

**Town of Murphy, North Carolina**  
**Financial Statements**  
**June 30, 2017**

**Turner & Company CPAs P.A.**

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

# Town of Murphy, North Carolina

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## Introductory Information

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# **Town of Murphy, North Carolina**

## **Mayor and Town Council**

William N. Hughes, Mayor

Frank E. Dickey

David C. Hilton

Barry McClure

Sandra N. Sumpter

Karen Watson

## **Administrative and Financial Staff**

Anna A. Payne, Town Manager & Finance Officer

Patricia J. Siler, Tax Collector

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## Financial Section

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# Turner & Company CPAs P.A.

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

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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, 2017, 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, 2017, 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

### ***Emphasis of Matter***

As described in Note VIII to the financial statements, for the year ended June 30, 2017, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

## ***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 47 and 48, 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 49 and 50 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 introductory information, combining and individual fund statements, budgetary schedules, and other schedules are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and 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 combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 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  
October 30, 2017



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## Management's Discussion and Analysis

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**Town of Murphy, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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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, 2017. 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.

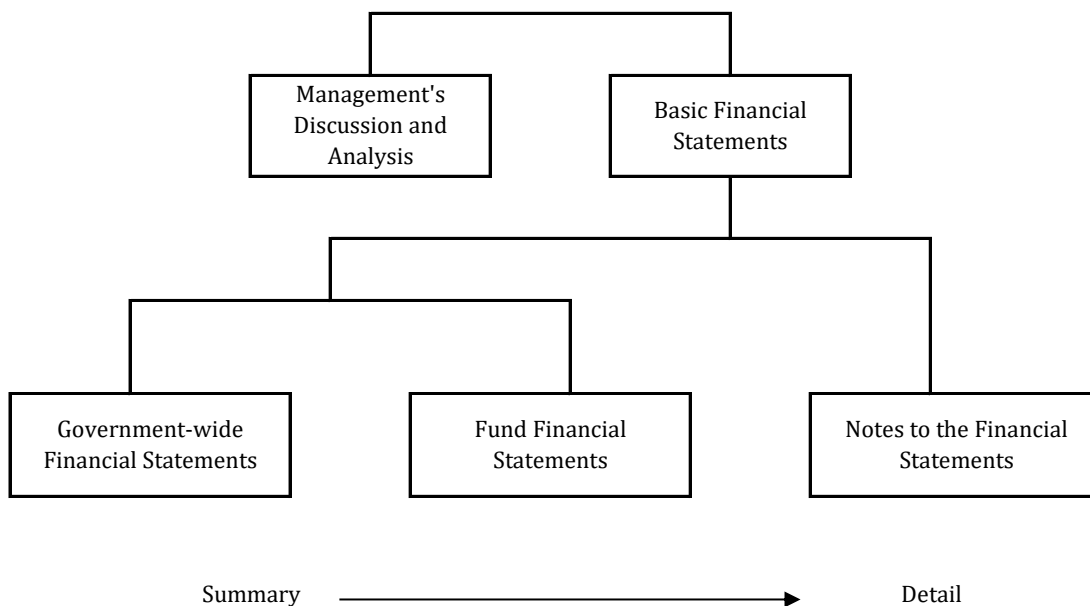
**Financial Highlights**

- 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 \$20,405,483 (*net position*).
- The government's total net position decreased by \$486,168 based on decreases 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 \$3,540,287 with a net increase of \$45,113 in fund balance. Approximately 22.89 percent of this total amount, or \$810,508, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,513,040, or 123.26 percent of total general fund expenditures for the fiscal year.
- The Town of Murphy's total debt decreased by \$69,946 (3.11%) during the current fiscal year. The Town incurred no additional long-term debt during the fiscal year. The primary factor in the net decrease in debt was the scheduled principal repayments.

**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



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**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 46 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3,635,100	\$ 3,464,658	\$ 2,521,328	\$ 2,372,891	\$ 6,156,428	\$ 5,837,549
Capital assets	3,392,791	3,514,373	13,533,273	10,886,445	16,926,064	14,400,818
Deferred outflows of resources	254,431	52,106	109,041	22,332	363,472	74,438
Total assets and deferred outflows of resources	7,282,322	7,031,137	16,163,642	13,281,668	23,445,964	20,312,805
Long-term liabilities outstanding	2,019,913	1,808,683	538,593	480,697	2,558,506	2,289,380
Other liabilities	98,751	105,802	210,350	228,277	309,101	334,079
Deferred inflows of resources	27,093	171,049	4,162	69,648	31,255	240,697
Total liabilities and deferred inflows of resources	2,145,757	2,085,534	753,105	778,622	2,898,862	2,864,156
Net position						
Net investment in capital assets	1,639,576	1,688,879	13,105,313	10,392,645	14,744,889	12,081,524
Restricted	667,028	620,914	-	-	667,028	620,914
Unrestricted	2,688,342	2,635,810	2,305,224	2,110,401	4,993,566	4,746,211
Total net position	\$ 4,994,946	\$ 4,945,603	\$ 15,410,537	\$ 12,503,046	\$ 20,405,483	\$ 17,448,649

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 \$20,405,483 as of June 30, 2017. The Town's net position increased by \$486,168 for the fiscal year ended June 30, 2017. However, the largest portion (72.26%) 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 \$667,028 (3.27%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,993,566 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 94.35%, excluding motor vehicles. The statewide average for Municipalities with populations of 1,000 to 2,499 in the fiscal year 2016 was 97.53%.

**Town of Murphy, North Carolina's Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues:						
Program revenues:						
Charges for services	\$ 36,134	\$ 33,943	\$ 1,991,256	\$ 1,788,016	\$ 2,027,390	\$ 1,821,959
Operating grants and contributions	94,891	133,476	206,980	193,569	301,871	327,045
Capital grants and contributions	123,515	159,316	76,136	3,907,565	199,651	4,066,881
General revenues:						
Property taxes	1,236,295	1,220,825	-	-	1,236,295	1,220,825
Grants and contributions not restricted to specific programs	804,254	803,397	-	-	804,254	803,397
Other	19,048	42,852	953	1,010	20,001	43,862
Total revenues	2,314,137	2,393,809	2,275,325	5,890,160	4,589,462	8,283,969
Expenses						
General government	471,015	506,860	-	-	471,015	506,860
Public safety	1,240,566	1,026,095	-	-	1,240,566	1,026,095
Transportation	237,837	231,261	-	-	237,837	231,261
Economic and physical development	1,800	13,699	-	-	1,800	13,699
Environmental protection	152,924	156,060	-	-	152,924	156,060
Cultural recreation	221,742	223,702	-	-	221,742	223,702
Interest on long-term debt	77,859	79,653	-	-	77,859	79,653
Water and sewer	-	-	2,048,393	1,864,168	2,048,393	1,864,168
Housing authority	-	-	623,494	608,480	623,494	608,480
Total expenses	2,403,743	2,237,330	2,671,887	2,472,648	5,075,630	4,709,978
Increase (decrease) in net position before transfers	(89,606)	156,479	(396,562)	3,417,512	(486,168)	3,573,991
Transfers	-	113,459	-	(113,459)	-	-
Increase in net position	(89,606)	269,938	(396,562)	3,304,053	(486,168)	3,573,991
Net position, beginning, restated	5,084,552	4,945,603	15,807,099	12,503,046	20,891,651	17,448,649
Net position, June 30	\$ 4,994,946	\$ 5,215,541	\$ 15,410,537	\$ 15,807,099	\$ 20,405,483	\$ 21,022,640

**Governmental Activities.** Governmental activities decreased the Town's net position by \$89,606. Key elements of this decrease are as follows:

- Total revenues decreased minimally compared to the prior year.
- There was a decrease of \$7,477 (.36%) in the receipt of general revenues between 2016 and 2017.
- Total expenses increased when compared to the prior year chiefly due to the public safety function. This increase resulted from additional personnel costs and the purchase of supplies and equipment below the capitalization threshold.

