

Town of Murphy, North Carolina
Financial Statements
June 30, 2023

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, 2023

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Introductory Information

Town of Murphy, North Carolina
List of Town Council and Key Staff as of November 15, 2023
(the Date of the Auditors' Report)

Mayor and Town Council

Tim Radford, Mayor

Cindy Chastain

Frank E. Dickey

Keisha Dockery

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

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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, 2023, 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, 2023, 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, in 2023, the Town adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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 51 and 52, 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 53 and 54 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 accompanying individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, other schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, 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, 2023

Management's Discussion and Analysis

Town of Murphy, North Carolina
Management's Discussion and Analysis
June 30, 2023

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, 2023. 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.

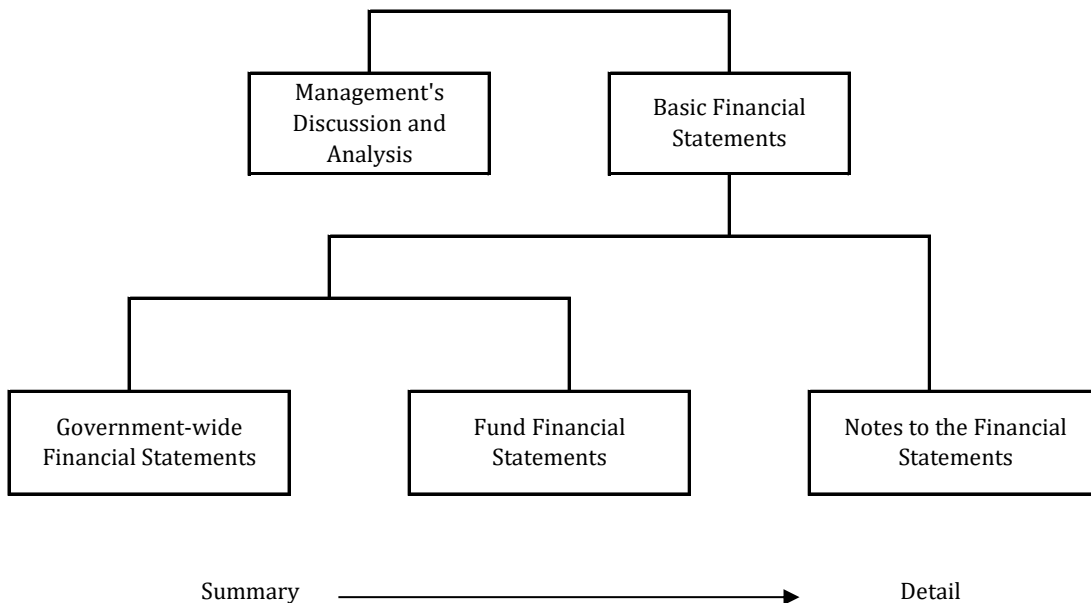
Financial Highlights

- 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 \$25,047,981 (net position).
- The government's total net position increased by \$4,624,899 based on an increase in the governmental activities net position of \$341,708 and an increase in the business type activities net position of \$4,283,191.
- As of the close of the current fiscal year, the Town of Murphy's governmental funds reported combined ending fund balances of \$4,219,898, with a net increase of \$10,677 in fund balance. Approximately 16.58 percent of this total amount, or \$699,468, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,254,364, or 102.00 percent of total general fund expenditures for the fiscal year.
- The Town of Murphy's total debt increased by \$639,283 (22.10%) during the current fiscal year. The Town incurred one additional direct placement borrowing agreement for \$900,000 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 for major governmental funds; 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 for the services 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.

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.

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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 4,433,745	\$ 4,401,995	\$ 4,491,492	\$ 3,003,827	\$ 8,925,237	\$ 7,405,822
Capital assets	4,151,993	3,668,764	16,976,416	13,277,201	21,128,409	16,945,965
Deferred outflows of resources	613,536	440,091	224,308	140,996	837,844	581,087
Total assets and deferred outflows of resources	9,199,274	8,510,850	21,692,216	16,422,024	30,891,490	24,932,874
Long-term liabilities outstanding	2,744,611	2,270,592	2,121,410	1,163,200	4,866,021	3,433,792
Other liabilities	257,980	250,988	566,716	404,910	824,696	655,898
Deferred inflows of resources	146,002	393,574	6,790	139,805	152,792	533,379
Total liabilities and deferred inflows of resources	3,148,593	2,915,154	2,694,916	1,707,915	5,843,509	4,623,069
Net position						
Net investment in capital assets	2,434,324	1,887,656	14,261,771	12,165,278	16,696,095	14,052,934
Restricted	699,468	643,904	-	-	699,468	643,904
Unrestricted	2,916,889	3,177,413	4,735,529	2,548,831	7,652,418	5,726,244
Total net position	\$ 6,050,681	\$ 5,708,973	\$ 18,997,300	\$ 14,714,109	\$ 25,047,981	\$ 20,423,082

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 \$25,047,981 as of June 30, 2023. The Town's net position increased by \$4,624,899 for the fiscal year ended June 30, 2023. The largest portion (67.24%) 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 \$699,468 (2.79%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,505,118 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 95.14%, excluding motor vehicles.

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 34,492	\$ 32,851	\$ 2,422,888	\$ 2,254,308	\$ 2,457,380	\$ 2,287,159
Operating grants and contributions	246,118	226,338	441,344	417,917	687,462	644,255
Capital grants and contributions	78,000	-	4,770,354	264,041	4,848,354	264,041
General revenues:						
Property taxes	1,617,282	1,437,031	-	-	1,617,282	1,437,031
Grants and contributions not restricted to specific programs	1,396,426	1,287,383	-	-	1,396,426	1,287,383
Other	137,334	124,334	40,710	12,883	178,044	137,217
Total revenues	3,509,652	3,107,937	7,675,296	2,949,149	11,184,948	6,057,086
Expenses:						
General government	567,534	618,023	-	-	567,534	618,023
Public safety	1,777,615	1,497,098	-	-	1,777,615	1,497,098
Transportation	344,276	269,847	-	-	344,276	269,847
Economic and physical development	4,808	4,808	-	-	4,808	4,808
Environmental protection	176,547	182,069	-	-	176,547	182,069
Cultural recreation	227,156	204,241	-	-	227,156	204,241
Interest on long-term debt	70,008	71,038	-	-	70,008	71,038
Housing authority	-	-	796,789	867,407	796,789	867,407
Water and sewer	-	-	2,595,316	2,732,970	2,595,316	2,732,970
Total expenses	3,167,944	2,847,124	3,392,105	3,600,377	6,560,049	6,447,501
Change in net position before transfers	341,708	260,813	4,283,191	(651,228)	4,624,899	(390,415)
Net position, beginning as previously reported	5,708,973	5,440,745	14,714,109	15,365,337	20,423,082	20,806,082
Prior period restatement	-	7,415	-	-	-	7,415
Net position, beginning as restated	5,708,973	5,448,160	14,714,109	15,365,337	20,423,082	20,813,497
Net position, ending	\$ 6,050,681	\$ 5,708,973	\$ 18,997,300	\$ 14,714,109	\$ 25,047,981	\$ 20,423,082

Governmental Activities. Governmental activities increased the Town's net position by \$341,708. Key elements of this increase are as follows:

- There was an increase in the amount of revenue received from property taxes due to an increase in tax rate.
- There was an increase in the amount of local option sales tax received in the current fiscal year.
- Capital grants and contributions increased due the grant funding from the State Capital Infrastructure Fund (SCIF) passed through the Southwestern Commission for a performance stage feasibility study and for improvements to the Confluence and Fisherman's Loops, key sections of the Murphy River Walk and Canoe Trail.
- Operating grants and contributions increased due to the receipt of a supplemental grant for the Murphy Fire Department to help mitigate the financial impact of the COVID-19 pandemic.
- Expenditures increased by \$320,820 primarily because of increased expenses for public safety and general government.

Business-Type Activities. Business-type activities increased the Town's net position by \$4,283,191.

