CITY OF SOUTHPORT
BOARD OF ALDERMEN
AGENDA REVIEW SPECIAL WORKSHOP

113 E. MOORE STREET
February 7, 2023
9:00 AM

Agenda

Please turn off all cell phones

Meetings are open to the public. Face masks and social distancing may be used at the discretion of each individual. The Board of Aldermen reserve the right to make changes to this policy, as needed to help prevent the spread of the Coronavirus.

If you are not able to attend the Board of Aldermen meetings in person, the meeting will be available for you to watch via live-stream on the City of Southport website (https://cityofsouthport.com/board-of-aldermen-meetings/), Facebook page, and YouTube channel.

ETHICS STATEMENT:

"If any members know of any conflict of interest or the appearance of a conflict of interest concerning matters on the agenda, please so state at this time."

A. Call to Order

B. Invocation

C. Pledge of Allegiance

D. Approval of Agenda

E. Agenda

1. Debt Capacity for Wastewater Treatment Facility
2. Right-of-Way Discussion
3. Review of February 9, 2023 Agenda

F. Mayor's Comments

G. Board Comments

H. Adjourn

February 1, 2023

TO: Mayor Hatem and Board of Aldermen

FROM: Bonnie Therrien, City Manager

SUBJECT: Debt Needed for Expansion of the County Wastewater System

As you are aware, the County Public Utilities Department opened the bids for the expansion of their Wastewater Plant to accommodate Southport's waste, and found the lowest bid was $10 million more then was estimated by the County Engineer. Because of this and other issues with the three responses to the bid request, the County rejected all the bids. The County would like to rebid the project in the very near future. They are asking for the Board to decide how much debt the City can take on to expand this plant. They hope to have your answer by the end of February.

The City currently has a $29,783,014 million, 20-year loan through the State Revolving Fund at 1.16% interest for this project. It was estimated the construction would be priced at $37 million, plus we must pay $3 million in engineering fees and $7 million for the tap fees to the County. When this project is rebid, if the price comes in like the first bid results, we are in need of approximately $27 million more dollars.

On your agenda for February 9, we are requesting that $1, 263,954.06 be utilized to fill the gap using the ARPA funds we have received in the past year. I can also request $3-$5 million more from the Division of Water Resources to be added to our 20-year loan at a similar interest rate, but in speaking with Mr. Ken Pohlig from the Division, he doubts we would be able to receive much more in funding from them as we have pretty much maxed out our monetary awards.

Around February 21st, we will find out if we receive an additional $15 million in State ARPA funds for this project that former City Manager Hargrove requested during the last round of applications. I have also requested funding from the State through our Capital wish list I sent to Senator Rabon and Representative Miller.

But if you look at the most conservative amount of debt the City may have to additionally handle, then it would be approximately $25,736,045.94 as nothing I listed above is 100% sure that we receive to help pay for the expansion.

I had asked Melanie Trexler, the Director of Finance, to give me an estimate as to the impact additional debt would mean to the customers if it was based on a 20-year loan at 1.53%. The current charge is $77 inside city limits for the first 1000 gallons. (see the current rates attached)

If you borrowed $1 million at 20 years at 1.53%, it would mean an additional $1.54 per month per customer (there are 2752 customers); if you borrowed $15 million at the same

terms, it would mean an additional $23.06 per month per customer; and if you borrowed $29,000,000 with the same terms, an additional $44.58 per month, per customer.

I would like to have the opportunity to work with Ms. Trexler and a Financial Advisor to put together as many options for you as possible so that we can give the County our best estimate of the level of debt we can handle but ensure our customers can pay the rates. I did want to bring this to your attention, so we start the dialogue as early as possible.

County Manager Steve Stone will be at your February 7th meeting as well as Director of Utilities John Nichols; Walter Gross from Wooten, our Engineer; and Emily Miller, our Grant Writer who assisted us in receiving the money we do have on hand.

The Request for Proposal and the results of the bid have been reviewed by our Engineer Wooten Engineering and they are found to be in order. I have attached their remarks. The only thing we did ask the County to do for the new bid request was to have the EQ Basin bid as an alternate bid as we feel the expansion could occur without that being put into the project. That was a cost of $1 million.

I have spoken with Jennifer Wimmer, the Director of Debt Management for the Local Government Commission and Donna Davis, Utilities Financial Analyst for the same State agency about our project and the funding gap and they will assist us in devising some options. I would also like to hire a Financial Advisor, Walter Goldsmith, from First Tryon Advisors, who deals with small municipalities and their debt to be paid on an hourly basis to review all of our numbers and the current budget, to give us some recommendations to present to you.

The County would like a answer from the Board by the end of February, so you would need to hold a Special Meeting once I have all of the options to present to you.

WEST BRUNSWICK REGIONAL WASTEWATER SYSTEM

SEWER SERVICE REGIONAL PARTICIPANT AGREEMENT

THIS SEWER SERVICE REGIONAL PARTICIPANT AGREEMENT, dated as of the 2 day of November, 2020 by and between the COUNTY OF BRUNSWICK, a political subdivision of the State of North Carolina (the "County"), and the CITY OF SOUTHPORT, a municipal corporation organized under the laws of the State of North Carolina (the "City" or "Participant") is made pursuant to North Carolina General Statutes, Article 20, Part 1 of Chapter 160A; Article 16, Part 1 of Chapter 160A; and Article 15 of Chapter 153A, and in consideration of the promises made to one another in this Agreement, as follows:

SECTION 1

PURPOSES AND INTENT OF AGREEMENT

1.1 The purpose of this Agreement is to affirm a regional inter-governmental approach to the provision of wastewater treatment services and to provide and fund the expansion of wastewater treatment services for the benefit of the City of Southport and unincorporated areas of Brunswick County. The availability of these services is vital to the public health, welfare, and economic growth of these units of local government.

1.2 Brunswick County owns and operates the West Brunswick Regional Wastewater Reclamation Facility, the Shallotte Wastewater Treatment Plant, associated regional pump stations, sewer transmission force mains and effluent disposal facilities (together comprising the "West Brunswick Regional Wastewater System" or "West System"), with daily treatment capacity of 6.5 million gallons. The County has participation agreements with the Towns of Holden Beach, Oak Island, and Shallotte for guaranteed capacity in the System, along with the County itself. The City of Southport, while not being a participant in the system, had leased capacity of 0.75 MGD in the West System. Increasing levels of use among all participants diminished the excess capacity available for continued lease without further plant expansion.

1.3 The City of Southport has a current and long-term need for an additional wastewater treatment capacity for its citizens. On February 10, 2020, the City of Southport unanimously passed a motion stating its desire to join the County's West Brunswick Regional Wastewater System and requesting an allocation of treatment capacity in the amount of 750,000 gallons per day.

1.4 Participation in the West System provides the benefits of regional cooperation, which include the ability to use available excess capacity in the system subject to permit requirements, as well as lower operating costs and maintenance. The County remains responsible for State permit compliance, as well as for the legal, financial, and administrative details of operating the System.

1.5 The County, with funding assistance from the City of Southport, will construct a 0.75 MGD expansion of the West System for wastewater treatment and effluent disposal, and the City of Southport will purchase 0.75 MGD of transmission capacity in the existing system, pursuant to terms outlined herein.

1.6 The County and the City have determined that participating in a regional wastewater treatment and transmission system creates economies of scale and a long-term secure source of high-quality wastewater treatment with savings and other tangible and intangible benefits for system users.

1.7 The County and the City have previously entered into agreements related to sewer service as follows:

a) 2008 Short Term Use of County's Treatment Capacity in the West Brunswick Regional Wastewater Treatment System by the City of Southport;

b) 2011 City of Southport Sewer Transmission Facilities Agreement;

c) 2012 Modification Agreement (of the 2011 Agreement);

d) 2015 Amendment No. 1 to the 2008 Short Term Use Agreement;

e) 2017 Sewer Service Agreement; and

f) 2018 Interlocal Agreement for Funding of Wastewater Plant Expansion Between Brunswick County and the City of Southport.

1.8 The County and City acknowledge and agree that all of the agreements listed in the preceding section are terminated, null, and void.

1.9 Within 30 days after execution of this Agreement, the City will convey to the County its rights, title, and interests in the Sandy Lane Pump Station, the wastewater meter vault on Highway 211 near Dutchman's Acres Subdivision, and the 16" effluent Force Main downstream of the Sandy Lane Pump Station (Sandy Lane Pump Station to its connection with the County's force main on Highway 211 near St. James Drive). (The City may tie future force mains or gravity sewers into the receiving manhole at the Sandy Lane Pump Station.) If the Sandy Lane Pump Station is encumbered by debt related to its construction when this Agreement is executed, then the County will work with the City to pay off such debt so that ownership may be conveyed unencumbered and free of claims to the satisfaction of the County. In addition, the City acknowledges that it will continue to honor and effectuate the property rights assignments and transfers granting unrestricted access and use of easements, lands, interests, and rights in lands required for the operation, maintenance, construction, re-construction, and expansion of the Sandy Lane Pump Station, the wastewater meter vault on Highway 211 near Dutchman's Acres Subdivision, the 16" effluent Force Main downstream of the Sandy Lane Pump Station, and the County's force main that runs from Boiling Spring Lakes to the Rivermist Pump Station through the Wescott Estates and Rivermist subdivisions. The easements and rights of way on the road leading from the Sandy Lane Pump Station to North Howe Street are specifically included in this conveyance.

1.10 The City of Southport shall have the sole right to provide wastewater service to any parcel or property within its municipal limits, as well as any other property connected and being served by the city as of the date of this agreement. The complete list of properties located outside the city limits that are connected and being provided wastewater service by the City are contained in Exhibit B. Execution of this agreement shall not require the exchange of any customers between the City and the County. The County shall continue to provide wastewater service to subdivisions it currently services and to any future phases thereof.

The property owner of any other parcel may pursue, and be provided, wastewater service from any public provider willing, able, and legally permitted to do so; however, neither the County nor the City may install wastewater collection system pipes in the same public street or road rights-of-way alongside or directly across from where the other party has already installed and is maintaining wastewater collection system pipes, without the other party's consent.

SECTION 2

PLANT EXPANSION TO ACCOMMODATE CITY

2.1 Brunswick County will construct a 0.75 MGD expansion of the West Brunswick Regional Wastewater System such that the system will have a total treatment capacity of 7.25 MGD. Construction will also include effluent reuse lines to designated effluent reuse locations and effluent disposal systems at the effluent reuse sites.

2.2 Once the City becomes a Participant in the West Brunswick Regional Wastewater System, the County agrees to provide the City sewer service in the amount of seven hundred fifty thousand gallons per day (gpd).

2.3 Brunswick County will initiate future expansions and calculate participant costs and allocations in accordance with the West Brunswick Regional Wastewater Project Policy Guidelines and Rules and Regulations for Rendering Sewer Service, as amended and in effect at the time.

SECTION 3

PROJECT FINANCING

3.1 The City will be financially responsible for all design, construction, and financing costs related to the improvements made to serve the City of Southport relative to the 0.75 MGD expansion. The elements of those costs are set out in more detail in Section 3.3.

3.2 In addition to the expansion costs described in detail hereafter, Participant agrees to pay, on an ongoing basis, the County's Monthly Service Charge for sewer treatment and transmission service and to assume the Participant's obligations set forth herein. All obligations of the County for payments under this contract shall be limited to the funding provisions described herein or from revenues derived by the County from the operation of the Sewer System. The Participant covenants and agrees to maintain rates and charges for all services furnished by its sewer collection system which shall at all times be sufficient to satisfy and discharge its obligations under this contract and under any other agreement relating to the financing of the Project, in addition to the Participant's other operations and maintenance costs or any debt service of the Participant secured by a pledge of revenues.

3.3 The City promises to pay the County Capital Charges following award of the construction contract and/or when SRF loan proceeds are available to the City and the County has incurred reimbursable projects costs. Capital Charges shall be actual costs incurred and agreed upon capital contributions for use of existing infrastructure. Based on preliminary budget estimates, the cost of design and construction of expanding the West System to add 0.75 MGD of capacity would be approximately $25,760,000. This estimated total cost figure consists of the expansion design, permitting and construction cost estimate of $18,338,881 and the 0.75 MGD transmission capacity payment for capital contribution toward existing transmission line infrastructure of $7,421,119, for a total plant and capacity expansion estimated to cost $25,760,000. The $7,421,119 payment for capital contribution toward existing transmission line infrastructure and engineering costs incurred through the bidding period shall be due within 30 days of the Brunswick County Board of Commissioners awarding the construction contract for the "Project."

3.4 All costs associated with the completion of the 0.75 MGD treatment and effluent disposal expansion, including engineering, design, and construction, will be paid for by the City of Southport. This portion of the cost is estimated at $18,338,881. Also, the cost for participation in system transmission capacity of 0.75 MGD is $7,421,119, for a total plant and capacity expansion estimated to cost $25,760,000.

3.5 The County will construct, own, and operate the expansion and the West System.

3.6 The City represents that it has an agreement with the Division of Water Infrastructure for use of the proceeds of DWI's loan to Southport to reimburse the County for the engineering, design, and construction of the expansion to the County's system, and for the purchase of existing transmission system allocation, but that the City shall remain the applicant and loan recipient.

3.7 The City agrees to commit the loan proceeds for the use and/or reimbursement of the County for engineering, design, transmission capacity purchase, and construction of expansion to the West System in such a manner as the County deems necessary to provide the City with transmission capacity and treatment of 0.75 MGD of wastewater, depending upon final construction costs and the amount of total loan proceeds available.

3.8 The City shall comply with all steps necessary to secure the loan to finance the costs of the design and construction of the Project. The City shall comply with all loan requirements of the Division of Water Infrastructure and shall comply with regulations to ensure that project services are reimbursable to the maximum extent possible.

3.9 The County agrees to design and construct the Project in accordance with the requirements of the NC DEQ Division of Water Infrastructure including approval of the plans and specifications, approval of change orders and related construction documentation, as specified in the Loan Agreement to be executed by and between NC DEQ Division of Water Infrastructure and the City. The County agrees to advertise the Project for bids and award the bids in accordance with the NC DEQ Division of Water Infrastructure requirements. The County agrees to provide such documentation to the City or NC DEQ about the Project as required for approval by the NC DEQ Division of Water Infrastructure. Costs paid by the County for engineering design expenses prior to award of the SRF proceeds will be submitted as project costs for reimbursement as soon as the SRF loan proceeds are available to the City and reimbursement made in the manner described hereafter.

3.10 The County shall submit to the City a written requisition for all costs to be reimbursed for each month, together with any documents or other items required by the City or Division of Water Infrastructure staff. Upon receipt of any eligible invoices received by the 5th of each month, the City will process and submit a requisition for loan proceeds to the Division of Water Infrastructure within five (5) business days. Upon receipt of funds from the State Water Infrastructure Authority or Division of Water Infrastructure, the City shall, on its next scheduled accounts payable run, remit such funds to the County.

3.11 The Project will be accounted for in a manner consistent with generally accepted accounting principles and in consult with independent accounting firms engaged by both the City and County and the Local Government Commission of North

Carolina in an effort to ensure that neither entity incurs audit exceptions. It is anticipated that the assets will be owned by the County and shown as assets in the County's audited financial statements. The Loan, debt service payments for which will be made by the City, will be shown as a liability in the City's audited financial statements. Payments made by the City to the County pursuant to this Interlocal Agreement will be treated as contributed capital from the City and will offset the costs of the Project paid by the County to the contractors.

3.12 If the City is unable to fund the expansion as described above and the County elects to finance the project through the issuance of revenue bonds, together with any other funds the County elects to use, then the County shall be entitled to recalculate the Capital Charge provided for herein and the City shall be liable for reimbursement payments to the County commensurate and at the same time as the County's debt service payments.

3.13 The County and the City agree to cooperate with each other and provide information to the other, as requested, regarding the City's procurement of project financing as contemplated herein and the submission of requisitions for loan proceeds and regarding the County's design, bidding, contracting, and construction processes, such cooperation to include, but not be limited to, making available design plans and specifications, providing access to the expansion construction site, and sharing information about the status of design, bidding, contracting and construction, any change orders, and other matters that may adversely affect costs. The County agrees to construct the plant expansion and transmission line infrastructure and place them in operation with all reasonable dispatch and thereafter to operate and maintain them in a prudent and economical manner.

SECTION 4

STANDARD PROVISIONS FOR SEWER SERVICE

4.1 In order to receive sewer service from the County, the Participant agrees to be bound by these Standard Provisions.

4.2 Definitions. The following words as used in this Sewer Service Agreement shall have the following meanings.

"Act" shall mean The State and Local Government Revenue Bond Act, constituting Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended.

"Advances for Construction" shall mean those funds advanced by the County for planning, project management, acquisition, engineering, legal or construction costs of the Project.

"Ancillary Service Facilities" shall mean those facilities of the Sewer System that have been identified by the County in its sole discretion as directly or indirectly benefiting only the Participant using them and which have no system-wide benefit, and shall include, but are not limited to, (i) the tap to the County's pipeline, and (ii) the meter installation.

"Annual Budget" shall mean the budget or amended budget of the County for each Fiscal Year with regard to the Sewer System.

"Bonds" shall mean the bonds of the County or any other evidence of indebtedness issued by the County or any financing obligation executed by the County to raise funds for the Cost of the Project or to pay for Improvements.

"Bond Order" shall mean the bond order or other resolution or order adopted or financing document executed by the County authorizing issuance of the Bonds, together with all orders amendatory thereof and supplemental thereto.

"Capital Charge" shall mean a periodic payment charged by the County to a Participant for making sewer service available in those cases where the County has advanced funds to pay for Improvements needed to make such sewer service available.

"Capital Expenses" shall mean an obligation incurred to acquire new physical assets and/or incurred to acquire the replacement and/or upgrade of existing physical assets and to be paid from sources other than Current Expenses, i.e. Renewal and Replacement Fund, debt proceeds and designated retained earnings.

"Connection Charge" shall mean a separate charge covering the Cost of Ancillary Service Facilities that is not included as a component of the County's Monthly Service Charges as defined in the Rules and Regulations.

"Cost" shall mean cost as defined in North Carolina General Statute 162A-2(3) and shall include "cost of an undertaking" as that phrase is defined in G. S. 159-81(3).

"County" shall mean the County of Brunswick, a Political Subdivision of the State of North Carolina.

"County Sewer Use Ordinance" shall mean the Sewer Use Ordinance of the County as defined in Section 4.11 of these Standard Provisions.