**Business-Type Activities.** Business-type activities decreased the Town's net position by \$396,562. Key elements of this decrease are as follows:

- There was a \$203,240 increase in water tap connection fees and water sewer cost recovery fees.
- There was a slight increase of \$13,411 in the receipt of operating grants and contributions between 2016 and 2017 for the Housing Authority.
- Capital grants and contributions decreased substantially between 2016 and 2017 because the Water and Sewer fund did not have any active capital projects during the fiscal year.
- Operating expenses in the business-type activities increased by \$199,239 mainly due to the increase in depreciation expense.

**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, the unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Murphy. At the end of the current fiscal year, the Town of Murphy's fund balance available in the General Fund was \$2,999,153, while total fund balance reached \$3,049,225. 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 147.10% of general fund expenditures, while total fund balance represents 149.56% of the same amount.

The governmental funds of the Town of Murphy reported a combined fund balance of \$3,540,287 at June 30, 2017, with a \$45,113 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 \$20,000. 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 \$466,754 and that of the Water and Sewer Fund amounted to \$1,838,470. The total change in net position for both funds was (\$59,402) and (\$337,160), 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, 2017, totals \$16,926,064 (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:

- Completion of the Murphy Marble Creek Biking & Hiking Trail System totaling \$125,136
- \$6,286 was expended for laptops for the police department's vehicles
- \$13,524 was expended for computer software for the police department
- \$6,312 was expended for a backhoe
- \$12,400 was expended for a zero turn lawn tractor
- \$27,190 was expended for sidewalk replacement on Tennessee Street

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

**Water and Sewer Fund:**

- \$6,911 was added to equipment and furniture for a replacement drive for flocculator
- \$11,911 was added to equipment and furniture for an Ebara sewer pump
- \$25,831 was added to equipment and furniture for two root ram blowers
- \$13,129 was added to equipment and furniture for a butterfly valve and electric actuator
- \$41,500 was added to plants and distribution systems for ice plant pump station rehab
- \$98,745 was added to plants and distribution systems for sandblasting and coating

**Housing Authority Fund:**

- Building improvements resulted in an increase in capital assets of \$52,083.
- Additions to equipment and furniture totaled \$6,353.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital assets						
Land	\$ -	\$ -	\$ 110,587	\$ 110,587	\$ 110,587	\$ 110,587
Construction in progress	-	33,180	-	-	-	33,180
Building and improvements	2,119,686	2,183,610	1,941,356	2,044,617	4,061,042	4,228,227
Other improvements	724,836	621,880	-	-	724,836	621,880
Plant and distribution systems	-	-	11,311,077	11,868,707	11,311,077	11,868,707
Equipment and furniture	22,457	7,258	154,646	120,585	177,103	127,843
Vehicles and motorized equipment	510,001	646,860	15,607	17,625	525,608	664,485
Computer software	11,270	-	-	-	11,270	-
Computer equipment	4,541	-	-	-	4,541	-
Total capital assets	\$ 3,392,791	\$ 3,492,788	\$ 13,533,273	\$ 14,162,121	\$ 16,926,064	\$ 17,654,909

**Construction commitments**

The government has no active construction projects as of June 30, 2017.

- Additional information on the Town's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

**Long-Term Obligations.** Debt totals include general obligation bonds, revenue bonds, installment financings, capital leases, certificates of participation and bond anticipation notes. As of June 30, 2017, the Town of Murphy had total debt outstanding of \$2,181,175. The entire debt is backed by the full faith and credit of the Town. Compensated absences and unpaid pension related debt 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	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ 1,671,068	\$ 1,698,481	\$ -	\$ -	\$ 1,671,068	\$ 1,698,481
Capitalized leases	82,147	91,760	-	-	82,147	91,760
Compensated absences	55,863	46,212	35,746	31,970	91,609	78,182
Net pension liability (LGRS)	277,220	57,270	118,807	24,545	396,027	81,815
Total pension liability (LEO)	141,619	130,989	-	-	141,619	130,989
Non-general obligation bonds	-	-	427,960	460,880	427,960	460,880
Total	\$ 2,227,917	\$ 2,024,712	\$ 582,513	\$ 517,395	\$ 2,810,430	\$ 2,542,107

- The Town of Murphy's total debt decreased by \$69,946 (3.11%) during the current fiscal year. The Town incurred no additional long-term debt during the fiscal year. The primary factor in the net decrease in debt was the scheduled principal repayments.
- 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 \$16,064,899.
- 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 does not anticipate any significant change in current economic factors that affect Town operations.

**Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities:** The anticipated increase in property tax revenue and local option sales tax is expected to offset the potential decrease in other revenue sources. The Town will use the increase in revenues to finance programs currently in place. Management has seen some improvement in areas that were affected by the recession and anticipates more growth in the coming years.

The Town did appropriate \$250,000 in fund balance for the fiscal year 2018 budget. To alleviate any deficit in revenues the Town continues to monitor strict spending policies. Staff levels are maintained at levels lower than pre-recession employment in order to curtail spending. Management believes the expected future growth will generate enough revenue to support the Town's operations.

**Business-Type Activities:** The Town did not budget an increase in operating expenses, rather it anticipates costs to be relatively stable.

**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 [town\\_of\\_murphy@frontier.com](mailto:town_of_murphy@frontier.com) for more information.



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## Basic Financial Statements

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**Town of Murphy, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Town of Murphy ABC Board
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 3,288,916	\$ 2,217,476	\$ 5,506,392	\$ 342,601
Restricted cash and cash equivalents	236,113	127,322	363,435	59,093
Investments	-	-	-	120,992
Taxes receivable (net)	74,653	-	74,653	-
Accrued interest receivable on taxes	6,955	-	6,955	-
Accounts receivable (net)	33,261	147,555	180,816	-
Due from other governments	16,811	-	16,811	-
Internal balances	(21,609)	21,609	-	-
Inventories	-	-	-	319,012
Prepaid items	-	7,366	7,366	10,756
Total current assets	3,635,100	2,521,328	6,156,428	852,454
Non-current assets:				
Capital assets:				
construction in progress	-	110,587	110,587	45,287
Other capital assets, net of depreciation	3,392,791	13,422,686	16,815,477	245,176
Total capital assets	3,392,791	13,533,273	16,926,064	290,463
Total assets	7,027,891	16,054,601	23,082,492	1,142,917
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	254,431	109,041	363,472	65,250
Total deferred outflows of resources	254,431	109,041	363,472	65,250
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	650	39,108	39,758	252,759
Accrued interest payable	31,716	-	31,716	-
Unearned revenue	-	914	914	-
Current portion of long-term liabilities	66,385	43,920	110,305	-
Payable from restricted assets	-	126,408	126,408	-
Total current liabilities	98,751	210,350	309,101	252,759
Long-term liabilities:				
Net pension liability	277,220	118,807	396,027	74,495
Total pension liability	141,619	-	141,619	-
Due in more than one year	1,742,693	419,786	2,162,479	-
Total liabilities	2,260,283	748,943	3,009,226	327,254
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	12,555	-	12,555	-
Pension deferrals	14,538	4,162	18,700	4,770
Total deferred inflows of resources	27,093	4,162	31,255	4,770
<b>NET POSITION</b>				
Net investment in capital assets	1,639,576	13,105,313	14,744,889	245,176
Restricted for:				
Transportation	92,633	-	92,633	-
Public safety	491,062	-	491,062	-
Stabilization by state statute	83,333	-	83,333	-
Other functions	-	-	-	146,559
Unrestricted	2,688,342	2,305,224	4,993,566	484,408
Total net position	\$ 4,994,946	\$ 15,410,537	\$ 20,405,483	\$ 876,143

