

Town of Murphy, North Carolina
Financial Statements
June 30, 2022

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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June 30, 2022

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Introductory Information

Town of Murphy, North Carolina

Mayor and Town Council

Tim Radford, Mayor

Frank E. Dickey

Keisha Dockery

Barbara Hughes

Barry R. McClure

Charlene Smith

Gail Walker Stansell

Administrative and Financial Staff

Chad Simons, Town Manager, Finance Officer, Town Clerk

Jamie Slate, Tax Collector

Financial Section

Turner & Company CPAs P.A.

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Independent Auditors' Report

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

Report on the Financial Statements

Opinions

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 Town of Murphy, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Murphy, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Town of Murphy ABC Board were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

As discussed in Note VII to the financial statements, the Town changed accounting policies related to identifying, classifying and reporting leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, *Leases*, during the fiscal year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Murphy's basic financial statements. The individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town's 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's internal control over financial reporting and compliance.



Turner & Company CPAs P.A.
Murphy, North Carolina

November 15, 2022

Management's Discussion and Analysis

Town of Murphy, North Carolina
Management's Discussion and Analysis
June 30, 2022

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, 2022. 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

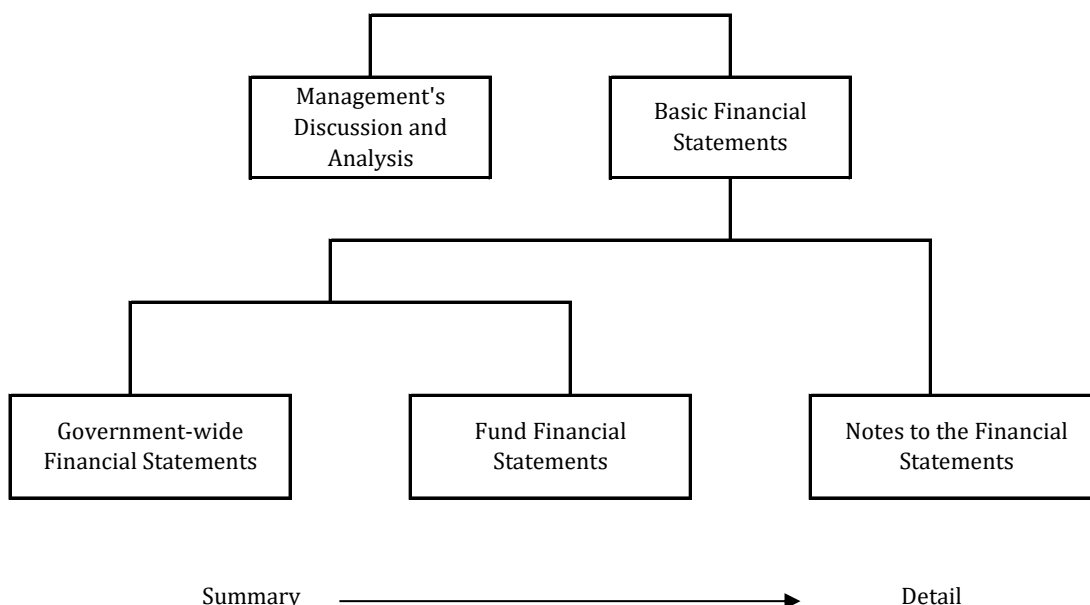
- The assets and deferred outflows of resources of the Town of Murphy exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,423,082 (*net position*).
- The government's total net position decreased by \$390,415 based on an increase in the governmental activities net position of \$260,813 and a decrease in the business type activities net position of \$651,228.
- As of the close of the current fiscal year, the Town of Murphy's governmental funds reported combined ending fund balances of \$4,209,221, with a net decrease of \$146,501 in fund balance. Approximately 15.3 percent of this total amount, or \$643,904, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,316,022, or 115.82 percent of total general fund expenditures for the fiscal year.
- The Town of Murphy's total debt increased by \$7,662 (.27%) during the current fiscal year. The Town incurred one additional direct placement borrowing agreement for \$200,000 during the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Murphy, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Murphy can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

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

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

Government-Wide Financial Analysis

Town of Murphy, North Carolina's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 4,401,995	\$ 4,504,845	\$ 3,003,827	\$ 3,294,693	\$ 7,405,822	\$ 7,799,538
Capital assets	3,668,764	3,245,828	13,277,201	13,658,999	16,945,965	16,904,827
Deferred outflows of resources	440,091	418,278	140,996	122,667	581,087	540,945
Total assets and deferred outflows of resources	8,510,850	8,168,951	16,422,024	17,076,359	24,932,874	25,245,310
Long-term liabilities outstanding	2,270,592	2,530,513	1,163,200	1,379,363	3,433,792	3,909,876
Other liabilities	250,988	145,396	404,910	329,622	655,898	475,018
Deferred inflows of resources	393,574	52,297	139,805	2,037	533,379	54,334
Total liabilities and deferred inflows of resources	2,915,154	2,728,206	1,707,915	1,711,022	4,623,069	4,439,228
Net position						
Net investment in capital assets	1,887,656	1,575,002	12,165,278	12,608,182	14,052,934	14,183,184
Restricted	643,904	821,036	-	-	643,904	821,036
Unrestricted	3,177,413	3,044,707	2,548,831	2,757,155	5,726,244	5,801,862
Total net position	\$ 5,708,973	\$ 5,440,745	\$ 14,714,109	\$ 15,365,337	\$ 20,423,082	\$ 20,806,082

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 \$20,423,082 as of June 30, 2022. The Town's net position decreased by \$390,415 for the fiscal year ended June 30, 2022. The largest portion (68.81%) 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 \$643,904 (3.15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,726,244 is unrestricted.

One particular aspect of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Diligence in the collection of property taxes was demonstrated by maintaining a tax collection percentage of 93.67%, excluding motor vehicles. The statewide average was 99.13%.

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 32,851	\$ 30,872	\$ 2,254,308	\$ 2,113,089	\$ 2,287,159	\$ 2,143,961
Operating grants and contributions	226,338	413,037	424,667	419,857	651,005	832,894
Capital grants and contributions	-	-	264,041	274,258	264,041	274,258
General revenues:						
Property taxes	1,437,031	1,409,335	-	-	1,437,031	1,409,335
specific programs	1,287,383	1,014,686	-	-	1,287,383	1,014,686
Other	124,334	64,766	6,133	47,495	130,467	112,261
Total revenues	3,107,937	2,932,696	2,949,149	2,854,699	6,057,086	5,787,395
Expenses:						
General government	618,023	518,694	-	-	618,023	518,694
Public safety	1,497,098	1,415,722	-	-	1,497,098	1,415,722
Transportation	269,847	275,865	-	-	269,847	275,865
Economic and physical development	4,808	5,005	-	-	4,808	5,005
Environmental protection	182,069	183,948	-	-	182,069	183,948
Cultural recreation	204,241	256,071	-	-	204,241	256,071
Interest on long-term debt	71,038	71,462	-	-	71,038	71,462
Housing authority	-	-	867,407	807,085	867,407	807,085
Water and sewer	-	-	2,732,970	2,503,680	2,732,970	2,503,680
Total expenses	2,847,124	2,726,767	3,600,377	3,310,765	6,447,501	6,037,532
Change in net position before transfers	260,813	205,929	(651,228)	(456,066)	(390,415)	(250,137)
Transfers	-	-	-	-	-	-
Change in net position after transfers	260,813	205,929	(651,228)	(456,066)	(390,415)	(250,137)
Net position, beginning as previously reported	5,440,745	5,234,816	15,365,337	15,821,403	20,806,082	21,056,219
Prior period restatement	7,415	-	-	-	7,415	-
Net position, beginning as restated	5,448,160	5,234,816	15,365,337	15,821,403	20,813,497	21,056,219
Net position, ending	\$ 5,708,973	\$ 5,440,745	\$ 14,714,109	\$ 15,365,337	\$ 20,423,082	\$ 20,806,082

Governmental Activities. Governmental activities increased the Town's net position by \$260,814. Key elements of this increase are as follows:

- There was an increase in the amount of revenue received from property taxes.
- There was an increase in the amount of local option sales tax received in the current fiscal year.
- There was an increase in the amount of profit distribution received from the ABC Board in the current fiscal year.
- Expenditures increased by \$120,357 primarily because of increased expenses for public safety and general government.

Business-Type Activities. Business-type activities decreased the Town's net position by \$651,228.