"Current Expenses" shall mean the County's ongoing and recurring expenses during each Fiscal Year for operation and maintenance of the Sewer System as determined in accordance with generally accepted accounting principles including, but not limited to, all administrative, general and commercial expenses, insurance and surety bond premiums, payments for the billing and collection of rents, rates, fees or other charges imposed or charged by the County for the use of the Sewer System, legal expenses paid to outside sources, any taxes which may be lawfully imposed on the Sewer System or the income or operations thereof or the property forming a part thereof, usual expenses of maintenance, repair and operation, including cost of power and administrative expenses and salaries, refunds, any other current expenses required to be paid by the County under the provisions of the Bond Order or by law, all to the extent properly and directly attributable to the Sewer System, and the expenses, liabilities and compensation of the Trustee. "Current Expenses" does not include any reserves for operation, maintenance or repair, any allowance for depreciation, amortization, interest on Bonds or other long term indebtedness or similar charges, any expenditure for which the County has made, Connection Charges or any reimbursement of Advances for Construction.

"Debt Service" shall mean the sum of money required to pay installments of principal and interest on indebtedness incurred by the County for the Sewer System in a Fiscal Year.

"Fiscal Year" shall mean the period commencing on July 1 of any year and ending on June 30 of the following year, or such other fiscal year, which the County may adopt.

"Improvements" shall mean any additions, enlargements, improvements, extensions, alterations, fixtures, equipment, land, appurtenances or other facilities to or for the Project.

"Monthly Service Charge(s)" shall mean the rates of charge for sewer service established pursuant to Section 4.12. of these Standard Provisions and the Section 4.1 of the Rules and Regulations.

"Oversight Committee" shall mean the committee established under Section 6.1 of the Rules and Regulations.

"Participant" shall mean a governmental unit, which enters into a Sewer Service Agreement with the County. Southport shall become a Participant once the "Project" is capable of accepting sewage for treatment and has paid all County Capital Charges up to the amount of the SRF funds estimated at $25,795,747. If project costs exceed the funds available through SRF and the City has paid the County up to the SRF funding level, additional Capital Charges may still be due, but "Monthly Service Charges" per Section 4.12 shall be paid at the West Brunswick Regional Wastewater System Participant's wholesale rate. Until then, Southport will continue to pay the commercial rate for monthly sewer treatment; however, the standard commercial sewer Capital Recovery Fees and Sewer Transmission Capital Recovery Fees shall not apply so long as the City continues to pay County Capital Charges when due..

"Participant's Service Facilities" shall mean the sewer collection and transmission facilities owned by a Participant and commencing at the connection on the Participant's side of the County's meter and servicing the sewer collection system, customers or other facilities of such Participant.

"Participant Sewer Use Ordinance" shall mean an ordinance conforming to State and Federal regulations and requirements adopted by each Participant engaging in the sewer collection and/or treatment business regulating the operation and maintenance of its sewer collection and/or sewer treatment facilities.

"Point of Delivery" shall mean the point or points mutually agreeable to the County and a Participant where the County shall accept delivery of sewage from a Participant.

"Political Subdivision" shall mean a municipal corporation, county or other political subdivision of the State.

"Project" shall mean the Project described in Section 1.5 and Section 2 of this Agreement.

"Rules and Regulations" shall mean the rules and regulations adopted from time to time by the County for administering the Sewer System.

"Sewer Service Agreement" shall mean the agreement, as amended, between the County and a Participant for the purchase and sale of sewer treatment capacity, including the Standard Provisions.

"Sewer System" shall mean the Project plus any Improvements.

"Standard Provisions" shall mean the Standard Provisions to Sewer Service Agreements, as amended from time to time.

"State" shall mean the State of North Carolina.

"System Development Charge" is a charge for a Participant's share of capital construction costs and shall have the same meaning as System Development Charge as defined in Section 4.2 of the Rules and Regulations, as amended from time to time.

"Trustee" shall mean the Trustee at the time serving as such under the Bond Order.

4.3 Warranties. The County and each Participant represents and warrants that each has full power and authority to enter into and perform any and all provisions of the Sewer Service Agreement between the County and the Participant.

4.4 Sewer Service. Subject to the other terms of this Sewer Service Agreement, the County will furnish sewer service to each Participant in accordance with the Participant's Sewer Service Agreement. Each Participant will discharge or deliver wastewater to the Sewer System for treatment at a mutually agreeable Point of Delivery through a meter(s) in accordance with the Rules and Regulations. The County and the Participant engaging in the sewer business shall cause to be in force, at all times, a State approved sewer use ordinance and shall abide by and enforce the provisions and requirements of the same.

4.5 County to Provide All Sewer Treatment. So long as the County is capable of providing to a Participant its sewage treatment needs, a Participant shall not acquire or produce sewer treatment capacity from any source other than the County, nor allow treatment of sewage within its jurisdiction by any other entity, without the express written consent of the County, which consent shall not unreasonably be withheld.

4.6 Meters. Procedures for the installation, operation, maintenance, calibration, and reading of meters and adjustment of meter readings shall be set forth in the Rules and Regulations.

4.7 Operation of Sewer System. The County shall operate and maintain, or cause to be operated and maintained, the Sewer System in a safe, efficient and economical manner, making all necessary and proper repairs, replacements and renewals, consistent with good business and operating practices for comparable facilities and in accordance with applicable standards of regulatory bodies. Current Expenses in any Fiscal Year shall not exceed an amount that is reasonable and necessary and that is designated as Current Expenses in the County's Annual Budget for such Fiscal Year.

4.8 Inspection of the System. If requested by the Technical Review Committee hereinafter established in the Policy Guidelines and Rules and Regulations for Rendering Sewer Service, the County shall cause a consulting engineering firm experienced in wastewater treatment plant operation to inspect the Sewer System at least once every twelve (12) months and to submit a report identifying any operational, maintenance, or repair problems of the Sewer System and setting forth for the next ensuing (twelve) 12-month period (i) recommendations as to any revisions that should be made in the methods of operation or maintenance of the Sewer System and any repairs that must be made to maintain the Sewer System in such period, together with an estimate of the cost of such repairs and methods, (ii) an estimate as to the amount of adequate reserves for extraordinary repairs, renewals and replacements to the system in such period, (iii) an estimate as to the staffing requirements of the County for the Sewer System for such period, and (iv) an estimate as to any additional insurance that may be needed to insure the County against loss due to casualty loss or damage to the Sewer System. The County shall be obligated to undertake any action recommended in the engineer's report, which the County would be required to take to comply with Section 4.7. of these Standard Provisions. A Participant may at its own cost and expense cause a consulting engineer to inspect the Sewer System at least once every twelve (12) months upon sixty (60) days' notice to the County. A copy of the Participant's inspection report shall be provided to the County.

4.9 Insurance. The County shall carry at all times insurance covering all properties belonging to the Sewer System as are customarily insured, against loss or damage from such causes as are customarily insured against by enterprises of a similar nature and of a type and form as may be required by the Bond Order. The County also shall carry workers' compensation insurance, use and occupancy insurance, employer's liability insurance, boiler and machinery insurance, public officials liability insurance, automobile liability insurance, and commercial general liability insurance insuring against bodily injury and property damage arising out of the operations of the County. Such insurance shall be maintained with a financially responsible insurance company or companies, authorized and qualified under the laws of the State to assume the risk thereof. The proceeds of insurance shall be applied as provided in the Bond Order. If the County determines, and so certifies to the Trustee, that the amount of insurance coverage required by this Section or by the Bond Order is not available on reasonable terms and conditions, the insurance coverage required by this Section and the Bond Order may be modified in accordance with such determination, and the coverage as modified shall constitute the minimum requirements of this Section and the Bond Order.

4.10 Observance of Regulations. Each Participant covenants and agrees to observe the Rules and Regulations which have been adopted by the County (and as they may be amended) respecting the use of and services furnished by the Sewer System or legally required by any other authorized regulatory body.

4.11 Observance of Sewer Use Ordinance. Each Participant covenants and agrees to observe the Sewer Use Ordinance of the County adopted November 21, 1994, as amended (the "County Sewer Use Ordinance"), respecting discharge of wastewater to the Sewer System. Any Participant that operates a sewer collection and transmission system agrees (i) to cause its own customers to comply with the Participant's Sewer Use Ordinance or the County Sewer Use Ordinance, whichever is more stringent, and (ii) to adopt and at all times maintain in effect and enforce a State approved sewer use ordinance for its own system which shall require compliance with the County Sewer Use Ordinance notwithstanding the provisions of the Participant's Sewer Use Ordinance. A Participant's Sewer Use Ordinance shall also require that any customer of the Participant which intends to discharge non-domestic strength wastewater to the Participant's wastewater collection system shall first make application to the Participant. A Participant shall be responsible to the County for any damage to the Sewer System caused by its own customers and/or civil penalties assessed for violation of the County Sewer Use Ordinance or the County's discharge/non-discharge permit for the Project.

4.12 Monthly Service Charge. The County shall fix and determine on an annual basis a Monthly Service Charge for sewer treatment furnished to all Participants. Monthly Service Charges shall be established by the County at such levels as may be necessary to provide funds, together with other available funds, at least sufficient in the aggregate at all times to pay (i) Current Expenses, and (ii) Capital Expenses in each fiscal year for which Debt Service is not incurred and (iii) the Debt Service on financing obligations of the County for the Sewer System as the same become due, including all debt service reserves and other funds, coverage, accounts and reserves as may be required by any order or resolution authorizing the issuance of bonds, including the Bond Order. A Participant will receive a credit against its payment obligation under this Section for any amount paid under Section 3. The County shall be entitled to revise its Monthly Service Charges through an annual budget for a fiscal year to be presented for review by the Oversight Committee by March 1st of each year to comply with this Section. The Brunswick County Board of Commissioners shall take action establishing the Monthly Service Charge, effective July 1, on the first Monday in April. Monthly billings to a Participant shall be determined by applying the rates determined pursuant to this Section to the total amount of sewage treated for each Participant as obtained from the County's meter readings. The County may present charges based on budget estimates, subject to adjustment based on actual meter readings. The monthly billings and payments of the Participant are based on a rate that it estimated to provide funding adequate for actual and necessary operating expenditures and debt service of the West Brunswick Regional Wastewater Project. Since the rate for billing is based on estimated revenues and expenditures it will be necessary for Participants in the plant to make a "true up" payment annually in the event actual expenditures are in excess of actual revenues or in the event actual annual revenues are in excess of expenditures, surpluses will either be credited back to the Participants or based upon the recommendation of the Oversight Committee, be placed into the Capital Replacement Reserve Fund.

4.13 Payment. Each Participant covenants and agrees to pay promptly when due the County's Monthly Service Charges as determined in accordance with this Article and billed to the Participant from time to time and the Capital Charge by wire transfer to the account provided in written directions from the County. Payment for sewerage treated for a Participant during any month is due in full as provided in the Rules and Regulations at the office of the County. Payment of Monthly Service Charge shall be due notwithstanding that a Participant disputes the accuracy or legality thereof or notwithstanding that the County curtails or interrupts service to the Participant pursuant to these Standard Provisions. There shall be no free sewer service rendered by the County. Nothing contained herein shall require a Participant to pay for sewer treatment the County is incapable of delivering or providing.

4.14 Disputes. Even if a Participant disagrees with Monthly Service Charges received from the County for any given service period, the Participant shall be obligated to pay, in full, said Monthly Service Charges, but can do so "under protest". The "protest" shall be resolved according to the provisions of this Agreement.

If a Participant disputes all or part of any Monthly Service Charge or other payment due to the County, the Participant shall within fifteen (15) days of learning of the nature of the dispute notify the County in writing that the charges are disputed, the grounds for the dispute, and the amount in dispute. Failure to have made the full payment as provided in Section 4.13. hereof will result in the County, at its option, denying the Participant's claim. Upon receipt of notification of dispute, representatives of the County and the Participant shall meet within fifteen (15) days to resolve such dispute. The County and the Participant shall promptly and continuously attempt to resolve the dispute within five (5) business days of meeting. In the event that it is determined that the Participant shall have overpaid, it shall receive a credit for the overpayment. If the dispute cannot be thus resolved, each party shall thereafter be entitled to exercise any remedies available at law or in equity including non-binding mediation.

4.15 Limitation. Nothing herein shall prevent the County and a Participant from limiting the obligation of any Political Subdivision to pay Monthly Service Charges and the County's other rates and charges to or from non-tax revenues of the Political Subdivision so that a Sewer Service Agreement with such Political Subdivision will not constitute a debt secured by a pledge of the Political Subdivision's faith and credit which has not been approved in accordance with the provisions of Article V, Section 4 of the Constitution of North Carolina.

4.16 Bills. As a convenience to the Participants, the County will mail each Participant a bill not later than the date for mailing provided for in the Rules and Regulations covering sewer treatment provided during the previous month. All bills shall be sent to the address of the premises being served by the County, unless a Participant notifies the County in writing of some other address to which bills are to be mailed. Failure to receive bills will not be considered justification for non-payment of amounts due, nor permit an extension of the date when the account will be considered delinquent. The County may, at any time, correct any bills for service that may be in error.

4.17 Interest. Interest on delinquent Monthly Service Charges shall accrue during the period of non-payment at the rate of 10% per annum, subject to periodic adjustment by the County subsequent to review by the Oversight Committee.

4.18 Credits. The County will by lump sum payment within ninety (90) days of the date a determination is made that a refund is due, refund any Monthly Service Charges or other charges or parts thereof that the County or a court of competent jurisdiction by final judgment determines were (a) inaccurate, illegal or otherwise not entitled to be collected or (b) paid in the immediately preceding Fiscal Year in excess of the amounts required for such Fiscal Year under clause (iii) of the second sentence of Section 4.12. Rather than making a refund by lump sum payment, the County may at its option make refunds in successive monthly installments over such ninety (90)-day period or may make the refund in the form of a credit to future amounts due to the County by the Participant over such ninety (90)-day period. Interest shall accrue on the refund at the same per annum rate specified in Section 4.17.

4.19 System Development Charges; Connection Charges. The County shall, in accordance with the Rules and Regulations, Sections 4.2 and 4.3, collect from Participants who apply for new or expanded service a System Development Charge and such Connection Charges as are appropriate to the service being provided by the County.

4.20 Industrial Wastewater. The County shall require all Industrial and other Participants who generate wastewater other than domestic strength wastewater to pre-treat its wastewater so that when it is discharged to the Sewer System it is of domestic strength as defined in the latest version of the Sewer Use Ordinance. If for any reason a Participant discharges wastewater to the Sewer System, which exceeds domestic strength, the County agrees to surcharge such Participant so that the Monthly Service Charges charged other Participants are not impacted by the added cost incurred by the County in treating the non-domestic strength wastewater.

The Participant shall not allow a customer, or itself, to dilute a high-strength wastewater as a method of treatment of said wastewater in order to comply with the County's Sewer Use Ordinance.

4.21 Limitations on Service; Curtailment. Any duty or obligation of the County to meet a Participant's sewer treatment needs, over and above any stated capacity the County contracts to provide in the Sewer Service Agreement with the Participant, is subject to limitations upon the County's ability to do so caused by (i) the amount of sewage discharge permitted or available to the County, (ii) obligations of the County pursuant to Sewer Service Agreements to provide sewer service to other Participants, (iii) the capacity of the Sewer System and (iv) completion of any Improvements the County elects to make to enable it to provide sewer service to a Participant.

4.22 Temporary Interruptions. The County may at any time shut down the Sewer System in case of an accident, or for the purpose of making connections, alterations, repairs, changes or for any other lawful reasons. The County will endeavor to give as much notice as possible in advance of any interruption of service. It is the obligation of Participants and not the County to protect the Participant's facilities connected with the Sewer System so that damage will not occur if service is suspended without notice.

4.23 Shut Off for Default; Acceleration and Notices. If payments of Monthly Service Charges or Capital Charges due from a Participant remain delinquent for a period of more than thirty (30) days, the County may take one (1) or any combination of the following remedial steps:

(i) service may, where permitted by applicable laws and regulations of the State, be suspended by the County;

(ii) the County, by written notice to the Participant, may declare an amount equal to the then outstanding Monthly Service Charges, Capital Charges and accrued interest thereon to be immediately due and payable as liquidated damages under this Sewer Service Agreement and not as a penalty, whereon the same shall become immediately due and payable; or

(iii) the County may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observation of any obligation, agreement or covenant of the Participant under this Sewer Service Agreement.

The County will give each Participant twenty-four (24) hours' notice prior to suspending service on account of non-payment of rates and charges. The County may also suspend service after thirty (30) days' notice when a Participant violates any terms of a Sewer Service Agreement with the County or any rule or regulation and fails to remedy or cure such violation within the thirty (30) day notice period.

4.24 Sewer Service to New Participants. After notification of the Oversight Committee and all other Participants, the County shall only provide sewer service to new Participants pursuant to a Sewer Service Agreement.

4.25 Future Financing. The County may, in its sole discretion, incur debt to pay for Project Cost overruns or Improvements.

4.26. Construction and other Cooperation. The County and each Participant currently constructing wastewater collection systems agree to cooperate with each other during design and construction of the Project and their sewer collection systems, such assistance to include, but not be limited to, exchange and review of design plans and specifications, providing access to each other's work sites and easements for purposes of connecting to the Project and sharing information about start and completion dates, change orders and other matters that may adversely affect Costs. Each such Participant agrees to construct its respective wastewater collection system and place it in operation with all reasonable dispatch and thereafter to operate and maintain it in a prudent and economical manner. The same shall be true for all subsequent additions and Improvements as required to provide sewer services to all Participants, both current and future.

4.27 Books and Records. The County and City shall keep proper books and records related to this project in accordance with generally accepted accounting principles which each party shall make available for inspection to the other at reasonable times upon request. The County shall cause an annual audit of its books and records to be made by an independent certified public accountant at the end of each Fiscal Year. An allocated portion of the audit expense shall be a part of the O&M cost of the project.

SECTION 5

TERM, TERMINATION, AND RENEWAL OF AGREEMENT

5.1 This Sewer Service Agreement shall be in full force and effect for a period ending at forty (40) years from the date of its execution.

5.2 This Agreement may otherwise be terminated only by mutual agreement of the parties. A mutually agreeable termination of this agreement will be on such terms as the parties may agree at the time in question. Each party hereto reserves to itself all legal rights and remedies available at law or in equity in the event of any other breach of this agreement by the other.

5.3 This Agreement may be amended by mutual agreement of the parties, adopted with the same formality as the original.

SECTION 6

REPRESENTATIONS AND COVENANTS

6.1 Each party to this Agreement represents to the other party each of the following as of the effective date of this Agreement, and covenants with the other party that each such representation will remain true and correct:

6.1.1 It has full power and authority to enter into this Agreement, and to enter into and carry out the transactions contemplated by this Agreement.

6.1.2 It has by proper action authorized the execution and delivery of this Agreement and is not in default under any provisions of this Agreement.