Housing Authority Fund:

- Charges for Services increased by \$50,880 due to economic impacts on residents income which resulted in an increase in dwelling rent.
- The \$21,465 increase in operating grants and contributions was due to increases in the HUD operating subsidies.
- Funds were received from the Public Housing Capital Fund for two years in the current fiscal year due to a software credential issue with HUD which prevented the receipt of any funds in the prior fiscal year.
- Operating expenses decreased by \$70,618 during the current fiscal year primarily in the maintenance and tenant services department.

Water and Sewer Fund:

- There was an increase in charges for services of \$117,700 due to rate increases.
- Operating grants and contributions increased by \$1,962 between 2022 and 2023.
- Capital grants and contributions in Water and Sewer increased \$4,090,644 between 2022 and 2023. The primary cause of this being that water and sewer infrastructure upgrades were contributed by the NCDOT during the construction of the US 19/74/64/129 roadway project.
- Operating expenses decreased by \$137,654 during the current fiscal year primarily in the water utility maintenance and 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 \$3,788,990, while total fund balance reached \$3,839,059. 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 118.76% of general fund expenditures, while total fund balance represents 120.33% of the same amount.

The governmental funds of the Town of Murphy reported a combined fund balance of \$4,219,898 at June 30, 2023, with a \$10,677 net increase in fund balance.

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

There were several reasons the Town revised its budget throughout the year. Total amendments to the General Fund increased expenditures by \$864,781. 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.

The implementation of GASB Statement No. 96 for the current year also required a budget amendment to increase debt service principal and interest expenditures. GASB 96 also required a change to include a budget amount for an other financing source for an IT subscription agreement.

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 \$897,632 and that of the Water and Sewer Fund amounted to \$3,690,597. The total change in net position for both funds was 274,267 and 4,008,924, 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, 2023, totals \$21,128,409 (net of accumulated depreciation and amortization). These assets include buildings and improvements, land, furniture, machinery and equipment, vehicles, plants and distribution systems, construction in progress, and right to use assets for leases and IT subscriptions.

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

- \$575,774 was expended for the purchase of a building for use by the police department
- \$53,290 was expended for improvements to the Riverwalk trail

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

Housing Authority Fund:

- \$93,200 was expended for building improvements including gutters and siding at Cool Springs
- \$7,105 was expended for dwelling equipment that included eight refrigerators and four ranges

Water and Sewer Fund:

- \$4,247,635 in water and sewer infrastructure upgrades were contributed by the NCDOT during the construction of the US 19/74/64/129 roadway project
- \$45,326 was expended for a 2023 Ford F150 Supercrew
- \$63,028 was expended for a 2017 Ford F550
- \$41,643 was expended for an alum tank
- \$147,300 was added to construction in progress for the Downtown Waterline Rehabilitation Project
- \$25,800 was added to construction in progress for the Valley River Housing Development Project
- \$69,250 was added to construction in progress for the Ice Plant Sewer Rehabilitation Project

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital assets						
Land	\$ -	\$ -	\$ 110,587	\$ 110,587	\$ 110,587	\$ 110,587
Construction in progress	28,000	-	242,350	-	270,350	-
Buildings and system	2,546,377	2,042,118	1,245,945	1,288,454	3,792,322	3,330,572
Other improvements	669,232	676,662	-	-	669,232	676,662
Plant and distribution systems	-	-	14,907,600	11,285,670	14,907,600	11,285,670
Equipment and furniture	100,903	137,575	211,297	257,883	312,200	395,458
Vehicles and motorized equipment	659,617	791,792	249,191	334,607	908,808	1,126,399
Computer software	-	-	-	-	-	-
Computer equipment	13,847	20,617	-	-	13,847	20,617
Right to use assets:						
Leases	104,991	113,277	-	-	104,991	113,277
IT subscriptions	29,026	-	9,446	-	38,472	-
Total capital assets	<u>\$ 4,151,993</u>	<u>\$ 3,782,041</u>	<u>\$ 16,976,416</u>	<u>\$ 13,277,201</u>	<u>\$ 21,128,409</u>	<u>\$ 17,059,242</u>

Construction commitments

The government has five active construction projects as of June 30, 2023. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Recreation Performance Stage Project	\$ 28,000	\$ 42,000
Rural Transformation Project	-	665,000
Ice Plant Sewer Rehabilitation Project	69,250	1,425,650
Downtown Waterline Rehabilitation Project	147,300	1,202,466
Valley River Housing Development Project	25,800	724,200
Total	<u>\$ 270,350</u>	<u>\$ 4,059,316</u>

- 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, leases, and IT subscriptions. As of June 30, 2023, the Town of Murphy had total debt outstanding of \$3,495,230. 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	
	2023	2022	2023	2022	2023	2022
Direct placement installment purchase	\$ 1,580,319	\$ 1,665,508	\$ 900,000	\$ 133,738	\$ 2,480,319	\$ 1,799,246
Leases	109,359	115,600	-	-	109,359	115,600
IT subscription	27,991	-	9,093	-	37,084	-
Direct borrowing State revolving loans	-	-	905,552	978,185	905,552	978,185
Total debt outstanding	1,717,669	1,781,108	1,814,645	1,111,923	3,532,314	2,893,031
Compensated absences	80,277	84,756	51,927	62,078	132,204	146,834
Net pension liability (LGERS)	813,099	214,274	348,471	91,832	1,161,570	306,106
Total pension liability (LEO)	282,073	334,884	-	-	282,073	334,884
Total long-term obligations	\$ 2,893,118	\$ 2,415,022	\$ 2,215,043	\$ 1,265,833	\$ 5,108,161	\$ 3,680,855

- The Town of Murphy’s total debt increased by \$639,283 (22.10%) during the current fiscal year. The Town incurred one additional direct placement borrowing agreement for \$900,000 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 \$21,228,236.
- The implementation of GASB 96 resulted in an increase in IT subscription liabilities for governmental activities of \$36,281, as well as an increase in IT subscription liabilities for business-type activities of \$11,808.
- Additional information regarding the Town of Murphy’s long-term debt can be found in Note III.B.7 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 support the Town’s downtown waterline rehabilitation project, and funds needed capital investments for public safety while keeping the town pay plan relevant with inflation.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities:

The property tax rate was maintained at 42 cents per \$100 of valuation for the next fiscal year to maintain current tax revenue streams. \$100,000 has been budgeted for the purchase of two vehicles for the Police Department, as well as \$60,000 for the purchase of a support/tow vehicle for the Fire Department. The budget recommends a four percent cost of living adjustment for 2023-2024. \$50,000 has been budgeted to design and permit improvements along the Riverwalk Loop.

Business-Type Activities:

The budget provides a transfer of \$302,600 from the Water and Sewer fund for the Downtown Water/Sewer Rehabilitation. 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 \$30,000 to update the telemetry system at the water plant and distribution system, as well as \$20,000 for the purchase of a conveyer belt at the Sewer Plant, and \$50,000 for the purchase of a truck 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, 2023

	Primary Government			Town of Murphy ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,958,609	\$ 2,970,652	\$ 6,929,261	\$ 445,791
Restricted cash and cash equivalents	302,637	1,270,086	1,572,723	52,919
Investments	-	-	-	502,072
Restricted Investments	-	-	-	100,403
Taxes receivable (net)	107,965	-	107,965	-
Accrued interest receivable on taxes	11,844	-	11,844	-
Accrued interest receivable on CD's	2,147	-	2,147	-
Accounts receivable (net)	15,017	213,228	228,245	-
Due from other governments	20,986	25,800	46,786	-
Inventories	-	-	-	376,795
Prepaid items	14,540	11,726	26,266	13,009
Total current assets	4,433,745	4,491,492	8,925,237	1,490,989
Non-current assets:				
Capital assets:				
Land and construction in progress	28,000	352,937	380,937	45,287
Other capital assets, net of depreciation	3,989,976	16,614,033	20,604,009	251,067
Right to use assets, net of amortization	134,017	9,446	143,463	-
Total capital assets	4,151,993	16,976,416	21,128,409	296,354
Total non-current assets	4,151,993	16,976,416	21,128,409	296,354
Total assets	8,585,738	21,467,908	30,053,646	1,787,343
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	613,536	224,308	837,844	142,566
Total deferred outflows of resources	613,536	224,308	837,844	142,566
LIABILITIES				
Current liabilities:				
Payable from current assets:				
Accounts payable and accrued liabilities	79,827	92,405	172,232	234,049
Accrued interest payable	29,646	13,755	43,401	-
Unearned revenue	-	2,012	2,012	33,493
Current portion of long-term liabilities	148,507	93,633	242,140	114,922
Total payable from current assets	257,980	201,805	459,785	382,464
Liabilities payable from restricted assets:				
Accounts payable	-	6,750	6,750	-
Customer deposits	-	163,370	163,370	-
Advance from grantors	-	194,791	194,791	-
Total liabilities payable from restricted assets	-	364,911	364,911	-
Total current liabilities	257,980	566,716	824,696	382,464
Long-term liabilities:				
Due in more than one year	2,744,611	2,121,410	4,866,021	183,911
Total liabilities	3,002,591	2,688,126	5,690,717	566,375

