
Total pension liability as a percentage of covered payroll	80.17%	90.87%	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
Last Four Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 697,962	\$ 625,124	\$ 667,767	\$ 573,282
Service cost	38,094	33,124	36,691	24,438
Interest on the total pension liability	22,382	22,340	20,736	21,684
Changes on benefit terms	-	-	-	-
Difference between expected and actual experience in the measurement of the total pension liability	(47,564)	-	(28,860)	-
Changes of assumptions	129,007	40,174	(48,060)	71,418
Benefit payments	(22,800)	(22,800)	(23,150)	(23,055)
Other charges	-	-	-	-
Ending Balance of the total pension liability:	<u>\$ 817,081</u>	<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
Last Four Years

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 132,536	\$ 192,535	\$ 97,192	\$ 109,016
Interest	158,028	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	(4,157)	(370,197)	21,056	24,508
Changes of assumptions	1,054,545	(15,169)	(209,436)	(381,868)
Benefit payments	(156,763)	(153,229)	(166,608)	(160,683)
Other changes	-	-	-	-
Net change in total OPEB liability	1,184,189	(168,936)	324,394	(273,617)
Total OPEB liability - beginning	4,460,264	4,629,200	4,304,806	4,578,423
Total OPEB liability - ending	\$ 5,644,453	\$ 4,460,264	\$ 4,629,200	\$ 4,304,806
 Covered payroll	 \$ 3,103,894	 \$ 2,228,360	 \$ 1,920,483	 \$ 989,080
Total OPEB liability as a percentage of covered payroll	 181.85%	 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:

	Rate
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%

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
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Current year	\$ 2,893,785	\$ 3,016,410	\$ 122,625
Prior years	23,016	28,104	5,088
Motor vehicles taxes	98,700	169,501	70,801
Penalties and interest	6,659	12,350	5,691
Total	<u>3,022,160</u>	<u>3,226,365</u>	<u>204,205</u>
Other taxes and licenses			
Dog taxes	2,614	766	(1,848)
Privilege licenses	525	1,080	555
Itinerant peddler permit	105	50	(55)
Civil Penalties	-	950	950
Accommodation tax	154,000	166,601	12,601
Total	<u>157,244</u>	<u>169,447</u>	<u>12,203</u>
Unrestricted intergovernmental			
Local option sales tax	942,575	1,239,611	297,036
Beer and wine tax	18,000	15,202	(2,798)
ABC board profit distribution	452,000	486,847	34,847
Utility franchise tax	328,500	384,685	56,185
Total	<u>1,741,075</u>	<u>2,126,345</u>	<u>385,270</u>
Restricted intergovernmental			
Powell Bill allocation	113,120	108,439	(4,681)
Solid Waste disposal tax	2,100	2,721	621
FEMA assistance to firefighters	16,655	16,652	(3)
ABC revenue for law enforcement	18,000	123,069	105,069
FEMA reimbursement	637,444	800,216	162,772
Fire district fees	1,293,351	1,288,089	(5,262)
Other miscellaneous grants	329,722	13,350	(316,372)
Total	<u>2,410,392</u>	<u>2,352,536</u>	<u>(57,856)</u>
Permits and fees			
Building permits	382,000	489,314	107,314
Fire inspection fees	15,000	14,530	(470)
Reinspection fees	2,678	1,275	(1,403)
Golf cart fees	1,694	8,150	6,456
Planning and zoning fees	21,000	34,205	13,205
Total	<u>422,372</u>	<u>547,474</u>	<u>125,102</u>

City of Southport, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Sales and Services			
Cemetery lot sales	1,200	1,200	-
Refuse collection fees	517,050	267,392	(249,658)
Rescue squad fees	210,000	211,786	1,786
Community building rent	71,250	(12,463)	(83,713)
Payment in lieu - recreation facilities	7,400	125	(7,275)
Tourism - visitor center sales	-	-	-
Recreation fees	48,700	13,450	(35,250)
Duke Energy Progress for fire department	50,000	50,000	-
Total	905,600	531,490	(374,110)
Investment earnings	80,000	14,741	(65,259)
Miscellaneous			
Insurance reimbursement	92,406	20,735	(71,671)
Donations - firemen's fund	27,600	10,681	(16,919)
Fire department response fees	15,000	15,415	415
Homeowners recovery fund	81	1,010	929
Police - shop with a cop	15,000	7,830	(7,170)
Special events - tourism	8,000	-	(8,000)
Sales - fixed assets	151,000	25,952	(125,048)
Miscellaneous	388,870	395,304	6,434
Total	697,957	476,927	(221,030)
Total Revenues	9,436,800	9,445,325	8,525
Expenditures:			
General Government:			
Board Expenses			
Salaries and benefits	29,482	30,973	(1,491)
Operating expenditures	464,023	131,654	332,369
Capital outlay	3,700	-	3,700
Total	497,205	162,627	334,578
Administration			
Salaries and benefits	122,303	104,796	17,507
Operating expenditures	736,566	689,075	47,491
Capital outlay	7,000	-	7,000
Total	865,869	793,871	71,998