*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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		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	\$ 471,015	\$ 26,931	\$ 2,000	\$ -	\$ (442,084)	\$ -	\$ (442,084)	\$ -	
Public safety	1,240,566	839	91,798	-	(1,147,929)	-	(1,147,929)	-	
Transportation	237,837	-	-	56,695	(181,142)	-	(181,142)	-	
Economic and physical development	1,800	-	-	66,820	65,020	-	65,020	-	
Environmental protection	152,924	-	1,093	-	(151,831)	-	(151,831)	-	
Cultural and recreation	221,742	8,364	-	-	(213,378)	-	(213,378)	-	
Interest on long-term debt	77,859	-	-	-	(77,859)	-	(77,859)	-	
Total governmental activities	2,403,743	36,134	94,891	123,515	(2,149,203)	-	(2,149,203)	-	
Business-type activities:									
Water and sewer	2,048,393	1,710,498	-	-	-	(337,895)	(337,895)	-	
Housing	623,494	280,758	206,980	76,136	-	(59,620)	(59,620)	-	
Total business-type activities	2,671,887	1,991,256	206,980	76,136	-	(397,515)	(397,515)	-	
Total primary government	\$ 5,075,630	\$ 2,027,390	\$ 301,871	\$ 199,651	(2,149,203)	(397,515)	(2,546,718)	-	
Component unit:									
ABC Board	\$ 2,846,659	\$ 2,943,528	\$ -	\$ -	-	-	-	96,869	
Total component unit	\$ 2,846,659	\$ 2,943,528	\$ -	\$ -	-	-	-	96,869	
General revenues:									
Taxes:									
Property taxes, levied for general purpose					1,236,295	-	1,236,295	-	
Grants and contributions not restricted to specific programs					804,254	-	804,254	-	
Unrestricted investment earnings					5,409	953	6,362	404	
Miscellaneous					13,639	-	13,639	-	
Total general revenues not including transfers					2,059,597	953	2,060,550	404	
Change in net position					(89,606)	(396,562)	(486,168)	97,273	
Net position, beginning as previously reported					5,215,541	15,807,099	21,022,640	778,870	
Restatement					(130,989)	-	(130,989)	-	
Net position, beginning as restated					5,084,552	15,807,099	20,891,651	778,870	
Net position, ending	\$				4,994,946	\$ 15,410,537	\$ 20,405,483	\$ 876,143	

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

## Town of Murphy, North Carolina

## Balance Sheet

## Governmental Funds

June 30, 2017

	Major Funds			
	General Fund	Rural Fire Fund	Total Non-Major Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,796,553	\$ 492,363	\$ -	\$ 3,288,916
Restricted cash	236,113	-	-	236,113
Receivables, net:				
Taxes	74,653	-	-	74,653
Accounts	-	-	33,261	33,261
Due from other funds	33,261	-	-	33,261
Due from other governments	16,811	-	-	16,811
Total assets	<u>3,157,391</u>	<u>492,363</u>	<u>33,261</u>	<u>3,683,015</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	650	-	-	650
Due to other funds	20,308	1,301	33,261	54,870
Total liabilities	<u>20,958</u>	<u>1,301</u>	<u>33,261</u>	<u>55,520</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	74,653	-	-	74,653
Prepaid taxes	12,555	-	-	12,555
Total deferred inflows of resources	<u>87,208</u>	<u>-</u>	<u>-</u>	<u>87,208</u>
<b>FUND BALANCES</b>				
Restricted				
Stabilization by state statute	50,072	-	33,261	83,333
Streets	92,633	-	-	92,633
Public safety	143,480	491,062	-	634,542
Assigned				
Subsequent year's expenditures	250,000	-	-	250,000
Unassigned	2,513,040	-	(33,261)	2,479,779
Total fund balances	<u>3,049,225</u>	<u>491,062</u>	<u>-</u>	<u>3,540,287</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,157,391</u>	<u>\$ 492,363</u>	<u>\$ 33,261</u>	<u>\$ 3,683,015</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, 2017

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

Total Fund Balance, Governmental Funds	\$	3,540,287
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	\$	6,209,533
Accumulated depreciation		<u>(2,816,742)</u>
		3,392,791
Deferred outflows of resources related to pensions are not reported in the funds		254,431
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		
Accrued interest receivable on taxes		6,955
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Property taxes receivable		74,653
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)		(1,809,078)
Net pension liability		(277,220)
Total pension liability		(141,619)
Deferred inflows of resources related to pensions are not reported in the funds		(14,538)
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>(31,716)</u>
Net position of governmental activities	\$	<u><u>4,994,946</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, 2017**

	<b>Major Funds</b>		<b>Total</b>	<b>Total</b>
	<b>General Fund</b>	<b>Rural Fire Fund</b>	<b>Non-Major Fund</b>	<b>Governmental Funds</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 965,016	\$ 302,139	\$ -	\$ 1,267,155
Unrestricted intergovernmental	804,254	-	-	804,254
Restricted intergovernmental	151,586	-	66,820	218,406
Permits and fees	839	-	-	839
Sales and services	35,295	-	-	35,295
Investment earnings	5,129	280	-	5,409
Miscellaneous	11,789	1,850	-	13,639
Total revenues	<u>1,973,908</u>	<u>304,269</u>	<u>66,820</u>	<u>2,344,997</u>
<b>EXPENDITURES</b>				
Current:				
General government	456,574	-	-	456,574
Public safety	872,783	167,300	-	1,040,083
Transportation	185,089	-	-	185,089
Economic and physical development	-	-	1,800	1,800
Environmental protection	139,069	-	-	139,069
Cultural and recreation	204,196	-	-	204,196
Debt service:				
Principal	37,026	-	-	37,026
Interest and other charges	78,379	-	-	78,379
Capital outlay	65,712	-	91,956	157,668
Total expenditures	<u>2,038,828</u>	<u>167,300</u>	<u>93,756</u>	<u>2,299,884</u>
Excess (deficiency) of revenues over expenditures	(64,920)	136,969	(26,936)	45,113
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	99,963	-	-	99,963
Transfers (to) other funds	-	(99,598)	(365)	(99,963)
Total other financing sources (uses)	<u>99,963</u>	<u>(99,598)</u>	<u>(365)</u>	<u>-</u>
Net change in fund balance	35,043	37,371	(27,301)	45,113
Fund balances, beginning	<u>3,014,182</u>	<u>453,691</u>	<u>27,301</u>	<u>3,495,174</u>
Fund balances, ending	<u>\$ 3,049,225</u>	<u>\$ 491,062</u>	<u>\$ -</u>	<u>\$ 3,540,287</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, 2017**

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

Net changes in fund balances - total governmental funds		\$ 45,113
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	157,668	
Depreciation expense for governmental assets	<u>(257,665)</u>	(99,997)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		64,782
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	<u>(30,860)</u>	(30,860)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt	37,026	
Decrease in accrued interest payable	<u>520</u>	37,546
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(9,651)	
Pension expense	<u>(96,539)</u>	<u>(106,190)</u>
Total changes in net position of governmental activities		<u><u>\$ (89,606)</u></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, 2017**