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

Town of Murphy, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government			Town of Murphy ABC Board
	Governmental Activities	Business-type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	12,064	-	12,064	-
Pension deferrals	133,938	6,790	140,728	777
Total deferred inflows of resources	146,002	6,790	152,792	777
NET POSITION				
Net investment in capital assets	2,434,324	14,261,771	16,696,095	296,354
Restricted for:				
Transportation	142,496	-	142,496	-
Public safety	520,969	-	520,969	-
Stabilization by State Statute	36,003	-	36,003	-
Other functions	-	-	-	304,966
Unrestricted	2,916,889	4,735,529	7,652,418	761,437
Total net position	\$ 6,050,681	\$ 18,997,300	\$ 25,047,981	\$ 1,362,757

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, 2023

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	\$ 567,534	\$ 31,056	\$ -	\$ -	\$ (536,478)	\$ -	\$ (536,478)	\$ -
Public safety	1,777,615	1,336	185,259	-	(1,591,020)	-	(1,591,020)	-
Transportation	344,276	-	59,599	-	(284,677)	-	(284,677)	-
Economic and physical development	4,808	-	-	50,000	45,192	-	45,192	-
Environmental protection	176,547	-	1,260	-	(175,287)	-	(175,287)	-
Cultural and recreation	227,156	2,100	-	28,000	(197,056)	-	(197,056)	-
Interest on long-term debt	70,008	-	-	-	(70,008)	-	(70,008)	-
Total governmental activities	3,167,944	34,492	246,118	78,000	(2,809,334)	-	(2,809,334)	-
Business-type activities:								
Housing authority	796,789	347,740	306,744	415,669	-	273,364	273,364	-
Water and sewer	2,595,316	2,075,148	134,600	4,354,685	-	3,969,117	3,969,117	-
Total business-type activities	3,392,105	2,422,888	441,344	4,770,354	-	4,242,481	4,242,481	-
Total primary government	\$ 6,560,049	\$ 2,457,380	\$ 687,462	\$ 4,848,354	\$ (2,809,334)	\$ 4,242,481	\$ 1,433,147	-
Component unit:								
ABC Board	5,118,687	5,106,078	-	-	-	-	-	(12,609)
Total component unit	\$ 5,118,687	\$ 5,106,078	-	-	-	-	-	(12,609)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,617,282	-	1,617,282	-
Grants and contributions not restricted to specific programs					1,396,426	-	1,396,426	-
Unrestricted investment earnings					11,734	6,644	18,378	4,275
Miscellaneous					125,600	34,066	159,666	-
Total general revenues not including transfers					3,151,042	40,710	3,191,752	4,275
Change in net position					341,708	4,283,191	4,624,899	(8,334)
Net position, beginning					5,708,973	14,714,109	20,423,082	1,371,091
Net position, ending					\$ 6,050,681	\$ 18,997,300	\$ 25,047,981	\$ 1,362,757

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

Town of Murphy, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds			Total Governmental Funds
	General Fund	Rural Fire Fund	Recreation Performance Stage Project	
ASSETS				
Cash and cash equivalents	\$ 3,569,934	\$ 388,675	\$ -	\$ 3,958,609
Restricted cash	302,637	-	-	302,637
Receivables, net:				
Taxes	107,965	-	-	107,965
Accounts	15,017	-	-	15,017
Due from other governments	20,986	-	-	20,986
Prepaid items	14,066	474	-	14,540
Total assets	<u>4,030,605</u>	<u>389,149</u>	<u>-</u>	<u>4,419,754</u>
LIABILITIES				
Accounts payable and accrued liabilities	71,517	8,310	-	79,827
Total liabilities	<u>71,517</u>	<u>8,310</u>	<u>-</u>	<u>79,827</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	107,965	-	-	107,965
Prepaid taxes	12,064	-	-	12,064
Total deferred inflows of resources	<u>120,029</u>	<u>-</u>	<u>-</u>	<u>120,029</u>
FUND BALANCES				
Nonspendable				
Prepaid items	14,066	474	-	14,540
Restricted				
Stabilization by State Statute	36,003	-	-	36,003
Streets	142,496	-	-	142,496
Public safety	140,130	380,839	-	520,969
Assigned				
Subsequent year's expenditures	252,000	-	-	252,000
Unassigned	3,254,364	(474)	-	3,253,890
Total fund balances	<u>3,839,059</u>	<u>380,839</u>	<u>-</u>	<u>4,219,898</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,030,605</u>	<u>\$ 389,149</u>	<u>\$ -</u>	<u>\$ 4,419,754</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, 2023

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

Total Fund Balance, Governmental Funds		\$ 4,219,898
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	8,089,120	
Accumulated depreciation	<u>(4,071,144)</u>	4,017,976
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Right to use assets at historical cost	157,844	
Accumulated amortization	<u>(23,827)</u>	134,017
Deferred outflows of resources related to pensions are not reported in the funds		613,536
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		11,844
Accrued interest receivable on CD's		2,147
Liabilities for earned revenues considered deferred inflows of resources in fund statements		
Property taxes receivable		107,965
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)		(1,797,946)
Net pension liability		(813,099)
Total pension liability		(282,073)
Deferred inflows of resources related to pensions are not reported in the funds		(133,938)
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>(29,646)</u>
Net position of governmental activities		<u>\$ 6,050,681</u>

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

Town of Murphy, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			Total Governmental Funds
	General Fund	Rural Fire Fund	Recreation Performance Stage Project	
REVENUES				
Ad valorem taxes	\$ 1,199,209	\$ 402,977	\$ -	\$ 1,602,186
Unrestricted intergovernmental	1,396,426	-	-	1,396,426
Restricted intergovernmental	296,118	-	28,000	324,118
Permits and fees	1,336	-	-	1,336
Sales and services	33,156	-	-	33,156
Investment earnings	8,046	1,676	-	9,722
Miscellaneous	88,725	6,188	-	94,913
Total revenues	<u>3,023,016</u>	<u>410,841</u>	<u>28,000</u>	<u>3,461,857</u>
EXPENDITURES				
Current:				
General government	554,515	-	-	554,515
Public safety	1,835,510	249,713	-	2,085,223
Transportation	277,684	-	-	277,684
Environmental protection	162,670	-	-	162,670
Cultural and recreation	240,788	-	28,000	268,788
Debt service:				
Principal	49,720	50,000	-	99,720
Interest and other charges	69,548	-	-	69,548
Total expenditures	<u>3,190,435</u>	<u>299,713</u>	<u>28,000</u>	<u>3,518,148</u>
Excess (deficiency) of revenues over expenditures	(167,419)	111,128	-	(56,291)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	99,598	-	-	99,598
Transfers to other funds	-	(99,598)	-	(99,598)
Insurance recovery	30,687	-	-	30,687
IT subscription agreements	36,281	-	-	36,281
Total other financing sources (uses)	<u>166,566</u>	<u>(99,598)</u>	<u>-</u>	<u>66,968</u>
Net change in fund balance	(853)	11,530	-	10,677
Fund balances, beginning	3,839,912	369,309	-	4,209,221
Fund balances, ending	<u>\$ 3,839,059</u>	<u>\$ 380,839</u>	<u>\$ -</u>	<u>\$ 4,219,898</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, 2023

