

Town of Murphy, North Carolina
Financial Statements
June 30, 2020

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

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June 30, 2020

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Introductory Information

Town of Murphy, North Carolina

Mayor and Town Council

Rick Ramsey, Mayor

Frank E. Dickey

Barbara Hughes

Barry R. McClure

Noland Smith

Gail Walker Stansell

Karen Watson

Administrative and Financial Staff

Chad Simons, Town Manager, Finance Officer, Town Clerk

Patricia J. Siler, Tax Collector

Financial Section

Turner & Company CPAs P.A.

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Independent Auditors' Report

To the Honorable Mayor and Town Council
Town of Murphy, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Murphy ABC Board were not audited in accordance with Governmental Auditing Standards.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 49 and 50, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Murphy's basic financial statements. The individual fund statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020 on our consideration of the Town of Murphy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Murphy's internal control over financial reporting and compliance.



Turner & Company CPAs P.A.
Murphy, North Carolina
December 1, 2020

Management's Discussion and Analysis

Town of Murphy, North Carolina
Management's Discussion and Analysis
June 30, 2020

As management of the Town of Murphy, we offer readers of the Town of Murphy's financial statements this narrative overview and analysis of the financial activities of the Town of Murphy for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

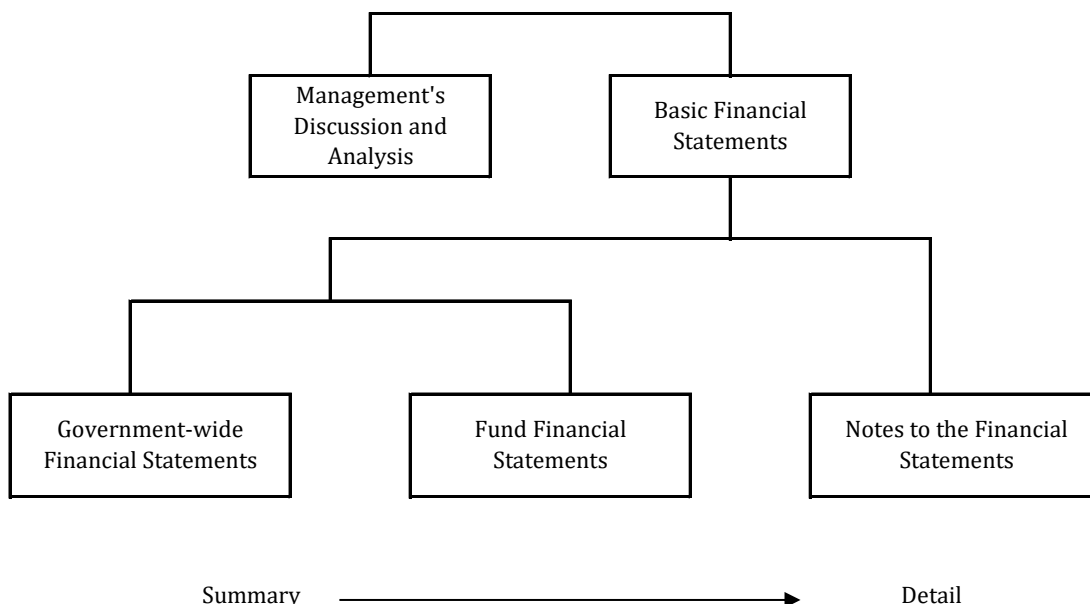
- The assets and deferred outflows of resources of the Town of Murphy exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,200,385 (*net position*).
- The government's total net position increased by \$310,400 based on increases in both the governmental activities net position and the business type activities net position.
- As of the close of the current fiscal year, the Town of Murphy's governmental funds reported combined ending fund balances of \$4,089,540 with a net increase of \$186,651 in fund balance. Approximately 22.42 percent of this total amount, or \$916,693, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,829,208, or 125.26 percent of total general fund expenditures for the fiscal year.
- The Town of Murphy's total debt increased by \$678,677 (33.34%) during the current fiscal year. The Town incurred one additional direct placement borrowing agreement for \$754,538 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Murphy's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Murphy.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental 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 Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to financial statements of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks 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 Town charges customers to provide. These include the water and sewer and housing services offered by the Town of Murphy. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the ABC Board is required to distribute its profits to the Town.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Murphy, 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 Town's budget ordinance. All of the funds of the Town of Murphy can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. 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 Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Murphy adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted.

The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - The Town of Murphy has one kind of proprietary fund. The *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Murphy uses enterprise funds to account for its water and sewer activity and for its housing activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 begin on page 23 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 48 of this report.

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

Government-Wide Financial Analysis

Town of Murphy, North Carolina's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 4,239,877	\$ 4,025,117	\$ 3,476,057	\$ 3,277,616	\$ 7,715,934	\$ 7,302,733
Capital assets	3,138,302	3,123,497	14,203,147	13,539,813	17,341,449	16,663,310
Deferred outflows of resources	238,949	265,223	93,387	107,013	332,336	372,236
Total assets and deferred outflows of resources	7,617,128	7,413,837	17,772,591	16,924,442	25,389,719	24,338,279
Long-term liabilities outstanding	2,198,012	2,161,399	1,218,324	486,285	3,416,336	2,647,684
Other liabilities	137,648	112,682	730,004	643,578	867,652	756,260
Deferred inflows of resources	46,652	41,909	2,860	2,441	49,512	44,350
Total liabilities and deferred inflows of resources	2,382,312	2,315,990	1,951,188	1,132,304	4,333,500	3,448,294
Net position						
Net investment in capital assets	1,507,789	1,450,043	13,119,409	13,177,693	14,627,198	14,627,736
Restricted	916,693	932,703	-	-	916,693	932,703
Unrestricted	2,810,334	2,715,101	2,701,994	2,614,445	5,512,328	5,329,546
Total net position	\$ 5,234,816	\$ 5,097,847	\$ 15,821,403	\$ 15,792,138	\$ 21,056,219	\$ 20,889,985

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Murphy exceeded liabilities and deferred inflows by \$21,200,385 as of June 30, 2020. The Town's net position increased by \$310,400 for the fiscal year ended June 30, 2020. The largest portion (69.67%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Murphy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Murphy's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Murphy's net position \$916,693 (4.32%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,512,328 is unrestricted.

One particular aspect of the Town'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 93.17%, excluding motor vehicles. The statewide average for Municipalities with populations of 1,000 to 2,499 in the fiscal year 2019 was 97.87%.

Town of Murphy, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 42,326	\$ 36,276	\$ 2,193,364	\$ 1,918,300	\$ 2,235,690	\$ 1,954,576
Operating grants and contributions	236,463	185,865	262,504	364,127	498,967	549,992
Capital grants and contributions	37,432	62,568	718,974	1,293,927	756,406	1,356,495
General revenues:						
Property taxes	1,270,963	1,283,976	-	-	1,270,963	1,283,976
Grants and contributions not restricted to specific programs	1,000,702	1,061,639	-	-	1,000,702	1,061,639
Other	105,984	104,602	42,055	2,706	148,039	107,308
Total revenues	2,693,870	2,734,926	3,216,897	3,579,060	5,910,767	6,313,986
Expenses						
General government	491,116	497,038	-	-	491,116	497,038
Public safety	1,353,118	1,280,021	-	-	1,353,118	1,280,021
Transportation	217,845	246,560	-	-	217,845	246,560
Economic and physical development	5,005	5,139	-	-	5,005	5,139
Environmental protection	179,910	162,695	-	-	179,910	162,695
Cultural recreation	237,848	207,940	-	-	237,848	207,940
Interest on long-term debt	72,059	73,974	-	-	72,059	73,974
Water and sewer	-	-	2,454,211	2,231,278	2,454,211	2,231,278
Housing authority	-	-	733,421	712,341	733,421	712,341
Total expenses	2,556,901	2,473,367	3,187,632	2,943,619	5,744,533	5,416,986
Increase (decrease) in net position before transfers	136,969	261,559	29,265	635,441	166,234	897,000
Transfers	-	-	-	-	-	-
Increase in net position	136,969	261,559	29,265	635,441	166,234	897,000
Net position, beginning	5,097,847	4,836,288	15,792,138	15,156,697	20,889,985	19,992,985
Net position, ending	\$ 5,234,816	\$ 5,097,847	\$ 15,821,403	\$ 15,792,138	\$ 21,056,219	\$ 20,889,985

Governmental Activities. Governmental activities increased the Town's net position by \$136,969. Key elements of this increase are as follows:

- The Town received \$62,568 in grant revenue from the NC Department of Natural and Cultural Resources for the construction of Phase 2 of the Piney Knob Bike Trail in the prior year and only \$37,432 in the current year.
- There was a decrease in the amount of revenue received from beverage tax distributions.
- There was an increase in the amount of local option sales tax received in the current fiscal year.
- Operating grants and contributions increased because of \$37,600 received from TVA and \$12,600 from the Dogwood Health Trust.
- Expenditures increased slightly primarily because of increased expenses for public safety.

Business-Type Activities. Business-type activities increased the Town's net position by \$29,265. Key elements of this increase are as follows:

- Charges for Services increased by \$263,552 in the Water and Sewer Fund because of increases in water and sewer rates.
- Capital grants for the Housing Authority increased by \$57,467.
- Capital grants and contributions in Water and Sewer decreased \$632,420 between 2019 and 2020. The primary cause of this being that the Town received less funding from the Community Block Development Grant for the Regal Street Area Water and Sewer Improvement Project because the project was completed in the current fiscal year.
- Operating grants and contributions decreased by \$101,623 between 2019 and 2020.
- Operating expenses in the business-type activities increased by \$244,013 during the current fiscal year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Murphy's government funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Murphy's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balance available may be comprised of amounts shown as restricted, committed, assigned or unassigned.