	General Fund				Rural Fire Fund			
	Original	Final	Actual Amounts	Variance Positive (Negative)	Original	Final	Amounts	Variance Positive (Negative)
<b>REVENUES</b>								
Ad valorem taxes	\$ 999,600	\$ 999,600	\$ 965,016	\$ (34,584)	\$ 285,000	\$ 285,000	\$ 302,139	\$ 17,139
Unrestricted intergovernmental	716,900	736,900	804,254	67,354	-	-	-	-
Restricted intergovernmental	166,400	166,400	151,586	(14,814)	-	-	-	-
Permits and fees	1,100	1,100	839	(261)	-	-	-	-
Sales and services	30,900	30,900	35,295	4,395	-	-	-	-
Investment earnings	200	200	5,129	4,929	-	-	280	280
Miscellaneous	24,000	24,000	11,789	(12,211)	-	-	1,850	1,850
Total revenues	1,939,100	1,959,100	1,973,908	14,808	285,000	285,000	304,269	19,269
<b>EXPENDITURES</b>								
Current:								
General government	502,300	502,300	456,574	45,726	-	-	-	-
Public safety	973,200	993,200	892,593	100,607	185,400	185,400	167,300	18,100
Transportation	237,300	237,300	212,279	25,021	-	-	-	-
Environmental protection	153,100	153,100	139,069	14,031	-	-	-	-
Cultural and recreation	227,300	227,300	222,908	4,392	-	-	-	-
Debt service:								
Principal retirement	31,050	31,050	37,026	(5,976)	-	-	-	-
Interest and other charges	84,450	84,450	78,379	6,071	-	-	-	-
Contingency	-	-	-	-	-	-	-	-
Total expenditures	2,208,700	2,228,700	2,038,828	189,872	185,400	185,400	167,300	18,100
Revenues over (under) expenditures	(269,600)	(269,600)	(64,920)	204,680	99,600	99,600	136,969	37,369
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers from other funds	99,600	99,600	99,963	363	-	-	-	-
Transfers (to) other funds	170,000	170,000	-	(170,000)	(99,600)	(99,600)	(99,598)	2
Total other financing sources (uses)	269,600	269,600	99,963	(169,637)	(99,600)	(99,600)	(99,598)	2
Revenues over (under) expenditures and other uses	-	-	35,043	35,043	-	-	37,371	37,371
Fund balance appropriated	-	-	-	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	35,043	\$ 35,043	\$ -	\$ -	37,371	\$ 37,371
Fund balances, beginning			3,014,182				453,691	
Fund balances, ending			\$ 3,049,225				\$ 491,062	

*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, 2017

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 502,623	\$ 1,714,853	\$ 2,217,476
Restricted cash and cash equivalents	33,614	93,708	127,322
Accounts receivable (net) - billed	6,117	141,438	147,555
Due from other funds	-	21,609	21,609
Prepaid items	7,366	-	7,366
Total current assets	549,720	1,971,608	2,521,328
Noncurrent assets:			
Capital assets:			
Land and construction in progress	110,587	-	110,587
Other capital assets, net of depreciation	1,960,428	11,462,258	13,422,686
Total capital assets	2,071,015	11,462,258	13,533,273
Total noncurrent assets	2,071,015	11,462,258	13,533,273
Total assets	2,620,735	13,433,866	16,054,601
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	-	109,041	109,041
Total deferred outflows of resources	-	109,041	109,041
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	36,913	2,195	39,108
Tenant prepaid rents	914	-	914
Compensated absences - current	-	11,000	11,000
General obligation bonds payable - current	-	32,920	32,920
Liabilities payable from restricted assets:			
Customer deposits	32,700	93,708	126,408
Total current liabilities	70,527	139,823	210,350
Noncurrent liabilities:			
Compensated absences	12,439	12,307	24,746
Net pension liability	-	118,807	118,807
General obligation bonds payable - noncurrent (net)	-	395,040	395,040
Total noncurrent liabilities	12,439	526,154	538,593
Total liabilities	82,966	665,977	748,943
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	-	4,162	4,162
<b>NET POSITION</b>			
Net investment in capital assets	2,071,015	11,034,298	13,105,313
Unrestricted	466,754	1,838,470	2,305,224
Total net position	\$ 2,537,769	\$ 12,872,768	\$ 15,410,537

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, 2017**

	<b>Major Enterprise Funds</b>		
	<b>Housing Authority Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 268,443	\$ 1,616,597	\$ 1,885,040
Water and sewer taps	-	31,670	31,670
Other operating revenues	12,315	62,231	74,546
Total operating revenues	280,758	1,710,498	1,991,256
<b>OPERATING EXPENSES</b>			
Operating expenses	220,631	1,299,350	1,519,981
Maintenance and tenant services	243,019	23,576	266,595
Depreciation	159,844	725,467	885,311
Total operating expenses	623,494	2,048,393	2,671,887
Operating income (loss)	(342,736)	(337,895)	(680,631)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	218	735	953
Total nonoperating revenue (expenses)	218	735	953
Income (loss) before contributions and transfers	(342,518)	(337,160)	(679,678)
Capital contributions	283,116	-	283,116
Change in net position	(59,402)	(337,160)	(396,562)
Total net position, beginning	2,597,171	13,209,928	15,807,099
Total net position, ending	\$ 2,537,769	\$ 12,872,768	\$ 15,410,537

*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 Fiscal Year Ended June 30, 2017**

	<b>Major Enterprise Funds</b>		
	<b>Housing Authority Fund</b>	<b>Water and Sewer Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 272,995	\$ 1,659,126	\$ 1,932,121
Cash paid for goods and services	(298,585)	(698,893)	(997,478)
Cash paid to or on behalf of employees for services	(156,103)	(616,729)	(772,832)
Customer deposits received	(408)	2,894	2,486
Other operating revenues	12,315	62,231	74,546
Net cash provided (used) by operating activities	<u>(169,786)</u>	<u>408,629</u>	<u>238,843</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Due from other funds	-	(10,037)	(10,037)
Total cash flows from noncapital financing activities	<u>-</u>	<u>(10,012)</u>	<u>(10,012)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(58,436)	(198,027)	(256,463)
Principal paid on bond maturities and equipment contracts	-	(32,920)	(32,920)
Capital contributions	283,116	-	283,116
Net cash provided (used) by capital and related financing activities	<u>224,680</u>	<u>(230,947)</u>	<u>(6,267)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	218	735	953
Net increase (decrease) in cash and cash equivalents	55,112	168,405	223,517
Cash and cash equivalents at beginning of year	481,125	1,640,156	2,121,281
Cash and cash equivalents at end of year	<u>\$ 536,237</u>	<u>\$ 1,808,561</u>	<u>\$ 2,344,798</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 Fiscal Year Ended June 30, 2017**

	<b>Major Enterprise Funds</b>		
	<b>Housing Authority Fund</b>	<b>Water and Sewer Fund</b>	<b>Totals</b>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (342,736)	\$ (337,895)	\$ (680,631)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	159,844	725,467	885,311
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	4,552	10,859	15,411
(Increase) decrease in prepaid items	(325)	-	(325)
(Increase) decrease in deferred outflows of resources - pensions	-	(78,681)	(78,681)
Increase (decrease) in accounts payable and accrued liabilities	6,105	(277)	5,828
Increase (decrease) in customer deposits	(408)	2,894	2,486
Increase (decrease) in accrued vacation pay	3,182	594	3,776
Increase (decrease) in net pension liability	-	94,262	94,262
Increase (decrease) in deferred outflows of resources for pensions	-	(8,594)	(8,594)
Total adjustments	172,950	746,524	919,474
Net cash provided by operating activities	\$ (169,786)	\$ 408,629	\$ 238,843

*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, 2017**

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**Town of Murphy, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**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 Fund.** This fund accounts for the ad valorem tax levies of the fire districts in Cherokee County.

The Town reports the following non-major governmental fund:

**North Carolina Small Towns Economic Prosperity Program Grant Project Fund.** This fund is used to account for grant funds that are restricted for use for the NC STEP Planning Investment Project.

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.

**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 and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Water and Sewer Capital Projects Funds, which are consolidated with the operating funds 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). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

The ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The ABC Board's investments include certificates of deposit in the amount of \$120,992 at June 30, 2017. The certificates of deposit are renewable and have an average interest rate of approximately 0.10%.

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.

Town of Murphy Restricted Cash			
Governmental Activities			
General Fund	Powell Bill Funds	\$	92,633
	Firemen's Local Relief Funds		143,480
Total Governmental Activities		\$	<u>236,113</u>



Business-type Activities		
Water and Sewer Fund	Customer deposits	\$ 93,708
Murphy Housing Authority	Customer deposits	33,614
Total Business-type Activities		<u>\$ 127,322</u>
Total Restricted Cash		<u>\$ 363,435</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, 2016. 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 Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used 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, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; 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 using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings and system	30
Other improvements	25
Vehicles and motorized equipment	5
Equipment and furniture	10
Computer equipment	3
Computer software	5

Capital assets of the ABC Board are depreciated using the straight-line method over the following estimated useful lives

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

#### 8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2017 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.

#### 9. 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.

#### 10. 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.

#### 11. Net Position/Fund Balances

##### Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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.