City of Southport, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Finance			
Salaries and benefits	194,196	181,411	12,785
Operating expenditures	100,500	76,894	23,606
Capital outlay	-	-	-
Total	294,696	258,305	36,391
Buildings and Grounds			
Salaries and benefits	537,159	522,537	14,622
Operating expenditures	160,919	155,741	5,178
Capital outlay	40,300	-	40,300
Total	738,378	678,278	60,100
Tourism			
Salaries and benefits	194,635	192,451	2,184
Operating expenditures	65,244	56,094	9,150
Capital outlay	-	-	-
Total	259,879	248,545	11,334
Community Building			
Salaries and benefits	75,775	19,745	56,030
Operating expenditures	27,005	17,643	9,362
Capital outlay	45,940	-	45,940
Total	148,720	37,388	111,332
City Garage			
Salaries and benefits	205,228	204,296	932
Operating expenditures	34,769	34,016	753
Capital outlay	5,120	-	5,120
Total	245,117	238,312	6,805
Total general government	3,049,864	2,417,326	632,538
Public Safety:			
Police			
Salaries and benefits	1,127,794	1,034,022	93,772
Operating expenditures	228,723	295,885	(67,162)
Capital outlay	110,765	-	110,765
Total	1,467,282	1,329,907	137,375

City of Southport, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Fire and Rescue Department			
Salaries and benefits	1,335,162	1,308,706	26,456
Operating expenditures	445,346	470,989	(25,643)
Capital outlay	285,682	6,750	278,932
Total	2,066,190	1,786,445	279,745
Code Enforcement			
Salaries and benefits	337,806	314,741	23,065
Operating expenditures	91,115	88,919	2,196
Capital outlay	13,904	-	13,904
Total	442,825	403,660	39,165
Animal Code Enforcement			
Salaries and benefits	75,851	70,532	5,319
Operating expenditures	37,900	19,977	17,923
Capital outlay	7,920	-	7,920
Total	121,671	90,509	31,162
Total public safety	4,097,968	3,610,521	487,447
Transportation			
Street			
Salaries and benefits	201,580	201,421	159
Operating expenditures	171,071	170,274	797
Capital outlay	120,038	90,042	29,996
Total	492,689	461,737	30,952
Powell Bill			
Operating expenditures	15,000	5,000	10,000
Capital outlay	113,820	53,134	60,686
Total	128,820	58,134	70,686
Total transportation	621,509	519,871	101,638
Enviromental Protection			
Solid waste			
Contract services	273,000	275,276	(2,276)
Total environmental protection	273,000	275,276	(2,276)
Cultural and recreational:			

City of Southport, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Parks and recreation			
Salaries and benefits	317,031	259,804	57,227
Operating expenditures	206,731	110,282	96,449
Capital outlay	452,128	153,799	298,329
Total Cultural and Recreational	<u>975,890</u>	<u>523,885</u>	<u>452,005</u>
Debt service:			
Principal retirement	327,976	327,975	1
Interest and other charges	63,261	63,261	-
Total debt service	<u>391,237</u>	<u>391,236</u>	<u>1</u>
Total expenditures	<u>9,409,468</u>	<u>7,738,115</u>	<u>1,671,353</u>
Revenues over (under) expenditures	<u>27,332</u>	<u>1,707,210</u>	<u>1,679,878</u>
Other financing sources (uses):			
Appropriated fund balance	740,714	-	(740,714)
Transfers to other funds	(1,200,000)	(1,200,000)	-
Proceeds of financing sources (uses)	431,954	-	(431,954)
Total other financing sources (uses)	<u>(27,332)</u>	<u>(1,200,000)</u>	<u>(1,172,668)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	507,210	<u>\$ 507,210</u>
Fund balance, beginning		<u>4,448,755</u>	
Fund balance, ending		<u>\$ 4,955,965</u>	