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

Net changes in fund balances - total governmental funds		\$ 10,677
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.</p>		
Capital outlay expenditures which were capitalized	666,289	
Depreciation expense for governmental assets	<u>(317,077)</u>	349,212
Right to use asset capital outlay expenditures which were capitalized	36,281	
Amortization expense for intangible assets	<u>(15,541)</u>	20,740
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		133,197
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in accrued investment earnings	2,012	
Change in unavailable revenue for tax revenues	<u>15,096</u>	17,108
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(36,281)	
Principal payments on long-term debt	99,720	
Change in accrued interest payable	<u>(460)</u>	62,979
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	4,479	
Pension expense	<u>(256,684)</u>	<u>(252,205)</u>
Total changes in net position of governmental activities		<u>\$ 341,708</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, 2023

	General Fund				Rural Fire Fund			
	Original	Final	Actual Amounts	Variance Positive (Negative)	Original	Final	Amounts	Variance Positive (Negative)
REVENUES								
Ad valorem taxes	\$ 1,104,000	\$ 1,104,000	\$ 1,199,209	\$ 95,209	\$ 320,000	\$ 320,000	\$ 402,977	\$ 82,977
Unrestricted intergovernmental	1,022,000	1,022,000	1,396,426	374,426	-	-	-	-
Restricted intergovernmental	246,800	275,200	296,118	20,918	-	-	-	-
Permits and fees	600	600	1,336	736	-	-	-	-
Sales and services	29,000	29,000	33,156	4,156	-	-	-	-
Investment earnings	-	-	8,046	8,046	-	-	1,676	1,676
Miscellaneous	10,000	18,000	88,725	70,725	-	-	6,188	6,188
Total revenues	<u>2,412,400</u>	<u>2,448,800</u>	<u>3,023,016</u>	<u>574,216</u>	<u>320,000</u>	<u>320,000</u>	<u>410,841</u>	<u>90,841</u>
EXPENDITURES								
Current:								
General government	491,000	561,373	554,515	6,858	-	-	-	-
Public safety	1,412,500	2,083,618	1,835,510	248,108	283,500	283,500	249,713	33,787
Transportation	256,000	302,000	277,684	24,316	-	-	-	-
Environmental protection	220,000	220,000	162,670	57,330	-	-	-	-
Cultural and recreation	270,000	322,000	240,788	81,212	-	-	-	-
Debt service:								
Principal retirement	35,190	54,480	49,720	4,760	50,000	50,000	50,000	-
Interest and other charges	64,410	70,410	69,548	862	-	-	-	-
Contingency	-	-	-	-	-	-	-	-
Total expenditures	<u>2,749,100</u>	<u>3,613,881</u>	<u>3,190,435</u>	<u>423,446</u>	<u>333,500</u>	<u>333,500</u>	<u>299,713</u>	<u>33,787</u>
Revenues over (under) expenditures	(336,700)	(1,165,081)	(167,419)	997,662	(13,500)	(13,500)	111,128	124,628
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	99,600	99,600	99,598	(2)	-	-	-	-
Transfers to other funds	-	-	-	-	(99,600)	(99,600)	(99,598)	2
Insurance recovery	-	50,000	30,687	(19,313)	-	-	-	-
IT subscription agreements	-	36,281	36,281	-	-	-	-	-
Total other financing sources (uses)	<u>99,600</u>	<u>185,881</u>	<u>166,566</u>	<u>(19,315)</u>	<u>(99,600)</u>	<u>(99,600)</u>	<u>(99,598)</u>	<u>2</u>
Revenues over (under) expenditures and other uses	(237,100)	(979,200)	(853)	978,347	(113,100)	(113,100)	11,530	124,630
Fund balance appropriated	237,100	979,200	-	(979,200)	113,100	113,100	-	(113,100)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(853)</u>	<u>\$ (853)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,530</u>	<u>\$ 11,530</u>
Fund balances, beginning			3,839,912				369,309	
Fund balances, ending			<u>\$ 3,839,059</u>				<u>\$ 380,839</u>	

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, 2023

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 934,766	\$ 2,035,886	\$ 2,970,652
Restricted cash and cash equivalents	33,800	1,236,286	1,270,086
Accounts receivable (net) - billed	10,178	203,050	213,228
Due from other governments	-	25,800	25,800
Prepaid items	6,733	4,993	11,726
Total current assets	<u>985,477</u>	<u>3,506,015</u>	<u>4,491,492</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	110,587	242,350	352,937
Other capital assets, net of depreciation	1,270,879	15,343,154	16,614,033
Right to use assets, net of amortization	-	9,446	9,446
Total capital assets	<u>1,381,466</u>	<u>15,594,950</u>	<u>16,976,416</u>
Total noncurrent assets	<u>1,381,466</u>	<u>15,594,950</u>	<u>16,976,416</u>
Total assets	<u>2,366,943</u>	<u>19,100,965</u>	<u>21,467,908</u>
DEFERRED OUTFLOWS OF RESOURCES	-	224,308	224,308
LIABILITIES			
Current liabilities:			
Payable from current assets:			
Accounts payable and accrued liabilities	37,734	54,671	92,405
Accrued interest payable	-	13,755	13,755
Tenant prepaid rents	2,012	-	2,012
Compensated absences - current	-	21,000	21,000
Current portion of long-term debt	-	72,633	72,633
Total payable from current assets	<u>39,746</u>	<u>162,059</u>	<u>201,805</u>
Liabilities payable from restricted assets:			
Accounts payable	-	6,750	6,750
Customer deposits	33,800	129,570	163,370
Advance from grantors	-	194,791	194,791
Total liabilities payable from restricted assets	<u>33,800</u>	<u>331,111</u>	<u>364,911</u>
Total current liabilities	<u>73,546</u>	<u>493,170</u>	<u>566,716</u>
Noncurrent liabilities:			
Long-term debt - noncurrent	-	1,742,012	1,742,012
Compensated absences - noncurrent	14,299	16,628	30,927
Net pension liability	-	348,471	348,471
Total noncurrent liabilities	<u>14,299</u>	<u>2,107,111</u>	<u>2,121,410</u>
Total liabilities	<u>87,845</u>	<u>2,600,281</u>	<u>2,688,126</u>
DEFERRED INFLOWS OF RESOURCES	-	6,790	6,790
NET POSITION			
Net investment in capital assets	1,381,466	12,880,305	14,261,771
Unrestricted	897,632	3,837,897	4,735,529
Total net position	<u>\$ 2,279,098</u>	<u>\$ 16,718,202</u>	<u>\$ 18,997,300</u>

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

Town of Murphy, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 342,317	\$ 2,075,148	\$ 2,417,465
Other operating revenues	5,423	134,600	140,023
Total operating revenues	<u>347,740</u>	<u>2,209,748</u>	<u>2,557,488</u>
OPERATING EXPENSES			
Operating expenses	283,715	1,587,347	1,871,062
Maintenance and tenant services	373,091	113,707	486,798
Depreciation and amortization	139,983	860,164	1,000,147
Total operating expenses	<u>796,789</u>	<u>2,561,218</u>	<u>3,358,007</u>
Operating income (loss)	<u>(449,049)</u>	<u>(351,470)</u>	<u>(800,519)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	903	5,741	6,644
Interest and other charges	-	(34,098)	(34,098)
Non-capital grants	-	16,975	16,975
Sale of supplies	-	14,300	14,300
Total nonoperating revenue (expenses)	<u>903</u>	<u>2,918</u>	<u>3,821</u>
Income (loss) before contributions and transfers	(448,146)	(348,552)	(796,698)
Capital contributions	722,413	4,354,685	5,077,098
Gain on insurance recovery	-	2,791	2,791
Change in net position	274,267	4,008,924	4,283,191
Total net position, beginning	2,004,831	12,709,278	14,714,109
Total net position, ending	<u>\$ 2,279,098</u>	<u>\$ 16,718,202</u>	<u>\$ 18,997,300</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, 2023