The general fund is the chief operating fund of the Town of Murphy. At the end of the current fiscal year, the Town of Murphy's fund balance available for appropriation was \$3,437,448, while total fund balance reached \$3,482,582. The Board has determined that the Town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 152.19% of general fund expenditures, while total fund balance represents 154.19% of the same amount.

The governmental funds of the Town of Murphy reported a combined fund balance of \$4,089,540 at June 30, 2020, with a \$186,651 net increase in fund balance.

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

There were several reasons the Town revised its budget throughout the year. Total amendments to the General Fund increased revenues by \$50,400. Expenditures were less than budgeted amounts due to the due diligence of those in management, and the Town was able to comply with its budgetary requirements.

Proprietary Funds. The Town of Murphy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Housing Authority Fund at the end of the fiscal year amounted to \$718,566 and that of the Water and Sewer Fund amounted to \$1,983,428. The total change in net position for both funds was (\$39,096) and \$212,527, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Murphy's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Murphy's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$17,341,449 (net of accumulated depreciation). These assets include buildings and improvements, land, furniture, machinery and equipment, vehicles, plants and distribution systems, and construction in progress.

Governmental Activities. The significant additions to capital assets during the fiscal year resulted primarily from the following:

- Completed and capitalized construction on the public restrooms for a total cost of \$51,820
- Completed and capitalized construction for Phase 2 of the Piney Knob Bike Trail for a total cost of \$100,000
- \$60,329 was expended for three vehicles for the police department and sanitation
- \$51,000 was expended for a John Deere utility tractor
- \$30,000 was expended for an erosion barrier at Konehete Park

Business-Type Activities. The significant additions to capital assets during the fiscal year resulted primarily from the following:

Water and Sewer Fund:

- Completed and capitalized construction of the Regal Street Area Water and Sewer Improvement Project for a total cost of \$1,946,070
- \$812,480 was added to construction in progress for the Hiwassee River Sewer Repair Project
- \$28,997 for a vehicle for the water and sewer department
- \$56,950 for a used Kubota excavator
- \$50,840 for additions to the water and sewer plant and distribution systems

Housing Authority Fund:

- \$16,523 for electric ranges for the rental units.

Town of Murphy, North Carolina's Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital assets						
Land	\$ -	\$ -	\$ 110,587	\$ 110,587	\$ 110,587	\$ 110,587
Construction in progress	-	101,210	812,480	1,452,661	812,480	1,553,871
Buildings and system	1,979,732	1,991,836	1,494,572	1,642,789	3,474,304	3,634,625
Other improvements	734,821	661,696	-	-	734,821	661,696
Plant and distribution systems	-	-	11,422,322	10,076,378	11,422,322	10,076,378
Equipment and furniture	87,541	23,454	330,435	245,827	417,976	269,281
Vehicles and motorized equipment	324,667	339,091	32,751	11,571	357,418	350,662
Computer software	3,155	5,860	-	-	3,155	5,860
Computer equipment	8,386	350	-	-	8,386	350
Total capital assets	\$ 3,138,302	\$ 3,123,497	\$ 14,203,147	\$ 13,539,813	\$ 17,341,449	\$ 16,663,310

Construction commitments

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

Project	Spent-to-date	Remaining Commitment
Hiwassee River Sewer Repair Project	\$ 812,480	\$ 281,770
Total	\$ 812,480	\$ 281,770

- Additional information on the Town's capital assets can be found in Note III.A.3 of the Basic Financial Statements.

Long-Term Obligations. Debt totals include direct placement installment purchases, direct borrowing State revolving loans, and capital leases. As of June 30, 2020, the Town of Murphy had total debt outstanding of \$2,714,251. The entire debt is backed by the full faith and credit of the Town. Compensated absences and unpaid pension related liabilities are included in the total long-term obligations.

Town of Murphy, North Carolina's Long-term Obligations

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement installment purchase	\$ 1,581,640	\$ 1,612,698	\$ -	\$ -	\$ 1,581,640	\$ 1,612,698
Capitalized leases	48,873	60,756	-	-	48,873	60,756
Direct borrowing State revolving loans	-	-	1,083,738	362,120	1,083,738	362,120
Total debt outstanding	1,630,513	1,673,454	1,083,738	362,120	2,714,251	2,035,574
Compensated absences	68,011	58,487	47,543	31,723	115,554	90,210
Net pension liability (LGERS)	365,124	318,179	156,482	136,362	521,606	454,541
Total pension liability (LEO)	194,495	180,144	-	-	194,495	180,144
Total long-term obligations	\$ 2,258,143	\$ 2,230,264	\$ 1,287,763	\$ 530,205	\$ 3,545,906	\$ 2,760,469

- The Town of Murphy's total debt increased by \$678,677 (33.34%) during the current fiscal year. The Town incurred one additional direct placement borrowing agreement for \$754,538 during the fiscal year.
- North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Murphy is \$16,357,963.
- Additional information regarding the Town of Murphy's long-term debt can be found in Note III.B.6 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicator reflects the growth and prosperity of the Town.

- The Town is taking a conservative approach with the budget for next year because of the uncertainty of future economic factors. Management emphasizes tight spending policies to control discretionary spending in normal economic conditions. These policies will become even more important in 2020-2021.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The property tax rate was decreased to \$.38 for the next fiscal year. This decrease, coupled with an increase in the property valuation, is expected to generate an additional \$110,000 in revenue. This will prevent the Town from using significant amounts of fund balance to pay for operational expenses and help to offset the expected reduction in sales taxes due to COVID-19.

Due to the uncertainty surrounding COVID-19, the Town plans to delay all capital outlay not deemed critical until December 2020. This will allow management to better evaluate the true impacts of the pandemic on the Town's revenue.

The Town has applied for grants to purchase patrol laptops and body cameras for the police department.

The Town has plans to purchase a new mini-pumper for the fire department.

Business-Type Activities: The Town has recommended decreasing the base rate for water and sewer from 4,000 gallons to 3,000 gallons. This will make the Town's water and sewer rates more equitable.

\$35,000 is budgeted to provide new water/sewer lines for a 500-foot section of the Town's sanitary sewer system.

The budget provides \$40,000 to clean out the SBR digesters and replace diffusers at the sewer plant.

Upgrades at the water plant have been budgeted at a cost of \$21,250.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Murphy, P.O. Box 130, Murphy, NC 28906. You can also call (828) 837-2510, visit our website <http://townofmurphync.com> or send an email to manager@townofmurphync.com for more information.

Basic Financial Statements

Town of Murphy, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			Town of Murphy ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,725,379	\$ 2,736,088	\$ 6,461,467	\$ 726,615
Restricted cash and cash equivalents	377,025	146,818	523,843	96,870
Taxes receivable (net)	84,300	-	84,300	-
Accrued interest receivable on taxes	6,546	-	6,546	-
Accrued interest receivable on CD's	1,493	-	1,493	-
Accounts receivable (net)	-	165,440	165,440	-
Due from other governments	45,134	418,787	463,921	-
Inventories	-	-	-	345,602
Prepaid items	-	8,924	8,924	16,137
Total current assets	4,239,877	3,476,057	7,715,934	1,185,224
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	-	923,067	923,067	45,287
Other capital assets, net of depreciation	3,138,302	13,280,080	16,418,382	276,208
Total capital assets	3,138,302	14,203,147	17,341,449	321,495
Total assets	7,378,179	17,679,204	25,057,383	1,506,719
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	238,949	93,387	332,336	57,797
Total deferred outflows of resources	238,949	93,387	332,336	57,797
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	20,776	515,715	536,491	391,018
Accrued interest payable	30,203	-	30,203	-
Unearned revenue	26,538	3,131	29,669	-
Current portion of long-term liabilities	60,131	69,439	129,570	-
Payable from restricted assets	-	141,719	141,719	-
Total current liabilities	137,648	730,004	867,652	391,018
Long-term liabilities:				
Due in more than one year	2,198,012	1,218,324	3,416,336	87,116
Total liabilities	2,335,660	1,948,328	4,283,988	478,134
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	10,684	-	10,684	-
Pension deferrals	35,968	2,860	38,828	167
Total deferred inflows of resources	46,652	2,860	49,512	167
NET POSITION				
Net investment in capital assets	1,507,789	13,119,409	14,627,198	276,208
Restricted for:				
Transportation	92,231	-	92,231	-
Public safety	762,752	-	762,752	-
Stabilization by state statute	61,710	-	61,710	-
Other functions	-	-	-	214,745
Unrestricted	2,810,334	2,701,994	5,512,328	595,262
Total net position	\$ 5,234,816	\$ 15,821,403	\$ 21,056,219	\$ 1,086,215

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

Town of Murphy, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Murphy ABC Board	
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 491,116	\$ 35,599	\$ -	\$ -	\$ (455,517)	\$ -	\$ (455,517)	\$ -	
Public safety	1,353,118	1,483	139,047	-	(1,212,588)	-	(1,212,588)	-	
Transportation	217,845	-	55,088	-	(162,757)	-	(162,757)	-	
Economic and physical development	5,005	-	3,462	37,432	35,889	-	35,889	-	
Environmental protection	179,910	-	38,866	-	(141,044)	-	(141,044)	-	
Cultural and recreation	237,848	5,244	-	-	(232,604)	-	(232,604)	-	
Interest on long-term debt	72,059	-	-	-	(72,059)	-	(72,059)	-	
Total governmental activities	2,556,901	42,326	236,463	37,432	(2,240,680)	-	(2,240,680)	-	
Business-type activities:									
Water and sewer	2,454,211	1,903,664	34,658	551,351	-	35,462	35,462	-	
Housing	733,421	289,700	227,846	167,623	-	(48,252)	(48,252)	-	
Total business-type activities	3,187,632	2,193,364	262,504	718,974	-	(12,790)	(12,790)	-	
Total primary government	\$ 5,744,533	\$ 2,235,690	\$ 498,967	\$ 756,406	(2,240,680)	(12,790)	(2,253,470)	-	
Component unit:									
ABC Board	\$ 3,894,614	\$ 3,960,769	\$ -	\$ -	-	-	-	66,155	
Total component unit	\$ 3,894,614	\$ 3,960,769	\$ -	\$ -	-	-	-	66,155	
General revenues:									
Taxes:									
Property taxes, levied for general purpose					1,270,963	-	1,270,963	-	
Grants and contributions not restricted to specific programs					1,000,702	-	1,000,702	-	
Unrestricted investment earnings					25,491	11,200	36,691	745	
Miscellaneous					80,493	30,855	111,348	-	
Total general revenues not including transfers					2,377,649	42,055	2,419,704	745	
Change in net position					136,969	29,265	166,234	66,900	
Net position, beginning					5,097,847	15,792,138	20,889,985	1,019,166	
Restatement					-	-	-	149	
Net position, beginning					5,097,847	15,792,138	20,889,985	1,019,315	
Net position, ending	\$ 5,234,816	\$ 15,821,403	\$ 21,056,219	\$ 1,086,215					