NON-MAJOR GOVERNMENTAL FUNDS

City of Southport, NC
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2021

	Capital Project Fund	Taylor Field Part F Grant Phase 1	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,200,000	\$ -	\$ 1,200,000
Restricted cash	-	-	-
Taxes receivable (net)	-	-	-
Accounts receivable	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
Total assets	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	-	22,740	22,740
Payroll withholdings	-	-	-
Due to other funds	-	28,960	28,960
Total liabilities	-	51,700	51,700
DEFERRED INFLOWS OF RESOURCES			
Taxes Receivable	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted:			
Capital Projects - Cultural and Recreational	1,200,000	-	1,200,000
Unassigned	-	(51,700)	(51,700)
Total fund balances	<u>1,200,000</u>	<u>(51,700)</u>	<u>1,148,300</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>

City of Southport, NC
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Capital Project Fund	Taylor Field Part F Grant Phase 1	Total Non-Major Governmental Funds
Revenues:			
Restricted Intergovernmental	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Capital Outlay	-	51,700	51,700
Total expenditures	<u>-</u>	<u>51,700</u>	<u>51,700</u>
Revenues over (under) expenditures	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>(51,700)</u>	<u>(51,700)</u>
Other financing sources (uses):			
Appropriated fund balance	-	-	-
Transfer from General Fund	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ 1,200,000</u>	<u>\$ (51,700)</u>	<u>\$ 1,148,300</u>

City of Southport, North Carolina
Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Capital Outlay	1,200,000	-	-	-	1,200,000
Total expenditures	1,200,000	-	-	-	1,200,000
Revenues over (under) expenditures	(1,200,000)	-	-	-	(1,200,000)
Other financing sources (uses):					
Appropriated fund balance	-	-	-	-	-
Transfer from General Fund	1,200,000	-	1,200,000	1,200,000	-
Total other financing sources (uses)	1,200,000	-	1,200,000	1,200,000	-
Revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ 1,200,000	\$ 1,200,000	\$ (1,200,000)

City of Southport, North Carolina
Capital Project Fund- Taylor Field Part F Grant Phase 1
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
Part F Grant	\$ 421,224	\$ -	\$ -	\$ -	\$ (421,224)
Total charges for services	421,224	-	-	-	(421,224)
Expenditures:					
Capital Outlay	842,448	-	51,700	51,700	790,748
Total expenditures	842,448	-	51,700	51,700	790,748
Revenues over (under) expenditures	(421,224)	-	(51,700)	(51,700)	369,524
Other financing sources (uses):					
Appropriated fund balance	-	-	-	-	-
Transfer (to) from other funds	421,224	-	-	-	(421,224)
Total other financing sources (uses)	421,224	-	-	-	(421,224)
Revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ (51,700)	\$ (51,700)	\$ (51,700)

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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Electricity sales	\$ 8,021,250	\$ 7,570,665	\$ (450,585)
Service Charges	26,555	31,057	4,502
Total charges for services	8,047,805	7,601,722	(446,083)
Other operating revenues			
Miscellaneous	4,463	21,154	16,691
Total operating revenues	8,052,268	7,622,876	16,691
Nonoperating revenues:			
FEMA Reimbursement	371,176	279,808	(91,368)
Interest on investments	3,963	17,689	13,726
Total nonoperating revenues	375,139	297,497	(77,642)
Total revenues	8,427,407	7,920,373	(507,034)
Expenditures:			
Salaries	292,898	292,835	63
Employee overtime	3,483	2,871	612
Professional services	20,000	16,860	3,140
Social security	22,197	22,154	43
Group insurance	86,621	95,880	(9,259)
Retirement	26,575	16,910	9,665
401(k) retirement supplement	13,185	13,234	(49)
Workers compensation insurance	4,948	3,353	1,595
Uniforms and protective gear	2,117	771	1,346
Telephone and postage	35,144	4,371	30,773
Utilities	9,500	1,224	8,276
Travel and training	-	-	-
Equipment maintenance	1,458	1,458	-
Vehicle maintenance	565	260	305
Gas, oil and tires	2,208	7,256	(5,048)
Departmental supplies	12,600	16,072	(3,472)
Utility sales tax	478,096	521,647	(43,551)
Power purchased	5,160,000	4,739,152	420,848
Billing contract	199,000	196,811	2,189
Contract servcies	40,345	36,001	4,344
Operations and maintenance contract	814,659	814,463	196
Install load management switches	61,063	45,585	15,478
Insurance and bonding	12,275	8,020	4,255
Contingency	871,176	-	871,176
Total expenditures	8,170,113	6,857,188	1,312,925