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 402,230	\$ 2,038,363	\$ 2,440,593
Cash paid for goods and services	(473,680)	(1,018,122)	(1,491,802)
Cash paid to or on behalf of employees for services	(205,806)	(703,746)	(909,552)
Customer deposits received	(494)	1,773	1,279
Other operating revenues	5,423	134,600	140,023
Net cash provided (used) by operating activities	<u>(272,327)</u>	<u>452,868</u>	<u>180,541</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital grants	-	16,975	16,975
Due from other governments	-	6,750	6,750
Total cash flows from noncapital financing activities	<u>-</u>	<u>23,725</u>	<u>23,725</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(100,305)	(411,213)	(511,518)
Proceeds from capital debt	-	900,000	900,000
Principal paid on bond maturities and equipment contracts	-	(106,512)	(106,512)
Capital contributions	722,413	107,050	829,463
Insurance recovery	-	2,791	2,791
Proceeds from sale of supplies	-	14,300	14,300
Interest paid on bond maturities and equipment contracts	-	(34,098)	(34,098)
Other accrued liabilities	-	13,755	13,755
Unearned revenue	-	194,791	194,791
Due to (from) other governments	-	(25,800)	(25,800)
Net cash provided (used) by capital and related financing activities	<u>622,108</u>	<u>655,064</u>	<u>1,277,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	903	5,741	6,644
Net increase (decrease) in cash and cash equivalents	350,684	1,137,398	1,488,082
Cash and cash equivalents at beginning of year	617,882	2,134,774	2,752,656
Cash and cash equivalents at end of year	<u>\$ 968,566</u>	<u>\$ 3,272,172</u>	<u>\$ 4,240,738</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, 2023

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (449,049)	\$ (351,470)	\$ (800,519)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	139,983	860,164	1,000,147
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	59,913	(36,785)	23,128
(Increase) decrease in prepaid items	(9)	719	710
(Increase) decrease in deferred outflows of resources - pensions	-	(83,312)	(83,312)
Increase (decrease) in accounts payable and accrued liabilities	(15,772)	(58,593)	(74,365)
Increase (decrease) in customer deposits	(494)	1,773	1,279
Increase (decrease) in accrued vacation pay	(6,899)	(3,252)	(10,151)
Increase (decrease) in net pension liability	-	256,639	256,639
Increase (decrease) in deferred outflows of resources for pensions	-	(133,015)	(133,015)
Total adjustments	176,722	804,338	981,060
Net cash provided by operating activities	\$ (272,327)	\$ 452,868	\$ 180,541
Noncash investing, capital and financing:			
IT subscription liability for the acquisition of right-to-use IT subscription assets	\$ -	\$ 11,808	\$ 11,808
Contribution of capital assets - infrastructure	-	4,247,635	4,247,635
Total noncash investing, capital and financing	\$ -	\$ 4,259,443	\$ 4,259,443

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, 2023

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Town of Murphy, North Carolina
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Town of Murphy, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2023

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.

Recreation Performance Stage Capital Project Fund. This fund is used to account for the design and planned construction of a performance stage at Konehete Park. The feasibility study is funded by a grant from the State Capital and Infrastructure Fund (SCIF).

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's Water and Sewer operations. The Capital Project Funds have been consolidated into the Water and Sewer Funds 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/amortization 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 leases and IT subscriptions 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	\$ 142,496
	Firefighters' relief funds	140,130
	Police separation allowance	20,011
Total Governmental Activities		<u>\$ 302,637</u>
Business-type Activities		
Water and Sewer Fund	Customer deposits	\$ 129,570
	Unexpended grant funds	199,966
	Unexpended grant funds	6,750
	Unexpended loan proceeds	900,000
Murphy Housing Authority	Customer deposits	33,800
Total Business-type Activities		<u>\$ 1,270,086</u>
Total Restricted Cash		<u><u>\$ 1,572,723</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, 2022. 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.

The Town's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

Capital assets are depreciated/amortized 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
Right-to-use assets:	
Leased equipment, furniture and fixtures	Lease Term
IT subscriptions	Subscription Term

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

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

8. Unearned Revenue

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2023 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

10. Long-Term Obligations

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

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

11. Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to twenty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

13. Defined Benefit Cost-Sharing 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.

14. Estimates

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted

2. Contractual Violations

None Noted

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

None Noted

C. Excess of Expenditures over Appropriations

None Noted

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

At June 30, 2023, the Town's deposits had a carrying amount of \$8,501,684 and a bank balance of \$8,816,589. 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, 2023, the Town's petty cash fund totaled \$300.

At June 30, 2023, the ABC Board's deposits had a carrying amount of \$496,210 and a bank balance of \$462,928. Of the bank balance, \$270,014 was covered by federal depository insurance and \$192,914 was covered by collateral held by authorized agents in the name of the State Treasurer. At June 30, 2023, 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, 2023 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 35,988
Total General Fund	<u>35,988</u>

Enterprise Funds:	
Water and Sewer Fund - accounts receivable	7,299
Housing Authority Fund - accounts receivable	5,373
Total Enterprise Funds	<u>12,672</u>
Total	<u>\$ 48,660</u>

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 28,000	\$ -	\$ 28,000
Total capital assets not being depreciated	<u>-</u>	<u>28,000</u>	<u>-</u>	<u>28,000</u>
Capital assets being depreciated:				
Buildings and system	3,059,545	575,774	-	3,635,319
Other improvements	1,219,024	53,290	-	1,272,314
Equipment and furniture	290,838	-	-	290,838
Vehicles and motorized equipment	2,871,786	9,225	72,025	2,808,986
Computer software	13,524	-	-	13,524
Computer equipment	40,139	-	-	40,139
Total capital assets being depreciated	<u>7,494,856</u>	<u>638,289</u>	<u>72,025</u>	<u>8,061,120</u>
Less accumulated depreciation for:				
Buildings and system	1,017,427	71,515	-	1,088,942
Other improvements	542,362	60,720	-	603,082
Equipment and furniture	153,263	36,672	-	189,935
Vehicles and motorized equipment	2,079,994	141,400	72,025	2,149,369
Computer software	13,524	-	-	13,524
Computer equipment	19,522	6,770	-	26,292
Total accumulated depreciation	<u>3,826,092</u>	<u>317,077</u>	<u>72,025</u>	<u>4,071,144</u>
Total capital assets being depreciated, net	<u>3,668,764</u>			<u>3,989,976</u>
Capital assets being amortized:				
Right to use assets:				
Leased equipment, furniture and fixtures	121,563	-	-	121,563
IT subscriptions	-	36,281	-	36,281
Total capital assets being amortized	<u>121,563</u>	<u>36,281</u>	<u>-</u>	<u>157,844</u>
Less accumulated amortization for:				
Right to use assets:				
Leased equipment, furniture and fixtures	8,286	8,286	-	16,572
IT subscriptions	-	7,255	-	7,255
Total accumulated amortization	<u>8,286</u>	<u>15,541</u>	<u>-</u>	<u>23,827</u>
Total capital assets being amortized, net	<u>113,277</u>			<u>134,017</u>
Governmental activities capital assets, net	<u>\$ 3,782,041</u>			<u>\$ 4,151,993</u>