6.1.3 The execution, delivery and performance of this Agreement does not violate or conflict with or require any consent or waiver under any of the terms or conditions in its governing documents or any material contract to which it is a party or by which any of its assets are bound or affected, or any law, rule, regulation, order, writ, judgment, decree or other legal or regulatory determination applicable to it.

6.1.4 This Agreement constitutes a legal, valid and binding obligation enforceable at law and in equity in accordance with its terms and, to the extent that certain remedies under this Agreement require or may require enforcement by a court, such principles of equity as the court having jurisdiction may impose.

6.1.5 It will comply with all applicable federal, state and local laws with respect to any activities conducted under or pursuant to this Agreement.

6.1.6 No elected or appointed official or employee has any interest (financial, employment, or other) in the transactions contemplated by this Agreement.

6.1.7 It will take no act (or engage in any failure to act) that will prevent, delay, obstruct, frustrate, or otherwise impair or undermine the activities conducted under or pursuant to this Agreement, except as may be necessary to enforce this Agreement or ensure compliance with applicable laws, regulations, and ordinances.

SECTION 7

MISCELLANEOUS PROVISIONS

7.1 Exhibits. All exhibits referenced in this Agreement are incorporated herein by reference as integral parts of this Agreement.

7.2 Amendment to Agreement. This Agreement may be modified or amended only by written amendments that are approved and signed on behalf of both Parties in the same manner as original adoption.

7.3 Notices. All notices required or permitted by this Agreement must be in writing. Any notice will be deemed given (i) on the date delivered by hand or (ii) on the date it is received by mail, as evidenced by the date shown on a United States mail registered mail receipt, in any case addressed as follows:

If to Brunswick County, as follows:

Brunswick County
Attn.: County Manager
P.O. Box 249
Bolivia, NC 28422

If to Southport as follows:

City of Southport
Attn: City Manager
1029 N. Howe St
Southport, NC 28461

Any party may designate a different address for communications by notice given under this Section to the other party. Whenever in this Agreement the giving of notice is required, the giving of such notice may be waived in writing by the Party entitled to receive such notice, and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

7.4 No Third-Party Beneficiaries. Nothing in this Agreement shall give any person other than the parties any rights to enforce any provision of this Agreement. There are no intended third-party beneficiaries of this Agreement.

7.5 Survival of Representations and Covenants. All representations and covenants made by the parties in this Agreement shall survive the delivery of this Agreement.

7.6 Successors and Assigns. Each Sewer Service Agreement, including these Standard Provisions, shall be binding upon, inure to the benefit of and be enforceable by the parties thereto and their respective successors and assigns; provided, however, that neither a Participant nor the County may assign their rights, liabilities and obligations hereunder without the consent of the other party except that the County may assign all Sewer Service Agreements to the Trustee without the consent of any Participant.

7.7 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Agreement.

7.8 Entire Contract. This Agreement, including its Exhibits, constitutes the entire Agreement between the parties with respect to its subject matter.

7.9 Action by a Party. Any references to approvals or other actions by any party will be deemed to be references to actions taken by the party's Governing Board or taken pursuant to express, specific direction given by the party's Governing Board or a person delegated by that Board to give approval or take action.

7.10 Personnel. All responsibilities of the parties under this Agreement will be performed by personnel employed by them or under contract to them.

7.11 Waiver. Any party's failure to insist upon the strict performance of any provision of a Sewer Service Agreement, or to exercise any right based upon a breach thereof, or the acceptance of any performance during such breach, shall not constitute a waiver of any rights under the Sewer Service Agreement.

7.12 Counterparts. Sewer Service Agreements may be executed in several counterparts, any of which shall be regarded for all purposes as one original.

7.13 Controlling Law. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina.

7.14 Effective Date. This Agreement shall become effective upon vote of adoption by the governing boards of each party at the date of the last required signature by authorized representatives of the parties.

IN WITNESS WHEREOF, the parties hereto, acting by and through their duly authorized representatives pursuant to the resolutions of their respective governing bodies, have caused this Agreement to be executed as of the day and year first above written.

THE COUNTY OF BRUNSWICK

ATTEST:

By: ______________________
Chairman

____
Clerk

(SEAL)

BRUNSWICK COUNTY NORTH CAROLINA

CITY OF SOUTHPORT

ATTEST:

By: Joseph P Hatem
Mayor

Tonya Shannon
City Clerk

(SEAL)

CITY OF SOUTHPORT CORPORATE SEAL 1792 NORTH CAROLINA

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

____

Finance Officer, City of Southport

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

Finance Officer, County of Brunswick

Wooten

272 N. Front Street, Suite 401
Wilmington, NC 28401
(910) 660-0520

Mulberry Branch WWTP Bids Review

Review Findings:

1. The proposed design does not appear to have any additional treatment units that would suggest it is intended for treatment capacity above 0.75 MGD. The design is relatively straightforward and has appropriate redundancy. Based on a high-level review of the drawings, there may be some options for value engineering.

2. There is nothing particularly unique or innovative included in the project that would suggest a mark-up due to proprietary processes.

3. The increased bid costs (i.e., over the budget) is more than likely due to the amount of concrete and labor required for its construction, and not necessarily the equipment.

4. There are several improvements associated with the existing 0.5 MGD lagoon plant. We are not certain why this is included in the new 0.75 MGD plant project.

5. A septage receiving station is included in the project. While we understand this is intended to be a revenue source for the County, this does not contribute to 0.75 MGD of additional capacity.

Questions:

6. An EQ Tank is provided in the design. What are the peak flows expected and would the lagoon system not provide sufficient buffering of the peaks? Is the EQ tank also necessary for 0.75 MGD (i.e., could the EQ tank be eliminated to save cost)?

7. The new 0.75 MGD plant appears to use infiltration basins for discharge of treated water. Are these permitted at 0.75 MGD? If so, what is the purpose of the new irrigation sprayfield?

8. Is the new irrigation sprayfield to be utilized with the lagoon treatment system, or the new treatment plant? If the existing lagoon system, then how does this new sprayfield contribute to 0.75 MGD of additional capacity?

9. Are the forcemain improvements necessary for the 0.75 mgd plant project?

City of Southport's Water, Sewer, Waste Pickup Rates
CHANGES EFFECTIVE WITH FEB 2022 BILLING

RESIDENTIAL				
	Inside City		Outside City	
	2022	2021	2022	2021
	Covers 1,000	Covers 3,000	Covers 1,000	Covers 3,000
	Water			
Base	$ 25.93	$ 25.93	$ 42.16	$ 42.16
1,001-3,000	$ 8.31		$ 11.29	
3,001-5,000	$ 9.95	$ 5.96	$ 13.73	$ 8.92
5,001 - 10,000	$ 11.59		$ 16.17	
10,001 +		$ 7.58		$ 11.36
	Sewer			
Base	$ 77.00	$ 73.00	$ 151.22	$ 151.21
1,001-3,000	$ 6.89		$ 17.21	
3,001-5,000		$ 6.89		$ 17.21
5,001 +	$ 8.27		$ 20.65	
	Irrigation			
Base (0 Usage)	$ 15.00	$ 8.07	$ 22.50	$ 12.10
1-5,000	$ 11.94	$ 5.96	$ 16.47	$ 8.92
5,000 - 10,000	$ 14.33		$ 19.76	
10,000 +		$ 7.58		$ 11.36
	Recycling/Yard Debris			
Rate	$ 10.61	$ 10.61	N/A	N/A

Commercial				
	Inside City		Outside City	
	2022	2021	2022	2021
	Covers 1,000	Covers 3,000	Covers 1,000	Covers 3,000
	Water			
Base	$ 36.75	$ 36.75	$ 55.13	$ 55.13
1,001-3,000	$ 8.31		$ 11.29	
3,001-5,000	$ 9.95	$ 5.96	$ 13.73	$ 8.92
5,001 - 10,000	$ 11.59		$ 16.17	
10,001 +		$ 7.58		$ 11.36
	Sewer			
Base	$ 136.09	$ 126.09	$ 204.14	$ 189.14
1,001-3,000	$ 13.76		$ 20.65	
3,001-5,000		$ 13.76		$ 20.64
5,001 +	$ 16.51		$ 24.78	
	Irrigation			
Base (0 Usage)	$ 15.00	$ 8.07	$ 22.50	$ 12.10
1-5,000	$ 11.94	$ 5.96	$ 16.47	$ 8.92
5,000 - 10,000	$ 14.33		$ 19.76	
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10,000 +		$ 7.58		$ 11.36
	Recycling/Yard Debris			
Rate	N/A	N/A	N/A	N/A

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, 2022. 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 $54,814,092 (net position).

- Total government's total net position increased by $5,941,072 which consisted of an increase in governmental activities of $1,785,804 and an increase in business-type activities of $4,155,268.

- As of the close of the current fiscal year, the City of Southport's governmental funds reported combined ending fund balances of $7,608,155, an increase of $1,503,890 in comparison with the prior year. Approximately $1,092,228 (14.36 percent) is unavailable (nonspendable or restricted). Approximately 77.65 percent is unassigned or available for spending at the government's discretion.

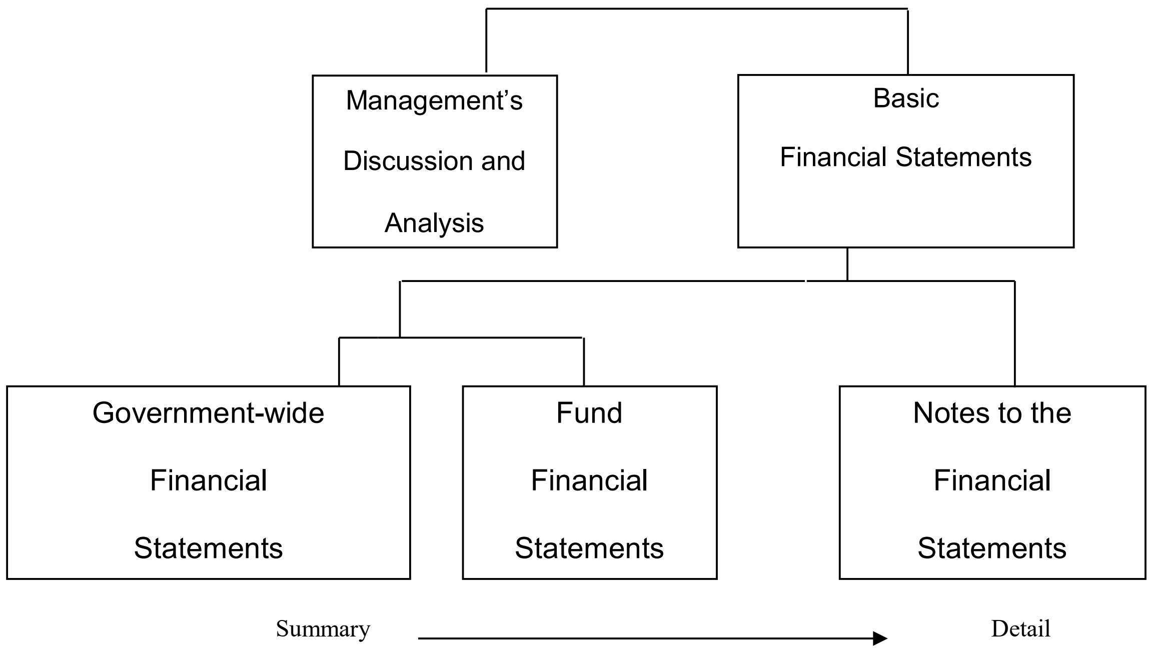
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $6,088,225 or 82.83 percent of total general fund expenditures for the fiscal year; compared to $3,434,217, or 38.42 percent the prior fiscal year.

- The City of Southport's total debt (excluding compensated absences, net pension liability, total pension liability, and total OPEB liability) increased by $389,889 (14.40 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	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 8,869,336	$ 6,559,168	$ 17,054,038	$13,236,466	$ 25,923,374	$ 19,795,634
Capital assets	14,829,025	13,715,007	27,447,832	27,457,584	42,276,857	41,172,591
Deferred outflows of resources	1,857,460	1,729,802	607,428	567,959	2,464,888	2,297,761
Total assets and deferred outflows of resources	25,555,821	22,003,977	45,109,298	41,262,009	70,665,119	63,265,986
Other liabilities	2,008,152	811,556	2,062,277	2,381,096	4,070,430	3,192,652
Long-term liabilities	8,532,084	7,957,031	2,581,198	2,686,933	11,113,282	10,643,964
Deferred inflows of resources	1,085,049	442,359	384,985	113,991	1,470,034	556,350
Total liabilities and deferred inflows of resources	11,625,285	9,210,946	5,028,460	5,182,020	16,653,745	14,392,966
Net position:						
Invested in capital assets, net of related debt	12,319,591	11,699,706	26,860,130	26,764,995	39,179,721	38,464,701
Restricted	1,685,608	2,685,963	3,575,590	2,189,666	5,261,198	4,875,629
Unrestricted	573,636	(1,592,638)	9,799,537	7,125,328	10,373,173	5,532,690
Total net position	$ 14,578,835	$ 12,793,031	$ 40,235,257	$36,079,989	$ 54,814,092	$ 48,873,020

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 $54,814,092 as of June 30, 2022. The City's net position increased by $5,941,072 for the fiscal year ended June 30, 2022. The largest portion of net position $39,179,721 (71.48%) 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 $5,261,198 (9.60%) represents resources that are subject to external restriction on how they may be used. The remaining balance of $10,373,173 (18.92%) 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 99.24%.

City of Southport' Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Revenues						
Program revenues:						
Charges for services	$ 2,681,540	$ 2,367,052	$ 13,325,143	$12,554,310	$ 16,006,683	$ 14,921,362
Operating grants and contributions	454,226	1,064,447	1,096,748	279,808	1,550,974	1,344,255
Capital grants and contributions	-	-	1,443,467	1,799,515	1,443,467	1,799,515
General revenues:						
Property taxes	3,343,675	3,202,648	-	-	3,343,675	3,202,648
Other taxes and licenses	232,014	169,447	-	-	232,014	169,447
Unrestricted intergovernmental	2,604,021	2,126,345	-	-	2,604,021	2,126,345
Investment earnings, unrestricted	24,995	14,741	97	29,515	25,092	44,256
Other	219,409	476,928	-	71,671	219,409	548,599
Gain/Loss on disposal of fixed assets	(3,899)	(2,306)	-	(12,053)	(3,899)	(14,359)
Total revenues	9,555,981	9,419,302	15,865,455	14,722,766	25,421,436	24,142,068
Expenses						
General government	2,155,172	2,617,817	-	-	2,155,172	2,617,817
Public safety	4,248,668	4,162,755	-	-	4,248,668	4,162,755
Transportation	522,917	519,836	-	-	522,917	519,836
Environmental Protection	277,133	275,276	-	-	277,133	275,276
Cultural and recreation	498,801	447,251	-	-	498,801	447,251
Interest on long-term debt	67,486	56,432	-	-	67,486	56,432
Electric	-	-	7,263,825	7,235,755	7,263,825	7,235,755
Water and sewer	-	-	4,446,362	4,355,691	4,446,362	4,355,691
Total expenses	7,770,177	8,079,367	11,710,187	11,591,446	19,480,364	19,670,813
Change in net position before Transfers	1,785,804	1,339,935	4,155,268	3,131,320	5,941,072	4,471,255
Transfers		-	-	-	-	-
Change in net position	1,785,804	1,339,935	4,155,268	3,131,320	5,941,072	4,471,255
Net Position						
Beginning of year - July 1	12,793,031	11,453,096	36,079,989	32,948,669	48,873,020	44,401,765
End of year - June 30	$ 14,578,835	$ 12,793,031	$ 40,235,257	$36,079,989	$ 54,814,092	$ 48,873,020

Governmental activities. Governmental activities revenues exceeded expenses by $1,3785,804. 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-reoccurring 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 2022, with additional revenues increasing in 2022 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 $4,155,268. Management's response to the on-going 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:

- Golden Leaf Grant funding received for project expenditures that are capitalized.
- Increase in revenues collected in both Electric and Water & Sewer funds.

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. The fund reported $606,620 of expenditures for street paving and repairs to City Hall. 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 $180,622. 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

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 $6,088,225, while total fund balance reached $7,195,398. The City currently has an available fund balance of 85.39% of total General Fund expenditures, while total fund balance represents 97.89% of that same amount.

At June 30, 2022, the governmental funds of the City of Southport reported a combined fund balance of $7,608,155, a 24.64% 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 $204,323.

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 $2,852,824 and for the Electric Fund was $6,946,713. The total increase in net position for the Water and Sewer Fund was $3,494,973, and the Electric Fund had a total increase in net position of $660,295.

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, 2022 totals $42,276,857 (net of accumulated depreciation). These assets include buildings, land, improvements, equipment, vehicles, infrastructure, utility systems, and construction in progress.

Major capital asset transactions during the year include:

- 2 new fire engines and paving projects
- water and sewer and electric capital projects

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

	Governmental Activities		Business-type Activities		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Land	$ 2,917,452	$ 2,917,452	$ 2,827,985	$ 2,827,985	$ 5,745,437	$ 5,745,437
Building and improvements	6,748,085	6,849,417	68,030	69,926	6,816,115	6,919,343
Improvements other than Buildings	322,811	356,447	-	-	322,811	356,447
Utility systems	-	-	23,902,911	19,102,672	23,902,911	19,102,672
Furniture and Equipment	379,219	376,153	450,267	536,969	829,486	913,122
Infrastructure	2,824,671	2,293,250	-	-	2,824,671	2,293,250
Vehicles and motorized equipment	1,218,994	640,218	123,639	176,665	1,342,633	816,883
Construction in progress	417,793	301,370	75,000	4,743,367	492,793	5,044,737
Total	$ 14,829,025	$ 13,734,307	$ 27,447,832	$27,457,584	$ 42,276,857	$ 41,191,891

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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Direct Borrowing / Placement						
Installment Agreements	$ 2,508,591	$ 2,015,301	$ 589,188	$ 692,589	$ 3,097,779	$ 2,707,890
Leases	649,142	-	152,933	-	802,075	-
Compensated absences	215,137	206,956	23,729	25,103	238,866	232,059
Net pension liability (LGERS)	430,106	916,507	190,540	406,019	620,646	1,322,526
Total pension liability (FIRE)	817,018	817,081	-	-	817,018	817,081
Total pension liability (LEOSSA)	507,470	409,347	-	-	507,470	409,347
Total OPEB Liability	4,132,858	3,971,553	1,740,845	1,672,899	5,873,703	5,644,452
Total	$ 9,260,322	$ 8,336,745	$ 2,697,235	$ 2,796,610	$ 11,957,557	$ 11,133,355

The City of Southport's total debt increased by $824,202 during the past fiscal year, primarily due to recognition of lease liabilites for the implementation of GASB 87 and a financing agreement for new fire trucks.