City of Southport, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Supplemental budget expenditures			
Capital outlay	257,294	104,474	152,820
Total supplemental expenditures	<u>257,294</u>	<u>104,474</u>	<u>152,820</u>
 Total expenditures	 <u>8,427,407</u>	 <u>6,961,662</u>	 <u>1,465,745</u>
 Excess of revenues over (under) expenditures	 <u>-</u>	 <u>958,711</u>	 <u>958,711</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>958,711</u>	 <u>\$ 958,711</u>

Reconciliation from budgetary basis (modified accrual to full accrual:

Revenues and other sources over expenditures and other uses 958,711

Reconciliation of modified accrual basis to full accrual basis:

Depreciation	(350,897)
Capital outlay	104,474
Increase (Decrease) in deferred outflows of resources - pensions	30,375
Increase (Decrease) in deferred outflows of resources - OPEB	78,950
(Increase) Decrease in deferred inflows of resources - pension	734
(Increase) Decrease in deferred inflows of resources - OPEB	15,595
(Increase) Decrease in net pension liability	(49,145)
(Increase) Decrease in net OPEB liability	(103,804)
(Increase) Decrease in compensated absences	(375)
NCDOT Reimbursements (Ex C-1)	<u>1,040,343</u>
Total reconciling items	<u>766,250</u>
 Change in Net Position	 <u>\$ 1,724,961</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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NCDOT Reimbursements	\$ 2,895,058	\$ 1,854,714	\$ 1,040,343	\$ 2,895,057	\$ (1)
Total charges for services	<u>2,895,058</u>	<u>1,854,714</u>	<u>1,040,343</u>	<u>2,895,057</u>	<u>(1)</u>
Expenditures:					
Capital Outlay	<u>2,971,367</u>	<u>1,854,714</u>	<u>1,097,886</u>	<u>2,952,600</u>	<u>18,767</u>
Total expenditures	<u>2,971,367</u>	<u>1,854,714</u>	<u>1,097,886</u>	<u>2,952,600</u>	<u>18,767</u>
Revenues over (under) expenditures	<u>(76,309)</u>	<u>-</u>	<u>(57,543)</u>	<u>(57,543)</u>	<u>18,766</u>
Other financing sources (uses):					
Appropriated fund balance	-	-	-	-	-
Transfer (to) from other project funds	<u>76,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,309)</u>
Total other financing sources (uses)	<u>76,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,309)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,543)</u>	<u>\$ (57,543)</u>	<u>\$ (57,543)</u>

City of Southport, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ 1,527,270	\$ 1,735,368	\$ 208,098
Sewer sales	3,023,298	3,082,916	59,618
Water and sewer tap fees	18,900	57,000	38,100
Service charges	13,125	37,495	24,370
Total charges for services	4,582,593	4,912,779	330,186
Other operating revenues			
Credit card fees	6,824	-	(6,824)
Miscellaneous	13,000	18,655	5,655
Total operating revenues	4,602,417	4,931,434	329,017
Non-operating revenues:			
Interest on investments	1,050	11,826	10,776
Availability fees	-	759,172	759,172
Insurance Recovery	27,750	71,671	43,921
Other Grants	29,250	-	(29,250)
Total	58,050	842,669	784,619
Total revenues	4,660,467	5,774,103	1,113,636
Expenditures:			
Salaries	533,710	538,828	(5,118)
Employee overtime	12,970	12,465	505
Professional fees	45,507	35,678	9,829
Social security	42,200	40,406	1,794
Group insurance	152,045	170,538	(18,493)
Retirement	51,832	17,999	33,833
401(k) retirement supplement	26,227	25,973	254
Unemployment expense	16,795	16,795	-
Uniforms and protective gear	10,080	8,610	1,470
Telephone and postage	19,898	12,147	7,751
Utilities	87,590	88,670	(1,080)
Travel and training	2,000	1,251	749
Equipment repair	9,320	10,553	(1,233)
Vehicle repair	32,120	21,629	10,491
Sewer system repairs	572,247	154,220	418,027
Gas, oil and tires	22,502	42,028	(19,526)
Water and Sewer supplies	182,077	181,885	192
Annual permits and fees	5,994	2,735	3,259
Water purchases	777,000	551,730	225,270
Sewer capital charge	-	-	-
Contract services	1,352,618	1,453,406	(100,788)
Neighbors for neighbors	13,000	3,614	9,386
Insurance and bonding	30,281	29,266	1,015
Total expenditures other than depreciation	3,998,013	3,420,426	577,587