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

Town of Murphy, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Rural Fire Fund	Piney Knob Trail System	
ASSETS				
Cash and cash equivalents	\$ 3,117,602	\$ 607,777	\$ -	\$ 3,725,379
Restricted cash	377,025	-	-	377,025
Receivables, net:				
Taxes	84,300	-	-	84,300
Due from other funds	16,576	-	-	16,576
Due from other governments	28,558	-	16,576	45,134
Total assets	<u>3,624,061</u>	<u>607,777</u>	<u>16,576</u>	<u>4,248,414</u>
LIABILITIES				
Accounts payable and accrued liabilities	19,957	819	-	20,776
Due to other funds	-	-	16,576	16,576
Unearned revenue	26,538	-	-	26,538
Total liabilities	<u>46,495</u>	<u>819</u>	<u>16,576</u>	<u>63,890</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	84,300	-	-	84,300
Prepaid taxes	10,684	-	-	10,684
Total deferred inflows of resources	<u>94,984</u>	<u>-</u>	<u>-</u>	<u>94,984</u>
FUND BALANCES				
Restricted				
Stabilization by state statute	45,134	-	16,576	61,710
Streets	92,231	-	-	92,231
Public safety	155,794	606,958	-	762,752
Assigned				
Subsequent year's expenditures	360,215	-	-	360,215
Unassigned	2,829,208	-	(16,576)	2,812,632
Total fund balances	<u>3,482,582</u>	<u>606,958</u>	<u>-</u>	<u>4,089,540</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,624,061</u>	<u>\$ 607,777</u>	<u>\$ 16,576</u>	<u>\$ 4,248,414</u>

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

Town of Murphy, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 4,089,540
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Gross capital assets at historical cost	\$ 6,692,451
Accumulated depreciation	<u>(3,554,149)</u> 3,138,302
Deferred outflows of resources related to pensions are not reported in the funds	238,949
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	
Accrued interest receivable on taxes	6,546
Accrued interest receivable on CD's	1,493
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	
Property taxes receivable	84,300
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Long-term debt included as net position (includes the addition of long-term debt and principal payments during the year)	(1,698,524)
Net pension liability	(365,124)
Total pension liability	(194,495)
Deferred inflows of resources related to pensions are not reported in the funds	(35,968)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	
Accrued interest payable	<u>(30,203)</u>
Net position of governmental activities	<u><u>\$ 5,234,816</u></u>

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

Town of Murphy, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Rural Fire Fund	Piney Knob Trail System	
REVENUES				
Ad valorem taxes	\$ 956,998	\$ 316,597	\$ -	\$ 1,273,595
Unrestricted intergovernmental	1,000,702	-	-	1,000,702
Restricted intergovernmental	236,463	-	37,432	273,895
Permits and fees	1,483	-	-	1,483
Sales and services	40,843	-	-	40,843
Investment earnings	21,755	2,243	-	23,998
Miscellaneous	49,039	345	-	49,384
Total revenues	<u>2,307,283</u>	<u>319,185</u>	<u>37,432</u>	<u>2,663,900</u>
EXPENDITURES				
Current:				
General government	481,150	-	-	481,150
Public safety	1,019,983	212,245	-	1,232,228
Transportation	217,523	-	-	217,523
Economic and physical development	-	-	37,432	37,432
Environmental protection	181,702	-	-	181,702
Cultural and recreation	242,918	-	-	242,918
Debt service:				
Principal	42,941	-	-	42,941
Interest and other charges	72,464	-	-	72,464
Total expenditures	<u>2,258,681</u>	<u>212,245</u>	<u>37,432</u>	<u>2,508,358</u>
Excess (deficiency) of revenues over expenditures	48,602	106,940	-	155,542
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	99,598	-	-	99,598
Transfers (to) other funds	-	(99,598)	-	(99,598)
Insurance recovery	31,109	-	-	31,109
Total other financing sources (uses)	<u>130,707</u>	<u>(99,598)</u>	<u>-</u>	<u>31,109</u>
Net change in fund balance	179,309	7,342	-	186,651
Fund balances, beginning	<u>3,303,273</u>	<u>599,616</u>	<u>-</u>	<u>3,902,889</u>
Fund balances, ending	<u>\$ 3,482,582</u>	<u>\$ 606,958</u>	<u>\$ -</u>	<u>\$ 4,089,540</u>

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

Town of Murphy, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds		\$ 186,651
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	234,494	
Depreciation expense for governmental assets	<u>(219,689)</u>	14,805
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		83,687
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in accrued investment earnings	1,493	
Change in unavailable revenue for tax revenues	<u>(2,632)</u>	(1,139)
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.		
Principal payments on long-term debt	42,941	
Decrease in accrued interest payable	<u>405</u>	43,346
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	(9,524)	
Pension expense	<u>(180,857)</u>	(190,381)
Total changes in net position of governmental activities		<u>\$ 136,969</u>

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

Town of Murphy, North Carolina
General Fund and Annually Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual
For the Year Ended June 30, 2020

	General Fund				Rural Fire Fund			
	Original	Final	Actual Amounts	Variance Positive (Negative)	Original	Final	Amounts	Variance Positive (Negative)
REVENUES								
Ad valorem taxes	\$ 901,000	\$ 901,000	\$ 956,998	\$ 55,998	\$ 317,000	\$ 317,000	\$ 316,597	\$ (403)
Unrestricted intergovernmental	785,500	785,500	1,000,702	215,202	-	-	-	-
Restricted intergovernmental	170,700	170,700	236,463	65,763	-	-	-	-
Permits and fees	300	300	1,483	1,183	-	-	-	-
Sales and services	34,850	34,850	40,843	5,993	-	-	-	-
Investment earnings	-	-	21,755	21,755	-	-	2,243	2,243
Miscellaneous	10,000	60,400	49,039	(11,361)	-	-	345	345
Total revenues	1,902,350	1,952,750	2,307,283	354,533	317,000	317,000	319,185	2,185
EXPENDITURES								
Current:								
General government	486,010	515,510	481,150	34,360	-	-	-	-
Public safety	1,086,545	1,115,345	1,019,983	95,362	380,400	380,400	212,245	168,155
Transportation	221,500	228,500	217,523	10,977	-	-	-	-
Environmental protection	188,400	208,400	181,702	26,698	-	-	-	-
Cultural and recreation	240,400	278,000	242,918	35,082	-	-	-	-
Debt service:								
Principal retirement	42,960	42,960	42,941	19	-	-	-	-
Interest and other charges	72,540	72,540	72,464	76	-	-	-	-
Total expenditures	2,338,355	2,461,255	2,258,681	202,574	380,400	380,400	212,245	168,155
Revenues over (under) expenditures	(436,005)	(508,505)	48,602	557,107	(63,400)	(63,400)	106,940	170,340
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	99,600	99,600	99,598	(2)	-	-	-	-
Transfers (to) other funds	-	-	-	-	(99,600)	(99,600)	(99,598)	2
Insurance Recovery	-	-	31,109	31,109	-	-	-	-
Total other financing sources (uses)	99,600	99,600	130,707	31,107	(99,600)	(99,600)	(99,598)	2
Revenues over (under) expenditures and other uses	(336,405)	(408,905)	179,309	588,214	(163,000)	(163,000)	7,342	170,342
Fund balance appropriated	336,405	408,905	-	(408,905)	163,000	163,000	-	(163,000)
Net change in fund balance	\$ -	\$ -	179,309	\$ 179,309	\$ -	\$ -	7,342	\$ 7,342
Fund balances, beginning			3,303,273				599,616	
Fund balances, ending			\$ 3,482,582				\$ 606,958	

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

Town of Murphy, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 759,811	\$ 1,976,277	\$ 2,736,088
Restricted cash and cash equivalents	33,800	113,018	146,818
Accounts receivable (net) - billed	9,688	155,752	165,440
Due from other governments	-	418,787	418,787
Prepaid items	6,426	2,498	8,924
Total current assets	<u>809,725</u>	<u>2,666,332</u>	<u>3,476,057</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	110,587	812,480	923,067
Other capital assets, net of depreciation	1,526,116	11,753,964	13,280,080
Total capital assets	<u>1,636,703</u>	<u>12,566,444</u>	<u>14,203,147</u>
Total noncurrent assets	<u>1,636,703</u>	<u>12,566,444</u>	<u>14,203,147</u>
Total assets	<u>2,446,428</u>	<u>15,232,776</u>	<u>17,679,204</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	-	93,387	93,387
Total deferred outflows of resources	<u>-</u>	<u>93,387</u>	<u>93,387</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	40,992	474,723	515,715
Tenant prepaid rents	3,131	-	3,131
Compensated absences - current	-	6,000	6,000
State revolving loans - current	-	63,439	63,439
Liabilities payable from restricted assets:			
Customer deposits	33,800	107,919	141,719
Total current liabilities	<u>77,923</u>	<u>652,081</u>	<u>730,004</u>
Noncurrent liabilities:			
Compensated absences	13,236	28,307	41,543
Net pension liability	-	156,482	156,482
State revolving loans - noncurrent	-	1,020,299	1,020,299
Total noncurrent liabilities	<u>13,236</u>	<u>1,205,088</u>	<u>1,218,324</u>
Total liabilities	<u>91,159</u>	<u>1,857,169</u>	<u>1,948,328</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	2,860	2,860
NET POSITION			
Net investment in capital assets	1,636,703	11,482,706	13,119,409
Unrestricted	718,566	1,983,428	2,701,994
Total net position	<u>\$ 2,355,269</u>	<u>\$ 13,466,134</u>	<u>\$ 15,821,403</u>