Prepaid items - portion of fund balance that is not an available resource because it represents payments to vendors for costs applicable to future accounting periods, which are not spendable resources.

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for Public Safety - Firemen's Relief portion of fund balance that is restricted for the purpose of caring for firemen who are hurt in the line of duty or their dependents. This amount represents the balance of the total unexpended Firemen Relief funds.

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.

#### 12. 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.

#### 13. 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 or Net Position of Individual Funds**

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

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, 2017, the Town's deposits had a carrying amount of \$5,869,527 and a bank balance of \$5,888,784. 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, 2017, the Town's petty cash fund totaled \$300.

At June 30, 2017, the ABC Board's deposits had a carrying amount of \$520,286 and a bank balance of \$510,457. Of the bank balance, \$250,000 was covered by federal depository insurance and \$260,457 was covered by collateral held by authorized agents in the name of the State Treasurer. At June 30, 2017, the ABC Boards petty cash fund totaled \$100, and there was \$2,300 available for use in the cash registers.

**2. Investments**

*Interest Rate Risk.* The Town has no formal investment policy regarding interest rate risk.

*Credit risk.* The Town has no formal policy regarding credit risk, but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

*Custodial credit risk.* For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Town's name.

*Concentration of Credit Risk.* The Town's Board places no limit on the amount that the Town may invest in any one issuer.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts:

General Fund:	2017
Taxes receivable	\$ 24,885
Total	<u>\$ 24,885</u>

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Government Activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 33,180	\$ 91,956	\$ 125,136	\$ -
Total capital assets not being depreciated	<u>33,180</u>	<u>91,956</u>	<u>125,136</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and improvements	2,807,725	-	-	2,807,725
Other improvements	990,910	152,325	-	1,143,235
Equipment and furniture	76,658	18,712	-	95,370
Vehicles and motorized equipment	2,143,392	-	-	2,143,392
Computer software	-	13,524	-	13,524
Computer equipment	-	6,287	-	6,287
Total capital assets being depreciated	<u>6,018,685</u>	<u>190,848</u>	<u>-</u>	<u>6,209,533</u>
Less accumulated depreciation for:				
Buildings and improvements	624,115	63,924	-	688,039
Other improvements	369,030	49,369	-	418,399
Equipment and furniture	69,400	3,513	-	72,913
Vehicles and motorized equipment	1,496,532	136,859	-	1,633,391
Computer software	-	2,254	-	2,254
Computer equipment	-	1,746	-	1,746
Total accumulated depreciation	<u>2,559,077</u>	<u>257,665</u>	<u>-</u>	<u>2,816,742</u>
Total capital assets being depreciated, net	<u>3,459,608</u>			<u>3,392,791</u>
Governmental activity capital assets, net	<u>\$ 3,492,788</u>			<u>\$ 3,392,791</u>

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

General government	\$ 11,786
Public safety	167,227
Transportation	52,188
Environmental protection	12,333
Cultural and recreational	14,131
Total depreciation expense	<u>\$ 257,665</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plants and distribution systems	19,286,932	140,245	-	19,427,177
Equipment and furniture	409,291	57,782	-	467,073
Vehicles and motorized equipment	104,024	-	-	104,024
Total capital assets being depreciated	19,800,247	198,027	-	19,998,274
Less accumulated depreciation for:				
Plants and distribution systems	7,418,225	697,875	-	8,116,100
Equipment and furniture	305,925	25,574	-	331,499
Vehicles and motorized equipment	86,399	2,018	-	88,417
Total accumulated depreciation	7,810,549	725,467	-	8,536,016
Total capital assets being depreciated, net	11,989,698			11,462,258
Water and Sewer fund capital assets, net	11,989,698			11,462,258
<i>Housing Authority Fund</i>				
Capital assets not being depreciated:				
Land	110,587	-	-	110,587
Construction in progress				-
Total capital assets not being depreciated	110,587	-	-	110,587
Capital assets being depreciated:				
Buildings and improvements	6,157,212	52,083	-	6,209,295
Equipment and furniture	149,497	6,353	-	155,850
Vehicles and motorized equipment	25,718	-	-	25,718
Total capital assets being depreciated	6,332,427	58,436	-	6,390,863
Less accumulated depreciation for:				
Buildings and improvements	4,112,595	155,344	-	4,267,939
Equipment and furniture	132,278	4,500	-	136,778
Vehicles and motorized equipment	25,718	-	-	25,718
Total accumulated depreciation	4,270,591	159,844	-	4,430,435
Total capital assets being depreciated	2,061,836			1,960,428
Housing fund capital assets, net	2,172,423			2,071,015
Business-type activities capital assets, net	\$ 14,162,121			\$ 13,533,273

**Construction commitments**

The government has no active construction projects as of June 30, 2017.

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>ABC Board</b>				
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	326,068	24,245	-	350,313
Other improvements	53,245	-	-	53,245
Furniture and equipment	105,567	9,619	-	115,186
Total capital assets being depreciated	484,880	33,864	-	518,744
Less accumulated depreciation for:				
Buildings and improvements	132,694	7,560	-	140,254
Other improvements	40,915	825	-	41,740
Furniture and maintenance equipment	83,812	7,762	-	91,574
Total accumulated depreciation	257,421	16,147	-	273,568
Total capital assets being depreciated	227,459			245,176
ABC Board capital assets, net	\$ 272,746			\$ 290,463

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, 2017, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 650	\$ -	\$ 650
Total governmental activities	\$ 650	\$ -	\$ 650
Business-type activities:			
Housing authority	\$ 36,913	\$ -	\$ 36,913
Water and sewer	2,195	-	2,195
Total business-type activities	\$ 39,108	\$ -	\$ 39,108

**2. 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](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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, 2017, was 7.43% of compensation for law enforcement officers and 8.00% 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 \$92,545 for the year ended June 30, 2017.

*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, 2017, the Town reported a liability of \$396,027 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Town's proportion was 0.019%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$115,837. At June 30, 2017, 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	\$ 7,441	\$ 13,877
Changes in assumptions	27,124	-
Net difference between projected and actual earnings on pension plan investments	218,954	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,408	-
Town contributions subsequent to the measurement date	92,545	-
Total	<u>\$ 363,472</u>	<u>\$ 13,877</u>

\$92,545 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 44,164
2019	44,129
2020	105,159
2021	63,598
2022	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2015 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, 2016 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	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.25%. 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 939,959	\$ 396,028	\$ (58,304)

*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, 2015, 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, 2015 valuation. The total pension liability in the December 31, 2015 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 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

#### 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, 2017, the Town reported a total pension liability of \$141,619. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$15,453.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	4,823
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>\$ -</u>	<u>\$ 4,823</u>

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

#### **Year ended June 30:**

2018	\$ (738)
2019	(738)
2020	(738)
2021	(738)
2022	(738)
Thereafter	(1,133)

*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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 161,624	\$ 141,619	\$ 123,876

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

Total pension liability as of December 31, 2015	\$ 130,989
Changes for the year:	
Service cost	11,515
Interest on the total pension liability	4,676
Changes of benefit terms	-
Differences between expected and actual experience in	-
Changes of assumptions or other inputs	(5,561)
Benefit payments	-
Other changes	-
Net changes	<u>10,630</u>
Total pension liability as of December 31, 2016	<u>\$ 141,619</u>

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

The actuarial assumptions used in the December 31, 2015 valuation were in the aggregate reasonably relative to the experience under the program and to reasonable expectations of anticipated experience under the program.