City of Southport, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Supplemental budget expenditures			
Capital outlay	63,025	235,850	(172,825)
Long-term debt payment	100,390	103,401	(3,011)
Interest expense	12,045	9,034	3,011
Contingency	1,294,688	310,000	984,688
Total supplemental expenditures	<u>1,470,148</u>	<u>658,285</u>	<u>811,863</u>
Total expenditures	<u>5,468,161</u>	<u>4,078,711</u>	<u>1,389,450</u>
Revenues over (under) expenditures	<u>(807,694)</u>	<u>1,695,392</u>	<u>2,503,086</u>
Other financing sources (uses):			
Fund balance appropriated	1,474,539	-	(1,474,539)
Loss on asset disposal	-	(12,053)	(12,053)
Transfer from other funds	594,726	-	(594,726)
Transfer (to) other funds	<u>(1,261,571)</u>	<u>(991,542)</u>	<u>270,029</u>
Total other financing sources (uses)	<u>807,694</u>	<u>(1,003,595)</u>	<u>(1,811,289)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>691,797</u>	<u>\$ 691,797</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues and other sources over expenditures and other uses	691,797
---	---------

Reconciling items:

Principal repayment on long-term debt	103,401
Capital outlay	235,850
Depreciation	(543,863)
(Increase) Decrease in deferred inflows of resources - OPEB	37,134
(Increase) Decrease in deferred inflows of resources - pensions	1,323
(Increase) Decrease in compensated absences	(5,957)
(Increase) Decrease in interest payable	930
Increase (Decrease) in deferred outflows of resources - OPEB	175,168
Increase (Decrease) in deferred outflows of resources - pensions	54,702
(Increase) Decrease in net pension liability	(88,504)
(Increase) Decrease in net OPEB liability	(247,164)
Transfer (from Ex C-2A)	<u>991,542</u>
Total reconciling items	<u>714,562</u>
Change in Net Position	<u>\$ 1,406,359</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, 2021

	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	990,000	-	-	-	(990,000)
Expenditures:					
Contract Services	212,132	82,466	14,789	97,255	114,877
Capital Outlay	2,177,960	-	1,638,512	1,638,512	539,448
Total expenditures	2,390,092	82,466	1,653,301	1,735,767	654,325
Revenues over (under) expenditures	(1,400,092)	(82,466)	(1,653,301)	(1,735,767)	(335,675)
Other financing sources (uses):					
Transfer from Water Sewer Fund	1,400,092	158,550	991,542	1,150,092	(250,000)
Total other financing sources (uses)	1,400,092	158,550	991,542	1,150,092	(250,000)
Revenues over expenditures and other financing sources (uses)	\$ -	\$ 76,084	\$ (661,759)	\$ (585,675)	\$ (585,675)

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 Year Ended June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2021	\$ -	\$ 3,222,702	\$ 3,192,574	\$ 30,128
2020	31,800	-	17,668	14,132
2019	12,438	-	4,652	7,786
2018	9,528	-	2,396	7,132
2017	5,997	-	1,239	4,758
2016	5,397	-	910	4,487
2015	4,526	-	666	3,860
2014	5,808	-	750	5,058
2013	5,460	-	494	4,966
2012	4,982	-	215	4,767
2011	18,662		18,662	-
	<u>\$ 104,598</u>	<u>\$ 3,222,702</u>	<u>\$ 3,240,226</u>	<u>\$ 87,074</u>

Less allowance for uncollectible ad valorem taxes receivable: \$ (32,857)

Ad valorem taxes receivable, net \$ 54,217

Reconciliation with Revenues:

Ad valorem taxes:

General Fund

\$ 3,226,365

Interest Collected

(12,350)

Releases and adjustments

26,211

Total adjustments

13,861

\$ 3,240,226

City of Southport, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Year Ended June 30, 2021