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 $86,553,282.

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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Southport ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	$ 7,410,382	$ 11,488,495	$ 18,898,877	$ 661,686
Taxes receivables (net)	28,959		28,959	-
Accounts receivable (net)	39,918	1,539,179	1,579,097	-
Accrued interest receivable on taxes	2,675	-	2,675	-
Due from other governments	580,179	215,168	795,347	-
Internal balances	-	-	-	-
Inventories	-	-	-	408,614
Prepaid Expenses	-	-	-	34,611
Restricted cash and cash equivalents	807,223	3,811,196	4,618,419	-
Total current assets	8,869,336	17,054,038	25,923,374	1,104,911
Non-Current assets:				
Right to use assets, net	648,299	154,419	802,718	-
Capital Assets:				
Land, non-depreciable, improvements, and construction in process	3,335,245	2,902,985	6,238,230	333,232
Other capital assets, net of depreciation	11,493,780	24,544,847	36,038,627	1,032,313
Total capital assets	14,829,025	27,447,832	42,276,857	1,365,545
Total non-current assets	15,477,324	27,602,251	43,079,575	1,365,545
Total assets	24,346,660	44,656,289	69,002,949	2,470,456
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferrals	1,186,915	330,509	1,517,424	73,285
OPEB related deferrals	670,545	276,919	947,464	31,469
Total Deferred Outflows of Resources	1,857,460	607,428	2,464,888	104,754
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	582,822	1,536,156	2,118,978	845,701
Customer deposits	2,003	235,606	237,609	-
Accrued interest payable	63,112	508	63,620	-
Unspent grant proceeds	631,977	-	631,977	
Payable from restricted assets	-	173,970	173,970	-
Current portion of long-term liabilities	728,238	116,037	844,276	28,256
Total current liabilities	2,008,152	2,062,277	4,070,430	873,957
Long-term liabilities:				
Net pension liability (LGERS)	430,106	190,540	620,646	42,174
Total pension liability	1,324,488	-	1,324,488	-
Total OPEB liability	4,132,858	1,740,845	5,873,703	148,039
Due in more than one year	2,644,632	649,813	3,294,445	1,119,470
Total long-term liabilities	8,532,084	2,581,198	11,113,282	1,309,683
Total liabilities	10,540,236	4,643,475	15,183,711	2,183,640
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	814,096	276,223	1,090,319	60,945
OPEB related deferrals	258,208	108,762	366,970	14,156
Unearned income	12,745	-	12,745	-
Total Deferred Inflows of Resources	1,085,049	384,985	1,470,034	75,101
NET POSITION				
Net investment in capital assets	12,319,591	26,860,130	39,179,721	112,818
Restricted for:				
Stabilization by State Statute	918,985	-	918,985	-
Streets - Powell Bill	173,243	-	173,243	-
Other Functions	-	-	-	159,053
Capital projects	593,380	3,575,590	4,168,970	-
Unrestricted	573,636	9,799,537	10,373,173	44,598
Total net position	$ 14,578,835	$ 40,235,257	$ 54,814,092	$ 316,469

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Southport ABC Board
Primary government:								
Governmental Activities:								
General government	$ 2,155,172	$ 134,911	$ -	$ -	$ (2,020,261)	$ -	$ (2,020,261)	
Public safety	4,248,668	2,225,154	203,805	-	(1,819,709)	-	(1,819,709)	
Transportation	522,917	-	136,978	-	(385,939)	-	(385,939)	
Cultural and Recreational	498,801	283,545	5,379	-	(209,877)	-	(209,877)	
Environmental Protection	277,133	37,930	108,064	-	(131,139)	-	(131,139)	
Interest on long-term debt	67,486	-	-	-	(67,486)	-	(67,486)	
Total governmental activities	7,770,177	2,681,540	454,226	-	(4,634,411)	-	(4,634,411)	
Business-type activities:								
Electric	7,263,825	7,812,707	53,773	57,543	-	660,198	660,198	
Water and Sewer	4,446,362	5,512,436	1,042,975	1,385,924	-	3,494,973	3,494,973	
Total business-type activities	11,710,187	13,325,143	1,096,748	1,443,467	-	4,155,171	4,155,171	
Total primary government	$ 19,480,364	$ 16,006,683	$ 1,550,974	$ 1,443,467	(4,634,411)	4,155,171	(479,240)	
Component units:								
ABC Board	$ 4,873,966	$ 4,873,966	$ -	$ -				$ -
Total component units	$ 4,873,966	$ 4,873,966	$ -	$ -				$ -
General revenues:								
Taxes:								
Ad valorem taxes					3,343,675	-	3,343,675	-
Unrestricted intergovernmental					2,604,021	-	2,604,021	-
Other taxes and licenses					232,014	-	232,014	-
Unrestricted investment earnings					24,995	97	25,092	-
Miscellaneous					219,409	-	219,409	-
Special items:								
Gain (loss) on disposal of fixed assets					(3,899)	-	(3,899)	-
Transfers					-	-	-	-
Total general revenues, special items, and transfers					6,420,215	97	6,420,312	-
Change in net position					1,785,804	4,155,268	5,941,072	-
Net position, beginning					12,793,031	36,079,989	48,873,020	316,469
Net position beginning, as restated					12,793,031	36,079,989	48,873,020	
Net position, ending					$ 14,578,835	$ 40,235,257	$ 54,814,092	$ 316,469

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

City of Southport, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

	Major Fund		Non-Major	
	General Fund	**ARPA Fund**	**Other Governmental Funds**	**Total Governmental Funds**
ASSETS				
Cash and investments	$ 6,690,147	$ -	$ 720,235	$ 7,410,382
Restricted Cash and cash equivalents	175,246	631,977	-	807,223
Taxes Receivable, net:	28,959	-	-	28,959
Accounts and Other Receivable	39,918	-	-	39,918
Due from other Component units	-	-	-	-
Due from other governments	580,179	-	-	580,179
Due from other funds	175,767	-	-	175,767
Prepaid Expenses	-	-	-	-
Total assets	$ 7,690,216	$ 631,977	$ 720,235	$ 9,042,428
LIABILITIES				
Accounts payable and accrued liabilities	$ 176,485	$ -	$ 131,711	$ 308,196
Accrued payroll and payroll liabilities	274,626	-	-	274,626
Unspent grant proceeds	-	631,977	-	631,977
Due to other funds	-	-	175,767	175,767
Customer Deposits	2,003	-	-	2,003
Total liabilities	453,114	631,977	307,478	1,392,569
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	28,959	-	-	28,959
Prepaid property taxes	10,120	-	-	10,120
Deferred revenues	2,625	-	-	2,625
Total deferred inflows of resources	41,704	-	-	41,704
Fund balances:				
Nonspendable:				
Prepaid expenses	-	-	-	-
Restricted:				
Stabilization by State Statute	918,985	-	-	918,985
Streets	173,243	-	-	173,243
Capital Outlay	-		593,380	593,380
Committed:				
Fire Protection	14,945	-	-	14,945
Assigned:				
Subsequent year's expenditures	-	-	-	-
Unassigned	6,088,225	-	(180,623)	5,907,602
Total fund balances	7,195,398	-	412,757	7,608,155
Total liabilities, deferred inflows of resources and fund balances	$ 7,690,216	$ 631,977	$ 720,235	$ 9,042,428

(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, 2022

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

Total Fund Balance, Governmental Funds	$ 7,608,155
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,829,025
Right to use assets used in governmental activities are not financial resources and therefore	648,299
Earned revenues considered deferred inflows of resources in fund statements.	28,959
Certain other long-term assests (accrued interest receivable from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	2,675
Deferred outflows of resources related to OPEB are not reported in the funds	670,545
Deferred outflows of resources related to pensions are not recorded on the fund statements	1,186,915
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	(2,508,591)
Lease liability	(649,142)
Compensated Absences	(215,137)
Net pension liability (LGERS)	(430,106)
Total pension liability (LEOSSA)	(507,470)
Total pension liability (Fire)	(817,018)
Total OPEB liability	(4,132,858)
Accrued interest payable	(63,112)
Deferred inflows of resources related to OPEB are not reported in the funds	(258,208)
Deferred inflows of resources related to pensions are not recorded on the fund statements	(814,096)
Net position of governmental activities	$ 14,578,835

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, 2022

	Major Fund			
	General Fund	**ARPA Fund**	**Total Non-Major Governmental Funds**	**Total Governmental Funds**
REVENUES				
Ad valorem taxes	$ 3,373,937	$ -	$ -	$ 3,373,937
Other taxes and licenses	232,014	-	-	232,014
Unrestricted intergovernmental	2,604,021	-	-	2,604,021
Restricted intergovernmental	1,735,392	-	-	1,735,392
Permits and fees	710,921	-	-	710,921
Sales and services	689,452	-	-	689,452
Investment earnings	24,995	-	-	24,995
Miscellaneous	219,409	-	-	219,409
Total revenues	9,590,141	-	-	9,590,141
EXPENDITURES				
Current:				
General government	2,250,652	-	-	2,250,652
Public safety	4,999,508	-	-	4,999,508
Street and Public Works	465,276	-	-	465,276
Sanitation	277,133	-	-	277,133
Cultural and recreation	590,513	-	-	590,513
Debt service:				
Principal	330,920	-	-	330,920
Interest and other charges	55,955	-	-	55,955
Capital outlay	-	-	735,543	735,543
Total expenditures	8,969,957	-	735,543	9,705,500
Excess (deficiency) of revenues over expenditures	620,184	-	(735,543)	(115,359)
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Loan proceeds	1,619,249	-	-	1,619,249
Sales of capital assets	-	-	-	-
Total other financing sources (uses)	1,619,249	-	-	1,619,249
Net Change in fund balance	2,239,433	-	(735,543)	1,503,890
Fund balances, beginning	4,955,965	-	1,148,300	6,104,265
Prior Period Adjustment	-	-		-
Fund balances, ending	$ 7,195,398	$ -	$ 412,757	$ 7,608,155

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

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		$ 1,503,890
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	1,902,824	
Depreciation expense for governmental assets	(784,907)	
Loss on disposal of capital assets	(3,899)	1,114,018
Right to use lease assets used in governmental activies are not financial resources and therefore are not reported in the funds		
Right to use assets at historical cost	795,038	
Accumulated amortization	(146,739)	648,299
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		249,010
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		73,893
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position		7,181
Benefit payments and pension administration costs for the Volunteer Firefighters' Retirement Plan are not included in the Statement of Activities		27,460
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		(25,257)
Change in accrued interest on taxes receivable		(5,005)
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	(1,619,249)	
Principal payments on debt	476,817	(1,142,432)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		(11,531)
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		(8,181)
Pension expense		(223,514)
Separation allowance		(81,687)
Firefighters' retirement		(58,746)
OPEB Expense		(281,594)
Total changes in net position of governmental activities		$ 1,785,804

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

City of Southport
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	$ 3,206,351	$ 3,206,351	$ 3,373,937	$ 167,586
Other taxes and licenses	121,600	121,600	232,014	110,414
Unrestricted intergovernmental	1,784,000	1,784,000	2,604,021	820,021
Restricted intergovernmental	1,828,155	1,723,358	1,735,392	12,034
Permits and fees	491,500	491,500	710,921	219,421
Sales and services	681,650	681,650	689,452	7,802
Investment earnings	40,070	40,070	24,995	(15,075)
Miscellaneous	300,290	447,286	219,409	(227,877)
Total revenues	8,453,616	8,495,815	9,590,141	1,094,326
Expenditures:				
Current:				
General government	2,793,149	2,524,480	2,250,652	273,828
Public safety	4,500,174	4,822,140	4,999,508	(177,368)
Transportation	535,262	692,885	465,276	227,609
Environmental protection	280,917	280,917	277,133	3,784
Cultural and recreation	787,114	787,114	590,513	196,601
Debt service:				
Principal retirement	328,000	322,142	330,920	(8,778)
Interest and other charges	64,000	63,261	55,955	7,306
Total expenditures	9,288,616	9,492,939	8,969,957	522,982
Revenues over (under) expenditures	(835,000)	(997,124)	620,184	1,617,308
Other financing sources (uses):				
Appropriated fund balance	-	162,124	-	(162,124)
Sale of fixed assets				-
Loan proceeds	835,000	835,000	1,619,249	784,249
Transfers to other funds	-	-	-	-
Transfer to Capital Project Funds	-	-	-	-
Total other financing sources (uses)	835,000	997,124	1,619,249	622,125
Revenues and other sources over (under) expenditures and other uses	$ -	$ -	2,239,433	$ 2,239,433
Fund balances, beginning			4,955,965	
Fund balances, ending			$ 7,195,398	

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

City of Southport
Statement of Net Position
Proprietary Funds
June 30, 2022

	Major		
	Electric Fund	**Water and Sewer Fund**	**Total**
ASSETS			
Current assets:			
Cash and cash equivalents	$ 7,177,432	$ 4,311,063	$ 11,488,495
Accounts receivable customers, net	479,026	552,830	1,031,856
Accounts receivable BEMC	507,323	-	507,323
Due from other governments	123,725	91,443	215,168
Restricted assets			
Cash and cash equivalents	142,102	3,669,094	3,811,196
Total current assets	8,429,608	8,624,430	17,054,038
Non-current assets:			
Right to use asset, net	21,050	133,369	154,419
Capital assets:			
Land and other non-depreciable assets	-	2,902,985	2,902,985
Other capital assets, net of depreciation	11,217,283	13,327,564	24,544,847
Capital assets (net)	11,217,283	16,230,549	27,447,832
Total noncurrent assets	11,238,333	16,363,918	27,602,251
Total assets	19,667,941	24,988,348	44,656,289
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	117,996	212,513	330,509
OPEB deferrals	82,124	194,795	276,919
Total Deferred Outflows of Resources	200,120	407,308	607,428
LIABILITIES			
Current liabilities:			
Accounts payable	797,224	679,917	1,477,141
Salaries payable	21,590	37,425	59,015
Customer deposits	142,102	93,504	235,606
Accounts payable from restricted assets	-	173,970	173,970
Compensated absences	2,102	3,831	5,932
Accrued interest payable	-	508	508
Bonds, notes and loans payable	6,704	103,401	110,105
Total current liabilities	969,722	1,092,556	2,062,277
Noncurrent liabilities:			
Other non-current liabilities:			
Compensated absences	6,305	11,492	17,797
Net pension liability	68,025	122,515	190,540
Total OPEB Liability	514,884	1,225,961	1,740,845
Bonds, notes and loans payable	14,382	617,634	632,016
Total non-current liabilities	603,596	1,977,602	2,581,198
Total liabilities	1,573,318	3,070,157	4,643,475
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	98,615	177,608	276,223
OPEB deferrals	32,168	76,594	108,762
Total Deferred Inflows of Resources	130,783	254,202	384,985
NET POSITION			
Net Investment in capital assets	11,217,247	15,642,883	26,860,130
Other restrictions	-	3,575,590	3,575,590
Unrestricted	6,946,713	2,852,824	9,799,537
Total net position	$ 18,163,960	$ 22,071,297	$ 40,235,257

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

City of Southport
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	$ 7,743,679	$ 5,510,805	$ 13,254,484
Other operating revenues	69,028	1,631	70,659
Total operating revenues	7,812,707	5,512,436	13,325,143
OPERATING EXPENSES			
Electric operations	6,780,012	-	6,780,012
Water and sewer operations	-	3,556,162	3,556,162
Depreciation and amortization	426,270	622,685	1,048,955
Contingency	57,543	260,108	317,651
Total operating expenses	7,263,825	4,438,955	11,702,780
Operating income (loss)	548,882	1,073,481	1,622,363
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	97	-	97
FEMA Reimbursements	53,773	-	53,773
Insurance Recovery	-	0	-
Other grants	-	1,042,975	1,042,975
City Contributions	57,543	-	57,543
Loss on asset disposal	-	-	-
Interest and other charges	-	(7,407)	(7,407)
Total nonoperating revenues (expenses)	111,413	1,035,568	1,146,981
Income (loss) before contributions and transfers	660,295	2,109,049	2,769,344
Capital contributions	-	1,385,924	1,385,924
Transfer in (out)	-	-	-
Total income (loss) after contributions and transfers	660,295	3,494,973	4,155,268
Change in net position	660,295	3,494,973	4,155,268
Total net position , beginning	17,503,665	18,576,324	36,079,989
Total net position, ending	$ 18,163,960	$ 22,071,297	$ 40,235,257

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

City of Southport
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Major Enterprise Funds		
	Electric Fund	**Water and Sewer Fund**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 8,484,178	$ 5,483,754	$ 13,967,932
Cash paid for goods and services	(6,925,797)	(2,763,259)	(9,689,056)
Cash paid to or on behalf of employees for services	(432,278)	(788,315)	(1,220,593)
Net customer deposits	15,425	(2,040)	13,385
Other operating revenues	69,028	1,631	70,659
Net cash provided (used) by operating activities	1,210,556	1,931,771	3,142,327
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	(496,815)	(696,808)	(1,193,623)
FEMA Reimbursements and Other Grants	53,773	1,042,975	1,096,748
Availability Fees	-	1,385,924	1,385,924
City Contributions	57,543	-	57,543
Insurance Recovery	-	-	-
Sale of Assets	-	-	-
Debt/lease proceeds	27,697	158,916	
Repayment of debt obligations	(6,611)	(137,998)	(144,609)
Net cash provided (used) by capital and related financing activities	(364,413)	1,753,009	1,201,983
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	97	-	97
Net cash provided (used) by investing activities	97	-	97
Net increase (decrease) in cash and investments	846,240	3,684,780	4,531,020
Balances, beginning	6,473,294	4,295,377	10,768,671
Balances, ending	$ 7,319,534	$ 7,980,157	$ 15,299,691

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

City of Southport
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Major Enterprise Funds		
	Electric Fund	**Water and Sewer Fund**	**Total**
Reconciliation of operating income to net cash provided by operating activities			
Operating income	$ 548,882	$ 1,073,481	$ 1,622,363
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	426,270	622,685	1,048,955
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(118,346)	(27,051)	(145,397)
(Increase) decrease in due from other governments	858,845	-	858,845
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid expenses	-	-	-
(Increase) in deferred outflows of resources - pensions	(23,557)	(42,427)	(65,984)
(Increase) in deferred outflows of resources - OPEB	17,755	8,760	26,515
Increase (decrease) in accounts payable and accrued liabilities	(559,936)	209,291	(350,645)
Increase (decrease) in accrued payroll and payroll	4,381	7,822	12,203
Increase (decrease) in customer deposits	15,425	(2,040)	13,385
Increase (decrease) in accrued vacation pay	973	(2,347)	(1,374)
Increase (decrease) in net pension liability	(76,929)	(138,550)	(215,479)
Increase (decrease) in deferred inflows of resources - pension	96,453	173,715	270,168
Increase (decrease) in deferred inflows of resources - OPEB	244	582	826
Increase (decrease) in OPEB liabilty	20,096	47,850	67,946
Total adjustments	$ 661,674	$ 858,290	$ 1,519,964
Net cash provided by operating activities	$ 1,210,556	$ 1,931,771	$ 3,142,327

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

City of Southport, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Custodial Funds
ASSETS	
Cash and investments	$ 67,986
Total assets	$ 67,986
LIABILITIES	
Miscellaneous liabilities	$ -
Total liabilities	-
NET POSITION	
Restricted for:	
Fireman's Relief	$ 67,986
Total fiduciary net position	$ 67,986

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

City of Southport, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

		Custodial Funds
ADDITIONS		
Insurance Income	$	9,148
Investment Income		8
Other Income		-
Total assets	$	9,156
DEDUCTIONS		
Firefighter Physicals	$	8,198
Supplemental Insurance Premiums		18,727
Total liabilities		26,925
Net increase (decrease) in fiduciary net position		(17,769)
Net position - beginning as previously reported		85,755
Net position - ending	$	67,986

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

I. Summary of Significant Accounting Policies

The accounting policies of the City of Southport (the City) and it's 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.