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

Town of Murphy, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 284,942	\$ 1,763,662	\$ 2,048,604
Water and sewer taps	-	29,153	29,153
Other operating revenues	4,758	110,849	115,607
Total operating revenues	<u>289,700</u>	<u>1,903,664</u>	<u>2,193,364</u>
OPERATING EXPENSES			
Operating expenses	259,215	1,539,578	1,798,793
Maintenance and tenant services	321,762	186,795	508,557
Depreciation	152,444	727,838	880,282
Total operating expenses	<u>733,421</u>	<u>2,454,211</u>	<u>3,187,632</u>
Operating income (loss)	<u>(443,721)</u>	<u>(550,547)</u>	<u>(994,268)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	9,156	2,044	11,200
Non-capital grants	-	34,658	34,658
Sale of supplies	-	16,520	16,520
Total nonoperating revenue (expenses)	<u>9,156</u>	<u>53,222</u>	<u>62,378</u>
Income (loss) before contributions and transfers	(434,565)	(497,325)	(931,890)
Capital contributions	395,469	551,351	946,820
Gain on insurance recovery	-	14,335	14,335
Change in net position	(39,096)	68,361	29,265
Total net position, beginning	<u>2,394,365</u>	<u>13,397,773</u>	<u>15,792,138</u>
Total net position, ending	<u>\$ 2,355,269</u>	<u>\$ 13,466,134</u>	<u>\$ 15,821,403</u>

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

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

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 276,305	\$ 1,794,123	\$ 2,070,428
Cash paid for goods and services	(386,689)	(993,762)	(1,380,451)
Cash paid to or on behalf of employees for services	(188,113)	(652,409)	(840,522)
Customer deposits received	2,245	1,739	3,984
Other operating revenues	4,758	110,849	115,607
Net cash provided (used) by operating activities	<u>(291,494)</u>	<u>260,540</u>	<u>(30,954)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Non-capital grants	-	34,658	34,658
Total cash flows from noncapital financing activities	<u>-</u>	<u>34,658</u>	<u>34,658</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(17,805)	(1,516,458)	(1,534,263)
Proceeds from capital debt	-	754,538	754,538
Principal paid on bond maturities and equipment contracts	-	(32,920)	(32,920)
Capital contributions	395,469	551,351	946,820
Insurance recovery	-	14,335	14,335
Proceeds from sale of supplies	-	16,520	16,520
Due to (from) other governments	-	(9,353)	(9,353)
Net cash provided (used) by capital and related financing activities	<u>377,664</u>	<u>(221,987)</u>	<u>155,677</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>9,156</u>	<u>2,044</u>	<u>11,200</u>
Net increase (decrease) in cash and cash equivalents	95,326	75,255	170,581
Cash and cash equivalents at beginning of year	<u>698,285</u>	<u>2,014,040</u>	<u>2,712,325</u>
Cash and cash equivalents at end of year	<u>\$ 793,611</u>	<u>\$ 2,089,295</u>	<u>\$ 2,882,906</u>

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

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

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (443,721)	\$ (550,547)	\$ (994,268)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	152,444	727,838	880,282
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(8,637)	1,308	(7,329)
(Increase) decrease in prepaid items	174	(2,498)	(2,324)
(Increase) decrease in deferred outflows of resources - pensions	-	13,626	13,626
(Increase) decrease in due from other governments	-	(8,854)	(8,854)
Increase (decrease) in accounts payable and accrued liabilities	795	46,775	47,570
Increase (decrease) in customer deposits	2,245	1,739	3,984
Increase (decrease) in accrued vacation pay	5,206	10,614	15,820
Increase (decrease) in net pension liability	-	20,120	20,120
Increase (decrease) in deferred outflows of resources for pensions	-	419	419
Total adjustments	152,227	811,087	963,314
Net cash provided by operating activities	\$ (291,494)	\$ 260,540	\$ (30,954)

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

Town of Murphy, North Carolina
Notes to the Financial Statements
June 30, 2020

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Town of Murphy, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Murphy and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Town of Murphy ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town of Murphy and Cherokee County. The ABC Board, which has a June 30 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 Murphy ABC Board, Highway 64, Murphy, NC 28906.

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 Town. 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 Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods 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 Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts 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 sanitation services.

Rural Fire District Special Revenue Fund. This fund accounts for the ad valorem tax levies of the fire districts in Cherokee County.

Piney Knob Trail System Capital Projects Fund. This fund is used to account for the construction of six additional miles of recreation trails.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's Water and Sewer operations. The Capital Project Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for these funds have been included in the supplemental information.

Housing Authority Fund. This fund is used to account for the Town's Housing Authority operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified 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. Nonexchange transactions, in which the Town 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the 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 nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Murphy because the tax is levied by Cherokee County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Rural Fire Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital and Grant Project Funds, which are presented with the Projects and lapse at the end of each respective project. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year fund. All amendments must be approved by the governing board. During the year, several immaterial 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 that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity1. Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State Law [G.S. 159-31]. The Town 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 Town 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 Town 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).

2. Cash and Cash Equivalents

The Town 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 a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Cash restricted for special purposes has been segregated from cash available for general operations. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Firemen's local relief funds are also classified as restricted cash because they can be expended only for the purposes for the relief of firefighters and county fire marshals who are members of this Association, and who may be injured or rendered sick by disease contracted in the actual discharge of duty as firefighters or county fire marshals, and for the relief of surviving spouses, children, and if there be no surviving spouse or children, then dependent mothers of the firefighters and county fire marshals killed or dying from disease so contracted in the discharge of duty per G.S. 58-85-1. Public Safety Capital Reserve funds held in the General Fund are classified as restricted assets because their use is restricted for the future purchase of a mini-pumper.

Town of Murphy Restricted Cash

Governmental Activities			
General Fund	Powell Bill Funds	\$	92,231
	Firemen's Local Relief Funds		155,794
	Public Safety Capital Reserve		129,000
Total Governmental Activities		\$	<u>377,025</u>
Business-type Activities			
Water and Sewer Fund	Customer deposits	\$	113,018
	Murphy Housing Authority		33,800
Total Business-type Activities		\$	<u>146,818</u>
Total Restricted Cash		\$	<u><u>523,843</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

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 are as follows: land, \$10,000; buildings, improvements, and plants and distribution systems, \$15,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; computer software, \$5,000; and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and system	20 - 50
Equipment and furniture	5 - 40
Vehicles and motorized equipment	5 - 25
Computer equipment	3
Computer software	5
Plants and distribution systems	10 - 30
Other improvements	10 - 50

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	33
Equipment and furniture	3-10
Land improvements	3-33

8. Unearned Revenue

The Town reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the Town and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to twenty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town 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 Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. 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, or laws or regulations of other governments or imposed by law through state statute. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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 the fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State statute - 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. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for fire safety and for the purpose of caring for firemen who are hurt in the line of duty or their dependents.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Murphy's Town Council. The Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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 commissioners approve the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

The Town of Murphy has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

13. Defined Benefit Cost-Sharing Plans

For 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 (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Murphy's employer contributions are recognized when due and the Town of Murphy has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LERS. Investments are reported at fair value.

14. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None Noted

2. Contractual Violations

None Noted

B. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year's Budget Ordinance

None Noted

C. Excess of Expenditures over Appropriations

None Noted

III. Detail Notes on All Funds**A. Assets****1. Deposits**

All the deposits of the Town and the 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 Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names.

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 Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$6,985,012 and a bank balance of \$7,062,382. Of the bank balance, \$1,250,000 was covered by a federal depository insurance and the remainder was covered by a collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$300.

At June 30, 2020, the ABC Board's deposits had a carrying amount of \$820,985 and a bank balance of \$802,632. Of the bank balance, \$250,000 was covered by federal depository insurance and \$552,632 was covered by collateral held by authorized agents in the name of the State Treasurer. At June 30, 2019, the ABC Boards petty cash fund totaled \$200, and there was \$2,300 available for use in the cash registers.

2. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:		
Taxes receivable	\$	28,100
Total General Fund		28,100
Enterprise Funds:		
Water and Sewer Fund - accounts receivable		5,598
Housing Authority Fund - accounts receivable		4,012
Total Enterprise Funds		9,610
Total	\$	37,710

3. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Government Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 101,210	\$ 50,610	\$ 151,820	\$ -
Total capital assets not being depreciated	101,210	50,610	151,820	-

Capital assets being depreciated:

Buildings and system	2,807,725	51,820	-	2,859,545
Other improvements	1,192,481	132,868	-	1,325,349
Equipment and furniture	106,906	80,624	-	187,530
Vehicles and motorized equipment	2,229,824	60,330	-	2,290,154
Computer software	13,524	-	-	13,524
Computer equipment	6,287	10,062	-	16,349
Total capital assets being depreciated	6,356,747	335,704	-	6,692,451

Less accumulated depreciation for:

Buildings and system	815,889	63,924	-	879,813
Other improvements	530,785	59,743	-	590,528
Equipment and furniture	83,452	16,537	-	99,989
Vehicles and motorized equipment	1,890,733	74,754	-	1,965,487
Computer software	7,664	2,705	-	10,369
Computer equipment	5,937	2,026	-	7,963
Total accumulated depreciation	3,334,460	219,689	-	3,554,149
Total capital assets being depreciated, net	3,022,287			3,138,302
Governmental activity capital assets, net	\$ 3,123,497			\$ 3,138,302

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

General government	\$ 7,073
Public safety	130,679
Transportation	57,259
Economic and physical development	5,005
Environmental protection	3,396
Cultural and recreational	16,277
Total depreciation expense	\$ 219,689

Business-type activities:*Water and Sewer Fund*

Capital assets not being depreciated:

Construction in progress	\$ 1,452,661	\$ 1,305,889	\$ 1,946,070	\$ 812,480
Total capital assets not being depreciated	1,452,661	1,305,889	1,946,070	812,480

Capital assets being depreciated:

Plants and distribution systems	19,534,700	2,005,365	-	21,540,065
Equipment and furniture	625,830	131,630	-	757,460
Vehicles and motorized equipment	104,024	28,997	-	133,021
Total capital assets being depreciated	20,264,554	2,165,992	-	22,430,546

Less accumulated depreciation for:

Plants and distribution systems	9,458,322	659,421	-	10,117,743
Equipment and furniture	397,969	60,600	-	458,569
Vehicles and motorized equipment	92,453	7,817	-	100,270
Total accumulated depreciation	9,948,744	727,838	-	10,676,582
Total capital assets being depreciated, net	10,315,810			11,753,964
Water and Sewer fund capital assets, net	\$ 11,768,471			\$ 12,566,444

Housing Authority Fund

Capital assets not being depreciated:

Land	\$ 110,587	\$ -	\$ -	\$ 110,587
Total capital assets not being depreciated	110,587	-	-	110,587

Capital assets being depreciated:

Buildings and system	6,225,295	-	-	6,225,295
Equipment and furniture	162,263	17,805	43,819	136,249
Vehicles and motorized equipment	25,718	-	-	25,718
Total capital assets being depreciated	6,413,276	17,805	43,819	6,387,262

Less accumulated depreciation for:

Buildings and system	4,582,506	148,217	-	4,730,723
Equipment and furniture	144,297	4,227	43,819	104,705
Vehicles and motorized equipment	25,718	-	-	25,718
Total accumulated depreciation	4,752,521	152,444	43,819	4,861,146
Total capital assets being depreciated	1,660,755			1,526,116
Housing fund capital assets, net	1,771,342			1,636,703
Business-type activities capital assets, net	\$ 13,539,813			\$ 14,203,147

Construction commitments

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

Project	Spent-to-date	Remaining Commitment
Hiwassee River Sewer Repair Project	\$ 812,480	\$ 281,770
Total	\$ 812,480	\$ 281,770

Discretely presented component unit

Capital asset activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances, as restated	Increases	Decreases	Ending Balances
ABC Board				
Capital assets not being depreciated:				
Land	\$ 45,287	\$ -	\$ -	\$ 45,287
Total capital assets not being depreciated	45,287	-	-	45,287
Capital assets being depreciated:				
Buildings and improvements	416,921	6,687	-	423,608
Other improvements	53,245	-	-	53,245
Furniture and equipment	123,731	-	-	123,731
Total capital assets being depreciated	593,897	6,687	-	600,584
Less accumulated depreciation for:				
Buildings and improvements	157,663	10,389	-	168,052
Other improvements	43,390	825	-	44,215
Furniture and maintenance equipment	106,932	5,177	-	112,109
Total accumulated depreciation	307,985	16,391	-	324,376
Total capital assets being depreciated	285,912			276,208
ABC Board capital assets, net	\$ 331,199			\$ 321,495

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 19,047	\$ 910	\$ 19,957
Other governmental	819	-	819
Total governmental activities	<u>\$ 19,866</u>	<u>\$ 910</u>	<u>\$ 20,776</u>
Business-type activities:			
Housing authority	\$ 31,589	\$ 9,403	\$ 40,992
Water and sewer	474,285	438	474,723
Total business-type activities	<u>\$ 505,874</u>	<u>\$ 9,841</u>	<u>\$ 515,715</u>

2. Unearned Revenue

Unearned revenue at the government-wide level at June 30, 2020, was as follows:

	Tenant Prepaid Rents	Local Grants and Contributions	Total
Governmental activities:			
General	\$ -	\$ 26,538	\$ 26,538
Total governmental activities	<u>\$ -</u>	<u>\$ 26,538</u>	<u>\$ 26,538</u>
Business-type activities:			
Housing authority	\$ 3,131	\$ -	\$ 3,131
Total business-type activities	<u>\$ 3,131</u>	<u>\$ -</u>	<u>\$ 3,131</u>

3. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Murphy employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Murphy's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 Town of Murphy were \$119,553 for the year ended June 30, 2020.

Refunds of Contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2020, the Town reported a liability of \$521,606 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.019% (measured as of June 30, 2019), which was an decrease of 0.019% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$233,440. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,312	\$ -
Changes in assumptions	85,013	-
Net difference between projected and actual earnings on pension plan investments	12,722	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,687	9,533
Town contributions subsequent to the measurement date	119,553	-
Total	<u>\$ 311,287</u>	<u>\$ 9,533</u>

\$119,553 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 93,155
2022	28,074
2023	47,821
2024	13,151
2025	-
Thereafter	-

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

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,193,009	\$ 521,606	\$ (36,465)

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description.*

The Town of Murphy administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total	<u>9</u>

2. *Summary of Significant Accounting Policies.*

Basis of Accounting. The Town 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 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 criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions.*

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality Rates

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town did not pay any benefits for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$194,495. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$17,448.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,308	\$ 17,436
Changes in assumptions	18,741	11,859
Net difference between projected and actual earnings on pension plan investments	-	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 21,049</u>	<u>\$ 29,295</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ (1,101)
2022	(1,101)
2023	(1,101)
2024	(758)
2025	(1,125)
Thereafter	(3,060)

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

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 221,480	\$ 194,495	\$ 170,369

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

Total pension liability as of December 31, 2018	\$ 180,144
Changes for the year:	
Service cost	11,992
Interest on the total pension liability	6,557
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(13,693)
Changes of assumptions or other inputs	9,495
Benefit payments	-
Other changes	-
Net changes	14,351
Total pension liability as of December 31, 2019	\$ 194,495

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.64% to 3.26% due to a change in the Municipal Bond Rate.

Changes in Benefit Terms. There were no changes in benefit terms since the prior Measurement Date.

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

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

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

The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	Total
Pension Expense	\$ 233,440	\$ 17,448	\$ 250,888
Pension Liability	521,606	194,495	716,101
Proportionate share of the net pension liability	0.01916%	n/a	

At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	89,312	2,308	91,620
Changes of assumptions	85,013	18,741	103,754
Net difference between projected and actual earnings on pension plan investments	12,722	-	12,722
Changes in proportion and differences between contributions and proportionate share of contributions	4,687	-	4,687
Benefit payments and administrative costs paid subsequent to the measurement date	119,553	-	119,553

Deferred Inflows of Resources

Differences between expected and actual experience	-	17,436	17,436
Changes of assumptions	-	11,859	11,859
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,533	-	9,533
Benefit payments and administrative costs paid subsequent to the measurement date	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The Town made contributions of \$21,234 for the reporting year. No amounts were forfeited.

3. Other Employment Benefits

The Town has 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 months 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. All death benefit payments are made from the Death Benefit Plan. The Town 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. The Town considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 119,553
Differences between expected and actual experience	91,620
Changes of assumptions	103,754
Net difference between projected and actual	12,722
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,687
Total	\$ 332,336

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

Source	Amount
Prepaid taxes (General Fund)	\$ 10,684
Taxes receivable (General Fund), less penalties	84,300
Differences between expected and actual experience	17,436
Changes of assumptions	11,859
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,533
Total	<u>\$ 133,812</u>

5. Risk Management

The Town 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 Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains the following types of major coverage for the amounts of retained risk noted: general liability coverage of \$2 million per occurrence, auto liability coverage of \$1 million, property coverage of \$23,875,416, workers' compensation coverage up to statutory limits, and employee benefit liability of \$1 million. Specific information on the limits of these policies purchased by the Board of Trustees can be obtained by contacting 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 Town upon request.

The Town of Murphy 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 Town carries Flood Insurance with the following coverage: \$5,000,000 limit per single occurrence, \$5,000,000 annual aggregate limit, with a \$50,000 deductible per occurrence.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$110,000 and the tax collector is individually bonded for \$20,000.

The Fire Department has insurance coverage through the Volunteer Firemen's Insurance Services, Inc. The Fire Department carries general liability coverage of \$1 million per occurrence, auto liability coverage of \$1 million, real property coverage of \$3,041,963, and personal property coverage of \$166,506.

The Murphy Housing Authority 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 Authority participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Authority has worker's compensation coverage up to statutory limits, general liability coverage of \$5 million per occurrence and \$5 million annual aggregate, property coverage \$6,500,196, auto liability coverage of \$5 million for each occurrence, and public officials' legal liability of \$5 million for each loss and annual aggregate. All housing authority employees are covered under a public employee dishonesty bond of \$300,000. Bond premiums are calculated on a limit of \$125,000, the bond limit amount required by the United States Department of Housing and Urban Development (HUD).

The Town of Murphy ABC Board 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 ABC Board has commercial property, general liability, workmen's compensation, and employee health coverage. The ABC Board also has liquor legal liability. The ABC Store does not carry Flood Insurance. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

6. Long-term Obligationsa. Capital Lease

The Town has entered into an agreement to lease street lights from the Town of Murphy Electric Power Board. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The lease agreement was executed on December 9, 2008 to lease exterior street lights and required a \$60,000 down payment and 180 monthly payments of \$1,317. In addition, the monthly kwh charges must be paid. Title passes to the Town at the end of the lease term.