	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	\$ 1,077,257,442	0.2956	\$ 3,184,373	\$ 3,013,421	\$ 170,952
Discoveries	11,040,629	0.2956	32,636	32,636	-
Penalties			5,693	5,693	-
Total Property Valuation	<u>\$ 1,088,298,072</u>				
Net levy			3,222,702	3,051,750	170,952
Uncollected taxes at June 30, 2021			<u>30,128</u>	<u>29,684</u>	<u>444</u>
Current year's taxes collected			<u>\$ 3,192,574</u>	<u>\$ 3,022,066</u>	<u>\$ 170,508</u>
Current levy collection percentage			<u>99.07%</u>	<u>99.03%</u>	<u>99.74%</u>

Compliance Section



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**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditors' Report

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, 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, 2021, 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 November 4, 2021.

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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Southport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. 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 matters⁶ 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, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 4, 2021



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**Report On Compliance With Requirements Applicable To Each Major Federal
Program And Internal Control Over Compliance In Accordance With OMB
Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Southport, North Carolina's, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of City of Southport's major federal programs for the year ended June 30, 2021. The City of Southport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Southport's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Implementation Act*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Southport's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Southport's compliance.

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Opinion on Each Major Federal Program

In our opinion, City of Southport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of City of Southport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Southport internal control over compliance with the types of requirements that could have direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 4, 2021



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**Report On Compliance With Requirements Applicable To Each Major State
Program And Internal Control Over Compliance In Accordance With
OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the City of Southport, North Carolina's, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Southport's major State programs for the year ended June 30, 2021. The City of Southport's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Southport's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and applicable sections of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the Audit Manual for Governmental Auditors in North Carolina, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Southport's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Southport's compliance.

Members

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Opinion on Each Major State Program

In our opinion, City of Southport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of City of Southport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Southport's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
November 4, 2021

City of Southport, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2021

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified? _____ Yes __X__ No
- Significant Deficiency(s) identified? _____ Yes __X__ No

Noncompliance material to financial statements noted

_____ Yes __X__ No

Federal Awards

Internal control over major federal program:

- Material Weakness(es) identified? _____ Yes __X__ No
- Significant Deficiency(s) identified? _____ Yes __X__ No

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes __X__ No

Identification of major federal programs:

<u>CFDA No(s).</u>	<u>Names of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes __X__ No

State Awards

Internal control over major State programs:

- Material Weakness(es) identified? _____ Yes __X__ No
- Significant Deficiency(s) identified? _____ Yes __X__ No

Noncompliance material to State awards

Unmodified

**City of Southport, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2021**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act

_____Yes

__X__No

Identification of major State programs:

Program Name

Golden LEAF -Disaster Recovery

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

**City of Southport, North Carolina
Summary Schedule of Prior Year's Findings
For the Year Ended June 30, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported



City of Southport
Corrective Action Plan
For the Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported.

City of Southport, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through/Grantor- Program Title	Federal AL# CFDA Number	State Pass-through Grantor's Number	Federal Expenditures	State Expenditures
FEDERAL AWARDS				
<u>U.S. Department of Homeland Security</u>				
Passed through N.C. Department of Public Safety				
Disaster Grants - Public Assistance	97.036		\$ 779,456	\$ 229,456
<u>U.S. Department of Treasury</u>				
Passed through the Office of State Budget and Management				
NC Pandemic Recovery Office				
Passed through Brunswick County				
Coronavirus Relief Fund	21.019		33,172	-
Total assistance - federal programs			<u>\$ 812,628</u>	<u>\$ 229,456</u>
STATE AWARDS				
<u>N.C. Department of Transportation</u>				
		DOT-4		
Powell Bill		32570	\$ -	\$ 58,134
<u>Golde LEAF Foundation</u>				
Golden LEAF -Disaster Recovery		FY2020-026	-	585,674
Golden LEAF -Disaster Recovery		FY2019-107	-	13,350
Total assistance - State programs			<u>\$ -</u>	<u>\$ 657,158</u>
Total assistance			<u>\$ 812,628</u>	<u>\$ 886,614</u>

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of the City of Southport under the programs of Federal governmental and the State of North Carolina for the year ended June 30, 2021. The information in this Schedule of Expenditures of Federal and State Awards is presented with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Southport, it is not to and does not present the financial position, changes in net position, or cash flows of the City of Southport.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.