Housing Authority Fund:

- Charges for Services increased by \$39,828 due to economic impacts on residents income which resulted in an increase in dwelling rent.
- The \$7,429 decrease in operating grants and contributions was due to decreases in the HUD operating and CARES Act subsidies.
- No funds were received from the Public Housing Capital Fund for the current fiscal year due to a software credential issue with HUD. Once the issue is resolved funding should resume.
- Operating expenses increased by \$60,322 during the current fiscal year in both the administration and maintenance and tenant services department.

Water and Sewer Fund:

- There was an increase in charges for services of \$101,391 due to rate increases.
- Operating grants and contributions increased by \$12,239 between 2021 and 2022.
- Capital grants and contributions in Water and Sewer increased \$180,041 between 2021 and 2022. The primary cause of this being that the Town received \$264,040 in ARPA.
- Operating expenses increased by \$229,290 during the current fiscal year primarily in the wastewater department.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Murphy. At the end of the current fiscal year, the Town of Murphy's fund balance available for appropriation was \$3,800,530, while total fund balance reached \$3,839,912. 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 132.74% of general fund expenditures, while total fund balance represents 134.11% of the same amount.

The governmental funds of the Town of Murphy reported a combined fund balance of \$4,209,221 at June 30, 2022, with a \$146,501 net decrease 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 expenditures by \$236,000. 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 \$583,687 and that of the Water and Sewer Fund amounted to \$1,965,144. The total change in net position for both funds was (\$284,893) and (\$366,335), 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, 2022, totals \$16,945,965 (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:

- \$200,000 was expended for the purchase of a portion of the National Guard Armory for use by the fire department
- \$307,516 was expended for a pumper truck for the fire department
- \$125,552 was expended for three vehicles for the police department
- \$57,880 was expended for paving
- \$22,800 was expended for a MC360 Message trailer for the transportation department

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

Housing Authority Fund:

- \$74,233 was expended on roofs for nine buildings

Water and Sewer Fund:

- \$393,190 was expended for the Belt Filter Press Project
- \$102,000 was expended for a 2022 Ford dump truck
- \$44,048 was expended for a 2021 RAM 1500 crew cab

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Capital assets						
Land	\$ -	\$ -	\$ 110,587	\$ 110,587	\$ 110,587	\$ 110,587
Buildings and system	2,042,118	1,913,217	1,288,454	1,353,350	3,330,572	3,266,567
Other improvements	676,662	662,030	-	-	676,662	662,030
Plant and distribution systems	-	-	11,285,670	11,624,146	11,285,670	11,624,146
Equipment and furniture	137,575	103,497	257,883	314,633	395,458	418,130
Vehicles and motorized equipment	791,792	425,098	334,607	256,283	1,126,399	681,381
Computer software	-	450	-	-	-	450
Computer equipment	20,617	27,388	-	-	20,617	27,388
Total capital assets	\$ 3,668,764	\$ 3,131,680	\$ 13,277,201	\$ 13,658,999	\$ 16,945,965	\$ 16,790,679

Construction commitments

The government has two active construction projects as of June 30, 2022. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
C1 Murphy's Ridge	\$ -	\$ 750,000
Ice Plant Sewer Lift Station Rehabilitation Project	-	1,494,900
Total	\$ -	\$ 2,244,900

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

Long-Term Obligations. Debt totals include direct placement installment purchases, direct borrowing State revolving loans, and capital leases. As of June 30, 2022, the Town of Murphy had total debt outstanding of \$2,893,031. The entire debt is backed by the full faith and credit of the Town. Compensated absences and unpaid pension related liabilities are included in the total long-term obligations.

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

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Direct placement installment purchase	\$ 1,665,508	\$ 1,549,262	\$ 133,738	\$ 163,726	\$ 1,799,246	\$ 1,712,988
Leases	115,600	121,564	-	-	115,600	121,564
Direct borrowing State revolving loans	-	-	978,185	1,050,817	978,185	1,050,817
Total debt outstanding	1,781,108	1,670,826	1,111,923	1,214,543	2,893,031	2,885,369
Compensated absences	84,756	79,429	62,078	59,859	146,834	139,288
Net pension liability (LGRS)	214,274	522,792	91,832	224,054	306,106	746,846
Total pension liability (LEO)	334,884	348,600	-	-	334,884	348,600
Total long-term obligations	\$ 2,415,022	\$ 2,621,647	\$ 1,265,833	\$ 1,498,456	\$ 3,680,855	\$ 4,120,103

- The Town of Murphy's total debt increased by \$7,662 (.27%) during the current fiscal year. The Town incurred one additional direct placement borrowing agreement for \$200,000 during the fiscal year.
- North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Murphy is \$20,948,155.
- 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 proposed budget seeks to enhance the Town's ability to actively plan and mitigate a cohesive fire response and continues implementing the Town's Capital Improvements Plan. Alternatives to an ad valorem rate increase can be considered by the Town Council but will not produce the revenue needed to hire full-time fire personnel.

Budget Highlights for the Fiscal Year Ending June 30, 2023**Governmental Activities:**

The budget recommends a four-cent ad valorem tax rate increase for a tax rate of \$0.42 on each \$100 assessed valuation of taxable property.

The budget provides \$150,000 for the Downtown Water/Sewer Rehabilitation which, in collaboration with the North Carolina Department of Transportation will allow the downtown area to be resurfaced.

\$100,000 has been budgeted for the purchase of two 2022 Ford Utility Interceptors for the police department.

The Town will receive a \$50,000 reimbursement grant to enhance the Murphy River Walk.

Business-Type Activities:

The Town will receive their second disbursement of \$264,000 from the American Rescue Act funds. This money will be used for the Ice Plant Sewer Lift Station Rehabilitation Project.

Water and Sewer rates will increase in accordance with the Town's Capital Improvements Plan adopted in July 2021. The schedule increases base rates for users in the Town limits by six percent and volumetric charges for all users by six percent. Sewer dumping charges will remain fixed at their current rate.

The budget provides \$35,000 for the replacement of the Water Plant's alum tank.

\$55,000 has been budgeted for the replacement of two vehicles for the sewer plant and utility maintenance.

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:

Chad Simons, Town Manager, Finance Officer, Town Clerk
5 Wofford Street, Murphy NC 28906
manager@townofmurphync.com
(828) 837-2510
www.townofmurphync.com

Basic Financial Statements

Town of Murphy, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Town of Murphy ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,995,359	\$ 2,591,059	\$ 6,586,418	\$ 878,209
Restricted cash and cash equivalents	262,406	161,597	424,003	152,635
Taxes receivable (net)	95,842	-	95,842	-
Accrued interest receivable on taxes	8,871	-	8,871	-
Accrued interest receivable on CD's	135	-	135	-
Accounts receivable (net)	-	236,356	236,356	-
Due from other governments	27,187	6,750	33,937	-
Inventories	-	-	-	397,877
Prepaid items	12,195	8,065	20,260	11,876
Total current assets	4,401,995	3,003,827	7,405,822	1,440,597
Non-current assets:				
Capital assets:				
Land and construction in progress	-	110,587	110,587	45,287
Other capital assets, net of depreciation	3,668,764	13,166,614	16,835,378	265,467
Total capital assets	3,668,764	13,277,201	16,945,965	310,754
Right to use leased assets, net of amortization	113,277	-	113,277	
Total non-current assets	3,782,041	13,277,201	17,059,242	310,754
Total assets	8,184,036	16,281,028	24,465,064	1,751,351
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	440,091	140,996	581,087	83,746
Total deferred outflows of resources	440,091	140,996	581,087	83,746
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	77,372	131,424	208,796	355,246
Accrued interest payable	29,186	-	29,186	-
Unearned revenue	-	2,506	2,506	-
Current portion of long-term liabilities	144,430	102,633	247,063	-
Payable from restricted assets	-	168,347	168,347	-
Total current liabilities	250,988	404,910	655,898	355,246
Long-term liabilities:				
Due in more than one year	2,270,592	1,163,200	3,433,792	44,781
Total liabilities	2,521,580	1,568,110	4,089,690	400,027
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	10,554	-	10,554	-
Pension deferrals	383,020	139,805	522,825	63,979
Total deferred inflows of resources	393,574	139,805	533,379	63,979
NET POSITION				
Net investment in capital assets	1,887,656	12,165,278	14,052,934	310,754
Restricted for:				
Transportation	100,835	-	100,835	-
Public safety	515,882	-	515,882	-
Stabilization by state statute	27,187	-	27,187	-
Other functions	-	-	-	299,011
Unrestricted	3,177,413	2,548,831	5,726,244	761,326
Total net position	\$ 5,708,973	\$ 14,714,109	\$ 20,423,082	\$ 1,371,091