The following is an analysis of the assets recorded under capital leases June 30, 2020:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Other improvements - Street lights	\$ 206,639	\$ 158,423	\$ 48,216

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

Year Ending June 30	
2021	\$ 15,807
2022	15,807
2023	15,807
2024	7,905
Total minimum lease payments	55,326
Less: amount representing interest	6,453
Present value of the minimum lease payments	\$ 48,873

b. Installment PurchaseServiced by the General Fund:

In January 2007, the Town entered into a \$1,900,000 direct placement contract with the United States Department of Agriculture Rural Development for a new Fire Station. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires forty annual payments of \$99,598 beginning January 18, 2008, and includes interest at 4.25%.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$1,107,199 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 32,378	\$ 67,220
2022	33,754	65,844
2023	35,189	64,409
2024	36,684	62,914
2025	38,244	61,354
2026 - 2030	217,024	280,966
2031 - 2035	267,232	230,758
2036 - 2040	329,056	168,934
2041 - 2045	405,181	92,809
2046 - 2050	186,898	11,991
Total	\$ 1,581,640	\$ 1,107,199

Serviced by the Water and Sewer Fund:

In March 2010, the Town entered into a \$332,683 State Revolving Fund loan from direct borrowings for the Cherokee Hills and Murphy Medical Center Pump Station Upgrade project and is secured by the net revenues for the water and sewer system. The loan requires twenty annual payments of \$16,539, beginning May 1, 2012, with interest at 0% per annum on the unpaid principal. The loan contains provisions that an event of default could have further commitment of funds withdrawn.	\$ 165,388
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In November 2010, the Town entered into a \$329,162 State Revolving Fund loan from direct borrowings for the Radio Read Meter Improvements project and is secured by the net revenues for the water and sewer system. The loan requires twenty annual payments of \$16,381, beginning May 1, 2012, with interest at 0% per annum on the unpaid principal. The loan contains provisions that an event of default could have further commitment of funds withdrawn.	163,812
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<p>The Town entered into a direct placement borrowing agreement with the State of North Carolina Department of Environmental Quality and is paid from the State Reserve Loan Fund under the requirements of the NC Connect Bonds. The total amount owed under the agreement will be \$794,250. The loan's use is restricted by the intent of the Water Pollution Control Revolving Fund for the Hiwassee River Sewer Repair Project and is secured by the net revenues of the water and sewer system. The loan requires twenty annual principal payments of \$39,713 and are due on May 1 of each year. The loan also requires semi-annual interest payments at a rate of 1.31% per annum on the unpaid principal balance which are due on May 1 and November 1 of each year. The loan contains provisions that an event of default could cause the note to be repaid or further commitment of funds to be withdrawn. As of June 30, 2020, the Town owed \$754,538 under the agreement.</p>	754,538
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\$ 1,083,738

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 63,439	\$ 6,594
2022	63,439	7,596
2023	63,439	7,196
2024	63,439	6,797
2025	63,439	6,396
2026 - 2030	317,193	25,987
2031 - 2035	152,593	15,992
Thereafter	296,757	11,994
Total	<u>\$ 1,083,738</u>	<u>\$ 88,552</u>

d. Long-Term Obligation Activity:

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement installment purchase	\$ 1,612,698	\$ -	\$ 31,058	\$ 1,581,640	\$ 32,378
Capitalized lease	60,756	-	11,883	48,873	12,753
Compensated absences	58,487	24,345	14,821	68,011	15,000
Net pension liability (LGRS)	318,179	46,945	-	365,124	-
Total pension liability (LEO)	180,144	14,351	-	194,495	-
Total governmental activities	\$ 2,230,264	\$ 85,641	\$ 57,762	\$ 2,258,143	\$ 60,131

Business-type activities:

Water and Sewer Fund

Direct borrowing State revolving loans	\$ 362,120	\$ 754,538	\$ 32,920	\$ 1,083,738	\$ 63,439
Compensated absences	23,693	16,584	5,970	34,307	6,000
Net pension liability (LGERS)	136,362	20,120	-	156,482	-
Total Water and Sewer Fund	522,175	791,242	38,890	1,274,527	69,439

Housing Authority Fund

Compensated absences	8,030	5,441	235	13,236	-
Total Housing Authority Fund	8,030	5,441	235	13,236	-
Total business-type activities	\$ 530,205	\$ 796,683	\$ 39,125	\$ 1,287,763	\$ 69,439

No interest was capitalized during 2020; interest incurred and charged to expense totaled \$72,464.

C. Interfund Balances and Activity

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

Due to General Fund for temporary coverage of grant eligible expenditures yet to be reimbursed by the grant agency.

Piney Knob Trail System	\$ 16,576
Total	\$ 16,576

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 June 30, 2020, consist of the following:

From the Rural Fire District to the General Fund for the debt service payments for the USDA Loan.	\$ 99,598
Total	\$ 99,598

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 provided by matching funds for various grant programs.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 3,138,302	\$ 14,203,147
Less: long-term debt	1,630,513	1,083,738
Net investment in capital assets	\$ 1,507,789	\$ 13,119,409

E. 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	\$ 3,482,582
Less:	
Stabilization by State Statute	45,134
Streets - Powell Bill	92,231
Public Safety - Firemen's Relief	155,794
Appropriated Fund Balance in 2020 Budget	360,215
Working Capital/Fund Balance Policy	246,126
Remaining Fund Balance	2,583,082

The Town of Murphy has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

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

Encumbrances	General Fund	Non-Major Funds
\$	-	\$

IV. Joint Ventures

Nantahala Regional Library

The Town also participates in a joint venture to operate the Nantahala Regional Library with five other local governments. Each participating county may appoint three board members to the nine member board of the Library. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2020. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$189,983 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 11 Blumenthal Avenue, Murphy, North Carolina 28906.

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2020, the Town reported revenues of \$12,678 and expenditures of \$8,853 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

The board of trustees of a local Firefighters' Relief Fund may, with the authorization of and under guidelines provided by the North Carolina State Firemen's Association, dedicate a portion of the local Firefighters' Relief Fund towards providing supplemental retirement. If such dedicated amounts are used solely for supplemental retirement within the guidelines provided by the North Carolina State Firemen's Association, then such dedicated amounts shall not count towards the maximum allowable balance. On June 5, 2015 the NCSFA approved a request from the Murphy Fire Department for the establishment of a Supplemental Retirement Program (SRP) within the department's relief fund in the amount of \$50,000. The program will be administered by the Town of Murphy Fire Department and will supplement personnel who meet the following criteria: 20 years of service with the Murphy Fire Department, be eligible for the NC State Firemen's Pension, and have retired from the department. At June 30, 2020, the approved Supplemental Retirement Reserve amount was \$90,000.

V. Related Organization

The three-member board of the Town of Murphy Power Board is appointed by the Town of Murphy. The Town is accountable for the Town of Murphy Power Board because it appoints the governing board; however, the Town of Murphy is also disclosed as a related organization in the notes to the financial statements for the Town of Murphy Power Board.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VII. New Accounting Pronouncements***Pronouncements effective for the 2020 Financial Statements:***

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Pronouncements issued, but not yet effective, which will be adopted by the Town in future years. As of the date of this report, the Town has not determined the financial impact of implementing the following Statements:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date of this Statement has been postponed for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2019.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are effective as follows:

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

VIII. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2020 and December 1, 2020, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2020.

1. In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact Town revenues. At the current time, the Town is unable to quantify the potential effects of this pandemic.
2. Subsequent to year end, the Town negotiated a \$95,000, one-year fire protection agreement with the Eastern Band of Cherokee Indians to provide fire services for the Harrah's Cherokee Valley River Casino & Hotel.
3. On July 6, 2020, the Town Council drafted a resolution to formally ask the state legislature to create a Town of Murphy Tourism Development Authority (TDA). The intent of the TDA is to support beautification, recreation, and other special projects.
4. On August 17, 2020, the Town entered into a lease agreement for the purchase of a 2007 Vactor sewer truck in the amount of \$163,726. The lease will require five annual payments of \$37,460, including interest at 4.73%. The first payment will be due August 1, 2021.
5. On September 30, 2020, The Town of Murphy received \$149,322 of funding from the Coronavirus Relief Fund (21.019) from Cherokee County in September 2020. The Town has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- * Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- * Schedule of Contributions to Local Government Employees' Retirement System
- * Schedule of Changes in Total Pension Liability
- * Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Murphy, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Local Government Employees' Retirement System
Required Supplementary Information
Last Seven Fiscal Years*
Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Murphy's proportion of the net pension liability (asset) (%)	0.01910%	0.01916%	0.02005%	0.01866%	0.01823%	0.01795%	0.01570%
Town of Murphy's proportion of the net pension liability (asset) (\$)	\$ 521,606	\$ 454,541	\$ 306,308	\$ 396,028	\$ 81,815	\$ (105,859)	\$ 189,245
Town of Murphy's covered-employee payroll	\$ 1,197,544	\$ 1,228,476	\$ 1,216,770	\$ 1,148,976	\$ 1,055,745	\$ 1,067,647	\$ 975,394
Town of Murphy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.56%	37.00%	25.17%	34.47%	7.75%	(9.92%)	19.40%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Murphy, North Carolina
Schedule of Contributions to Local Government Employees' Retirement System
Required Supplementary Information
Last Seven Fiscal Years
Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 119,553	\$ 95,676	\$ 94,663	\$ 92,545	\$ 79,919	\$ 74,438	\$ 76,059
Contributions in relation to the contractually required contribution	<u>119,553</u>	<u>95,676</u>	<u>94,663</u>	<u>92,545</u>	<u>79,919</u>	<u>74,438</u>	<u>76,059</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Murphy's covered-employee payroll	\$ 1,299,319	\$ 1,197,544	\$ 1,228,476	\$ 1,216,770	\$ 1,148,976	\$ 1,055,745	\$ 1,067,647
Contributions as a percentage of covered employee payroll	9.20%	7.99%	7.71%	7.61%	6.96%	7.05%	7.12%