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

General government	\$ 11,838
Public safety	219,661
Transportation	63,905
Economic and physical development	4,808
Environmental protection	5,005
Cultural and recreational	27,401
Total depreciation/amortization expense	<u>\$ 332,618</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 242,350	\$ -	\$ 242,350
Total capital assets not being depreciated	<u>-</u>	<u>242,350</u>	<u>-</u>	<u>242,350</u>
Capital assets being depreciated:				
Plants and distribution systems	22,747,250	4,332,047	-	27,079,297
Equipment and furniture	768,891	7,072	-	775,963
Vehicles and motorized equipment	475,439	108,354	163,726	420,067
Total capital assets being depreciated	<u>23,991,580</u>	<u>4,447,473</u>	<u>163,726</u>	<u>28,275,327</u>
Less accumulated depreciation for:				
Plants and distribution systems	11,461,580	710,117	-	12,171,697
Equipment and furniture	533,111	56,489	-	589,600
Vehicles and motorized equipment	140,832	91,196	61,152	170,876
Total accumulated depreciation	<u>12,135,523</u>	<u>857,802</u>	<u>61,152</u>	<u>12,932,173</u>
Total capital assets being depreciated, net	<u>11,856,057</u>			<u>15,343,154</u>
Capital assets being amortized:				
Right to use assets:				
IT subscriptions	-	11,808	-	11,808
Total capital assets being amortized	<u>-</u>	<u>11,808</u>	<u>-</u>	<u>11,808</u>
Less accumulated amortization for:				
Right to use assets:				
IT subscriptions	-	2,362	-	2,362
Total accumulated amortization	<u>-</u>	<u>2,362</u>	<u>-</u>	<u>2,362</u>
Total capital assets being amortized, net	<u>-</u>			<u>9,446</u>
Water and Sewer fund capital assets, net	<u>\$ 11,856,057</u>			<u>\$ 15,594,950</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Housing Authority Fund</i>				
Capital assets not being depreciated:				
Land	\$ 110,587	\$ -	\$ -	\$ 110,587
Total capital assets not being depreciated	<u>110,587</u>	<u>-</u>	<u>-</u>	<u>110,587</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings and system	6,299,529	93,200	-	6,392,729
Equipment and furniture	136,249	7,105	-	143,354
Vehicles and motorized equipment	25,718	-	-	25,718
Total capital assets being depreciated	6,461,496	100,305	-	6,561,801
Less accumulated depreciation for:				
Buildings and system	5,011,075	135,709	-	5,146,784
Equipment and furniture	114,146	4,274	-	118,420
Vehicles and motorized equipment	25,718	-	-	25,718
Total accumulated depreciation	5,150,939	139,983	-	5,290,922
Total capital assets being depreciated, net	1,310,557			1,270,879
Housing fund capital assets, net	1,421,144			1,381,466
Business-type activities capital assets, net	\$ 13,277,201			\$ 16,976,416

Construction commitments

The government has five active construction projects as of June 30, 2023. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Recreation Performance Stage Project	\$ 28,000	\$ 42,000
Rural Transformation Project	-	665,000
Ice Plant Sewer Rehabilitation Project	69,250	1,425,650
Downtown Waterline Rehabilitation Project	147,300	1,202,466
Valley River Housing Development Project	25,800	724,200
Total	\$ 270,350	\$ 4,059,316

Discretely presented component unit

Capital asset activity for the ABC Board for the year ended June 30, 2023, 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	426,533	-	-	426,533
Other improvements	53,245	-	-	53,245
Furniture and equipment	145,977	2,543	-	148,520
Total capital assets being depreciated	625,755	2,543	-	628,298
Less accumulated depreciation for:				
Buildings and improvements	190,066	-	-	190,066
Other improvements	45,864	-	-	45,864
Furniture and maintenance equipment	124,358	-	-	124,358
Total accumulated depreciation	360,288	-	-	360,288
Total capital assets being depreciated	265,467			268,010
ABC Board capital assets, net	\$ 310,754			\$ 313,297

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2023, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	\$ 68,207	\$ 3,310	\$ 71,517
Other governmental	8,310	-	8,310
Total governmental activities	<u>\$ 76,517</u>	<u>\$ 3,310</u>	<u>\$ 79,827</u>
Business-type activities:			
Housing authority	\$ 30,313	\$ 7,421	\$ 37,734
Water and sewer	48,487	6,184	54,671
Total business-type activities	<u>\$ 78,800</u>	<u>\$ 13,605</u>	<u>\$ 92,405</u>

2. Unearned Revenue

Unearned revenue at the government-wide level at June 30, 2023, was as follows:

	Tenant Prepaid Rents	Advance From Grantors	Total
Payable from current assets:			
Business-type activities:			
Housing authority	\$ 2,012	\$ -	\$ 2,012
Total business-type activities	<u>\$ 2,012</u>	<u>\$ -</u>	<u>\$ 2,012</u>
Liabilities payable from restricted assets:			
Business-type activities:			
Water and sewer	\$ -	\$ 194,791	\$ 194,791
Total business-type activities	<u>\$ -</u>	<u>\$ 194,791</u>	<u>\$ 194,791</u>

3. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Murphy is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, 2023, was 13.04% of compensation for law enforcement officers and 12.21% 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 \$190,282 for the year ended June 30, 2023.

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, 2023, the Town reported a liability of \$1,161,570 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the Town's proportion was 0.02059% (measured as of June 30, 2022), which was an increase of 0.001% from its proportion as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the Town recognized pension expense of \$324,656. At June 30, 2023, 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	\$ 50,051	\$ 4,907
Changes in assumptions	115,899	-
Net difference between projected and actual earnings on pension plan investments	383,911	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,550	17,725
Town contributions subsequent to the measurement date	190,282	-
Total	\$ 747,693	\$ 22,632

\$190,282 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 168,106
2025	139,694
2026	44,076
2027	182,903
2028	-

Actuarial Assumptions. The total pension liability in the December 31, 2021 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, 2021 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, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
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 2.25%. 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:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,096,484	\$ 1,161,570	\$ 391,146

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 law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>11</u>
Total	<u><u>11</u></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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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, 2023, the Town reported a total pension liability of \$282,073. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$29,425.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,821	\$ 39,930
Changes in assumptions	80,330	78,166
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>\$ 90,151</u>	<u>\$ 118,096</u>

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

Year ended June 30:

2024	\$ (461)
2025	(828)
2026	(2,450)
2027	(16)
2028	(3,607)
Thereafter	(20,583)

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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 315,929	\$ 282,073	\$ 251,543

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

Total pension liability as of December 31, 2021	\$ 334,884
Changes for the year:	
Service cost	22,694
Interest on the total pension liability	7,535
Changes of benefit terms	-
Differences between expected and actual experience in the	(9,431)
Changes of assumptions or other inputs	(73,609)
Benefit payments	-
Other changes	-
Net changes	<u>(52,811)</u>
Total pension liability as of December 31, 2022	<u>\$ 282,073</u>

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 2.25% to 4.31% 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, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

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

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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 324,656	\$ 97,397	\$ 422,053
Pension Liability	1,161,570	282,073	1,443,643
Proportionate share of the net pension liability	0.02059%	n/a	n/a

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	50,051	9,821	59,872
Changes of assumptions	115,899	80,330	196,229
Net difference between projected and actual earnings on pension plan investments	383,911	-	383,911
Changes in proportion and differences between contributions and proportionate share of contributions	7,550	-	7,550
Benefit payments and administrative costs paid subsequent to the measurement date	190,282	-	190,282
Deferred Inflows of Resources			
Differences between expected and actual experience	4,907	39,930	44,837
Changes of assumptions	-	78,166	78,166
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	17,725	-	17,725

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 \$24,934 for the year ended June 30, 2023. 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	\$ 190,282
Differences between expected and actual experience	59,872
Changes of assumptions	196,229
Net difference between projected and actual	383,911
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,550
Total	<u>\$ 837,844</u>

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

Source	Amount
Prepaid taxes (General Fund)	\$ 12,064
Taxes receivable (General Fund), less penalties	107,965
Differences between expected and actual experience	44,837
Changes of assumptions	78,166
Net difference between projected and actual	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,725
Total	<u>\$ 260,757</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 \$1 million per occurrence, auto liability coverage of \$1 million, property coverage of \$24,422,055, 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 from the prior year, and settled claims have not exceeded insurance 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 \$197,697.

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 right-to-use leased asset is discussed in more detail in the Capital Asset section III.A.3. of this note.

In February 2021, the Town entered into a lease for streetlights and requires 180 monthly payments of \$ 109,359 \$948. In addition, the monthly kwh charges must be paid. The lease liability is measured at a discount rate of 4.557%.

\$ 109,359

The future minimum lease obligations and the net present value of these payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
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	7,835	3,545	11,380
2029 - 2033	44,995	11,905	56,900
2034 - 2036	28,524	1,822	30,346
	<u>\$ 109,359</u>	<u>\$ 34,783</u>	<u>\$ 144,142</u>

b. Subscriptions

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96 for Subscription-Based Information Technology Arrangements (SBITAs). The Statement provides a definition of SBITAs and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements. The right-to-use subscription asset is discussed in more detail in the Capital Asset section III.A.3. of this note.