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, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Murphy ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 618,023	\$ 29,956	\$ -	\$ -	\$ (588,067)	\$ -	\$ (588,067)	\$ -
Public safety	1,497,098	1,014	135,160	-	(1,360,924)	-	(1,360,924)	-
Transportation	269,847	-	59,941	-	(209,906)	-	(209,906)	-
Economic and physical development	4,808	-	30,000	-	25,192	-	25,192	-
Environmental protection	182,069	-	1,237	-	(180,832)	-	(180,832)	-
Cultural and recreation	204,241	1,881	-	-	(202,360)	-	(202,360)	-
Interest on long-term debt	71,038	-	-	-	(71,038)	-	(71,038)	-
Total governmental activities	2,847,124	32,851	226,338	-	(2,587,935)	-	(2,587,935)	-
Business-type activities:								
Housing authority	867,407	296,860	285,279	-	-	(285,268)	(285,268)	-
Water and sewer	2,732,970	1,957,448	139,388	264,041	-	(372,093)	(372,093)	-
Total business-type activities	3,600,377	2,254,308	424,667	264,041	-	(657,361)	(657,361)	-
Total primary government	\$ 6,447,501	\$ 2,287,159	\$ 651,005	\$ 264,041	(2,587,935)	(657,361)	(3,245,296)	-
Component unit:								
ABC Board	\$ 4,899,427	\$ 4,925,643	\$ -	\$ -	-	-	-	26,216
Total component unit	\$ 4,899,427	\$ 4,925,643	\$ -	\$ -	-	-	-	26,216
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,437,031	-	1,437,031	-
Grants and contributions not restricted to specific programs					1,287,383	-	1,287,383	-
Unrestricted investment earnings					-	1,020	1,020	310
Miscellaneous					124,334	5,113	129,447	-
Total general revenues not including transfers					2,848,748	6,133	2,854,881	310
Change in net position					260,813	(651,228)	(390,415)	26,526
Net position, beginning as previously reported					5,440,745	15,365,337	20,806,082	1,344,565
Restatement					7,415	-	7,415	-
Net position, beginning as restated					5,448,160	15,365,337	20,813,497	1,344,565
Net position, ending	\$				5,708,973	\$ 14,714,109	\$ 20,423,082	\$ 1,371,091

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

Town of Murphy, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds		
	General Fund	Rural Fire Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,626,050	\$ 369,309	\$ 3,995,359
Restricted cash	262,406	-	262,406
Receivables, net:			
Taxes	95,842	-	95,842
Due from other governments	27,187	-	27,187
Prepaid items	12,195	-	12,195
Total assets	<u>4,023,680</u>	<u>369,309</u>	<u>4,392,989</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>77,372</u>	<u>-</u>	<u>77,372</u>
Total liabilities	<u>77,372</u>	<u>-</u>	<u>77,372</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	95,842	-	95,842
Prepaid taxes	<u>10,554</u>	<u>-</u>	<u>10,554</u>
Total deferred inflows of resources	<u>106,396</u>	<u>-</u>	<u>106,396</u>
FUND BALANCES			
Nonspendable			
Prepaid items	12,195	-	12,195
Restricted			
Stabilization by state statute	27,187	-	27,187
Streets	100,835	-	100,835
Public safety	146,573	369,309	515,882
Assigned			
Subsequent year's expenditures	237,100	113,100	350,200
Unassigned	<u>3,316,022</u>	<u>(113,100)</u>	<u>3,202,922</u>
Total fund balances	<u>3,839,912</u>	<u>369,309</u>	<u>4,209,221</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,023,680</u>	<u>\$ 369,309</u>	<u>\$ 4,392,989</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, 2022

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

Total Fund Balance, Governmental Funds	\$	4,209,221
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Gross capital assets at historical cost	\$	7,494,856	
Accumulated depreciation		<u>(3,826,092)</u>	3,668,764

Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Right to use assets at historical cost		121,563	
Accumulated amortization		<u>(8,286)</u>	113,277

Deferred outflows of resources related to pensions are not reported in the funds		440,091
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Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds

Accrued interest receivable on taxes		8,871
Accrued interest receivable on CD's		135

Liabilities for earned revenues considered deferred inflows of resources in fund statements.

Property taxes receivable		95,842
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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)		(1,865,864)
Net pension liability		(214,274)
Total pension liability		(334,884)

Deferred inflows of resources related to pensions are not reported in the funds		(383,020)
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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>(29,186)</u>
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Net position of governmental activities	\$	<u>5,708,973</u>
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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, 2022

	Major Funds		Total
	General Fund	Rural Fire Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 1,090,176	\$ 349,116	\$ 1,439,292
Unrestricted intergovernmental	1,287,383	-	1,287,383
Restricted intergovernmental	226,338	-	226,338
Permits and fees	1,014	-	1,014
Sales and services	31,837	-	31,837
Investment earnings	667	80	747
Miscellaneous	117,682	7,161	124,843
Total revenues	<u>2,755,097</u>	<u>356,357</u>	<u>3,111,454</u>
EXPENDITURES			
Current:			
General government	618,415	-	618,415
Public safety	1,460,863	544,772	2,005,635
Transportation	296,614	-	296,614
Environmental protection	183,135	-	183,135
Cultural and recreation	193,178	-	193,178
Debt service:			
Principal	39,718	50,000	89,718
Interest and other charges	71,260	-	71,260
Total expenditures	<u>2,863,183</u>	<u>594,772</u>	<u>3,457,955</u>
Excess (deficiency) of revenues over expenditures	(108,086)	(238,415)	(346,501)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	99,598	-	99,598
Transfers to other funds	-	(99,598)	(99,598)
Installment purchase obligations issued	-	200,000	200,000
Total other financing sources (uses)	<u>99,598</u>	<u>100,402</u>	<u>200,000</u>
Net change in fund balance	(8,488)	(138,013)	(146,501)
Fund balances, beginning as previously reported	3,840,985	507,322	4,348,307
Prior period adjustment	7,415	-	7,415
Fund balances, beginning as restated	<u>3,848,400</u>	<u>507,322</u>	<u>4,355,722</u>
Fund balances, ending	<u>\$ 3,839,912</u>	<u>\$ 369,309</u>	<u>\$ 4,209,221</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, 2022

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

Net changes in fund balances - total governmental funds		\$ (146,501)
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Capital outlay expenditures which were capitalized	770,665	
Depreciation expense for governmental assets	<u>(233,581)</u>	
		537,084
Right to used leased asset capital outlay expenditures which were capitalized	7,415	
Amortization expense for intangible assets	<u>(8,286)</u>	
		(871)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		119,244
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in accrued investment earnings	(1,256)	
Change in unavailable revenue for tax revenues	<u>(2,261)</u>	
		(3,517)
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.		
New long-term debt issued	(200,000)	
Principal payments on long-term debt	89,718	
Decrease in accrued interest payable	<u>222</u>	
		(110,060)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(5,327)	
Pension expense	<u>(129,239)</u>	
		(134,566)
Total changes in net position of governmental activities		<u>\$ 260,813</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, 2022