ARPA Fund. The ARPA fund is used to account for ARPA funding to be used as the City needs.

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

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. <u>Measurement Focus and Basis of Accounting</u>

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 Statues. 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	$	2,003
Streets		173,243
ARPA Fund		631,977
Total governmental activities	$	807,223
Business-type Activities		
Electric Fund		
Customer deposits	$	142,102
Water and Sewer Fund		
Customer deposits		93,504
System Development Fees		3,575,590
Total business-type activities	$	3,811,196
Total Restricted Cash	$	4,618,419

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, 2021.

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 the lower ocost (first in, first out) or 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:

Asset Class	Years
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:

Asset Class	Years
Buildings	25
Furniture and equipment	10
Building improvements	10-20

X. Right to use assets

The City has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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 actives, 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 accumulate up to thirty days of vacation which is fully vested when earned. The current portion of the accumulated vacation pay is not considered to be material.

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, 2022, 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 undercollaterization, 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, 2022, the City's deposits had a carrying amount of $23,227,595 and a bank balance of $23,432,348. Of the bank balance, $500,000 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 $660,186 and the bank balance was $615,521. $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, 2022.

2. Investments

At June 30, 2022, the City had $357,686 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, 2022 are net of the following allowances for doubtful accounts.

	Accounts	Taxes	Due from other governments	Total
Governmental Activities:				
General	$ 48,883	$ 48,512	$ 580,179	$ 677,574
Other Governmental	-	-	-	-
Allowance for doubtful accounts	(8,965)	(19,553)	-	(28,518)
Total governmental activities	$ 39,918	$ 28,959	$ 580,179	$ 649,056
Business-Type Activities:				
Electric	$ 1,444,803	$ -	$ 123,725	$ 1,568,528
Water and Sewer	723,220	-	91,443	814,663
Allowance for doubtful accounts	(628,844)	-	-	(628,844)
Total business-type activities	$ 1,539,179	$ -	$ 215,168	$ 1,754,347

Due from other governments consisted of the following:

Local option sales tax	$ 301,556
Franchise tax	90,116
Sales tax	142,739
Solid waste disposal tax	708
Miscellaneous	3,604
FEMA	215,168
Taxes - Due from the County	41,456
	$ 795,347

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,917,452	$ -	$ -	$ 2,917,452
Construction in Progress	301,370	116,423	-	417,793
Total capital assets not being depreciated	3,218,822	116,423	-	3,335,245
Capital assets being depreciated:				
Buildings	9,458,462	89,365	-	9,547,827
Other Improvements	974,360	19,300	-	993,660
Infrastructure	3,784,809	702,086	-	4,486,895
Vehicles and motorized equipment	3,997,932	862,254	(297,689)	4,562,497
Furniture and equipment	1,444,941	113,396	(12,998)	1,545,339
Total capital assets being depreciated	19,660,504	1,786,401	(310,687)	21,136,218
Less accumulated depreciation for:				
Buildings	2,609,045	190,697	-	2,799,742
Other improvements	637,213	33,636	-	670,849
Infrastructure	1,491,559	170,665	-	1,662,224
Vehicle and motorized equipment	3,357,714	283,478	(297,689)	3,343,503
Furniture and equipment	1,068,788	106,431	(9,099)	1,166,120
Total accumulated depreciation	9,164,319	$ 784,907	$ (306,788)	9,642,438
Total capital assets being depreciated, net	10,496,185			11,493,780
Governmental activity capital assets, net	$ 13,715,007			$ 14,829,025

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

General government	$ 144,512
Public safety	424,614
Transportation	161,221
Cultural and recreational	54,560
	$ 784,907

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	$ -	$ -	$ -	$ -
Construction in Progress	2,952,600	-	(2,952,600)	-
Total capital assets not being depreciated	2,952,600	-	(2,952,600)	-
Capital assets being depreciated:				
Buildings	94,816	-	-	94,816
Utility systems	13,037,330	3,421,718	-	16,459,048
Vehicles and motorized equipment	21,156	-	-	21,156
Furniture and equipment	287,391	-	-	287,391
Total capital assets being depreciated	13,440,693	3,421,718	-	16,862,411
Less accumulated depreciation for:				
Buildings	24,890	1,896	-	26,786
Utility systems	4,979,321	396,637	-	5,375,958
Vehicles and motorized equipment	21,156	-	-	21,156
Furniture and equipment	200,138	21,090	-	221,228
Total accumulated depreciation	5,225,505	$ 419,623	$ -	5,645,128
Total capital assets being depreciated, net	8,215,188			11,217,283
Electric fund capital assets, net	$ 11,167,788			$ 11,217,283

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	$ 2,827,985	$ -	$ -	$ 2,827,985
Construction in progress	1,790,767	519,506	(2,235,273)	75,000
Total capital assets not being depreciated	4,618,752	519,506	(2,235,273)	2,902,985
Capital assets being depreciated:				
Utility systems	18,559,710	2,253,659	-	20,813,369
Vehicles and motorized equipment	730,710	-	-	730,710
Furniture and equipment	919,357	-	-	919,357
Total capital assets being depreciated	20,209,777	2,253,659	-	22,463,436
Less accumulated depreciation for:				
Utility systems	7,515,047	478,501	-	7,993,548
Vehicles and motorized equipment	554,045	53,026	-	607,071
Furniture and equipment	469,641	65,612	-	535,253
Total accumulated depreciation	8,538,733	$ 597,139	$ -	9,135,872
Total capital assets being depreciated, net	11,671,044			13,327,564
Water and Sewer fund capital assets, net	$ 16,289,796			$ 16,230,549
Business-type activities capital assets, net	$ 27,457,584			$ 27,447,832

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, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 333,232	$ -	$ -	$ 333,232
Construction in progress	110,483	781,305	891,788	-
Total Capital assets not being depreciated:	443,715	-	-	333,232
Capital assets being depreciated:				
Buildings	121,037	751,175	-	872,212
Building improvements	165,856	103,650	-	269,506
Furnitures and fixtures	3,760	-	248	3,512
Equipment	57,147	41,769	4,616	94,300
Total Capital assets being depreciated:	347,800	896,594	4,864	1,239,530
Less Accumulated depreciation for:				
Buildings	67,448	1,557	-	69,005
Building improvements	74,607	10,216	-	84,823
Furnitures and fixtures	3,313	58	248	3,123
Equipment	49,699	5,183	4,616	50,266
Total accumulated depreciation:	195,067	$ 17,014	$ 4,864	207,217
Total Capital assets being depreciated, net:	152,733			1,032,313
ABC Board Capital Assets, net:	$ 596,448			$ 1,365,545

5. Right to Use Leased Assets

The City has recorded several right to use leased assets. The assets are right to use assets for leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the City for the year ended June 30, 2022, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets:				
Leased vehicles	$ -	$ 795,038	$ -	$ 795,038
Total right to use assets	-	795,038	-	795,038
Less accumulated amortization for:				
Leased vehicles	-	146,739	-	146,739
Total accumulated amortization	-	146,739	-	146,739
Right to use assets, net	$ -	$ 648,299	$ -	$ 648,299

Electric Fund:	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets:				
Leased vehicles	$ -	$ 27,697	$ -	$ 27,697
Total right to use assets	-	27,697	-	27,697
Less accumulated amortization for:				
Leased vehicles	-	6,647	-	6,647
Total accumulated amortization	-	6,647	-	6,647
Right to use assets, net	$ -	$ 21,050	$ -	$ 21,050

Water and Sewer Fund:	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets:				
Leased vehicles	$ -	$ 158,916	$ -	$ 158,916
Total right to use assets	-	158,916	-	158,916
Less accumulated amortization for:				
Leased vehicles	-	25,547	-	25,547
Total accumulated amortization	-	25,547	-	25,547
Right to use assets, net	$ -	$ 133,369	$ -	$ 133,369

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service of within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, of 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, 2022, was 12.04% of compensation for law enforcement officers and 11.44% 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 $359,323 for the year ended June 30, 2022.

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, 2022, the City reported a liability of $620,646 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 (measurement date), the City's proportion was 0.0405% which was an increase of 0.0035% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of $322,534. At June 30, 2022, 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	$ 197,450	$ -
Changes of assumptions	389,924	-
Net difference between projected and actual earnings on pension plan investments	-	886,717
Changes in proportion and differences between employer contributions and proportionate share of contributions	129,871	13,024
Employer contributions subsequent to the measurement date	359,323	-
Total	$ 1,076,568	$ 899,741

$359,323 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2023	$	103,693
2024		27,548
2025		(42,395)
2026		(271,341)
2027		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.5 percent
Salary Increases	3.25 to 8.25 percent, including inflation and productivity factor of 3.25%
Investment rate of return	6.5 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income 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, 2022 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	**Discount Rate (6.50%)**	**1% Increase (7.50%)**
City's proportionate share of the net pension liability (asset)	$ 2,409,297	$ 620,646	$ (851,310)

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, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	13
Total	14

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, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 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, 2020.

Mortality Rates are based on the Pub-2010 amount-weighted tables, projected from 2010 using generational improvement with Scale MP-2019.

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 $13,591 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, 2022, the City reported a total pension liability of $507,470. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of $81,687.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 156,703	$ 25,065
Changes of assumptions	59,307	12,505
City benefit payments and plan administrative expense made subsequent to the measurement date	7,181	-
Total	$ 223,191	$ 37,570

$7,181 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	$ 55,821
2024	50,034
2025	41,378
2026	18,881
2027	12,326
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 2.25 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 (1.25 percent) and 1-percentage-point higher (3.25 percent) than the current rate.

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	$ 541,671	$ 507,470	$ 475,634

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

	2022
Beginning balance	$ 409,347
Service Cost	24,554
Interest on the total pension liability	7,777
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	89,292
Changes of assumptions or other inputs	(10,681)
Benefit payments	(12,819)
Other changes	-
Net Change	98,123
Ending balance of the total pension liability	$ 507,470

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, 2020 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	64

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	2.25 Percent

The discount rate is based on the yield of the bond buyer General Obligation 20-year Municipal Bond Index Rate at December 31, 2020.

Mortality Rates are based on the Pub-2010 amount-weighted tables, projected from 2010 using generational improvement with Scale MP-2019.

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 $52,673 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, 2022, the City reported a total pension liability of $817,018. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. For the year ended June 30, 2022, the City recognized pension expense of $58,746.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 62,226
Changes of assumptions	190,205	90,782
City benefits payments and plan and plan administrative expense made subsequent to the measurement date	27,460	-
	$ 217,665	$ 153,008

$27,460 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	$	3,475
2024		3,475
2025		3,475
2026		3,475
2027		3,475
Thereafter:		19,822

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 2.25% 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 (1.25 percent) or 1 percent point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total Pension Liability	$ 965,683	$ 817,081	$ 699,778

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

		2022
Beginning Balance	$	817,081
Service Cost		51,820
Interest on the total pension liability		15,541
Change of benefit terms		-
Differences between expected and actual experience in the		-
measurement of total pension liability		(43,704)
Changes of assumptions and inputs		(23,720)
Benefit payments		-
Other Charges		-
Ending balance of the total pension liability	$	817,018

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:

	LGERS	LEOSSA	VFSRP	TOTAL
Pension Expense	$ 322,534	$ 81,687	$ 58,746	$ 462,967
Pension Liability	620,646	507,470	817,018	1,945,134
Proportionate share of the net Pension Liability	0.04047%	n/a	n/a	
Deferred Outflows of Resources				
Differences between expected and actual experience	197,450	156,703	-	354,153
Changes of assumptions	389,924	59,307	190,205	639,436
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributi	129,871	-	-	129,871
Benefit payments and administrative costs paid subsequent to the measurement date	359,323	7,181	27,460	393,964
Total	$ 1,076,568	$ 223,191	$ 217,665	$ 1,517,424
Deferred Inflows of Resources				
Differences between expected and actual experience	$ -	$ 25,065	$ 62,226	$ 87,291
Changes of assumptions	-	12,505	90,782	103,287
Changes in proportion and differences between contributions and proportionate share of contributi	13,024	-	-	13,024
Total	$ 899,741	$ 37,570	$ 153,008	$ 1,090,319

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, 2022 were $204,965 for nonlaw and $41,089 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, 2021, the date of the last actuarial valuation:

Inactive employees or Beneficiaries Currently Receiving Benefits	25
Inactive Members Entitled to but not Receiving Benefits	0
Active Employees	59
Total	84

Total OPEB Liability

The City's total OPEB liability of $5,873,703 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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	0.75 percent
Wage Inflation	3.25 percent
Salary increases	
General employees	3.25% - 8.41%
Law Enforcement employees	3.25% - 7.90%
Discount rate	2.16 percent
Healthcare cost trend rate	
Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.5% by 2031
Medicare	5.125% for 2021 decreasing to an ultimate rate of 4.5% by 2024
Dental	3.50%

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, 2021	$ 5,644,453
Changes for the year	
Service cost	202,551
Interest	127,506
Changes of benefit terms	-
Differences between expected and actual experience	(124,411)
Changes in assumptions or other inputs	179,488
Benefit payments	(155,884)
Net changes	229,250
Balance at June 30, 2022	$ 5,873,703

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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 (1.16 percent) and 1-percentage-point higher (3.16 percent).

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	$ 6,997,144	$ 5,873,703	$ 4,999,956

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	$ 4,949,328	$ 5,873,703	$ 7,082,682

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 $402,479. 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	$ 7,492	$ 285,115
Changes of assumptions	840,482	81,856
Benefit payments and administrative costs made subsequent to the measurement date	99,491	-
Total	$ 947,465	$ 366,971

$99,491 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 follows:

Measurement period ended June 30:	
2023	$ 93,504
2024	93,504
2025	130,755
2026	154,063
2025	9,177
Thereafter	-

2. <u>Other Employment Benefits</u>

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. <u>Deferred Outflows and Inflows of Resources</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
LGERS	$ 197,450	$ -
LEOSSA	156,703	25,065
VFSR	-	62,226
OPEB	7,492	285,115
Changes of assumptions		
LGERS	389,924	-
LEOSSA	59,307	12,505
VFSR	190,205	90,782
OPEB	840,481	81,856

3. **Deferred Outflows and Inflows of Resources (continued)**

Difference between projected and actual investment		
LGERS	-	886,716
Change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	129,871	13,024
Contributions to pension plan in current fiscal year		
LGERS	359,323	-
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	7,181	-
Benefit payments/administration costs paid subsequent to the measurement date (VFSR)	27,460	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	99,491	-
Bond Deposits (General)	-	2,625
Prepaid Property Taxes (General)	-	10,120
Taxes receivable, net (General, on General Fund Balance Sheet)	-	28,959
Total	$ 2,464,888	$ 1,498,993

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 he 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 an 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. Leases

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. . For additional information, refer to the disclosures below.

On 02/01/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Water & Sewer. An initial lease liability was recorded in the amount of $28,444.31. As of 06/30/2022, the value of the lease liability is $26,095. City of Southport, NC is required to make monthly fixed payments of $482. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $29,239 with accumulated amortization of $2,437 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,259.

On 02/01/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Water & Sewer. An initial lease liability was recorded in the amount of $28,372. As of 06/30/2022, the value of the lease liability is $26,028. City of Southport, NC is required to make monthly fixed payments of $480. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $29,025 with accumulated amortization of $2,419 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,238.

On 02/28/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Water & Sewer. An initial lease liability was recorded in the amount of $28,690. As of 06/30/2022, the value of the lease liability is $26,775. City of Southport, NC is required to make monthly fixed payments of $485.39. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $29,350 with accumulated amortization of $1,972 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,238.

On 07/01/2021, City of Southport, NC entered into a 51 month lease as Lessee for the use of Water & Sewer. An initial lease liability was recorded in the amount of $26,126. As of 06/30/2022, the value of the lease liability is $20,013. City of Southport, NC is required to make monthly fixed payments of $517. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $26,126 with accumulated amortization of $6,147 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $6,018.

On 07/01/2021, City of Southport, NC entered into a 50 month lease as Lessee for the use of Water & Sewer. An initial lease liability was recorded in the amount of $24,655. As of 06/30/2022, the value of the lease liability is $18,770. City of Southport, NC is required to make monthly fixed payments of $497. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $24,655 with accumulated amortization of $5,917 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,595.

On 07/01/2021, City of Southport, NC entered into a 37 month lease as Lessee for the use of Water & Sewer. An initial lease liability was recorded in the amount of $20,521. As of 06/30/2022, the value of the lease liability is $13,882. City of Southport, NC is required to make monthly fixed payments of $557. The lease has an interest rate of 0.2850%. The value of the right to use asset as of 06/30/2022 of $20,521 with accumulated amortization of $6,655 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $6,065.

On 02/28/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Streets. An initial lease liability was recorded in the amount of $28,460. As of 06/30/2022, the value of the lease liability is $26,561. City of Southport, NC is required to make monthly fixed payments of $482. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $28,460 with accumulated amortization of $1,912 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,202.

On 01/04/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $39,933. As of 06/30/2022, the value of the lease liability is $36,099. City of Southport, NC is required to make monthly fixed payments of $666. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $39,933 with accumulated amortization of $3,869 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $3,158.

On 01/04/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $37,020. As of 06/30/2022, the value of the lease liability is $33,466. City of Southport, NC is required to make monthly fixed payments of $618. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $37,020 with accumulated amortization of $3,587 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $6,484.

On 12/16/2021, City of Southport, NC entered into a 60 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $44,555. As of 06/30/2022, the value of the lease liability is $39,843. City of Southport, NC is required to make monthly fixed payments of $748. The lease has an interest rate of 0.5820%. The value of the right to use asset as of 06/30/2022 of $44,555 with accumulated amortization of $4,787 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $4,022.