Serviced by the General Fund:

In November 2022, the Town entered into a five-year subscription for the use of Southern Software, Inc.'s Computer Aided Dispatch (CAD) and Mobile Data Information System (MDIS) Software. An initial subscription liability was recorded in the amount of \$4,874. The Town is required to make annual fixed payments of \$1,110. The subscription has an interest rate of 3.95%.

\$ 3,764

In December 2022, the Town entered into a five-year subscription for the use of Southern Software Inc.'s Records Management System (RMS) Software. An initial subscription liability was recorded in the amount of \$16,882. The Town is required to make annual fixed payments of \$3,866. The subscription has an interest rate of 7.27% 13,016

In September 2022, the Town entered into a five-year subscription for the use of Southern Software, Inc.'s Data Sharing Network (DSN) Software. An initial subscription liability was recorded in the amount of \$3,652. The Town is required to make annual fixed payments of \$814. The subscription has an interest rate of 7.27% 2,838

In January 2023, the Town entered into a five-year subscription for the use of Southern Software, Inc.'s Financial Management System (FMS) Software. An initial subscription liability was recorded in the amount of \$10,873. The Town is required to make annual fixed payments of \$2,500. The subscription has an interest rate of 7.50% 8,373

\$ 27,991

The future minimum subscription obligations and the net present value of these payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 6,292	\$ 1,998	\$ 8,290
2025	6,740	1,550	8,290
2026	7,222	1,068	8,290
2027	7,737	553	8,290
	<u>\$ 27,991</u>	<u>\$ 5,169</u>	<u>\$ 33,160</u>

Serviced by the Water Sewer Fund:

In January 2023, the Town entered into a five-year subscription for the use of Southern Software, Inc.'s Financial Management System (FMS) Software. An initial subscription liability was recorded in the amount of \$11,808. The Town is required to make annual fixed payments of \$2,715. The subscription has an interest rate of 7.50% \$ 9,093

\$ 9,093

The future minimum subscription obligations and the net present value of these payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 2,033	\$ 682	\$ 2,715
2025	2,185	530	2,715
2026	2,349	366	2,715
2027	2,526	189	2,715
	<u>\$ 9,093</u>	<u>\$ 1,767</u>	<u>\$ 10,860</u>

c. Installment Purchase

Serviced 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. \$ 1,480,319

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. 100,000

\$ 1,580,319

Annual debt service payments of the installment purchases as of June 30, 2023, including \$909,725 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 86,684	\$ 62,914
2025	88,244	61,354
2026	39,869	59,729
2027	41,563	58,035
2028	43,330	56,268
2029 - 2033	245,888	252,102
2034 - 2038	302,773	195,217
2039 - 2043	372,818	125,172
2044 - 2048	359,150	38,934
Total	<u>\$ 1,580,319</u>	<u>\$ 909,725</u>

Serviced by the Water Sewer Fund:

In February 2023, the Town entered into a \$900,000 unsecured direct placement contract with United Community Bank to finance the Downtown Waterline Rehabilitation Project. The financing agreement requires ten annual payments of \$115,184, including interest at 4.32%, beginning September 2024 and maturing September 2033.

\$ 900,000
<u>\$ 900,000</u>

Annual debt service payments of the installment purchase as of June 30, 2023, including \$251,837 of interest, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2024	\$ -	\$ -
2025	55,970	59,214
2026	78,729	36,455
2027	82,129	33,055
2028	85,676	29,507
2029 - 2033	597,496	93,606
Total	<u>\$ 900,000</u>	<u>\$ 251,837</u>

d. State Revolving Fund Loans

Serviced by the Water and Sewer Fund:

The Town's State Revolving Fund loans payable consisted of the following at June 30, 2023:

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 0.00% 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.

\$ 115,772

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.

114,668

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.

675,112

<u>\$ 905,552</u>

Annual debt service payments of the State revolving fund loans as of June 30, 2023, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2024	\$ 72,633	\$ 8,844
2025	72,633	8,324
2026	72,633	7,804
2027	72,633	7,283
2028	72,633	6,763
2029 - 2033	264,403	26,012
2034 - 2038	198,563	13,006
2039 - 2043	79,421	1,561
Total	<u>\$ 905,552</u>	<u>\$ 79,597</u>

At June 30, 2023, the Town of Murphy had a legal debt margin of \$21,228,236.

e. 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, 2023:

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	\$ 1,665,508	\$ -	\$ 85,189	\$ 1,580,319	\$ 86,684
Lease liabilities	115,600	-	6,241	109,359	6,531
IT subscription liabilities	-	36,281	8,290	27,991	6,292
Compensated absences	84,756	44,217	48,696	80,277	49,000
Net pension liability (LRS)	214,274	598,825	-	813,099	-
Total pension liability (LEO)	334,884	-	52,811	282,073	-
Total governmental activities	<u>\$ 2,415,022</u>	<u>\$ 679,323</u>	<u>\$ 201,227</u>	<u>\$ 2,893,118</u>	<u>\$ 148,507</u>
Business-type activities:					
<i>Water and Sewer Fund</i>					
Direct borrowing State revolving loans	\$ 978,185	\$ -	\$ 72,633	\$ 905,552	\$ 72,633
Direct placement installment purchase	133,738	900,000	133,738	900,000	-
IT subscription liabilities	-	11,808	2,715	9,093	2,033
Compensated absences	40,880	18,201	21,453	37,628	21,000
Net pension liability (LRS)	91,832	256,639	-	348,471	-
Total Water and Sewer Fund	<u>1,244,635</u>	<u>1,186,648</u>	<u>230,539</u>	<u>2,200,744</u>	<u>95,666</u>
<i>Housing Authority Fund</i>					
Compensated absences	21,198	2,352	9,251	14,299	-
Total Housing Authority Fund	<u>21,198</u>	<u>2,352</u>	<u>9,251</u>	<u>14,299</u>	<u>-</u>
Total business-type activities	<u>\$ 1,265,833</u>	<u>\$ 1,189,000</u>	<u>\$ 239,790</u>	<u>\$ 2,215,043</u>	<u>\$ 95,666</u>

No interest was capitalized during 2023; interest incurred and charged to expense totaled \$69,548.

C. Interfund Balances and Activity

Transfers to/from other funds June 30, 2023, 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	\$ 4,151,993	\$ 16,976,416
Less:		
Long-term debt	1,717,669	1,814,645
Unexpended debt proceeds	-	900,000
Net investment in capital assets	\$ 2,434,324	\$ 14,261,771

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	\$ 3,839,059
Less:	
Prepaid Items	14,066
Stabilization by State Statute	36,003
Streets - Powell Bill	142,496
Public Safety - Firefighters' Relief	140,130
Appropriated fund balance in 2024 budget	252,000
Working Capital/Fund Balance Policy	361,388
Remaining Fund Balance	2,892,976

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 Ventures

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning 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 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, 2023, the Town reported revenues of \$6,853 and expenditures of \$13,316 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, 2023. 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, 2023, 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, 2023. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$164,277 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)

Since March 2020, management has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for personnel. The length or severity of this pandemic cannot be reasonably estimated. In addition, 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 Board in subsequent years. Therefore, the Town will continue to monitor current market conditions as the pandemic continues and will make further adjustments if considered necessary.

VII. Change in Accounting Principles/Restatement

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of reporting regarding governments' subscription-based information technology arrangements (SBITAs). This statement establishes a single model for accounting based on the principle that SBITAs are financings of the right-to-use, an underlying asset. Under this statement, a subscriber is required to recognize a subscription liability and an intangible right-to-use asset, and a subscriber is required to recognize a subscription receivable and a deferred inflow of resources.

VIII. New Accounting Pronouncements***Pronouncements effective for the 2023 Financial 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.

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).

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).

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

In June 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.