**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 \$18,771 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	\$ 92,545
Differences between expected and actual experience	7,441
Changes of assumptions	27,124
Net difference between projected and actual	218,954
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>17,408</u>
Total	<u>\$ 363,472</u>

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

Source	Amount
Prepaid taxes (General Fund)	\$ 12,555
Taxes receivable (General Fund), less penalties	74,653
Differences between expected and actual experience	13,877
Changes of assumptions	4,823
Total	<u>\$ 105,908</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 \$20,881,843, 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 \$2,812,465, and personal property coverage of \$153,944.

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 \$6,101,578, 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 Obligations

##### a. Capital Leases

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 at June 30, 2017:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Other improvements - Street lights	\$ 206,639	\$ 117,095	\$ 89,544

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

Year Ending June 30	
2018	\$ 15,807
2019	15,807
2020	15,807
2021	15,807
2022	15,807
Thereafter	23,713
Total minimum lease payments	102,748
Less: amount representing interest	20,601
Present value of the minimum lease payments	\$ 82,147

b. Notes Payable

Serviced by the General Fund:

In January 2007, the Town borrowed \$1,900,000 from the United States Department of Agriculture Rural Development for a new Fire Station. The transaction requires forty annual payments of \$99,598 beginning January 18, 2008, and includes interest at 4.25%.

For the Town of Murphy, the future minimum payments as of June 30, 2017, including \$1,316,564 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 28,578	\$ 71,020
2019	29,792	69,806
2020	31,058	68,540
2021	32,378	67,220
2022	33,754	65,844
2023 - 2027	191,549	306,441
2028 - 2032	235,864	262,127
2033 - 2037	290,430	207,560
2038 - 2042	357,620	140,370
2043 - 2047	440,045	57,636
Total	\$ 1,671,068	\$ 1,316,564

c. Non-General Obligation Indebtedness

Serviced by the Water and Sewer Fund:

The Town's non-general obligation bonds serviced by the business-type funds are accounted for in those funds. Those non-general obligation bonds issued to finance the construction of water and sewer lines and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All non-general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2017 are comprised of the following individual issues:

The Town entered into a promissory note with the State of North Carolina Department of Environment and Natural Resources Water Pollution Control Revolving Fund for the principal sum of \$665,366 for a Sanitary Sewer Project. As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the unpaid principal sum is immediately reduced by one half of the loan amount as "Principal Forgiveness." The remaining principal sum of \$332,683 is due in 20 annual installments of \$16,539, beginning May 1, 2012, with interest at 0% per annum on the unpaid principal. \$ 215,005

The Town entered into a promissory note with the State of North Carolina Department of Environment and Natural Resources Drinking Water State Revolving Fund for the principal sum of \$658,325 for a Water Project. As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the unpaid principal sum is immediately reduced by one half of the loan amount as "Principal Forgiveness." The remaining principal sum of \$329,162 is due in 20 annual installments of \$16,381, beginning May 1, 2012, with interest at 0% per annum on the unpaid principal. 212,955

\$ 427,960

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2018	\$ 32,920	\$ -
2019	32,920	-
2020	32,920	-
2021	32,920	-
2022	32,920	-
2023 - 2027	164,600	-
2028 - 2032	98,760	-
Total	<u>\$ 427,960</u>	<u>\$ -</u>

At June 30, 2017, the Town of Murphy had a legal debt margin of \$16,064,899.

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:					
Notes payable	\$ 1,698,481	\$ -	\$ 27,413	\$ 1,671,068	\$ 28,578
Capitalized leases	91,760	-	9,613	82,147	15,807
Compensated absences	46,212	31,333	21,682	55,863	22,000
Net pension liability (LGERS)	57,270	219,950	-	277,220	-
Total pension liability (LEO)	130,989	10,630	-	141,619	-
Total governmental activities	<u>\$ 2,024,712</u>	<u>\$ 261,913</u>	<u>\$ 58,708</u>	<u>\$ 2,227,917</u>	<u>\$ 66,385</u>
Business-type activities:					
<i>Water and Sewer Fund</i>					
Non-General obligation bonds	\$ 460,880	\$ -	\$ 32,920	\$ 427,960	\$ 32,920
Compensated absences	22,713	12,879	12,285	23,307	11,000
Net pension liability (LGERS)	24,545	94,262	-	118,807	-
Total Water and Sewer Fund	<u>508,138</u>	<u>107,141</u>	<u>45,205</u>	<u>570,074</u>	<u>43,920</u>
<i>Housing Authority Fund</i>					
Compensated absences	9,257	4,298	1,116	12,439	-
Total Housing Authority Fund	<u>9,257</u>	<u>4,298</u>	<u>1,116</u>	<u>12,439</u>	<u>-</u>
Total business-type activities	<u>\$ 517,395</u>	<u>\$ 111,439</u>	<u>\$ 46,321</u>	<u>\$ 582,513</u>	<u>\$ 43,920</u>

No interest was capitalized during 2017; interest incurred and charged to expense totaled \$78,379.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2017, consist of the following:

Due to the Water and Sewer Fund:

Rural Fire Fund	\$	1,301
General Fund		20,308
Total	\$	21,609

Due to the General Fund:

Prosperity Program Grant Project Fund	\$	33,261
Total	\$	33,261

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2017, consist of the following:

From the Rural Fire District to the General Fund for the debt service payments for the USDA Loan.	\$	99,598
From the Prosperity Program Grant Project Fund to the General Fund to return excess local match required by grant agreement		365
Total	\$	99,963

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	\$ 3,392,791	\$ 13,533,273
Less: long-term debt	1,753,215	427,960
Net investment in capital assets	\$ 1,639,576	\$ 13,105,313

E. Fund Balance

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

<b>Total fund balance - General Fund</b>	<b>\$ 3,049,225</b>
Less:	
Stabilization by State Statute	50,072
Streets - Powell Bill	92,633
Public Safety - Firemen's Relief	143,480
Appropriated Fund Balance in 2018 Budget	250,000
Working Capital/Fund Balance Policy	222,870
<b>Remaining Fund Balance</b>	<b>2,290,170</b>

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, 2017. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$200,255 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, 2017, the Town reported revenues and expenditures for the payments of \$6,354 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, 2017. 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, 2017, 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. Significant Effects of Subsequent Events**

The Town has evaluated subsequent events through October 30, 2017, 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, 2017. No events have occurred which would have a material effect on the financial statements of the Town as of that date.

**VIII. Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$130,989.

**IX. New Accounting Pronouncements**

Pronouncements effective for the 2017 Financial Statements:

In June 2015, the GASB issued, GASB Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees not within the scope of Statement 68. Requirements are also established for the assets accumulated for the purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet the criteria within the scope of Statement 67. The implementation of this pronouncement did require modification of the financial statements as described in Note VIII.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This pronouncement did not impact the Town.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments to disclose tax abatement agreements entered by other governments and that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. The individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This pronouncement did not impact the Town.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not for-profit corporation in which the primary government is the sole corporate member. This pronouncement did not impact the Town.