On 02/01/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $41,675. As of 06/30/2022, the value of the lease liability is $38,232. City of Southport, NC is required to make monthly fixed payments of $706. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $41,675 with accumulated amortization of $3,473 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $8,041.

On 07/01/2021, City of Southport, NC entered into a 51 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $35,219. As of 06/30/2022, the value of the lease liability is $26,979. City of Southport, NC is required to make monthly fixed payments of $697. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $35,219 with accumulated amortization of $8,287 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $7,953.

On 07/01/2021, City of Southport, NC entered into a 51 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $35,219. As of 06/30/2022, the value of the lease liability is $26,979. City of Southport, NC is required to make monthly fixed payments of $697. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $35,219 with accumulated amortization of $8,287 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $7,953.

On 07/01/2021, City of Southport, NC entered into a 51 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $35,526. As of 06/30/2022, the value of the lease liability is $27,167. City of Southport, NC is required to make monthly fixed payments of $697. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $35,526 with accumulated amortization of $8,359 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $8,061.

On 07/01/2021, City of Southport, NC entered into a 51 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $35,219. As of 06/30/2022, the value of the lease liability is $26,979. City of Southport, NC is required to make monthly fixed payments of $697. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $35,219 with accumulated amortization of $8,287 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $8,061.

On 07/01/2021, City of Southport, NC entered into a 51 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $35,219. As of 06/30/2022, the value of the lease liability is $26,979. City of Southport, NC is required to make monthly fixed payments of $697. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $35,219 with accumulated amortization of $8,287 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $7,953.

On 07/01/2021, City of Southport, NC entered into a 47 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $33,637. As of 06/30/2022, the value of the lease liability is $25,092. City of Southport, NC is required to make monthly fixed payments of $721. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $33,637 with accumulated amortization of $8,588 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $8,061.

On 07/01/2021, City of Southport, NC entered into a 51 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $35,219. As of 06/30/2022, the value of the lease liability is $26,979. City of Southport, NC is required to make monthly fixed payments of $697. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $35,219 with accumulated amortization of $8,287 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $7,953.

On 07/01/2021, City of Southport, NC entered into a 47 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $38,000. As of 06/30/2022, the value of the lease liability is $28,347. City of Southport, NC is required to make monthly fixed payments of $814.98. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $38,000 with accumulated amortization of $9,702 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $1,675.

On 07/01/2021, City of Southport, NC entered into a 47 month lease as Lessee for the use of Police. An initial lease liability was recorded in the amount of $38,401. As of 06/30/2022, the value of the lease liability is $28,646. City of Southport, NC is required to make monthly fixed payments of $824. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $38,401 with accumulated amortization of $9,804 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $1,695.

On 07/01/2021, City of Southport, NC entered into a 48 month lease as Lessee for the use of Planning/Inspection. An initial lease liability was recorded in the amount of $27,456. As of 06/30/2022, the value of the lease liability is $20,628. City of Southport, NC is required to make monthly fixed payments of $577. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $27,456 with accumulated amortization of $6,864 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $6,140.

On 07/01/2021, City of Southport, NC entered into a 48 month lease as Lessee for the use of Planning/Inspection. An initial lease liability was recorded in the amount of $27,455.87. As of 06/30/2022, the value of the lease liability is $20,627.60. City of Southport, NC is required to make monthly fixed payments of $576.68. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $27,455.87 with accumulated amortization of $6,863.97 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $6,140.16.

On 12/16/2021, City of Southport, NC entered into a 60 month lease as Lessee for the use of Parks & Rec. An initial lease liability was recorded in the amount of $32,981. As of 06/30/2022, the value of the lease liability is $29,462. City of Southport, NC is required to make monthly fixed payments of $553. The lease has an interest rate of 0.5820%. The value of the right to use asset as of 06/30/2022 of $32,981 with accumulated amortization of $3,543 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $6,021.

On 02/28/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Garage. An initial lease liability was recorded in the amount of $28,690. As of 06/30/2022, the value of the lease liability is $26,775. City of Southport, NC is required to make monthly fixed payments of $485. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $28,690 with accumulated amortization of $1,928 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,238.

On 07/01/2021, City of Southport, NC entered into a 42 month lease as Lessee for the use of Garage. An initial lease liability was recorded in the amount of $21,157. As of 06/30/2022, the value of the lease liability is $15,138. City of Southport, NC is required to make monthly fixed payments of $507. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $21,157 with accumulated amortization of $6,045 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,315.

On 07/01/2021, City of Southport, NC entered into a 50 month lease as Lessee for the use of Electric. An initial lease liability was recorded in the amount of $27,697. As of 06/30/2022, the value of the lease liability is $21,086. City of Southport, NC is required to make monthly fixed payments of $559. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $27,697 with accumulated amortization of $6,647 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,243.

On 12/16/2021, City of Southport, NC entered into a 60 month lease as Lessee for the use of Building & Grounds. An initial lease liability was recorded in the amount of $24,444.68. As of 06/30/2022, the value of the lease liability is $21,836.17. City of Southport, NC is required to make monthly fixed payments of $409.79. The lease has an interest rate of 0.5820%. The value of the right to use asset as of 06/30/2022 of $24,444.68 with accumulated amortization of $2,626.29 is included with Vehicles on the Lease Class activities table found below.

On 12/16/2021, City of Southport, NC entered into a 60 month lease as Lessee for the use of Building & Grounds. An initial lease liability was recorded in the amount of $24,445. As of 06/30/2022, the value of the lease liability is $21,836. City of Southport, NC is required to make monthly fixed payments of $410. The lease has an interest rate of 0.5820%. The value of the right to use asset as of 06/30/2022 of $24,445 with accumulated amortization of $2,626 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $4,404.

On 01/04/2022, City of Southport, NC entered into a 60 month lease as Lessee for the use of Building & Grounds. An initial lease liability was recorded in the amount of $28,249. As of 06/30/2022, the value of the lease liability is $25,537. City of Southport, NC is required to make monthly fixed payments of $471. The lease has an interest rate of 0.6360%. The value of the right to use asset as of 06/30/2022 of $28,249 with accumulated amortization of $2,737 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $4,878.

On 07/01/2021, City of Southport, NC entered into a 43 month lease as Lessee for the use of Building & Grounds. An initial lease liability was recorded in the amount of $18,602. As of 06/30/2022, the value of the lease liability is $13,434. City of Southport, NC is required to make monthly fixed payments of $436. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $18,602 with accumulated amortization of $5,191 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $4,575.

On 07/01/2021, City of Southport, NC entered into a 49 month lease as Lessee for the use of Animal Control. An initial lease liability was recorded in the amount of $24,208. As of 06/30/2022, the value of the lease liability is $18,311. City of Southport, NC is required to make monthly fixed payments of $498. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $24,208 with accumulated amortization of $5,928 is included with Vehicles on the Lease Class activities table found below. The lease has a guaranteed residual value payment of $5,564.

On 07/01/2021, City of Southport, NC entered into a 42 month lease as Lessee for the use of Administration. An initial lease liability was recorded in the amount of $24,048. As of 06/30/2022, the value of the lease liability is $17,207. City of Southport, NC is required to make monthly fixed payments of $577. The lease has an interest rate of 0.4170%. The value of the right to use asset as of 06/30/2022 of $24,048 with accumulated amortization of $6,871 is included with Vehicles on the Lease Class activities table found below.

Asset Class	Cost	Accumulated Amortization	Net Book Value
Vehicles	$ 981,651	$ 178,933	$ 802,718
Total	$ 981,651	$ 178,933	$ 802,718

Annual debt service requirements to maturity for the City's leases are as follows:

	Governmental Activities		Business-Type Activities		
Year Ending June 30	Principal	Interest	Principal	Interest	Total
2023	$ 180,298	$ 2,802	$ 42,225	$ 697	$ 226,022
2024	181,146	1,954	42,430	493	226,023
2025	170,948	1,109	36,502	294	208,853
2026	79,147	460	20,900	129	100,636
2027	37,603	76	10,592	23	48,294
	$ 649,142	$ 6,401	$ 152,649	$ 1,636	$ 809,828

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.

On October 15, 2021, the City entered into a financing agreement of $824,210 for the purchases of two fire trucks. The agreement required principal and interest payments of $171,930 annually for five years with an interest rate of 1.42%. In the event of default Truist Bank 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 Truist Bank to pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner Truist Bank 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 fire trucks are held as collateral while the debt is outstanding.

Annual debt service payments of the installment purchase as of June 30, 2022, including $239,028 of interest is as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2023	$ 494,156	$ 58,226
2024	377,753	47,485
2025	354,009	39,474
2026	356,350	31,742
2027	358,723	23,976
2028-2032	567,600	38,125
Total	$ 2,508,591	$ 239,028

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:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2023	103,401	6,023
2024	103,401	4,517
2025	103,401	3,011
2026	103,401	1,506
2027	35,117	-
2027-2031	140,470	-
	$ 589,191	$ 15,057

c. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

	Balance July 01, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Governmental activities:					
Direct Placement and Direct Borrowing Installment purchases	$ 2,015,301	$ 824,210	$ 330,920	$ 2,508,591	$ 494,156
Leases	-	795,039	145,897	649,142	180,298
Compensated absences	206,956	8,181	-	215,137	53,784
Net pension liability (LGERS)	916,507	-	486,401	430,106	-
Total pension liability (FIRE)	817,081	-	63	817,018	-
Total pension liability (LEOSSA)	409,347	98,123	-	507,470	-
Total OPEB Liability	3,971,553	161,305	-	4,132,858	-
Total Governmental	$ 8,336,745	$ 1,886,858	$ 963,281	$ 9,260,322	$ 728,238
Business-type activities:					
Electric Fund					
Leases	$ -	$ 27,697	$ 6,611	$ 21,086	$ 6,704
Compensated absences	7,434	973	-	8,407	2,102
Net pension liability (LGERS)	144,954	-	76,929	68,025	-
Total OPEB Liability	494,788	20,096	-	514,884	-
Total Electric Fund	$ 647,176	$ 48,766	$ 83,540	$ 612,402	$ 8,806

Water and Sewer Fund					
Revolving Loans	$ 692,589	$ -	$ 103,401	$ 589,188	$ 103,401
Leases	-	158,916	27,069	131,847	35,521
Compensated absences	17,669	-	2,347	15,322	3,831
Net pension liability (LGERS)	261,065	-	138,550	122,515	-
Total OPEB Liability	1,178,111	47,850	-	1,225,961	-
Total Water Fund	$ 2,149,434	$ 206,766	$ 271,367	$ 2,084,833	$ 142,753
Total Business-type	$ 2,796,610	$ 255,532	$ 354,907	$ 2,697,235	$ 151,558

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, 2022, the City of Southport had a legal debt margin of $86,553,282.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2022 consist of the following:

Due to the General Fund for capital expenditures paid for:	
Taylor Field Park Part F- Phase 1	$ 175,767

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.	$ 1,200,000

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, 2022, the City payments under this contract totaled $877,940.

E. Net Investment in Capital Assets

	Governmental	Business-Type Water/Sewer	Business-Type Electric	Total Business Type
Capital Assets	$ 14,829,025	$ 16,230,549	$ 11,217,283	$ 27,447,832
Right to Use Assets	648,299	133,369	21,050	154,419
less: long-term debt	(3,157,733)	(721,035)	(21,086)	(742,121)
add: unexpended debt proceeds	-	-	-	-
Net Investment in Capital Assets	$ 12,319,591	$ 15,642,883	$ 11,217,247	$ 26,705,711

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	$ 7,195,398
Less restricted for:	
Stabilization by State statute	918,985
Streets (Powell Bill)	173,243
Appropriated Fund Balance in 2023 Budget	-
Committed for fire protection	14,945
Remaining Fund Balance	$ 6,088,225

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. At June 30, 2022 the City had outstanding encumbrances of $57,071 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, 2022 were $4,830,159.

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, 2022, 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, 2022. 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, 2022 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.

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 Nine Fiscal Years

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018
Southport's proportion of the net liability (asset) (%)	0.0405%	0.0370%	0.0320%	0.03651%	0.03576%
Southport's proportion of the net pension liability (asset) ($)	$ 620,646	$ 1,322,525	$ 874,168	$ 866,142	$ 546,314
Southport's covered payroll	$ 3,103,894	$ 2,809,085	$ 2,364,012	$ 2,228,199	$ 2,000,892
Southport's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.00%	47.08%	36.98%	38.87%	27.30%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%

	2017	2016	2015	2014
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 Nine Fiscal Years

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018
Contractually required contribution	$ 359,323	$ 321,389	$ 256,871	$ 187,871	$ 171,008
Contributions in relation to the contractually required contribution	359,323	321,389	256,871	187,871	171,008
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Southport's covered payroll	$ 3,107,698	$ 3,103,894	$ 2,809,085	$ 2,364,012	$ 2,228,199
Contributions as a percentage of covered payroll	11.56%	10.35%	9.14%	7.95%	7.67%

	2017	2016	2015	2014
Contractually required contribution	$ 160,063	$ 135,756	$ 133,568	$ 126,372
Contributions in relation to the contractually required contribution	160,063	135,756	133,568	126,372
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
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 Fiscal Years

	2022	2021	2020	2019	2018
Beginning balance	$ 409,347	$ 356,652	$ 200,689	$ 204,305	$ 127,190
Service Cost	24,554	11,962	10,300	13,484	11,669
Interest on the total pension liability	7,777	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	89,292	(37,039)	141,477	(2,276)	61,353
Changes of assumptions or other inputs	(10,681)	79,173	9,933	(8,258)	12,250
Benefit payments	(12,819)	(12,819)	(12,819)	(12,819)	(12,819)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	$ 507,470	$ 409,347	$ 356,652	$ 200,689	$ 204,305

*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 Fiscal Years

	2022	2021	2020	2019	2018
Total pension liability	$ 507,470	$ 409,347	$ 356,652	$ 200,689	$ 204,305
Covered Payroll	694,651	510,625	392,499	588,718	549,341
Total pension liability as a percentage of covered payroll	73.05%	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 Five Fiscal Years

	2022	2021	2020	2019	2018
Beginning balance	$ 817,081	$ 697,962	$ 625,124	$ 667,767	$ 573,282
Service cost	51,820	38,094	33,124	36,691	24,438
Interest on the total pension liability	15,541	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	(43,704)	129,007	40,174	(48,060)	71,418
Benefit payments	(23,720)	(22,800)	(22,800)	(23,150)	(23,055)
Other charges	-	-	-	-	-
Ending Balance of the total pension liability:	$ 817,018	$ 817,081	$ 697,962	$ 625,124	$ 667,767

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 Five Fiscal Years

Total OPEB Liability	**2022**	**2021**	**2020**	**2019**	**2018**
Service cost	$ 202,551	$ 132,536	$ 192,535	$ 97,192	$ 109,016
Interest	127,506	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	(124,411)	(4,157)	(370,197)	21,056	24,508
Changes of assumptions	179,488	1,054,545	(15,169)	(209,436)	(381,868)
Benefit payments	(155,884)	(156,763)	(153,229)	(166,608)	(160,683)
Other changes	-	-	-	-	-
Net change in total OPEB liability	229,250	1,184,189	(168,936)	324,394	(273,617)
Total OPEB liability - beginning	5,644,453	4,460,264	4,629,200	4,304,806	4,578,423
Total OPEB liability - ending	$ 5,873,703	$ 5,644,453	$ 4,460,264	$ 4,629,200	$ 4,304,806
Covered payroll	$ 2,850,283	$ 2,228,360	$ 2,228,360	$ 1,920,483	$ 989,080
Total OPEB liability as a percentage of covered payroll	206.07%	253.30%	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%
2022	2.16%

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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Current year	$ 3,000,380	$ 3,099,094	$ 98,714
Prior years	30,000	57,945	27,945
Motor vehicles taxes	164,567	194,851	30,284
Penalties and interest	11,404	22,047	10,643
Total	3,206,351	3,373,937	167,586
Other taxes and licenses			
Dog taxes	-	1,063	1,063
Privilege licenses	1,000	1,110	110
Itinerant peddler permit	-	150	150
Civil Penalties	600	758	158
Accomdation tax	120,000	228,933	108,933
Total	121,600	232,014	110,414
Unrestricted intergovernmental			
Local option sales tax	1,000,000	1,600,002	600,002
Beer and wine tax	18,000	16,109	(1,891)
ABC board profit distribution	400,000	595,603	195,603
Utility franchise tax	366,000	392,307	26,307
Total	1,784,000	2,604,021	820,021
Restricted intergovernmental			
Powell Bill allocation	108,500	136,978	28,478
Solid Waste disposal tax	2,000	5,379	3,379
FEMA assistance to firefighters	75,000	84,449	9,449
ABC revenue for law enforcement	25,000	21,453	(3,547)
FEMA reimbursement	25,000	97,902	72,902
Fire district fees	1,280,754	1,281,167	413
Other miscellaneous grants	207,104	108,064	(99,040)
Total	1,723,358	1,735,392	12,034
Permits and fees			
Building permits	450,000	629,439	179,439
Fire inspection fees	21,000	11,186	(9,814)
Reinspection fees	1,500	510	(990)
Golf cart fees	5,000	8,755	3,755
Planning and zoning fees	14,000	61,031	47,031
Total	491,500	710,921	219,421

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, 2022

	Budget	Actual	Variance Positive (Negative)
Sales and Services			
Cemetary lot sales	-	20	20
Refuse collection fees	273,000	283,545	10,545
Rescue squad fees	230,000	233,066	3,066
Community building rent	71,250	134,666	63,416
Payment in lieu - recreation facilities	7,400	9,020	1,620
Tourism - visitor center sales	-	225	225
Recreation fees	25,000	28,910	3,910
Duke Energy Progress for fire department	75,000	-	(75,000)
Total	681,650	689,452	7,802
Investment earnings	40,070	24,995	(15,075)
Miscellaneous			
Insurance reimbursement	25,000	-	(25,000)
Donations - firemen's fund	67,499	64,454	(3,045)
Fire department response fees	20,000	56,097	36,097
Homeowners recovery fund	900	1,150	250
Police - shop with a cop	8,500	24,386	15,886
Special events - tourism	5,000	-	(5,000)
Sales - fixed assets	150,000	15,165	(134,835)
Miscellaneous	170,387	58,157	(112,230)
Total	447,286	219,409	(227,877)
Total Revenues	8,495,815	9,590,141	1,094,326
Expenditures:			
General Government:			
Board Expenses			
Salaries and benefits	29,720	28,733	987
Operating expenditures	124,009	124,344	(335)
Capital outlay	30,740	-	30,740
Total	184,469	153,077	31,392
Administration			
Salaries and benefits	121,382	115,918	5,464
Operating expenditures	116,000	76,101	39,899
Capital outlay	7,000	30,409	(23,409)
Total	244,382	222,428	21,954