	General Fund				Rural Fire Fund			
	Original	Final	Actual Amounts	Variance Positive (Negative)	Original	Final	Amounts	Variance Positive (Negative)
REVENUES								
Ad valorem taxes	\$ 1,036,000	\$ 1,036,000	\$ 1,090,176	\$ 54,176	\$ 320,000	\$ 320,000	\$ 349,116	\$ 29,116
Unrestricted intergovernmental	962,000	962,000	1,287,383	325,383	-	-	-	-
Restricted intergovernmental	185,800	189,300	226,338	37,038	-	-	-	-
Permits and fees	300	300	1,014	714	-	-	-	-
Sales and services	35,500	35,500	31,837	(3,663)	-	-	-	-
Investment earnings	-	-	667	667	-	-	80	80
Miscellaneous	36,500	36,500	117,682	81,182	-	-	7,161	7,161
Total revenues	2,256,100	2,259,600	2,755,097	495,497	320,000	320,000	356,357	36,357
EXPENDITURES								
Current:								
General government	494,510	629,510	618,415	11,095	-	-	-	-
Public safety	1,664,355	1,707,855	1,460,863	246,992	269,920	569,920	544,772	25,148
Transportation	257,500	297,000	296,614	386	-	-	-	-
Environmental protection	192,750	200,750	183,135	17,615	-	-	-	-
Cultural and recreation	226,137	236,137	193,178	42,959	-	-	-	-
Debt service:								
Principal retirement	31,750	44,155	39,718	4,437	50,000	50,000	50,000	-
Interest and other charges	83,750	71,345	71,260	85	-	-	-	-
Total expenditures	2,950,752	3,186,752	2,863,183	323,569	319,920	619,920	594,772	25,148
Revenues over (under) expenditures	(694,652)	(927,152)	(108,086)	819,066	80	(299,920)	(238,415)	61,505
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	99,600	99,600	99,598	(2)	-	-	-	-
Transfers to other funds	-	-	-	-	(99,600)	(99,600)	(99,598)	2
Installment purchase obligations issued	-	-	-	-	-	200,000	200,000	-
Total other financing sources (uses)	99,600	99,600	99,598	(2)	(99,600)	100,400	100,402	2
Revenues over (under) expenditures and other uses	(595,052)	(827,552)	(8,488)	819,064	(99,520)	(199,520)	(138,013)	61,507
Fund balance appropriated	595,052	827,552	-	(827,552)	99,520	199,520	-	(199,520)
Net change in fund balance	\$ -	\$ -	(8,488)	\$ (8,488)	\$ -	\$ -	(138,013)	\$ (138,013)
Fund balances, beginning as previously reported			3,840,985				507,322	
Prior period adjustment			7,415				-	
Fund balances, beginning as restated			3,848,400				507,322	
Fund balances, ending			\$ 3,839,912				\$ 369,309	

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, 2022

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 584,082	\$ 2,006,977	\$ 2,591,059
Restricted cash and cash equivalents	33,800	127,797	161,597
Accounts receivable (net) - billed	70,091	166,265	236,356
Due from other governments	-	6,750	6,750
Prepaid items	6,724	1,341	8,065
Total current assets	694,697	2,309,130	3,003,827
Noncurrent assets:			
Capital assets:			
Land and construction in progress	110,587	-	110,587
Other capital assets, net of depreciation	1,310,557	11,856,057	13,166,614
Total capital assets	1,421,144	11,856,057	13,277,201
Total noncurrent assets	1,421,144	11,856,057	13,277,201
Total assets	2,115,841	14,165,187	16,281,028
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	-	140,996	140,996
Total deferred outflows of resources	-	140,996	140,996
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	53,506	77,918	131,424
Tenant prepaid rents	2,506	-	2,506
Compensated absences - current	-	30,000	30,000
Current portion of long-term debt	-	72,633	72,633
Liabilities payable from restricted assets:			
Accounts payable	-	6,750	6,750
Customer deposits	33,800	127,797	161,597
Total current liabilities	89,812	315,098	404,910
Noncurrent liabilities:			
Compensated absences	21,198	10,880	32,078
Net pension liability	-	91,832	91,832
Long-term debt - noncurrent	-	1,039,290	1,039,290
Total noncurrent liabilities	21,198	1,142,002	1,163,200
Total liabilities	111,010	1,457,100	1,568,110
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	139,805	139,805
NET POSITION			
Net investment in capital assets	1,421,144	10,744,134	12,165,278
Unrestricted	583,687	1,965,144	2,548,831
Total net position	\$ 2,004,831	\$ 12,709,278	\$ 14,714,109

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, 2022

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 293,898	\$ 1,957,448	\$ 2,251,346
Other operating revenues	2,962	132,638	135,600
Total operating revenues	296,860	2,090,086	2,386,946
OPERATING EXPENSES			
Operating expenses	290,370	1,704,037	1,994,407
Maintenance and tenant services	433,596	148,353	581,949
Depreciation	143,441	863,223	1,006,664
Total operating expenses	867,407	2,715,613	3,583,020
Operating income (loss)	(570,547)	(625,527)	(1,196,074)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	375	645	1,020
Interest and other charges	-	(17,357)	(17,357)
Noncapital grants	-	6,750	6,750
Sale of supplies	-	3,283	3,283
Total nonoperating revenue (expenses)	375	(6,679)	(6,304)
Income (loss) before contributions and transfers	(570,172)	(632,206)	(1,202,378)
Capital contributions	285,279	264,041	549,320
Gain on insurance recovery	-	1,830	1,830
Change in net position	(284,893)	(366,335)	(651,228)
Total net position, beginning	2,289,724	13,075,613	15,365,337
Total net position, ending	\$ 2,004,831	\$ 12,709,278	\$ 14,714,109

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

Town of Murphy, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 231,622	\$ 1,957,693	\$ 2,189,315
Cash paid for goods and services	(501,190)	(1,023,395)	(1,524,585)
Cash paid to or on behalf of employees for services	(206,795)	(772,419)	(979,214)
Customer deposits received	1,169	5,288	6,457
Other operating revenues	2,962	132,638	135,600
Net cash provided (used) by operating activities	<u>(472,232)</u>	<u>299,805</u>	<u>(172,427)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital grants	-	6,750	6,750
Total cash flows from noncapital financing activities	<u>-</u>	<u>6,750</u>	<u>6,750</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(74,234)	(550,632)	(624,866)
Principal paid on bond maturities and equipment contracts	-	(102,620)	(102,620)
Capital contributions	285,279	264,041	549,320
Insurance recovery	-	1,830	1,830
Proceeds from sale of supplies	-	3,283	3,283
Interest paid on bond maturities and equipment contracts	-	(17,357)	(17,357)
Net cash provided (used) by capital and related financing activities	<u>211,045</u>	<u>(401,455)</u>	<u>(190,410)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>375</u>	<u>645</u>	<u>1,020</u>
Net increase (decrease) in cash and cash equivalents	(260,812)	(94,255)	(355,067)
Cash and cash equivalents at beginning of year	878,694	2,229,029	3,107,723
Cash and cash equivalents at end of year	<u>\$ 617,882</u>	<u>\$ 2,134,774</u>	<u>\$ 2,752,656</u>

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

Town of Murphy, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (570,547)	\$ (625,527)	\$ (1,196,074)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	143,441	863,223	1,006,664
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(62,276)	245	(62,031)
(Increase) decrease in prepaid items	(180)	4,760	4,580
(Increase) decrease in deferred outflows of resources - pensions	-	(18,329)	(18,329)
(Increase) decrease in due from other governments	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	15,152	63,389	78,541
Increase (decrease) in customer deposits	1,169	5,288	6,457
Increase (decrease) in accrued vacation pay	1,009	1,210	2,219
Increase (decrease) in net pension liability	-	(132,222)	(132,222)
Increase (decrease) in deferred outflows of resources for pensions	-	137,768	137,768
Total adjustments	98,315	925,332	1,023,647
Net cash provided by operating activities	\$ (472,232)	\$ 299,805	\$ (172,427)

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, 2022

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Town of Murphy, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

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

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Rural Fire Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Capital Project Fund, which is presented with the Project and lapse at the end of the project. The enterprise fund project is consolidated with the operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of 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 Equity**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Murphy Restricted Cash

Governmental Activities			
General Fund		Powell Bill funds	\$ 100,835
		Firefighters' relief funds	146,573
		Police separation allowance	14,998
Total Governmental Activities			<u>\$ 262,406</u>
Business-type Activities			
Water and Sewer Fund		Customer deposits	\$ 127,797
Murphy Housing Authority		Customer deposits	33,800
Total Business-type Activities			<u>\$ 161,597</u>
Total Restricted Cash			<u><u>\$ 424,003</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, and plants and distribution systems, \$15,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; computer software, \$5,000; and computer equipment \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

8. Right to Use Leased Assets

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

9. Unearned Revenue

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

10. 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 2022 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.

11. 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.

12. 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.

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

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

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

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The commissioners approve the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

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

14. Defined Benefit Cost-Sharing Plan

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 (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The 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 LGERS. Investments are reported at fair value.

15. Estimates

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted

2. Contractual Violations

None Noted

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

None Noted

C. Excess of Expenditures over Appropriations

Excess of expenditures over appropriations at the level of budgetary control are in violation of state law [G.S. 159-28(b)]. For the year ended June 30, 2022, administration expenditures in the Housing Authority Fund exceeded appropriations by \$3,061.

Management and the Board will more closely review the budget reports to ensure compliance in future years.