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

	2020	2019	2018	2017
Beginning balance	\$ 180,144	\$ 180,164	\$ 141,619	\$ 130,989
Service Cost	11,992	14,133	12,129	11,515
Interest on the total pension liability	6,557	5,693	5,466	4,676
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(13,693)	(7,444)	3,775	-
Changes of assumptions or other inputs	9,495	(12,402)	17,175	(5,561)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 194,495</u>	<u>\$ 180,144</u>	<u>\$ 180,164</u>	<u>\$ 141,619</u>

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 194,495	\$ 180,144	\$ 180,164	\$ 141,619
Covered payroll	407,470	414,709	406,255	407,197
Total pension liability as a percentage of covered payroll	47.73%	43.44%	44.35%	34.78%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Town of Murphy, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes - current year		\$ 837,686	
Taxes - prior years		61,472	
Interest		9,672	
Vehicle taxes		48,168	
Total	\$ 901,000	956,998	\$ 55,998
Unrestricted intergovernmental:			
Local option sales taxes		561,549	
Payments in lieu of taxes-outside sources		178,678	
Utility sales tax		78,344	
Beer and wine tax		7,131	
ABC profit distribution		175,000	
Total	785,500	1,000,702	215,202
Restricted intergovernmental:			
Powell Bill allocation		55,088	
ABC revenue for law enforcement		12,000	
Firemen's relief fund		12,678	
Solid waste disposal tax		1,266	
EBCI revenue for fire protection		95,000	
Local grants and contributions		60,431	
Total	170,700	236,463	65,763
Permits and fees:			
Inspection fees		817	
Court costs and fees		666	
Total	300	1,483	1,183
Sales and services:			
Charges and fees		40,843	
Total	34,850	40,843	5,993
Investment earnings	-	21,755	21,755
Miscellaneous:			
Miscellaneous		49,039	
Total	60,400	49,039	(11,361)
Total revenues	1,952,750	2,307,283	354,533

Town of Murphy, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Administration:			
Salaries and employee benefits		263,162	
Other operating expenditures		204,810	
Capital outlay		13,178	
Total general government	515,510	481,150	34,360
Public safety:			
Police:			
Salaries and employee benefits		674,321	
Other operating expenditures		149,270	
Capital outlay		72,292	
Total	931,400	895,883	35,517
Fire:			
Salaries and employee benefits		49,423	
Other operating expenditures		74,677	
Total	183,945	124,100	59,845
Total public safety	1,115,345	1,019,983	95,362
Transportation:			
Streets and highways:			
Salaries and employee benefits		15,144	
Other operating expenditures		143,164	
Capital outlay		59,215	
Total	228,500	217,523	10,977
Total transportation	228,500	217,523	10,977
Environmental protection:			
Sanitation:			
Salaries and employee benefits		105,248	
Other operating expenditures		44,786	
Capital outlay		12,868	
Total	183,400	162,902	20,498
Cemetery maintenance:			
Other operating expenditures		18,800	
Total	25,000	18,800	6,200
Total environmental protection	208,400	181,702	26,698

Town of Murphy, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Cultural and recreation:			
Parks and recreation:			
Other operating expenditures		20,595	
Capital outlay		32,340	
Total	62,600	52,935	9,665
Libraries:			
Salaries and employee benefits		145,470	
Other operating expenditures		36,790	
Capital outlay		7,723	
Total	215,400	189,983	25,417
Total cultural and recreation	278,000	242,918	35,082
Debt service:			
Principal retirement	42,960	42,941	19
Interest and other charges	72,540	72,464	76
Total debt service	115,500	115,405	95
Contingency	-	-	-
Total expenditures	2,461,255	2,258,681	202,574
Revenues over (under) expenditures	(508,505)	48,602	557,107
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Rural Fire District Fund	99,600	99,598	(2)
Insurance Recovery	-	31,109	31,109
Total	99,600	130,707	31,107
Revenues over (under) expenditures and other uses	(408,905)	179,309	588,214
Fund balance appropriated	408,905	-	408,905
Net change in fund balance	\$ -	179,309	\$ 997,119
Fund balances, beginning		3,303,273	
Fund balances, ending		\$ 3,482,582	

Major Funds

Special Revenue Funds:

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Rural Fire District Fund - This fund accounts for the ad valorem tax levies of the fire districts in Cherokee County.

Capital Project Funds:

Capital Project Funds are used to track the financial resources used to acquire and/or construct a major capital asset.

Piney Knob Trail System - This fund is used to account for the construction of six additional miles of recreation trails. The project is funded by the North Carolina Department of Natural and Cultural Resources through the Recreational Trails Program.

Town of Murphy, North Carolina
Special Revenue Fund - Rural Fire District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budget Final	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes		\$ 316,597	
Investment earnings		2,243	
Miscellaneous		345	
Total revenues	<u>\$ 317,000</u>	<u>319,185</u>	<u>\$ 2,185</u>
EXPENDITURES			
Current:			
Public safety:			
Salaries and employee benefits		109,594	
Other operating expenditures		95,482	
Capital outlay		7,169	
Total expenditures	<u>380,400</u>	<u>212,245</u>	<u>168,155</u>
Revenues over (under) expenditures	<u>(63,400)</u>	<u>106,940</u>	<u>170,340</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds:			
General Fund	<u>(99,600)</u>	<u>(99,598)</u>	<u>2</u>
Total other financing sources (uses)	<u>(99,600)</u>	<u>(99,598)</u>	<u>2</u>
Fund balance appropriated	<u>163,000</u>	-	<u>(163,000)</u>
Net change in fund balance	<u>\$ -</u>	7,342	<u>\$ 7,342</u>
Fund balances, beginning		599,616	
Fund balances, ending		<u>\$ 606,958</u>	

Town of Murphy, North Carolina
Capital Project Fund - Piney Knob Trail System
Schedule of Revenues and Expenditures - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

		Actual			
	Project	Prior	Current	Total	Variance
	Authorization	Years	Year	to	Positive
				Date	(Negative)
REVENUES					
Restricted intergovernmental:					
NC Department of Natural and Cultural Resources	\$ 100,000	\$ 62,568	\$ 37,432	\$ 100,000	\$ -
Total revenues	100,000	62,568	37,432	100,000	-
EXPENDITURES					
Economic and physical development:					
NC Department of Natural and Cultural Resources					
Phase 2 Piney Knob Bike Trail	100,000	62,568	37,432	100,000	-
Total expenditures	100,000	62,568	37,432	100,000	-
Revenues over (under) expenditures	-	-	-	-	-

Proprietary Funds

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund.

Housing Authority Fund - This fund is used to account for the Town's Housing Authority operations.

Water and Sewer Fund - This fund is used to account for the Town's Water and Sewer operations.

Town of Murphy, North Carolina
Housing Authority Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Charges for services			
Dwelling rental		\$ 273,414	
Excess utilities		11,528	
Other operating revenues		4,758	
Total operating revenues	\$ 239,490	289,700	\$ 50,210
NONOPERATING REVENUES			
Investment earnings		9,156	
HUD operating subsidy		227,846	
HUD contributions		167,623	
Total nonoperating revenues	375,995	404,625	28,630
Total revenues	615,485	694,325	78,840
OPERATING EXPENSES			
Administration:			
Salaries and related expenses		188,113	
Payment in lieu of taxes		12,474	
Travel and continuing education		6,104	
Legal and accounting		7,300	
Supplies and other		17,489	
Insurance		17,231	
Collection losses		5,298	
Total administration	259,115	254,009	5,106
Maintenance and tenant services:			
Salaries and related expenses		95,433	
Materials		23,171	
Contract costs, training and other		58,320	
Utilities		144,838	
Total maintenance and tenant services	338,470	321,762	16,708
Capital outlay:			
Capital outlay		17,805	
Total capital outlay	17,900	17,805	95
Total expenditures	615,485	593,576	21,909
Revenues over expenditures	-	100,749	100,749
OTHER FINANCING SOURCES (USES)			
Insurance recovery	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	\$ 100,749	\$ 100,749
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 100,749	
Reconciling items:			
Capital outlay		17,805	
Decrease in accrued vacation pay		(5,206)	
Depreciation		(152,444)	
Total reconciling items		(139,845)	
Change in net position		\$ (39,096)	

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

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Water and sewer charges		\$ 1,763,662	
Water and sewer taps		29,153	
Other operating revenues		110,849	
Total operating revenues	<u>\$ 1,972,640</u>	<u>1,903,664</u>	<u>\$ (68,976)</u>
NONOPERATING REVENUES			
Interest earnings		2,044	
Non-capital grants		34,658	
Sale of Supplies		16,520	
Total nonoperating revenues	<u>48,300</u>	<u>53,222</u>	<u>4,922</u>
Total revenues	<u>2,020,940</u>	<u>1,956,886</u>	<u>(64,054)</u>
OPERATING EXPENSES			
Water filter plant			
Salaries and employee benefits		170,425	
Other operating expenditures		122,545	
Capital outlay		7,269	
Travel		5,498	
Supplies		111,767	
Insurance		5,463	
Contracted services		2,012	
Maintenance		39,406	
Total water filter plant	<u>479,440</u>	<u>464,385</u>	<u>15,055</u>
Water utility maintenance			
Salaries and employee benefits		349,101	
Other operating expenditures		82,905	
Capital outlay		171,564	
Travel		6,439	
Supplies		125,139	
Insurance		6,043	
Contracted services		60,574	
Maintenance		115,514	
Debt service:			
Principal retirement		32,920	
Total water utility	<u>979,750</u>	<u>950,199</u>	<u>29,551</u>
Wastewater plant			
Salaries and employee benefits		132,884	
Other operating expenditures		224,291	
Capital outlay		41,089	
Travel		2,368	
Supplies		65,652	
Insurance		5,466	
Contracted services		16,228	
Maintenance		31,875	
Total wastewater	<u>561,750</u>	<u>519,853</u>	<u>41,897</u>
Total expenditures	<u>2,020,940</u>	<u>1,934,437</u>	<u>86,503</u>
Revenues over expenditures	<u>-</u>	<u>22,449</u>	<u>22,449</u>

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

	Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Insurance recovery	-	14,335	14,335
Total other financing sources (uses)	-	14,335	14,335
Revenues and other sources over expenditures and other uses	\$ -	\$ 36,784	\$ 36,784

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

Revenues and other sources over expenditures and other uses	\$ 36,784
Reconciling items:	
Principal retirement	32,920
Capital outlay	219,922
Increase in deferred outflows of resources - pensions	(13,626)
Increase in net pension liability	(20,120)
Decrease (Increase) in accrued vacation pay	10,614
Decrease in deferred inflows of resources - pensions	(419)
Depreciation	(727,838)
Capital contributions	551,351
Total reconciling items	52,804
Change in net position	\$ 89,588

Water and Sewer Capital Project Funds

Regal Street Area Water and Sewer Improvement Project - This fund is used to account for the improvements to the Regal Street Area Water and Sewer System. The project is 100% funded by the North Carolina Department of Environmental Quality Community Development Block Grant Program.