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, 2022

	Budget	Actual	Variance Positive (Negative)
Finance			
Salaries and benefits	193,758	182,129	11,629
Operating expenditures	110,500	105,211	5,289
Capital outlay	-	-	-
Total	304,258	287,340	16,918
Buildings and Grounds			
Salaries and benefits	683,764	591,656	92,108
Operating expenditures	337,770	230,873	106,897
Capital outlay	49,093	128,162	(79,069)
Total	1,070,627	950,691	119,936
Tourism			
Salaries and benefits	191,802	173,919	17,883
Operating expenditures	79,690	60,960	18,730
Capital outlay	25,000	26,148	(1,148)
Total	296,492	261,027	35,465
Community Building			
Salaries and benefits	90,650	68,503	22,147
Operating expenditures	58,000	39,927	18,073
Capital outlay	3,000	-	3,000
Total	151,650	108,430	43,220
City Garage			
Salaries and benefits	202,308	161,314	40,994
Operating expenditures	50,851	41,876	8,975
Capital outlay	19,443	64,469	(45,026)
Total	272,602	267,659	4,943
Total general government	2,524,480	2,250,652	273,828
Public Safety:			
Police			
Salaries and benefits	1,245,233	1,030,155	215,078
Operating expenditures	254,344	202,610	51,734
Capital outlay	135,725	594,860	(459,135)
Total	1,635,302	1,827,625	(192,323)

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, 2022

	Budget	Actual	Variance Positive (Negative)
Fire and Rescue Department			
Salaries and benefits	1,257,771	1,241,261	16,510
Operating expenditures	490,145	475,687	14,458
Capital outlay	882,314	881,292	1,022
Total	2,630,230	2,598,240	31,990
Code Enforcement			
Salaries and benefits	339,532	318,810	20,722
Operating expenditures	96,879	65,034	31,845
Capital outlay	13,900	67,656	(53,756)
Total	450,311	451,500	(1,189)
Animal Code Enforcement			
Salaries and benefits	78,386	75,960	2,426
Operating expenditures	22,860	16,986	5,874
Capital outlay	5,051	29,197	(24,146)
Total	106,297	122,143	(15,846)
Total public safety	4,822,140	4,999,508	(177,368)
Transportation			
Street			
Salaries and benefits	201,953	172,418	29,535
Operating expenditures	200,788	183,032	17,756
Capital outlay	104,225	65,978	38,247
Total	506,966	421,428	85,538
Powell Bill			
Operating expenditures	-	3,580	(3,580)
Capital outlay	185,919	40,268	145,651
Total	185,919	43,848	142,071
Total transportation	692,885	465,276	227,609
Enviromental Protection			
Solid waste			
Contract services	280,917	277,133	3,784
Total environmental protection	280,917	277,133	3,784
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, 2022

	Budget	Actual	Variance Positive (Negative)
Parks and recreation			
Salaries and benefits	319,335	285,720	33,615
Operating expenditures	169,568	144,107	25,461
Capital outlay	298,211	160,686	137,525
Total Cultural and Recreational	787,114	590,513	196,601
Debt service:			
Principal retirement	322,142	330,920	(8,778)
Interest and other charges	63,261	55,955	7,306
Total debt service	385,403	386,875	(1,472)
Total expenditures	9,492,939	8,969,957	522,982
Revenues over (under) expenditures	(997,124)	620,184	1,617,308
Other financing sources (uses):			
Appropriated fund balance	162,124	-	(162,124)
Transfers from other funds			
Transfer from building improvement fund			
Transfer from electric fund		-	
Transfers to other funds	-	-	-
Proceeds of financing sources (uses)	835,000	1,619,249	784,249
Total other financing sources (uses)	997,124	1,619,249	622,125
Revenues and other financing sources over expenditures and other financing uses	$ -	2,239,433	$ 2,239,433
Fund balance, beginning		4,955,965	
Fund balance, ending		$ 7,195,398	

City of Southport, North Carolina
American Rescue Plan Act Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
American Rescue Plan	$ -	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-	-
Expenditures:					
Capital Outlay	-	-	-	-	-
Total expenditures	-	-	-	-	-
Revenues over (under) expenditures	-	-	-	-	-
Other financing sources (uses):					
Appropriated fund balance	-	-	-	-	-
Transfer (to) from other funds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues over expenditures and other financing sources (uses)	$ -	$ -	$ -	$ -	$ -

NON-MAJOR GOVERNMENTAL FUNDS

City of Southport, NC
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2022

	Capital Project Fund	Taylor Field Part F Grant Phase 1	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	$ 720,235	$ -	$ 720,235
Restricted cash	-	-	-
Taxes receivable (net)	-	-	-
Accounts receivable	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
Total assets	$ 720,235	$ -	$ 720,235
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 126,855	$ 4,856	$ 131,711
Payroll withholdings	-	-	-
Due to other funds	-	175,767	175,767
Total liabilities	126,855	180,623	307,478
DEFERRED INFLOWS OF RESOURCES			
Taxes Receivable	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted:			
Capital Projects - Cultural and Recreational	593,380	-	593,380
Unassigned	-	(180,623)	(180,623)
Total fund balances	593,380	(180,623)	412,757
Total liabilities, deferred inflows of resources and fund balances	$ 720,235	$ -	$ 720,235

City of Southport, NC
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Capital Project Fund	Taylor Field Part F Grant Phase 1	Total Non-Major Governmental Funds
Revenues:			
Restricted Intergovenmental	$ -	$ -	$ -
Total revenues	-	-	-
Expenditures:			
Capital Outlay	606,620	128,923	735,543
Total expeditures	606,620	128,923	735,543
Revenues over (under) expenditures	(606,620)	(128,923)	(735,543)
Other financing sources (uses):			
Appropriated fund balance	-	-	-
Transfer from General Fund	-	-	-
Revenues over expenditures and other financing sources (uses)	$ (606,620)	$ (128,923)	$ (735,543)

City of Southport, North Carolina
Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Close Out Projects	Total to Date	Variance Positive (Negative)
Revenues:						
Total revenues	$ -	$ -	$ -	$ -	$ -	$ -
Expenditures:						
Capital Outlay	1,200,000	-	606,620	(606,620)	-	593,380
Total expenditures	1,200,000	-	606,620	(606,620)	-	593,380
Revenues over (under) expenditures	(1,200,000)	-	(606,620)	606,620	-	(593,380)
Other financing sources (uses):						
Appropriated fund balance	-	-	-		-	-
Transfer from General Fund	1,200,000	1,200,000	-	(606,620)	593,380	-
Total other financing sources (uses)	1,200,000	1,200,000	-	(606,620)	593,380	-
Revenues over expenditures and other financing sources (uses)	$ -	$ 1,200,000	$ (606,620)	$ -	$ 593,380	$ (593,380)

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, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
Part F Grant	$ 421,224	$ -	$ -	$ -	$ (421,224)
Total revenues	421,224	-	-	-	(421,224)
Expenditures:					
Capital Outlay	842,448	51,700	128,923	180,623	661,825
Total expenditures	842,448	51,700	128,923	180,623	661,825
Revenues over (under) expenditures	(421,224)	(51,700)	(128,923)	(180,623)	240,601
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)	$ (128,923)	$ (180,623)	$ (180,623)

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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Electricity sales	$ 7,508,445	$ 7,743,679	$ 235,234
Service Charges	25,200	34,456	9,256
Total charges for services	7,533,645	7,778,135	244,490
Other operating revenues			
Miscellaneous	5,000	34,572	29,572
Total operating revenues	7,538,645	7,812,707	29,572
Nonoperating revenues:			
FEMA Reimbursement	-	53,773	53,773
Interest on investments	300	97	(203)
Total nonoperating revenues	300	53,870	53,570
Total revenues	7,538,945	7,866,577	327,632
Expenditures:			
Salaries	306,150	296,625	9,525
Employee overtime	7,632	2,730	4,902
Professional services	30,700	6,500	24,200
Social security	24,004	21,979	2,025
Group insurance	80,405	63,308	17,097
Retirement	34,840	30,785	4,055
401(k) retirement supplement	15,308	13,486	1,822
Workers compensation insurance	5,265	1,246	4,019
Uniforms and protective gear	2,117	1,166	951
Telephone and postage	24,392	4,320	20,072
Utilties	1,280	1,219	61
Travel and training	15,000	819	14,181
Equipment maintenance	3,000	-	3,000
Vehicle maintenance	565	-	565
Gas, oil and tires	1,000	733	267
Departmental supplies	12,600	21,926	(9,326)
Utility sales tax	447,351	488,328	(40,977)
Power purchased	4,600,000	4,830,159	(230,159)
Billing contract	199,000	210,013	(11,013)
Contract servcies	65,410	47,793	17,617
Operations and maintenance contract	576,793	667,927	(91,134)
Install load management switches	91,875	25,954	65,921
Insurance and bonding	8,000	7,961	39
Contingency	135,742	57,543	78,199
Total expenditures	6,688,429	6,802,520	(114,091)

City of Southport, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Supplemental budget expenditures			
Capital outlay	893,565	503,426	390,139
Total supplemental expenditures	893,565	503,426	390,139
Total expenditures	7,581,994	7,305,946	276,048
Excess of revenues over (under) expenditures	(43,049)	560,631	603,680
Other financing sources (uses):			
Appropriated fund balance	43,049	-	(43,049)
Lease liabilites issued	-	27,697	27,697
Transfer to other project funds			
Transfer to general fund	-	-	-
Total other financing sources (uses)	43,049	27,697	(15,352)
sources (uses)	$ -	588,328	$ 588,328

Reconciliation from budgetary basis (modified accrual to full accrual:

Revenues and other sources over expenditures and other uses	588,328
Reconciliation of modified accrual basis to full accrual basis:	
Depreciation	(419,623)
Amortization	(6,647)
Capital outlay	469,118
Right to use lease asset	27,697
Lease liabilities issued	(27,697)
Lease principal payments	6,611
Increase (Decrease) in deferred outflows of resources - pensions	23,557
Increase (Decrease) in deferred outflows of resources - OPEB	(17,755)
(Increase) Decrease in deferred inflows of resources - pension	(96,453)
(Increase) Decrease in deferred inflows of resources - OPEB	(244)
(Increase) Decrease in net pension liability	76,929
(Increase) Decrease in net OPEB liability	(20,096)
(Increase) Decrease in compensated absences	(973)
City Contributions (Ex D-1a)	57,543
Total reconciling items	71,967
Change in Net Position	$ 660,295

City of Southport, North Carolina
NCDOT Improvement Program
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Close Out	Total to Date	Variance Positive (Negative)
Revenues:						
NCDOT Reimbursements	$ 2,410,418	$ 2,895,057	$ -	$ (2,895,057)	$ -	$ 484,639
City of Southport Contribution	76,310	-	57,543	(57,543)	-	(18,767)
Total charges for services	2,486,728	2,895,057	57,543	(2,952,600)	-	465,872
Expenditures:						
Capital Outlay	2,486,728	2,952,600	-	(2,952,600)	-	(465,872)
Total expenditures	2,486,728	2,952,600	-	(2,952,600)	-	(465,872)
Revenues over (under) expenditures	-	(57,543)	57,543	-	-	-
Other financing sources (uses):						
Appropriated fund balance	-	-	-	-	-	-
Transfer (to) from other project funds	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Revenues over expenditures and other financing sources (uses)	$ -	$ (57,543)	$ 57,543	$ -	$ -	$ -

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, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	$ 1,957,783	$ 1,954,986	$ (2,797)
Sewer sales	2,882,058	3,433,762	551,704
Water and sewer tap fees	43,700	78,316	34,616
Service charges	24,852	43,741	18,889
Total charges for services	4,908,393	5,510,805	602,412
Other operating revenues			
Miscellaneous	21,833	1,631	(20,202)
Total operating revenues	4,930,226	5,512,436	582,210
Non-operating revenues:			
Availability fees	743,794	1,385,924	642,130
Insurance Recovery	0	0	-
Other Grants	-	52,975	52,975
Total	743,794	1,438,899	695,105
Total revenues	5,674,020	6,951,335	1,277,315
Expenditures:			
Salaries	564,139	495,993	68,146
Employee overtime	14,194	12,763	1,431
Professional fees	55,273	48,170	7,103
Social security	43,784	37,347	6,437
Group insurance	150,331	112,424	37,907
Retirement	65,475	54,456	11,019
401(k) reitrement supplement	28,617	23,919	4,698
Unemployment expense	19,675	11,065	8,610
Uniforms and protective gear	11,500	7,674	3,826
Telephone and psotage	19,898	12,253	7,645
Utilities	51,840	56,943	(5,103)
Travel and training	13,750	6,539	7,211
Equipment repair	13,328	10,279	3,049
Vehicle repair	20,000	9,124	10,876
Sewer system repairs	588,243	231,996	356,247
Gas, oil and tires	33,212	33,443	(231)
Water and Sewer supplies	271,120	193,726	77,394
Annual permits and fees	5,994	2,735	3,259
Water purchases	1,022,840	825,515	197,325
Contract services	1,359,177	1,303,338	55,839
Neighbors for neighbors	13,000	7,677	5,323
Insurance and bonding	44,203	11,208	32,995
Total expenditures other than depreciation	4,409,593	3,508,587	901,006

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, 2022

	Budget	Actual	Variance Positive (Negative)
Supplemental budget expenditures			
Capital outlay	1,063,850	204,363	859,487
Long-term debt payment	103,402	103,401	1
Interest expense	7,528	7,528	-
Contingency	140,987	260,108	(119,121)
Total supplemental expenditures	1,315,767	575,400	740,367
Total expenditures	5,725,360	4,083,987	1,641,373
Revenues over (under) expenditures	(51,340)	2,867,348	2,918,688
Other financing sources (uses):			
Fund balance appropriated	51,340	-	(51,340)
Lease liabilities issued	-	158,916	
Loss on asset disposal	-	-	-
Transfer from other funds	-	-	-
Transfer (to) other funds	-	-	-
Total other financing sources (uses)	51,340	158,916	(51,340)
Revenues over expenditures and other financing sources (uses)	$ -	3,026,264	$ 2,867,348

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

Revenues and other sources over expenditures and other uses	3,026,264
Reconciling items:	
Principal repayment on long-term debt	103,401
Capital outlay	18,386
Depreciation	(597,138)
Amortization	(25,547)
Right to use lease asset	158,916
Lease liabilities issued	(158,916)
Lease principal payments	27,069
(Increase) Decrease in deferred inflows of resources - OPEB	(582)
(Increase) Decrease in deferred inflows of resources - pensions	(173,715)
(Increase) Decrease in compensated absences	2,347
(Increase) Decrease in interest payable	121
Increase (Decrease) in deferred outflows of resources - OPEB	(8,760)
Increase (Decrease) in deferred outflows of resources - pensions	42,427
(Increase) Decrease in net pension liability	138,550
(Increase) Decrease in net OPEB liability	(47,850)

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, 2022

	Budget	Actual	Variance Positive (Negative)
Golden Leaf Grant Revenues (from Ex D-2a)		990,000	
Transfer (from Ex D-2a)		-	
Total reconciling items		468,709	
Change in Net Position		$ 3,494,973	

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, 2022

	Project Authorization	Prior Years	Current Year	Close Out Project	Total to Date	Variance Positive (Negative)
Revenues:						
Golden Leaf Grant Revenue	$ 990,000	$ -	$ 990,000	$ (990,000)	$ -	-
Total charges for services	990,000	-	990,000	(990,000)	-	-
Expenditures:						
Contract Services	212,132	97,255	12,683	(109,938)	-	102,194
Capital Outlay	1,927,960	1,638,512	486,823	(2,125,335)	-	(197,375)
Total expenditures	2,140,092	1,735,767	499,506	(2,235,273)	-	(95,181)
Revenues over (under) expenditures	(1,150,092)	(1,735,767)	490,494	1,245,273	-	(95,181)
Other financing sources (uses):						
Appropriated fund balance	-	-	-	-	-	-
Transfer from Water Sewer Fund	1,150,092	1,150,092	-	(1,150,092)	-	-
Transfer (to) from other project funds	-	-		(95,181)	(95,181)	(95,181)
Total other financing sources (uses)	1,150,092	1,150,092	-	(1,245,273)	(95,181)	(95,181)
Revenues over expenditures and other financing sources (uses)	$ -	$ (585,675)	$ 490,494	$ -	$ (95,181)	$ (190,362)

City of Southport, North Carolina
System Developmnet Capital Reserve
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Contract Services	-	-	-	-	-
Capital Outlay	743,794	-	-	-	743,794
Total expenditures	743,794	-	-	-	743,794
Revenues over (under) expenditures	(743,794)	-	-	-	743,794
Other financing sources (uses):					
Transfer from Water Sewer Fund	743,794	-	-	-	(743,794)
Total other financing sources (uses)	743,794	-	-	-	(743,794)
Revenues over expenditures and other financing sources (uses)	$ -	$ -	$ -	$ -	$ -

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, 2022

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021	$ -	$ 3,314,822	$ 3,289,619	$ 25,203
2020	30,128	-	25,113	5,015
2019	14,132	-	10,534	3,598
2018	7,786	-	5,961	1,825
2017	7,132	-	3,682	3,450
2016	4,758	-	3,158	1,600
2015	4,487	-	3,039	1,448
2014	3,860	-	2,024	1,836
2013	5,058	-	2,518	2,540
2012	4,966	-	2,969	1,997
2011	4,767		4,767	-
	$ 87,074	$ 3,314,822	$ 3,353,384	$ 48,512

Less allowance for uncollectible ad valorem taxes receivable:	$ (19,553)
Ad valorem taxes receivable, net	$ 28,959
Reconciliation with Revenues:	
Ad valorem taxes:	
General Fund	$ 3,373,937
Interest Collected	(22,047)
Releases and adjustments	1,494
Total adjustments	(20,553)
	$ 3,353,384

City of Southport, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the Year Ended June 30, 2022

	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	$ 1,112,951,962	0.2956	$ 3,289,886	$ 3,105,909	$ 183,977
Discoveries	8,435,724	0.2956	24,936	24,936	-
Penalties			-	-	-
Total Property Valuation	$ 1,121,387,686				
Net levy			3,314,822	3,130,845	183,977
Uncollected taxes at June 30, 2022			25,203	25,203	-
Current year's taxes collected			$ 3,289,619	$ 3,105,642	$ 183,977
Current levy collection percentage			99.24%	99.20%	100.00%

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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Current and other assets	$ 8,869,336	$ 6,559,168	$ 17,054,038	$13,236,466	$ 25,923,374	$ 19,795,634
Capital assets	14,829,025	13,715,007	27,447,832	27,457,584	42,276,857	41,172,591
Deferred outflows of resources	1,857,460	1,729,802	607,428	567,959	2,464,888	2,297,761
Total assets and deferred outflows of resources	25,555,821	22,003,977	45,109,298	41,262,009	70,665,119	63,265,986
Other liabilities	2,008,152	811,556	2,062,277	2,381,096	4,070,430	3,192,652
Long-term liabilities	8,532,084	7,957,031	2,581,198	2,686,933	11,113,282	10,643,964
Deferred inflows of resources	1,085,049	442,359	384,985	113,991	1,470,034	556,350
Total liabilities and deferred inflows of resources	11,625,285	9,210,946	5,028,460	5,182,020	16,653,745	14,392,966
Net position:						
Invested in capital assets, net of related debt	12,319,591	11,699,706	26,860,130	26,764,995	39,179,721	38,464,701
Restricted	1,685,608	2,685,963	3,575,590	2,189,666	5,261,198	4,875,629
Unrestricted	573,636	(1,592,638)	9,799,537	7,125,328	10,373,173	5,532,690
Total net position	$ 14,578,835	$ 12,793,031	$ 40,235,257	$36,079,989	$ 54,814,092	$ 48,873,020

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 $54,814,092 as of June 30, 2022. The City's net position increased by $5,941,072 for the fiscal year ended June 30, 2022. The largest portion of net position $39,179,721 (71.48%) 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 $5,261,198 (9.60%) represents resources that are subject to external restriction on how they may be used. The remaining balance of $10,373,173 (18.92%) is unrestricted.