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

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2022, the Town's deposits had a carrying amount of \$7,010,121 and a bank balance of \$7,445,925. 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, 2022, the Town's petty cash fund totaled \$300.

At June 30, 2022, the ABC Board's deposits had a carrying amount of \$1,028,344 and a bank balance of \$1,018,858. Of the bank balance, \$450,270 was covered by federal depository insurance and \$568,588 was covered by collateral held by authorized agents in the name of the State Treasurer. At June 30, 2022, the ABC Boards petty cash fund totaled \$2,500.

2. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable	\$ 31,948
Total General Fund	31,948

Enterprise Funds:

Water and Sewer Fund - accounts receivable	5,977
Housing Authority Fund - accounts receivable	3,151
Total Enterprise Funds	9,128
Total	\$ 41,076

3. Capital Assets**Primary Government**

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

	Beginning Balances Restated	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Buildings and system	\$ 2,859,545	\$ 200,000	\$ -	\$ 3,059,545
Other improvements	1,145,495	73,529	-	1,219,024
Equipment and furniture	226,769	64,069	-	290,838
Vehicles and motorized equipment	2,438,719	433,067	-	2,871,786
Computer software	13,524	-	-	13,524
Computer equipment	40,139	-	-	40,139
Total capital assets being depreciated	6,724,191	770,665	-	7,494,856

	Beginning Balances Restated	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings and system	946,328	71,099	-	1,017,427
Other improvements	483,465	58,897	-	542,362
Equipment and furniture	123,272	29,991	-	153,263
Vehicles and motorized equipment	2,013,621	66,373	-	2,079,994
Computer software	13,074	450	-	13,524
Computer equipment	12,751	6,771	-	19,522
Total accumulated depreciation	3,592,511	233,581	-	3,826,092
Total capital assets being depreciated, net	3,131,680			3,668,764
Governmental activity capital assets, net	<u>\$ 3,131,680</u>			<u>\$ 3,668,764</u>

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

General government	\$ 9,664
Public safety	133,865
Transportation	53,894
Economic and physical development	4,808
Environmental protection	5,006
Cultural and recreational	26,344
Total depreciation expense	<u>\$ 233,581</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 264,041	\$ 264,041	\$ -
Total capital assets not being depreciated	-	264,041	264,041	-
Capital assets being depreciated:				
Plants and distribution systems	22,486,041	393,190	131,981	22,747,250
Equipment and furniture	757,497	11,394	-	768,891
Vehicles and motorized equipment	343,040	146,048	13,649	475,439
Total capital assets being depreciated	23,586,578	550,632	145,630	23,991,580
Less accumulated depreciation for:				
Plants and distribution systems	10,861,895	731,666	131,981	11,461,580
Equipment and furniture	469,278	63,833	-	533,111
Vehicles and motorized equipment	86,757	67,724	13,649	140,832
Total accumulated depreciation	11,417,930	863,223	145,630	12,135,523
Total capital assets being depreciated, net	12,168,648			11,856,057
Water and Sewer fund capital assets, net	<u>\$ 12,168,648</u>			<u>\$ 11,856,057</u>

<i>Housing Authority Fund</i>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 110,587	\$ -	\$ -	\$ 110,587
Total capital assets not being depreciated	110,587	-	-	110,587
Capital assets being depreciated:				
Buildings and system	6,225,295	74,234	-	6,299,529
Equipment and furniture	136,249	-	-	136,249
Vehicles and motorized equipment	25,718	-	-	25,718
Total capital assets being depreciated	6,387,262	74,234	-	6,461,496
Less accumulated depreciation for:				
Buildings and system	4,871,945	139,130	-	5,011,075
Equipment and furniture	109,835	4,311	-	114,146
Vehicles and motorized equipment	25,718	-	-	25,718
Total accumulated depreciation	5,007,498	143,441	-	5,150,939
Total capital assets being depreciated	1,379,764			1,310,557
Housing fund capital assets, net	1,490,351			1,421,144
Business-type activities capital assets, net	\$ 13,658,999			\$ 13,277,201

Construction commitments

The government has two active construction projects as of June 30, 2022. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
C1 Murphy's Ridge	\$ -	\$ 750,000
Ice Plant Sewer Lift Station Rehabilitation Project	-	1,494,900
Total	\$ -	\$ 2,244,900

Discretely presented component unit

Capital asset activity for the ABC Board for the year ended June 30, 2022, was as follows:

<i>ABC Board</i>	Beginning Balances	Increases	Decreases	Ending Balances
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	423,608	2,925	-	426,533
Other improvements	53,245	-	-	53,245
Furniture and equipment	145,977	-	-	145,977
Total capital assets being depreciated	622,830	2,925	-	625,755
Less accumulated depreciation for:				
Buildings and improvements	179,021	11,045	-	190,066
Other improvements	45,039	825	-	45,864
Furniture and maintenance equipment	118,691	5,667	-	124,358
Total accumulated depreciation	342,751	17,537	-	360,288
Total capital assets being depreciated	280,079			265,467
ABC Board capital assets, net	\$ 325,366			\$ 310,754

4. Right to Use Leased Assets

The Town has recorded one right to use leased asset. The asset is a right to use asset for leased equipment, furniture and fixtures. The related lease is discussed in the Leases subsection of the Liabilities section of this note. The right to use leased asset is amortized on a straight-line basis over the terms of the related lease.

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Right to use assets				
Leased equipment, furniture and fixtures	\$ -	\$ 121,563	\$ -	\$ 121,563
Total right to use assets	-	121,563	-	121,563
Less accumulated amortization for:				
Leased equipment, furniture and fixtures	-	8,286	-	8,286
Total accumulated amortization	-	8,286	-	8,286
Total governmental activities right to use assets, net	\$ -			\$ 113,277

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

Transportation	8,286
Total amortization expense	\$ 8,286

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2022, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 76,815	\$ 557	\$ 77,372
Total governmental activities	\$ 76,815	\$ 557	\$ 77,372
Business-type activities:			
Housing authority	\$ 43,165	\$ 10,341	\$ 53,506
Water and sewer	77,918	-	77,918
Total business-type activities	\$ 121,083	\$ 10,341	\$ 131,424

2. Unearned Revenue

Unearned revenue at the government-wide level at June 30, 2022, was as follows:

	Tenant Prepaid Rents	Local Grants and Contributions	Total
Governmental activities:			
General	\$ -	\$ -	\$ -
Other governmental	-	-	-
Total governmental activities	\$ -	\$ -	\$ -
Business-type activities:			
Housing authority	\$ 2,506	\$ -	\$ 2,506
Total business-type activities	\$ 2,506	\$ -	\$ 2,506

3. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Murphy employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Murphy's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.35% 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 \$170,348 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$306,106 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The 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, 2022, the Town's proportion was 0.1996% (measured as of June 30, 2021), which was a decrease of 0.001% from its proportion as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the Town recognized pension expense of \$127,742. At June 30, 2022, 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	\$ 97,383	\$ -
Changes in assumptions	192,313	-
Net difference between projected and actual earnings on pension plan investments	-	437,333
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,942	28,682
Town contributions subsequent to the measurement date	170,348	-
Total	<u>\$ 469,986</u>	<u>\$ 466,015</u>

\$170,348 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 22,565
2024	(13,730)
2025	(41,386)
2026	(133,826)
2027	-

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

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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 assumptions used for the December 31, 2020 actuarial valuation was based on the experience study prepared as of December 31, 2019, and adopted by the Board of Trustees on January 28, 2021.

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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Sensitive	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 3.05%. All rates of return and inflation are annualized.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 1,188,277	\$ 306,106	\$ (419,870)

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description.*

The 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 County law enforcement officers are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	10
Total	<u>10</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, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

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

Mortality Rates

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Beneficiary): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Before Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

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, 2022, the Town reported a total pension liability of \$334,884. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$39,818.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,192	\$ 38,479
Changes in assumptions	98,909	18,331
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>\$ 111,101</u>	<u>\$ 56,810</u>

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

Year ended June 30:

2023	\$ 10,253
2024	10,596
2025	10,229
2026	8,607
2027	11,041
Thereafter	3,565

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

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 376,119	\$ 334,884	\$ 297,563

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

Total pension liability as of December 31, 2020	\$ 348,600
Changes for the year:	
Service cost	22,837
Interest on the total pension liability	6,728
Changes of benefit terms	-
Differences between expected and actual experience in the	(30,522)
Changes of assumptions or other inputs	(12,759)
Benefit payments	-
Other changes	-
Net changes	<u>(13,716)</u>
Total pension liability as of December 31, 2021	<u>\$ 334,884</u>

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 1.93% to 2.25% due to a change in the Municipal Bond Rate.