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 June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement is effective for financial statements with fiscal years beginning after June 15, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Governments receiving resources pursuant to an irrevocable split-interest agreement is to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations and sets the guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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 March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses issues related to blending component units, goodwill, fair value measurement and application, pensions, and other post-employment benefits (OPEB). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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 requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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## Required Supplementary Financial Data

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

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- \* 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 Four Fiscal Years\***  
**Local Government Employees' Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Murphy's proportion of the net pension liability (asset) (%)	0.01866%	0.01823%	0.01795%	0.01570%
Town of Murphy's proportion of the net pension liability (asset) (\$)	\$ 396,028	\$ 81,815	\$ (105,859)	\$ 189,245
Town of Murphy's covered-employee payroll	\$ 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	34.47%	7.75%	( 9.92%)	19.40%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 92,545	\$ 79,919	\$ 74,438	\$ 76,059
Contributions in relation to the contractually required contribution	<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>
Town of Murphy's covered-employee payroll	\$ 1,216,770	\$ 1,148,976	\$ 1,055,745	\$ 1,067,647
Contributions as a percentage of covered employee payroll	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, 2017**

	<u>2017</u>
Beginning balance	\$ 130,989
Service Cost	11,515
Interest on the total pension liability	4,676
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(5,561)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 141,619</u>

The amounts presented for each fiscal year were determined as of the prior fiscal 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, 2017**

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	<u>2017</u>
Total pension liability	\$ 141,619
Covered payroll	375,413
Total pension liability as a percentage of covered payroll	37.72%

Notes to the schedules:

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



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## Individual Fund Statements and Schedules

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**Town of Murphy, North Carolina**

**General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

**For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes:			
Taxes - current year		\$ 831,700	
Taxes - prior years		80,684	
Interest		15,084	
Vehicle taxes		37,548	
Total	<u>\$ 999,600</u>	<u>965,016</u>	<u>\$ (34,584)</u>
Unrestricted intergovernmental:			
Local option sales taxes		471,860	
Payments in lieu of taxes-outside sources		163,691	
Utility sales tax		91,321	
Beer and wine tax		7,382	
ABC profit distribution		70,000	
Total	<u>736,900</u>	<u>804,254</u>	<u>67,354</u>
Restricted intergovernmental:			
Powell Bill allocation		56,695	
ABC revenue for law enforcement		8,000	
Firemen's relief fund		12,548	
Solid waste disposal tax		1,093	
EBCI revenue for fire protection		71,250	
Local grants		2,000	
Total	<u>166,400</u>	<u>151,586</u>	<u>(14,814)</u>
Permits and fees:			
Inspection fees		575	
Court costs and fees		264	
Total	<u>1,100</u>	<u>839</u>	<u>(261)</u>
Sales and services:			
Charges and fees		35,295	
Total	<u>30,900</u>	<u>35,295</u>	<u>4,395</u>
Investment earnings	<u>200</u>	<u>5,129</u>	<u>4,929</u>
Miscellaneous:			
Miscellaneous		11,789	
Total	<u>24,000</u>	<u>11,789</u>	<u>(12,211)</u>
Total revenues	<u>1,959,100</u>	<u>1,973,908</u>	<u>14,808</u>

**Town of Murphy, North Carolina**

**General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

**For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>EXPENDITURES</b>			
General government:			
Administration:			
Salaries and employee benefits		302,435	
Other operating expenditures		154,139	
Total general government	<u>502,300</u>	<u>456,574</u>	<u>45,726</u>
Public safety:			
Police:			
Salaries and employee benefits		672,360	
Other operating expenditures		100,418	
Capital outlay		19,810	
Total	<u>806,000</u>	<u>792,588</u>	<u>13,412</u>
Fire:			
Salaries and employee benefits		53,541	
Other operating expenditures		46,464	
Total	<u>180,000</u>	<u>100,005</u>	<u>79,995</u>
Total public safety	<u>993,200</u>	<u>892,593</u>	<u>100,607</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		50,443	
Other operating expenditures		134,646	
Capital outlay		27,190	
Total transportation	<u>237,300</u>	<u>212,279</u>	<u>25,021</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		104,099	
Other operating expenditures		21,770	
Total	<u>133,100</u>	<u>125,869</u>	<u>7,231</u>
Cemetery maintenance:			
Other operating expenditures		13,200	
Total	<u>20,000</u>	<u>13,200</u>	<u>6,800</u>
Total environmental protection	<u>153,100</u>	<u>139,069</u>	<u>14,031</u>

**Town of Murphy, North Carolina**

**General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

**For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Cultural and recreation:			
Parks and recreation:			
Other operating expenditures		3,942	
Capital outlay		18,712	
Total	<u>23,000</u>	<u>22,654</u>	<u>346</u>
Libraries:			
Salaries and employee benefits		168,782	
Other operating expenditures		31,472	
Total	<u>204,300</u>	<u>200,254</u>	<u>4,046</u>
Total cultural and recreation	<u>227,300</u>	<u>222,908</u>	<u>4,392</u>
Debt service:			
Principal retirement		37,026	
Interest and other charges		78,379	
Total debt service	<u>115,500</u>	<u>115,405</u>	<u>95</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,228,700</u>	<u>2,038,828</u>	<u>189,872</u>
Revenues over (under) expenditures	(269,600)	(64,920)	204,680
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds			
Rural Fire District Fund		99,598	
Prosperity Program Grant Project Fund		365	
Total	<u>269,600</u>	<u>99,963</u>	<u>(169,637)</u>
Revenues over (under) expenditures and other uses	-	35,043	35,043
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	35,043	<u>\$ 35,043</u>
Fund balances, beginning		<u>3,014,182</u>	
Fund balances, ending		<u>\$ 3,049,225</u>	

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## Special Revenue Funds

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

**Major governmental fund:**

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

**Non-Major governmental fund:**

**Prosperity Program Grant Project Fund** - This fund is used to account for grant funds that are restricted for use for the NC STEP Planning Investment Project. This project has two primary goals: (1) support economic recovery and revitalization in small towns through job creation, income growth, commercial investment and business activity; (2) implement a comprehensive model of capacity building, technical assistance and grant making to spur revitalization efforts.

**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, 2017**

	Budget Final	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes		\$ 302,139	
Investment earnings		280	
Miscellaneous		1,850	
Total revenues	\$ 285,000	304,269	\$ 19,269
<b>EXPENDITURES</b>			
Current:			
Public safety		167,300	
Total expenditures	185,400	167,300	18,100
Revenues over (under) expenditures	99,600	136,969	37,369
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (to) other funds	(99,600)	(99,598)	2
Total other financing sources (uses)	(99,600)	(99,598)	2
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	37,371	\$ 37,371
Fund balances, beginning		453,691	
Fund balances, ending		\$ 491,062	

**Town of Murphy, North Carolina**

**Special Revenue Fund - Prosperity Program Grant Project Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

**From Inception and For the Fiscal Year Ended June 30, 2017**

	Actual			Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
<b>REVENUES</b>					
Restricted intergovernmental:					
NC Department of Commerce	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
NC Department of Natural and Cultural Resources	100,000	33,180	66,820	100,000	-
Total revenues	200,000	133,180	66,820	200,000	-
<b>EXPENDITURES</b>					
Economic and physical development:					
NC Department of Commerce					
Payne Street Boat Ramp & Fishing Pier	30,000	30,000	-	30,000	-
Piney Knob Biking & Hiking Trail System	75,000	75,000	-	75,000	-
NC Department of Natural and Cultural Resources					
Murphy Marble Creek Biking & Hiking Trail System	125,136	33,180	91,956	125,136	-
Erosion Control	15,864	13,699	1,800	15,499	365
Total expenditures	246,000	151,879	93,756	245,635	365
Revenues over (under) expenditures	(46,000)	(18,699)	(26,936)	(45,635)	365
Other financing sources (uses):					
Proceeds from long term debt				-	-
Transfers to other funds:					
General Fund	-	-	(365)	(365)	(365)
Street WWTP	-	-	-	-	-
Transfers from other funds:					
General Fund	46,000	46,000	-	46,000	-
Water and Sewer	-	-	-	-	-
Total other financing sources (uses)	46,000	46,000	(365)	45,635	(365)
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ 27,301	(27,301)	\$ -	\$ -
Fund balances, beginning			27,301		
Fund balances, ending			\$ -		

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## Proprietary Funds

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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, 2017**