Governmental activities. Governmental activities revenues exceeded expenses by $1,3785,804. 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-reoccurring 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 2022, with additional revenues increasing in 2022 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 $4,155,268. Management's response to the on-going 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:

- Golden Leaf Grant funding received for project expenditures that are capitalized.
- Increase in revenues collected in both Electric and Water & Sewer funds.

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. The fund reported $606,620 of expenditures for street paving and repairs to City Hall. 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 $180,622. 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

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 $6,088,225, while total fund balance reached $7,195,398. The City currently has an available fund balance of 85.39% of total General Fund expenditures, while total fund balance represents 97.89% of that same amount.

At June 30, 2022, the governmental funds of the City of Southport reported a combined fund balance of $7,608,155, a 24.64% 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 $204,323.

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 $2,852,824 and for the Electric Fund was $6,946,713. The total increase in net position for the Water and Sewer Fund was $3,494,973, and the Electric Fund had a total increase in net position of $660,295.

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, 2022 totals $42,276,857 (net of accumulated depreciation). These assets include buildings, land, improvements, equipment, vehicles, infrastructure, utility systems, and construction in progress.

Major capital asset transactions during the year include:

- 2 new fire engines and paving projects
- water and sewer and electric capital projects

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	$	2,003
Streets		173,243
ARPA Fund		631,977
Total governmental activities	$	807,223
Business-type Activities		
Electric Fund		
Customer deposits	$	142,102
Water and Sewer Fund		
Customer deposits		93,504
System Development Fees		3,575,590
Total business-type activities	$	3,811,196
Total Restricted Cash	$	4,618,419

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, 2021.

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.

BOARD OF ALDERMEN
AGENDA ITEM SUMMARY

DATE: 2/3/2023 **DEPARTMENT:** Development Services

PRESENTED BY: Travis Henley

ITEM SPONSORED BY:

ITEM/TOPIC: Enforcement of Rights of Way (ROW)

COST: Not applicable **BUDGET LINE ITEM:**

JUSTIFICATION: There have been many differing suggestions for monitoring and enforcing the rights of way throughout the City. City Staff needs direction from the Board as to the best way to enforce the ordinance..

IMPACT IF NOT APPROVED: Encroachment into the Right of Way areas will continue at varying levels. Some folks will landscape up to the street, and others will pour concrete up to the edge of pavement.

DEPARTMENT HEAD COMMENTS: City Staff is ready to move forward with enforcement once we receive direction from the Board. Possible actions would be to enforce all encroachments evenly; or the City could allow landscaping, but no hardscaping. Residents must understand that we will dig up areas as needed to fix utility issues, and the City is not responsible at putting it back.

CITY MANAGER COMMENTS:

There are a lot of ROW violations throughout the City that have been ignored, some enforced but not everyone is treated the same. Staff is put int he middle of enforcing for one, but not for all. The staff has put together recommendations about how we approach the issue in the future to make it fair for all.

ATTACHMENTS: Right of Way issue memorandum and list of all establishments with outdoor seating and a sample notice to the public.

REQUESTED ACTION: The Board should provide some guidance to City Staff on how and what should be enforced in the rights of way.

PROPOSED MOTION: Discussion only.

Background and Impetus for Study
Over time, City Staff have encountered numerous issues with regard to what is and is not allowed to be placed within City rights-of-way. It has become readily apparent that different rules have applied to different citizens over time and that there is no uniform standard for how existing Ordinances have been enforced, if they were enforced at all. This experience led Staff to begin the process of addressing this issue with input once and for all, in an effort to ensure that we have clear direction with regard to permitting and enforcement and that the public has clear and concise guidelines as to what they are and are not allowed to do within City rights-of-way.

City of Southport Staff respectfully submit the following as a recommendation for addressing encroachments within City rights-of-way. This recommendation has been drafted in an attempt to balance the traditional approach the City has taken with regard to rights-of-way and the needs of emergency services and infrastructure maintenance and installation as the City continues to modernize and grow.

Recommended Ordinance Amendments
Currently, City regulations prohibit anything to be placed within the right-of-way that extends above the horizontal plane of the ground, as referenced both within the Code of Ordinances and within the Unified Development Ordinance. Staff recommends that this language be softened to allow for certain encroachments to legally exist, regulated via a "Right-of-Way Encroachment Permit" similar to the encroachment permit process utilized by NCDOT.

Note: All recommended language and enforcement actions discussed shall only be applicable to rights-of-way owned and maintained by the City of Southport. It would have no applicability to any NCDOT-system roadway (including but not limited to N. Howe, E. Moore, E. Leonard, and W. West) nor would it apply to any privately owned right-of-way, such as those owned by Homeowners Associations or other similar entities.

Specifically, recommended Ordinance amendments include the following:

- The requirement of a "clear zone" to be maintained on either side of the paved street for the benefit of emergency service response in which no installations above the horizontal plane of the ground shall be permitted. Such clear zone shall be 10 feet from the edge of the pavement or from the edge of the pavement to the edge of the right-of-way, if the distance from the edge of the pavement to the edge of the right-of-way is less than 10 feet.
    - Existing trees within this clear zone would be grandfathered (including City Trees), but other encroachments shall be removed. (See "Enforcement" section)
    - In addition to the 10 foot clear zone, the City's existing regulations regarding site triangles shall remain in effect, and Emergency Services Staff shall have the discretion to increase those site triangles where specific issues or problems come to exist.

- Allowance of vegetation and landscaping, including a process for trees to become "city trees," and clarification that no vegetation shall be allowed within the "clear zone."

- Clarification that homeowner-installed parking areas shall be allowable within the right-of-way so long as the surface is pervious, either through pervious pavers or specific gravel types. Any gravel provided shall include edging to keep gravel in place.

The following would continue to be prohibited to be placed within rights-of-way under this paradigm:

- Hardened structures, such as walls, posts, or lights.
- Raised flower beds and other similar types of landscaping.

Enforcement
Allowable encroachments within City rights-of-way shall be reviewed and approved via a City-issued Right-of-Way Encroachment Permit. Any such Ordinance amendments within the Unified Development Ordinance shall include ordinance language outlining the permit process. Such permit shall be reviewed and approved by the following entities:

- UDO Administrator or Designee (could include City Planner, Permit Technician, and/or Code Enforcement Officer)
- Public Services Director or Designee
- Fire Marshal

Included within the permit process shall be a required acknowledgement to be made by the applicant that, should the City need to perform work within a right-of-way that impacts those encroachments, that the City will remove any encroachments necessary to perform the work and will not be liable for the replacement of those encroachments. Replacing those encroachments shall require the review and approval of a new encroachment permit should such a scenario come to exist. Additionally, such review authority shall also include the ability of Staff to utilize defined discretion in approving permit requests, such as when infrastructure projects are programmed for the subject area within a future city-adopted Capital Improvement Program, that would give Staff the legal authority to deny permit applications for projects which would immediately impact programmed and funded City projects.

In the case of existing right-of-way encroachments, Staff recommends the establishment of a grace period not to exceed six (6) months in order for citizens of the City to remove encroachments from the City's rights-of-way that violate the updated Ordinance language. The grace period shall include an aggressive public relations campaign to ensure citizens know of the new language, and Staff will begin the process of identifying Ordinance violations and attempting to work with citizens to begin the process of rectifying those issues either via removal or via permitting, if existing encroachments become allowable under updated language.

Beyond the grace period, City Staff, including Development, Emergency, and Public Services personnel, will work collaboratively on an active process to remove encroachments within the 10-foot clear zone and will work through the traditional code enforcement process with regard to illegal encroachments outside the clear zone to gain compliance via permitting or via removal, with trees being grandfathered unless presenting an immediate hazard. Enforcement of right-of-way encroachments shall be conducted via proactive enforcement methods in which Staff shall work to identify new violations and take action appropriately, with complaints from citizens also being fielded and investigated as needed in accordance with previously adopted policies and procedures. The goal with enforcement action remains voluntary compliance on the part of the offending party.

Remaining Items to Address

The following items remain up for discussion, with Staff seeking the direction of the Board of Aldermen on:

- Proactive vs. Reactive Enforcement: Staff recommend moving to a proactive enforcement process for rights-of-way, but such a recommendation would result in proactive enforcement on some Ordinances and reactive enforcement on others. To that point, Staff recommends the City officially move to a proactive code enforcement paradigm across the board.
    - Even without moving to a proactive enforcement paradigm across the Board, this undertaking will require the hiring of an additional Code Enforcement Officer on at least a temporary basis.

- Length of Grace Period: Staff recommends six months as a reasonable grace period, but the City could give less time. Staff does not recommend exceeding six months.

- City carve-outs for the following purposes:
    - City-initiated public street parking projects;
    - Prohibitions on blocking all or portions of City rights-of-way;
    - Others?

DRAFT/SAMPLE LETTER

Property Owner Name
Address
Re: Rights-of-Way

Date

Dear Resident/Business Owner,

The City of Southport Board of Aldermen recently met to discuss the best way to manage and enforce encroachments into the rights-of-way areas. The City of Southport's Code of Ordinances currently states:

Sec. 16-8. Obstruction of public right-of-way.

(a)Except as specifically set forth in subsection (b) herein or as authorized by a license issued by the board of aldermen, it shall be unlawful for any person to place or cause to be placed on any public street, road, alley, sidewalk, or other public right-of-way within the city any wall, fence, gate, brick, stone, wood, rock, vegetation or other structure, material, or substance above the horizontal plane of the existing ground. In addition, it shall be unlawful for any person to take any action whatsoever within any public right-of-way which creates a hazardous condition or safety hazard, or which otherwise interferes with or obstructs in any manner the passage of persons or vehicles upon or within said public rights-of-way or which obstructs, interferes with, or hinders lawful parking within any public right-of-way.

(b)Nothing herein shall prevent any business or other legal entity located in areas zoned CBD and BD from (i) placing objects which are not otherwise prohibited under the Southport Code of Ordinances on that portion of a sidewalk which is directly abutting the building occupied by such business or entity, provided that said items do not extend more than thirty-six (36) inches into the sidewalk and do not violate section 16-7 of the Code of Ordinances prohibiting the display of goods, or (ii) placing A-frame signs on a sidewalk or right-of-way where specifically allowed under the Southport Unified Development Ordinance. Notwithstanding this, however, no business or other entity may place or cause to be placed any object on a sidewalk so as to violate the provisions of the ADA regarding unobstructed clearance.

(Code 1974, § 5.31; Ord. of 12-11-03; Ord. of 9-9-10; Ord. of 10-11-12)

Sec.16-10. Existing encroachment on rights-of-way.

In the event that the Southport Code Enforcement Officer determines that there exists any encroachment, obstacle, vegetation, wares, goods or other condition within a public right-of-way or sidewalk in violation of section 16-7 or section 16-8 of this Code or which interferes with the free passage of persons or vehicles within said right-of-way or sidewalk, or which otherwise creates a hazard to the public, said code enforcement officer shall attempt to identify the person(s) responsible for said obstacle or encroachment. Upon identification, the code enforcement officer shall notify in writing said responsible person(s) who shall have seventy-two (72) hours from the date of notification to remove said encroachment or condition. In the event that the responsible party fails to remove said obstacle or encroachment within the time allowed, and in addition to other remedies as allowed by law, the city may promptly remove said obstacle or encroachment and shall charge the cost of said removal to the party responsible for said obstacle, encroachment, or condition. In the event that the code enforcement officer is not able to identify the responsible party, or if the condition or encroachment creates an imminent and immediate danger to the public, the city may summarily remove said encroachment or other condition within the right-of-way without notice.

(Code 1974, § 5.34; Ord. of 12-11-03; Ord. of 9-9-10)

DRAFT/SAMPLE LETTER

You are receiving this letter to inform you that your property is in violation of these sections. The Board of Aldermen have given City staff the direction to enforce rights-of-ways with the following guidelines:

- All landscaping and planting is allowed in the City's right-of-way, but the City is not responsible for repairing or replacing anything if utility work takes place in that area;
- No hardscapes shall be built within the City's right-of-way. Hardscape is defined as heavier items such as stones, rocks, bricks, patios, and driveways.
- All existing hardscape areas must be removed and made to comply with the City's ordinances within (45) days of this notice;
- Any property not in compliance within (45) days is subject to penalties, and action may be taken to court to remove the material encroaching in the right-of-way;
- During the permit process for new construction, property owners must sign a statement acknowledging they understand the landscaping policy and any consequence if the City needs to do work in that area;
- All encroachments on NCDOT roads must be approved by NCDOT, as well as the City.
- Any others, etc.

We ask that you take steps to bring your property into compliance with the City standards. If you have any questions regarding this letter, or your property, please contact ___________________________ at (910) 457-7900.

Respectfully,

XXXXXXXXXX

Cc. Bonnie Therrien, City Manager

Dorothy Dutton, Assistant City Manager

Travis Henley, Development Services Director

Chris Martin, Code Enforcement

EATERIES WITH EXTERIOR SEATING/DINING

Dry Street Pizza	101 E. Brown	38 seats
Wine Rack	102 W. Brown	62 seats
Tiki Tavern	104 E. 8th	36 seats
Blue Cow Diner	108 E. Moore	12 seats
Moore Street Oyster Bar	110 E. Moore	08 seats
Trolley Stop	111 S. Howe	04 seats
Port City Java	113 N. Howe	08 seats
Spikes	201 N. Howe	02 seats
Side Street Bakery	417 N. Howe	04 seats
Southport Cheese Shop	417 N. Howe	04 seats
Saucy Southerner	505 N. Howe	36 seats (dining) – 12 (waiting)
Street Side Eatery	524 N. Howe	10 seats
Carolina Coastal Café	607 N. Howe	20 seats
Southport Tap & Cellar	827 N. Howe	84 seats
Indochine Express	1131 N. Atlantic	16 seats

BUSINESSES WITH EXTERIOR SEATING

Bullfrog Corner	101 N. Howe	14 seats
Southport Market	104 S. Howe	20 seats
Duck Duck Goose	106 E. Moore	04 seats
Northrop Antique Mall	111 E. Moore	04 seats
The Pearl	114 N. Howe	04 seats
Waterfront Gifts	117 S. Howe	04 seats
Old Elegance Antiques	120 E. Moore	04 seats
Ocean Outfitters	121 E. Moore	08 seats
Timeless Treasures	122 E. Moore	04 seats

ctm

CITY OF SOUTHPORT
BOARD OF ALDERMEN
REGULAR MEETING AGENDA

223 E. BAY STREET
February 9, 2023
6:00 PM

Agenda

Please turn off all cell phones

Meetings are open to the public. Face masks and social distancing may be used at the discretion of each individual. The Board of Aldermen reserve the right to make changes to this policy, as needed to help prevent the spread of the Coronavirus.

If you are not able to attend the Board of Aldermen meetings in person, the meeting will be available for you to watch via live-stream on the City of Southport website (https://cityofsouthport.com/board-of-aldermen-meetings/), Facebook page, and YouTube channel.

ETHICS STATEMENT:

"If any members know of any conflict of interest or the appearance of a conflict of interest concerning matters on the agenda, please so state at this time."

A. Call to Order

B. Invocation

C. Pledge of Allegiance

D. Special Presentations

1. Introduction of John Moseley, Director of the Maritime Museum
2. Audit Presentation FY 21-22 (Alan Thompson, CPA)
3. Police Commendation (Chief Coring)

E. Public Comment

F. Approval of Agenda

G. Approval of the Consent Agenda

1. Kayak Launch Grant Acceptance
2. Transferring 2nd ARPA Payment to Water/Sewer Fund to Help Fund Wastewater Treatment Plant
3. Authorization to Sign City Manager's Contract
4. Board of Aldermen Regular Minutes January 12, 2023
5. Board of Aldermen Closed Session January 12, 2023 (confidential)
6. Board of Aldermen Special Workshop Minutes January 17, 2023

7. Board of Aldermen Special Workshop Minutes January 19, 2023
8. Budget Amendment #2 Transfer of Christmas Tea Funds to the Community Events Fund

H. Special Recognition

1. Proclamation in Recognition of Black History Month 2023

I. Agenda

1. Public Hearing: Amendment to Chapter 3. Animal Welfare Ordinance (K. Marshall)
2. Donation Acceptance for Inclusive Park (H. Hemphill)
3. Recommendation from the Planning Board Regarding Sunny Point Property (T. Henley)
4. Public Services Employment Request (T. Stanley)
5. Request for APS Credit Card (K. Marshall, M. Trexler)
6. City Attorney Selection (B. Therrien)
7. Selection of Two Part-time City Engineers (B. Therrien)
8. Resolution In Support of Extending Mayoral Term to Four Years (D. Dutton)
9. Strategic Planning/Budget Goals FY 23-24 (B. Therrien)

J. Manager's Report

K. Committee Reports

1. January 2023 Planning Board Draft Minutes
2. ElectriCities Memo January 31, 2023

L. Mayor's Remarks

M. Staff Reports

1. Southport Fire/EMS Department (distributed at the meeting)
2. Southport Police Department
3. Parks and Recreation
4. Animal Protective Services
5. Finance
6. Development Services
7. Community Relations and Communication
8. Public Services

N. Board Comments

O. Adjourn