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

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

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 127,742	\$ 39,818	\$ 167,560
Pension Liability	214,274	334,884	549,158
Proportionate share of the net pension liability	0.01996%	n/a	

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	97,383	12,192	109,575
Changes of assumptions	192,313	98,909	291,222
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,942	-	9,942
Benefit payments and administrative costs paid subsequent to the measurement date	170,348	-	170,348
Deferred Inflows of Resources			
Differences between expected and actual experience	-	38,479	38,479
Changes of assumptions	-	18,331	18,331
Net difference between projected and actual earnings on pension plan investments	437,333	-	437,333
Changes in proportion and differences between contributions and proportionate share of contributions	28,682	-	28,682

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the 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 contributed \$24,339 for the year ended June 30, 2022. No amounts were forfeited.

4. 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.

5. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 170,348
Differences between expected and actual experience	109,575
Changes of assumptions	291,222
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,942
Total	<u>\$ 581,087</u>

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

Source	Amount
Prepaid taxes (General Fund)	\$ 10,554
Taxes receivable (General Fund), less penalties	95,842
Differences between expected and actual experience	38,479
Changes of assumptions	18,331
Net difference between projected and actual	437,333
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,682
Total	<u><u>\$ 629,221</u></u>

6. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains the following types of major coverage for the amounts of retained risk noted: general liability coverage of \$2 million per occurrence, auto liability coverage of \$1 million, property coverage of \$23,734,815, 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 \$50,000.

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 \$4,399,396, and personal property coverage of \$572,883.

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 \$6,879,111, 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.

7. Long-term Obligations

a. Leases

Serviced by the General Fund:

The Town has entered into agreements to lease certain equipment, furniture and fixtures. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on February 15, 2021, to lease streetlights and requires 180 monthly payments of \$948. In addition, the monthly kwh charges must be paid. The lease liability is measured at a discount rate of 4.557%. As a result of the lease, the Town has recorded a right to use leased asset with a net book value of \$121,563 at June 30, 2022. The right to use leased asset is discussed in more detail in the Right to Use Leased Asset section A.4. of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 6,241	\$ 5,139	\$ 11,380
2024	6,531	4,848	11,379
2025	6,835	4,544	11,379
2026	7,153	4,226	11,379
2027	7,486	3,893	11,379
2028 - 2032	42,993	13,905	56,898
2033 - 2036	38,361	3,366	41,727
	<u>\$ 115,600</u>	<u>\$ 39,921</u>	<u>\$ 155,521</u>

b. Installment PurchaseServiced by the General Fund:

In January 2007, the Town entered into a \$1,900,000 direct placement contract with the United States Department of Agriculture Rural Development for a new fire station. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires forty annual payments of \$99,598 beginning January 18, 2008, including interest at 4.25%, and matures in January 2047.

\$ 1,515,508

In April 2022, the Town entered into a \$200,000 direct placement contract with Cherokee County to purchase part of the National Guard Armory for a new fire station to serve Murphy Rural Fire District. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires four annual payments of \$50,000 beginning November 11, 2022, including interest at zero percent, and matures in November 2024.

150,000

\$ 1,665,508

Annual debt service payments of the installment purchase as of June 30, 2022, including \$974,314 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 85,189	\$ 64,409
2024	86,684	62,914
2025	88,244	61,354
2026	39,869	59,729
2027	41,563	58,035
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	<u>\$ 1,665,508</u>	<u>\$ 974,134</u>

Serviced by the Water Sewer Fund:

In August 2020, the Town entered into a \$163,726 direct placement contract with NCL Government Capital for a Vactor sewer truck. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires 5 annual payments of \$37,460, including interest at 4.73%, and matures August 2025.

\$ 133,738

\$ 133,738

Annual debt service payments of the installment purchase as of June 30, 2022, including \$16,102 of interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2023	\$ 31,164	\$ 6,296
2024	32,631	4,829
2025	34,167	3,293
2026	35,776	1,684
Total	<u>\$ 133,738</u>	<u>\$ 16,102</u>

c. State Revolving Fund LoansServiced by the Water and Sewer Fund:

The Town's State Revolving Fund loans payable consisted of the following at June 30, 2022:

In March 2010, the Town entered into a \$332,683 State Revolving Fund loan from direct borrowings for the Cherokee Hills and Murphy Medical Center Pump Station Upgrade project and is secured by the net revenues for the water and sewer system. The loan requires one annual payment of \$18,445 followed by nineteen annual payments of \$16,539, beginning May 1, 2011, with interest at 0% per annum on the unpaid principal. The loan matures on May 1, 2030. The loan contains provisions that an event of default could have further commitment of funds withdrawn.

\$ 132,311

In November 2010, the Town entered into a \$329,162 State Revolving Fund loan from direct borrowings for the Radio Read Meter Improvements project and is secured by the net revenues for the water and sewer system. The loan requires annual installments, including interest of 0.00%, of \$17,843, \$16,458, and eighteen installments of \$16,381, beginning May 1, 2011. The loan matures on May 1, 2030. The loan contains provisions that an event of default could have further commitment of funds withdrawn. 131,049

In June 2020, the Town entered into a \$794,250 State Reserve Fund loan from direct placement borrowings for the Hiwassee River Sewer Repair Project and is secured by the net revenues of the water and sewer system. The loan requires twenty annual principal payments of \$39,713 which are due on May 1 of each year. The loan also requires semi-annual interest payments at a rate of 1.31% per annum on the unpaid principal balance which are due on May 1 and November 1 of each year. The loan matures May 1, 2040. The loan contains provisions that an event of default could cause the note to be repaid or further commitment of funds to be withdrawn. 714,825

\$ 978,185

Annual debt service payments of the State revolving fund loans as of June 30, 2022, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2023	\$ 72,633	\$ 9,364
2024	72,633	8,844
2025	72,633	8,324
2026	72,633	7,804
2027	72,633	7,283
2028 - 2032	297,323	28,613
2033 - 2037	198,563	15,607
Thereafter	119,134	3,121
Total	<u>\$ 978,185</u>	<u>\$ 88,960</u>

At June 30, 2022, the Town of Murphy had a legal debt margin of \$20,948,155.

d. Long-Term Obligation Activity:

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2022:

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement installment purchase	\$ 1,549,262	\$ 200,000	\$ 83,754	\$ 1,665,508	\$ 85,189
Lease liabilities	121,564	-	5,964	115,600	6,241
Compensated absences	79,429	58,711	53,384	84,756	53,000
Net pension liability (LGRS)	522,792	-	308,518	214,274	-
Total pension liability (LEO)	348,600	-	13,716	334,884	-
Total governmental activities	<u>\$ 2,621,647</u>	<u>\$ 258,711</u>	<u>\$ 465,336</u>	<u>\$ 2,415,022</u>	<u>\$ 144,430</u>

Business-type activities:

Water and Sewer Fund

Direct borrowing State revolving loans	\$ 1,050,817	\$ -	\$ 72,632	\$ 978,185	\$ 72,633
Direct placement installment purchase	163,726	-	29,988	133,738	31,164
Compensated absences	39,670	31,214	30,004	40,880	30,000
Net pension liability (LGRS)	224,054	-	132,222	91,832	-
Total Water and Sewer Fund	<u>1,478,267</u>	<u>31,214</u>	<u>264,846</u>	<u>1,244,635</u>	<u>133,797</u>

Housing Authority Fund

Compensated absences	20,189	1,009	-	21,198	-
Total Housing Authority Fund	<u>20,189</u>	<u>1,009</u>	<u>-</u>	<u>21,198</u>	<u>-</u>
Total business-type activities	<u>\$ 1,498,456</u>	<u>\$ 32,223</u>	<u>\$ 264,846</u>	<u>\$ 1,265,833</u>	<u>\$ 133,797</u>

No interest was capitalized during 2022; interest incurred and charged to expense totaled \$71,260.