	Budget	Actual	Variance Positive (Negative)
<b>OPERATING REVENUES</b>			
Dwelling rental		\$ 258,545	
Excess utilities		9,898	
Other operating revenues		12,315	
Total operating revenues	\$ 271,977	280,758	\$ 8,781
<b>NONOPERATING REVENUES</b>			
Investment earnings		218	
HUD operating subsidy		206,980	
HUD contributions		76,136	
Total nonoperating revenues	282,316	283,334	1,018
Total revenues	554,293	564,092	9,799
<b>OPERATING EXPENSES</b>			
Administration:			
Salaries and related expenses		159,285	
Payment in lieu of taxes		12,322	
Travel and continuing education		5,500	
Legal and accounting		6,600	
Supplies and other		15,927	
Insurance		17,334	
Collection losses		3,663	
Total administration	243,350	220,631	22,719
Maintenance and tenant services:			
Salaries and related expenses		53,239	
Materials		14,262	
Contract costs, training and other		35,492	
Utilities		140,026	
Total maintenance and tenant services	252,507	243,019	9,488
Capital outlay:			
Capital outlay		58,436	
Total capital outlay	58,436	58,436	-
Total expenditures	554,293	522,086	32,207
Revenues over expenditures	-	42,006	42,006
Revenues and other sources over expenditures and other uses	\$ -	\$ 42,006	\$ 42,006
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 42,006	
Reconciling items:			
Capital outlay		58,436	
Depreciation		(159,844)	
Total reconciling items		(101,408)	
Change in net position		\$ (59,402)	

**Town of Murphy, North Carolina**

**Water and Sewer Fund**

**Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)**

**For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Water and sewer charges		\$ 1,616,596	
Water and sewer taps		31,670	
Other operating revenues		62,231	
Total operating revenues	<u>\$ 1,623,600</u>	<u>1,710,497</u>	<u>\$ 86,897</u>
<b>NONOPERATING REVENUES</b>			
Interest earnings		735	
Total nonoperating revenues	<u>100</u>	<u>735</u>	<u>635</u>
Total revenues	<u>1,623,700</u>	<u>1,711,232</u>	<u>87,532</u>
<b>OPERATING EXPENSES</b>			
Water filter plant			
Salaries and employee benefits		161,788	
Other operating expenditures		110,702	
Capital outlay		6,911	
Travel		1,027	
Supplies		101,416	
Insurance		5,000	
Contracted services		2,323	
Maintenance		2,246	
Total water filter plant	<u>405,000</u>	<u>391,413</u>	<u>13,587</u>
Water utility			
Salaries and employee benefits		279,070	
Other operating expenditures		25,838	
Capital outlay		140,245	
Travel		1,623	
Supplies		108,194	
Insurance		5,200	
Contracted services		8,401	
Maintenance		16,154	
Debt service:			
Principal retirement		32,920	
Total water utility	<u>661,000</u>	<u>617,645</u>	<u>43,355</u>
Wastewater			
Salaries and employee benefits		175,871	
Other operating expenditures		195,981	
Capital outlay		50,871	
Travel		725	
Supplies		66,111	
Insurance		5,000	
Contracted services		37,498	
Maintenance		5,176	
Total wastewater	<u>557,700</u>	<u>537,233</u>	<u>20,467</u>
Total expenditures	<u>1,623,700</u>	<u>1,546,291</u>	<u>77,409</u>
Revenues over expenditures	<u>-</u>	<u>164,941</u>	<u>164,941</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 164,941</u>	<u>\$ 164,941</u>

**Town of Murphy, North Carolina**

**Water and Sewer Fund**

**Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)**

**For the Fiscal Year Ended June 30, 2017**

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

Revenues and other sources over expenditures and other uses	\$ 164,941
Reconciling items:	
Principal retirement	32,920
Capital outlay	198,027
Increase in deferred outflows of resources - pensions	78,681
Increase in net pension liability	(94,262)
Decrease (Increase) in accrued vacation pay	(594)
Decrease in deferred inflows of resources - pensions	8,594
Depreciation	(725,467)
Total reconciling items	<u>(502,101)</u>
Change in net position	<u><u>\$ (337,160)</u></u>

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## Other Schedules

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

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy - Town - Wide Levy
- Statement of Modernization Cost - Construction in Progress (Non-GAAP) - CFP 2014
- Statement of Modernization Cost - In Progress (Non-GAAP) - CFP 2015

**Town of Murphy, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2017**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 935,451	\$ 885,186	\$ 50,265
2015-2016	67,971	-	48,789	19,182
2014-2015	34,236	-	23,814	10,422
2013-2014	8,407	-	3,467	4,940
2012-2013	6,431	-	3,426	3,005
2011-2012	6,269	-	2,403	3,866
2010-2011	4,685	-	1,700	2,985
2009-2010	3,694	-	1,531	2,163
2008-2009	2,634	-	541	2,093
2007-2008	2,875	-	2,258	617
2006-2007	478	-	478	-
	<u>\$ 137,680</u>	<u>\$ 935,451</u>	<u>\$ 973,593</u>	<u>\$ 99,538</u>
Less: allowance for uncollectible accounts				
General Fund				<u>(24,885)</u>
Ad valorem taxes receivable - net				<u>\$ 74,653</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 965,016
Reconciling items:				
Taxes written off and prior year taxes released				706
Less: interest collected				(15,084)
Other adjustments				<u>22,955</u>
Subtotal				<u>8,577</u>
Total collections and credits				<u>\$ 973,593</u>

# Town of Murphy, North Carolina

## Analysis of Current Tax Levy

### Town - Wide Levy

For the Fiscal Year Ended June 30, 2017

				Total Levy	
	Town - Wide		Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate			
Original levy:					
Property taxed at current	\$ 222,430,000	0.420	\$ 934,206	\$ 888,325	\$ 45,881
Registered motor vehicles taxed at prior year's rate	-	0.420	-	-	-
Penalties	-		-	-	-
Total	<u>222,430,000</u>		<u>934,206</u>	<u>888,325</u>	<u>45,881</u>
Discoveries:					
Current year taxes	353,333	0.420	1,484	1,484	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements	<u>(56,905)</u>		<u>(239)</u>	<u>(181)</u>	<u>(58)</u>
Total property valuation	<u>\$ 222,726,428</u>				
Net levy			935,451	889,628	45,823
Unpaid (by taxpayer) taxes at June 30, 2017			<u>(50,265)</u>	<u>(50,265)</u>	-
Current year's taxes collected			<u>\$ 885,186</u>	<u>\$ 839,363</u>	<u>\$ 45,823</u>
Current levy collection percentage			<u>94.63%</u>	<u>94.35%</u>	<u>100.00%</u>

**Town of Murphy, North Carolina**  
**Statement of Modernization Cost - Construction in Progress (Non-GAAP)**  
**CFP Grant NC19P03050114 - Dwelling Improvements**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Project CFP 2014</u>
Funds approved	\$ 91,373
Funds expended	84,238
Excess of funds approved (expended)	<u>\$ 7,135</u>
Funds advanced	\$ 84,238
Funds expended	84,238
Excess of funds advanced (expended)	<u>\$ -</u>

**Town of Murphy, North Carolina**  
**Statement of Modernization Cost - In Progress (Non-GAAP)**  
**CFP Grant NC 19P03050115- Dwelling Improvements**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Project CFP 2015</u>
Funds approved	\$ 93,813
Funds expended	18,762
Excess of funds approved (expended)	<u>\$ 75,051</u>
Funds advanced	\$ 18,762
Funds expended	18,762
Excess of funds advanced (expended)	<u>\$ -</u>



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## Compliance Section

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# Turner & Company CPAs P.A.

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

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## **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, 2017, 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 October 30, 2017. 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 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  
October 30, 2017

**Town of Murphy, North Carolina**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2017**

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**Section I. Summary of Auditors' Results**

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**Financial Statements**

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?

       yes

  X   no

- Significant deficiency(s) identified that are not considered to be material weaknesses?

       yes

  X   none reported

Noncompliance material to financial statements noted

       yes

  X   no

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**Section II. Financial Statement Findings**

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None reported.

**Town of Murphy, North Carolina**  
**Corrective Action Plan**  
**For the Fiscal Year Ended June 30, 2017**

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**Section II. Financial Statement Findings**

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None reported.

**Town of Murphy, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2017**

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**Section II. Financial Statement Findings**

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None reported.