Hiwassee River Sewer Repair Project - This fund is used to account for the repairs to the Hiwassee River Sewer System. The project is funded by the North Carolina Department of Environmental Quality - Water Pollution Control Revolving Fund and the United States Department of Agriculture - Appalachian Regional Commission Grant Program.

Town of Murphy, North Carolina
Water and Sewer Capital Project Fund - Regal Street Area Water and Sewer Improvement Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Community Development Block Grant	\$ 2,000,000	\$ 1,452,661	\$ 493,409	\$ 1,946,070	\$ (53,930)
Total revenues	<u>2,000,000</u>	<u>1,452,661</u>	<u>493,409</u>	<u>1,946,070</u>	<u>(53,930)</u>
EXPENDITURES					
Public sewer improvements	1,058,940	632,030	378,450	1,010,480	48,460
Public water improvements	741,060	632,031	109,029	741,060	-
Administration	<u>200,000</u>	<u>188,600</u>	<u>5,930</u>	<u>194,530</u>	<u>5,470</u>
Total expenditures	<u>2,000,000</u>	<u>1,452,661</u>	<u>493,409</u>	<u>1,946,070</u>	<u>53,930</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Murphy, North Carolina
Water and Sewer Capital Project Fund - Hiwassee River Sewer Repair Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
United States Department of Agriculture:					
Appalachian Regional Commission	\$ 300,000	\$ -	\$ 57,942	\$ 57,942	\$ (242,058)
Total revenues	300,000	-	57,942	57,942	(242,058)
EXPENDITURES					
Administration and engineering	172,500	-	146,500	146,500	26,000
Sewer improvements	918,307	-	665,027	665,027	253,280
Contingency	3,443	-	953	953	2,490
Total expenditures	1,094,250	-	812,480	812,480	281,770
Revenues over (under) expenditures	\$ (794,250)	\$ -	\$ (754,538)	\$ (754,538)	\$ 39,712
OTHER FINANCING SOURCES (USES)					
Installment purchase obligations issued	794,250	-	754,538	754,538	(39,712)
Total other financing sources (uses)	794,250	-	754,538	754,538	(39,712)
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

This section contains additional information required on property taxes and statements of modernization costs.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy - Town - Wide Levy
- Statement of Modernization Cost - Completed (Non-GAAP) - CFP 2018

Town of Murphy, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 944,395	\$ 882,585	\$ 61,810
2018-2019	68,664	-	42,561	26,103
2017-2018	18,964	-	9,337	9,627
2016-2017	5,664	-	614	5,050
2015-2016	7,743	-	4,327	3,416
2014-2015	4,659	-	2,273	2,386
2013-2014	2,746	-	1,404	1,342
2012-2013	1,886	-	997	889
2011-2012	2,985	-	1,493	1,492
2010-2011	2,021	-	1,736	285
2009-2010	541	-	541	-
	<u>\$ 115,873</u>	<u>\$ 944,395</u>	<u>\$ 947,868</u>	<u>\$ 112,400</u>
Less: allowance for uncollectible accounts				
General Fund				<u>(28,100)</u>
Ad valorem taxes receivable - net				<u>\$ 84,300</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 956,998
Reconciling items:				
Taxes written off				541
Less: interest collected				(9,672)
Other adjustments				<u>1</u>
Subtotal				<u>(9,130)</u>
Total collections and credits				<u>\$ 947,868</u>

Town of Murphy, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2020

				Total Levy	
	Town - Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current	\$ 225,695,238	0.420	\$ 947,920	\$ 899,216	\$ 48,704
Discoveries - current and prior years	260,476	0.420	1,094	1,094	-
Releases	(1,099,762)		(4,619)	(3,744)	(875)
Total property valuation	<u>\$ 224,855,952</u>				
Net levy			944,395	896,566	47,829
Unpaid (by taxpayer) taxes at June 30, 2020			<u>61,810</u>	<u>61,236</u>	<u>574</u>
Current year's taxes collected			<u>\$ 882,585</u>	<u>\$ 835,330</u>	<u>\$ 47,255</u>
Current levy collection percentage			<u>93.46%</u>	<u>93.17%</u>	<u>98.80%</u>

Town of Murphy, North Carolina
Statement of Modernization Cost - Completed (Non-GAAP)
Capital Fund Program Grant NC 19P03050118 - Operations
For the Year Ended June 30, 2020

	Project CFP 2018
Funds approved	\$ 167,623
Funds expended	167,623
Excess of funds approved (expended)	<u>\$ -</u>
Funds advanced	\$ 167,623
Funds expended	167,623
Excess of funds advanced (expended)	<u>\$ -</u>

Compliance Section

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

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

To the Honorable Mayor and Town Council
Town of Murphy, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Murphy, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Murphy's basic financial statements, and have issued our report thereon dated December 1, 2020. The financial statements of the Town of Murphy ABC Board were not audited in accordance with Governmental Auditing Standards.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Turner & Company CPAs P.A.
Murphy, North Carolina
December 1, 2020

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Honorable Mayor and the Town Council
Town of Murphy, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Murphy, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Murphy's major federal programs for the year ended June 30, 2020. The Town of Murphy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Murphy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
December 1, 2020

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

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

The Honorable Mayor and Town Council
Town of Murphy, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Murphy, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Murphy's major state programs for the year ended June 30, 2020. Town of Murphy's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town of Murphy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
December 1, 2020

Town of Murphy, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material Weakness(es) identified _____ yes X no
- Significant Deficiency(s) _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material Weakness identified _____ yes X no
- Significant Deficiency(s) _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified.

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

Identification of major federal programs:

Name of Federal Program or Cluster	CFDA#
Community Development Block Grant, State's Program	14.228

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

Auditee qualified as low-risk auditee _____ yes X no

State Awards

Internal control over major State programs:

- Material Weakness identified _____ yes X no
- Significant Deficiency(s) _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit _____ yes X no

Identification of major State Programs (Dollar threshold over \$500,000):

Program Name
Connect NC Bond

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

Town of Murphy

Rick Ramsey, Mayor

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Murphy, North Carolina 28906

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manager@townofmurphync.com

Commissioners

Frank E. Dickey

Barbara Hughes

Barry R. McClure

Commissioners

Noland Smith

Gail Walker Stansell

Karen Watson

Corrective Action Plan For the Fiscal Year Ended June 30, 2020

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

Town of Murphy

Rick Ramsey, Mayor

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Murphy, North Carolina 28906

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Karen Watson

Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2020

None reported.

Town of Murphy, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
Federal Grants:						
Cash Programs:						
<u>U.S. Department of Housing and Urban Development</u>						
<u>Office of Public Housing</u>						
Public and Indian Housing: Operating Fund (OFND)	14.850	NC03000000120D	\$ 225,609	\$ -	\$ -	\$ -
COVID-19 Public and Indian Housing	14.850	NC03000000120DC	2,237	-	-	-
Total Public and Indian Housing			227,846			
Public Housing Capital Fund (CFP)	14.872	NC19P03050118	167,623	-	-	-
Passed-through N.C. Department of Environmental Quality:						
Division of Water Infrastructure:						
Community Development Block Grant, State's Program	14.228	16-I-2721	493,409	-	-	-
Total U.S. Department of Housing and Urban Development			888,878	-	-	-
<u>U.S. Department of Transportation</u>						
Passed-through the N.C. Department of Natural and Cultural Resources:						
Division of Parks and Recreation:						
Recreational Trails Program	20.219	XXXX	37,432	-	-	-
Total U.S. Department of Agriculture			37,432	-	-	-
U.S. Department of Agriculture						
<u>Rural Development</u>						
Passed-through Appalachian Regional Commission:						
All Other ARC-Funded Area Development Projects	23.002	XXXX	57,942	-	-	-
Total U.S. Department of Agriculture			57,942	-	-	-
Total assistance - federal programs			984,252	-	-	-
State Grants:						
Cash Assistance:						
<u>N.C. Department of Environmental Quality</u>						
Division of Water Infrastructure						
Connect NC Bond		E-SRP-W-19-0175-4W02-536704	-	754,538	-	-
Total N.C. Department of Environmental Quality			-	754,538	-	-
<u>N.C. Department of Transportation</u>						
Powell Bill		32570	-	66,862	-	-
State Transportation Improvement Program		TIP R-5735	-	34,658	-	-
Total N.C. Department of Transportation			-	101,520	-	-
Total assistance - State programs			-	856,058	-	-
Total assistance			\$ 984,252	\$ 856,058	\$ -	\$ -

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Murphy under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Murphy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Murphy.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Loans Outstanding

The Town of Murphy had the following loan balances outstanding at June 30, 2020 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2020 consist of:

	<u>Amount Outstanding</u>
State of North Carolina	
Connect NC Bond - State Reserve Loan Program	\$ 754,538