C. Interfund Balances and Activity

Transfers to/from other funds June 30, 2022, consist of the following:

From the Rural Fire District to the General Fund for the USDA debt service payments	\$ 99,598
Total	<u>\$ 99,598</u>

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	\$ 3,668,764	\$ 13,277,201
Less: long-term debt	1,781,108	1,111,923
Net investment in capital assets	<u>\$ 1,887,656</u>	<u>\$ 12,165,278</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 3,839,912
Less:	
Prepaid Items	12,195
Stabilization by State Statute	27,187
Streets - Powell Bill	100,835
Public Safety - Firefighters' Relief	146,573
Appropriated fund balance in 2023 budget	237,100
Working Capital/Fund Balance Policy	318,675
Remaining Fund Balance	<u>2,997,347</u>

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 Town had no outstanding encumbrances at year-end.

IV. Joint VenturesFiremen'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, 2022, the Town reported revenues of \$73 and expenditures of \$11,746 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, 2022. 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, 2022, the approved Supplemental Retirement Reserve amount was \$130,000.

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, 2022. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$166,235 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.

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 ContingenciesFederal 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.

Coronavirus Disease (COVID-19)

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. It is not possible to determine the extent to which the pandemic may materially impact the financial position, results of activities, and cash flows of the Town in subsequent years. Management believes the Town is taking appropriate actions to mitigate the impact of the pandemic. The full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

VII. Change in Accounting Principles/Restatement

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use, an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As a result, fund balance for the General Fund and net position for the governmental activities increased by \$7,415.

VII. New Accounting Pronouncements*Pronouncements effective for the 2022 Financial Statements:*

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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

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

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The Statement is designed to mitigate costs associated with reporting on certain employee benefit plans. The Statement also is intended to improve the reporting of Sec. 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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

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

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

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

VIII. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2022 and November 15, 2022, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

1. In July 2022, Downtown Murphy became a NC Main Street Community and a Main Street America Affiliate.
2. On July 22, 2022, the Town received \$264,040 of Coronavirus State and Local Fiscal Recovery Funds from the Treasury to meet pandemic response needs.
3. In July 2022, the sewer vacor truck was returned to Infrastructure Solutions Group due to poor service. Three contract payments remained outstanding at the time of return.

Required Supplementary Financial Data

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

Local Government Employees' Retirement System

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Law Enforcement Officers' Special Separation Allowance

- 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 Nine Fiscal Years*
Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town of Murphy's proportion of the net pension liability (asset) (%)	0.01996%	0.02090%	0.01910%	0.01916%	0.02005%	0.01866%	0.01823%	0.01795%	0.01570%
Town of Murphy's proportion of the net pension liability (asset) (\$)	\$ 306,106	\$ 746,856	\$ 521,606	\$ 454,541	\$ 306,308	\$ 396,028	\$ 81,815	\$ (105,859)	\$ 189,245
Town of Murphy's covered-employee payroll*	\$ 1,319,522	\$ 1,299,319	\$ 1,197,544	\$ 1,228,476	\$ 1,216,770	\$ 1,148,976	\$ 1,055,745	\$ 1,067,647	\$ 975,394
Town of Murphy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.20%	57.48%	43.56%	37.00%	25.17%	34.47%	7.75%	(9.92%)	19.40%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 170,348	\$ 136,991	\$ 119,553	\$ 95,676	\$ 94,663	\$ 92,545	\$ 79,919	\$ 74,438	\$ 76,059
Contributions in relation to the contractually required contribution	170,348	136,991	119,553	95,676	94,663	92,545	79,919	74,438	76,059
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Murphy's covered-employee payroll	\$ 1,469,083	\$ 1,319,522	\$ 1,299,319	\$ 1,197,544	\$ 1,228,476	\$ 1,216,770	\$ 1,148,976	\$ 1,055,745	\$ 1,067,647
Contributions as a percentage of covered employee payroll	11.60%	10.38%	9.20%	7.99%	7.71%	7.61%	6.96%	7.05%	7.12%

Town of Murphy, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 348,600	\$ 194,495	\$ 180,144	\$ 180,164	\$ 141,619	\$ 130,989
Service Cost	22,837	15,812	11,992	14,133	12,129	11,515
Interest on the total pension liability	6,728	6,341	6,557	5,693	5,466	4,676
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(30,522)	14,626	(13,693)	(7,444)	3,775	-
Changes of assumptions or other inputs	(12,759)	117,326	9,495	(12,402)	17,175	(5,561)
Benefit payments	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 334,884</u>	<u>\$ 348,600</u>	<u>\$ 194,495</u>	<u>\$ 180,144</u>	<u>\$ 180,164</u>	<u>\$ 141,619</u>

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

Town of Murphy, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	2022		2021		2020		2019		2018		2017	
Total pension liability	\$	334,884	\$	348,600	\$	194,495	\$	180,144	\$	180,164	\$	141,619
Covered payroll		463,126		467,670		407,470		414,709		406,255		407,197
Total pension liability as a percentage of covered payroll		72.31%		74.54%		47.73%		43.44%		44.35%		34.78%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Major Governmental Funds

General Fund – This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds:

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

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

Town of Murphy, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes - current year		\$ 1,026,817	
Taxes - prior years		9,790	
Interest		11,276	
Vehicle taxes		42,293	
Total	\$ 1,036,000	1,090,176	\$ 54,176
Unrestricted intergovernmental:			
Local option sales taxes		719,996	
Payments in lieu of taxes - outside sources		178,279	
Utility sales tax		67,738	
Beer and wine tax		6,370	
ABC profit distribution		315,000	
Total	962,000	1,287,383	325,383
Restricted intergovernmental:			
Powell Bill allocation		59,941	
ABC revenue for law enforcement		22,000	
Solid waste disposal tax		1,237	
EBCI revenue for fire protection		113,160	
Local grants and contributions		30,000	
Total	189,300	226,338	37,038
Permits and fees:			
Inspection fees		550	
Court costs and fees		464	
Total	300	1,014	714
Sales and services:			
Charges and fees		31,837	
Total	35,500	31,837	(3,663)
Investment earnings	-	667	667
Miscellaneous:			
Miscellaneous		117,682	
Total	36,500	117,682	81,182
Total revenues	2,259,600	2,755,097	495,497

Town of Murphy, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Administration:			
Salaries and employee benefits		282,630	
Other operating expenditures		326,759	
Total	617,510	609,389	8,121
Election:			
Professional services	12,000	9,026	2,974
Total general government	629,510	618,415	11,095
Public safety:			
Police:			
Salaries and employee benefits		821,183	
Other operating expenditures		147,892	
Capital outlay		157,516	
Total	1,199,200	1,126,591	72,609
Fire:			
Salaries and employee benefits		72,751	
Other operating expenditures		107,021	
Capital outlay		154,500	
Total	508,655	334,272	174,383
Total public safety	1,707,855	1,460,863	246,992
Transportation:			
Streets and highways:			
Salaries and employee benefits		33,939	
Other operating expenditures		174,580	
Capital outlay		88,095	
Total	297,000	296,614	386
Total transportation	297,000	296,614	386
Environmental protection:			
Sanitation:			
Salaries and employee benefits		121,730	
Other operating expenditures		40,205	
Total	175,750	161,935	13,815
Cemetery maintenance:			
Other operating expenditures		21,200	
Total	25,000	21,200	3,800
Total environmental protection	200,750	183,135	17,615

Town of Murphy, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Cultural and recreation:			
Parks and recreation:			
Other operating expenditures		18,381	
Capital outlay		8,562	
Total	40,000	26,943	13,057
Libraries:			
Salaries and employee benefits		133,499	
Other operating expenditures		32,736	
Total	196,137	166,235	29,902
Total cultural and recreation	236,137	193,178	42,959
Debt service:			
Principal retirement	44,155	39,718	4,437
Interest and other charges	71,345	71,260	85
Total debt service	115,500	110,978	4,522
Contingency	-	-	-
Total expenditures	3,186,752	2,863,183	323,569
Revenues over (under) expenditures	(927,152)	(108,086)	819,066
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Rural Fire District Fund	99,600	99,598	(2)
Total	99,600	99,598	(2)
Revenues over (under) expenditures and other uses	(827,552)	(8,488)	819,064
Fund balance appropriated	827,552	-	(827,552)
Net change in fund balance	\$ -	(8,488)	\$ (8,488)
Fund balances, beginning as previously reported		3,840,985	
Prior period adjustment		7,415	
Fund balances, beginning as restated		3,848,400	
Fund balances, ending		\$ 3,839,912	

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, 2022

	Budget Final	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes		\$ 349,116	
Investment earnings		80	
Miscellaneous		7,161	
Total revenues	\$ 320,000	356,357	\$ 36,357
EXPENDITURES			
Current:			
Public safety:			
Salaries and employee benefits		109,487	
Other operating expenditures		65,878	
Capital outlay		369,407	
Total public safety	569,920	544,772	25,148
Debt service:			
Principal retirement		50,000	
Interest and other charges		-	
Total debt service	50,000	50,000	-
Contingency	-	-	-
Total expenditures	619,920	594,772	25,148
Revenues over (under) expenditures	(299,920)	(238,415)	61,505
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
General Fund	(99,600)	(99,598)	2
Installment purchase obligations issued	200,000	200,000	-
Total other financing sources (uses)	100,400	100,402	2
Fund balance appropriated	199,520	-	(199,520)
Net change in fund balance	\$ -	(138,013)	\$ (138,013)
Fund balances, beginning		507,322	
Fund balances, ending		\$ 369,309	

Enterprise Funds

Enterprise 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, 2022

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Charges for services			
Dwelling rental		\$ 277,818	
Excess utilities		16,080	
Other operating revenues		2,962	
Total operating revenues	\$ 297,752	296,860	\$ (892)
NONOPERATING REVENUES			
Investment earnings		375	
HUD operating subsidy		285,279	
Total nonoperating revenues	505,859	285,654	(220,205)
Total revenues	803,611	582,514	(221,097)
OPERATING EXPENSES			
Administration:			
Salaries and related expenses		206,795	
Payment in lieu of taxes		13,560	
Travel and continuing education		7,455	
Legal and accounting		11,760	
Supplies and other		27,658	
Insurance		18,644	
Collection losses		3,489	
Total administration	286,300	289,361	(3,061)
Maintenance and tenant services:			
Salaries and related expenses		109,898	
Materials		31,362	
Contract costs, training and other		135,668	
Utilities		156,668	
Total maintenance and tenant services	443,011	433,596	9,415
Capital outlay:			
Capital outlay		74,234	
Total capital outlay	74,300	74,234	66
Total expenditures	803,611	797,191	6,420
Revenues over expenditures	-	(214,677)	(214,677)
OTHER FINANCING SOURCES (USES)			
Insurance recovery	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	\$ (214,677)	\$ (214,677)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ (214,677)	
Reconciling items:			
Capital outlay		74,234	
Decrease in accrued vacation pay		(1,009)	
Depreciation		(143,441)	
Total reconciling items		(70,216)	
Change in net position		\$ (284,893)	

Town of Murphy, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Water and sewer charges		\$ 1,873,493	
Water and sewer taps and recovery fees		83,955	
Other operating revenues		132,638	
Total operating revenues	\$ 2,483,153	2,090,086	\$ (393,067)
NONOPERATING REVENUES			
Interest earnings		645	
Noncapital grants		6,750	
Sale of supplies		3,283	
Total nonoperating revenues	100	10,678	10,578
Total revenues	2,483,253	2,100,764	(382,489)
OPERATING EXPENSES			
Water filter plant			
Salaries and employee benefits		203,201	
Other operating expenditures		111,099	
Capital outlay		44,049	
Travel		5,535	
Supplies		91,338	
Insurance		5,200	
Contracted services		53,512	
Maintenance		6,556	
Total water filter plant	560,040	520,490	39,550
Water utility maintenance			
Salaries and employee benefits		423,581	
Other operating expenditures		41,344	
Capital outlay		113,394	
Travel		15,142	
Supplies		118,684	
Insurance		9,500	
Contracted services		62,718	
Maintenance		104,948	
Debt service:			
Interest and other charges		17,357	
Principal retirement		102,620	
Total water utility	1,048,213	1,009,288	38,925
Wastewater plant			
Salaries and employee benefits		145,637	
Other operating expenditures		198,349	
Capital outlay		129,149	
Travel		3,969	
Supplies		51,672	
Insurance		5,120	
Contracted services		170,009	
Maintenance		36,849	
Total wastewater	875,000	740,754	134,246
Total expenditures	2,483,253	2,270,532	212,721
Revenues over expenditures	-	(169,768)	(169,768)

Town of Murphy, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Insurance recovery	-	1,830	1,830
Total other financing sources (uses)	-	1,830	1,830
Revenues and other sources over expenditures and other uses	\$ -	\$ (167,938)	\$ (167,938)

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

Revenues and other sources over expenditures and other uses	\$ (167,938)
Reconciling items:	
Principal retirement	102,620
Capital outlay	286,592
Increase (decrease) in deferred outflows of resources - pensions	18,329
Decrease (increase) in net pension liability	132,222
Decrease (increase) in accrued vacation pay	(1,210)
Decrease (increase) in deferred inflows of resources - pensions	(137,768)
Depreciation	(863,223)
Capital contributions	264,041
Total reconciling items	(198,397)
Change in net position	\$ (366,335)

Water and Sewer Capital Project Fund

American Rescue Plan Act (ARPA) Project - The federal government signed into law the American Rescue Plan Act on March 11, 2021, and established the Coronavirus State and Local Fiscal Recovery Funds program, to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. This fund accounts for such expenses.

Town of Murphy, North Carolina
Water and Sewer Capital Project Fund - American Rescue Plan Act (ARPA) Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2022

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
US Treasury					
ARPA Funds	\$ 265,000	\$ -	\$ 264,041	\$ 264,041	\$ (959)
Total revenues	265,000	-	264,041	264,041	(959)
EXPENDITURES					
Sewer plant belt press	265,000	-	264,041	264,041	959
Total expenditures	265,000	-	264,041	264,041	959
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
Water and Sewer	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Revenues and other sources over (under) expenditures (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

This section contains additional information required on property taxes.

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

Town of Murphy, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 1,077,073	\$ 1,011,601	\$ 65,472
2020-2021	69,796	-	46,393	23,403
2019-2020	24,992	-	11,117	13,875
2018-2019	15,995	-	7,797	8,198
2017-2018	7,866	-	1,146	6,720
2016-2017	4,389	-	212	4,177
2015-2016	3,051	-	369	2,682
2014-2015	2,255	-	136	2,119
2013-2014	1,083	-	142	941
2012-2013	757	-	554	203
2011-2012	<u>1,034</u>	<u>-</u>	<u>1,034</u>	<u>-</u>
	<u>\$ 131,218</u>	<u>\$ 1,077,073</u>	<u>\$ 1,080,501</u>	<u>\$ 127,790</u>
Less: allowance for uncollectible accounts				
General Fund				<u>(31,948)</u>
Ad valorem taxes receivable - net				<u>\$ 95,842</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,090,176
Reconciling items:				
Taxes written off				1,034
Less: interest collected				(11,276)
Other adjustments				<u>567</u>
Subtotal				<u>(9,675)</u>
Total collections and credits				<u>\$ 1,080,501</u>

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 282,490,526	0.380	\$ 1,073,464	\$ 1,031,171	\$ 42,293
Penalties	675,526	0.380	2,567	2,567	-
Total	283,166,052		1,076,031	1,033,738	42,293
Discoveries - current and prior years	455,789	0.380	1,732	1,732	-
Releases	(181,579)		(690)	(690)	-
Total property valuation	\$ 283,440,262				
Net levy			1,077,073	1,034,780	42,293
Unpaid (by taxpayer) taxes at June 30, 2022			65,472	65,472	-
Current year's taxes collected			\$ 1,011,601	\$ 969,308	\$ 42,293
Current levy collection percentage			93.92%	93.67%	100.00%

Compliance Section

Turner & Company CPAs P.A.

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2022, 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 November 15, 2022. The financial statements of the Town of Murphy ABC Board were not audited in accordance with *Government Auditing Standards*.

Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Murphy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Report on 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 the financial statements. 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
November 15, 2022

Town of Murphy, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2022

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified _____yes **X** no
- Significant deficiency(s) identified _____yes **X** none reported

Noncompliance material to financial statements noted _____yes **X** no

II. Financial Statement Findings

None reported.

Town of Murphy

Tim Radford, Mayor

P.O. Box 130

Murphy, North Carolina 28906

(828) 837-2510 • Fax (828) 837-9612

manager@townofmurphync.com

Commissioners

Frank E. Dickey

Barbara Hughes

Barry R. McClure

Commissioners

Charlene Smith

Gail Walker Stansell

Keisha Dockery

Corrective Action Plan For the Fiscal Year Ended June 30, 2022

II. Financial Statement Findings

None reported.

Town of Murphy

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Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2022

II. Financial Statement Findings

None reported.