IX. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2023 and November 15, 2023, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

1. In September 2023, the Town passed a budget amendment for \$1,739,000 to reflect additional CDBG funds that the Town will receive to be used on the Valley River Housing Development Project.
2. In September 2023, planning began on the Rural Transformation Grant / Downtown Streetscape Project. This project will be funded by a \$665,000 grant from the NC Department of Commerce Rural Transformation Grant Program and will support plans to renovate the Town Square as an early step in improving the public spaces downtown.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town of Murphy's proportion of the net pension liability (asset) (%)	0.02059%	0.01996%	0.02090%	0.01910%	0.01916%	0.02005%	0.01866%	0.01823%	0.01795%
Town of Murphy's proportion of the net pension liability (asset) (\$)	\$ 1,161,570	\$ 306,106	\$ 746,856	\$ 521,606	\$ 454,541	\$ 306,308	\$ 396,028	\$ 81,815	\$ (105,859)
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
Town of Murphy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.07%	23.20%	57.48%	43.56%	37.00%	25.17%	34.47%	7.75%	(9.92%)
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

* 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 190,282	\$ 170,348	\$ 136,991	\$ 119,553	\$ 95,676	\$ 94,663	\$ 92,545	\$ 79,919	\$ 74,438
Contributions in relation to the contractually required contribution	190,282	170,348	136,991	119,553	95,676	94,663	92,545	79,919	74,438
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Murphy's covered-employee payroll	\$ 1,529,987	\$ 1,469,083	\$ 1,319,522	\$ 1,299,319	\$ 1,197,544	\$ 1,228,476	\$ 1,216,770	\$ 1,148,976	\$ 1,055,745
Contributions as a percentage of covered employee payroll	12.44%	11.60%	10.38%	9.20%	7.99%	7.71%	7.61%	6.96%	7.05%

Town of Murphy, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2023

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 334,884	\$ 348,600	\$ 194,495	\$ 180,144	\$ 180,164	\$ 141,619	\$ 130,989
Service Cost	22,694	22,837	15,812	11,992	14,133	12,129	11,515
Interest on the total pension liability	7,535	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	(9,431)	(30,522)	14,626	(13,693)	(7,444)	3,775	-
Changes of assumptions or other inputs	(73,609)	(12,759)	117,326	9,495	(12,402)	17,175	(5,561)
Benefit payments	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 282,073</u>	<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, 2023

	2023		2022		2021		2020		2019		2018		2017
Total pension liability	\$ 282,073	\$	334,884	\$	348,600	\$	194,495	\$	180,144	\$	180,164	\$	141,619
Covered payroll	494,233		463,126		467,670		407,470		414,709		406,255		407,197
Total pension liability as a percentage of covered payroll	57.07%		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.

Capital Project Funds:

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

Recreation Performance Stage Project - This fund is used to account for the feasibility study for the construction of a performance stage at Konehete Park and is funded by the State Capital and Infrastructure Fund (SCIF).

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Taxes - current year		\$ 1,140,254	
Taxes - prior years		4,754	
Interest		12,240	
Vehicle taxes		41,961	
Total	<u>\$ 1,104,000</u>	<u>1,199,209</u>	<u>\$ 95,209</u>
Unrestricted intergovernmental:			
Local option sales taxes		778,122	
Payments in lieu of taxes - outside sources		223,538	
Utility sales tax		72,433	
Beer and wine tax		7,333	
ABC profit distribution		315,000	
Total	<u>1,022,000</u>	<u>1,396,426</u>	<u>374,426</u>
Restricted intergovernmental:			
Powell Bill allocation		59,599	
ABC revenue for law enforcement		22,000	
Firemen's relief fund		6,489	
Solid waste disposal tax		1,260	
EBCI revenue for fire protection		121,770	
State grants		85,000	
Total	<u>275,200</u>	<u>296,118</u>	<u>20,918</u>
Permits and fees:			
Inspection fees		425	
Court costs and fees		911	
Total	<u>600</u>	<u>1,336</u>	<u>736</u>
Sales and services:			
Charges and fees		33,156	
Total	<u>29,000</u>	<u>33,156</u>	<u>4,156</u>
Investment earnings	-	8,046	8,046
Miscellaneous:			
Miscellaneous		88,725	
Total	<u>18,000</u>	<u>88,725</u>	<u>70,725</u>
Total revenues	<u>2,448,800</u>	<u>3,023,016</u>	<u>574,216</u>

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General government:			
Administration:			
Salaries and employee benefits		320,980	
Other operating expenditures		222,662	
Capital outlay		10,873	
Total	<u>561,373</u>	<u>554,515</u>	<u>6,858</u>
Total general government	<u>561,373</u>	<u>554,515</u>	<u>6,858</u>
Public safety:			
Police:			
Salaries and employee benefits		831,414	
Other operating expenditures		168,110	
Capital outlay		601,182	
Total	<u>1,735,218</u>	<u>1,600,706</u>	<u>134,512</u>
Fire:			
Salaries and employee benefits		143,767	
Other operating expenditures		91,037	
Total	<u>348,400</u>	<u>234,804</u>	<u>113,596</u>
Total public safety	<u>2,083,618</u>	<u>1,835,510</u>	<u>248,108</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		20,072	
Other operating expenditures		257,612	
Total	<u>302,000</u>	<u>277,684</u>	<u>24,316</u>
Total transportation	<u>302,000</u>	<u>277,684</u>	<u>24,316</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		107,860	
Other operating expenditures		33,110	
Total	<u>190,000</u>	<u>140,970</u>	<u>49,030</u>
Cemetery maintenance:			
Other operating expenditures		21,700	
Total	<u>30,000</u>	<u>21,700</u>	<u>8,300</u>
Total environmental protection	<u>220,000</u>	<u>162,670</u>	<u>57,330</u>

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, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Cultural and recreation:			
Parks and recreation:			
Other operating expenditures		23,221	
Capital outlay		53,290	
Total	<u>132,000</u>	<u>76,511</u>	<u>55,489</u>
Libraries:			
Salaries and employee benefits		124,354	
Other operating expenditures		39,923	
Total	<u>190,000</u>	<u>164,277</u>	<u>25,723</u>
Total cultural and recreation	<u>322,000</u>	<u>240,788</u>	<u>81,212</u>
Debt service:			
Principal retirement	54,480	49,720	4,760
Interest and other charges	70,410	69,548	862
Total debt service	<u>124,890</u>	<u>119,268</u>	<u>5,622</u>
Contingency	-	-	-
Total expenditures	<u>3,613,881</u>	<u>3,190,435</u>	<u>423,446</u>
Revenues over (under) expenditures	(1,165,081)	(167,419)	997,662
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
Rural Fire District Fund	99,600	99,598	(2)
Insurance Recovery	50,000	30,687	(19,313)
IT subscription agreements	36,281	36,281	-
Total	<u>185,881</u>	<u>166,566</u>	<u>(19,315)</u>
Revenues over (under) expenditures and other uses	(979,200)	(853)	978,347
Fund balance appropriated	<u>979,200</u>	<u>-</u>	<u>(979,200)</u>
Net change in fund balance	<u>\$ -</u>	(853)	<u>\$ (853)</u>
Fund balances, beginning		3,839,912	
Fund balances, ending		<u>\$ 3,839,059</u>	

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, 2023

	Budget Final	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes		\$ 402,977	
Investment earnings		1,676	
Miscellaneous		6,188	
Total revenues	<u>\$ 320,000</u>	<u>410,841</u>	<u>\$ 90,841</u>
EXPENDITURES			
Current:			
Public safety:			
Salaries and employee benefits		141,032	
Other operating expenditures		99,456	
Capital outlay		9,225	
Total public safety	<u>283,500</u>	<u>249,713</u>	<u>33,787</u>
Debt service:			
Principal retirement		50,000	
Interest and other charges		-	
Total debt service	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>333,500</u>	<u>299,713</u>	<u>33,787</u>
Revenues over (under) expenditures	<u>(13,500)</u>	<u>111,128</u>	<u>124,628</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
General Fund	<u>(99,600)</u>	<u>(99,598)</u>	<u>2</u>
Total other financing sources (uses)	<u>(99,600)</u>	<u>(99,598)</u>	<u>2</u>
Fund balance appropriated	<u>113,100</u>	-	<u>(113,100)</u>
Net change in fund balance	<u>\$ -</u>	11,530	<u>\$ 11,530</u>
Fund balances, beginning		<u>369,309</u>	
Fund balances, ending		<u>\$ 380,839</u>	

Town of Murphy, North Carolina
Capital Project Fund - Recreation Performance Stage Project
Schedule of Revenues and Expenditures - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2023

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
State Capital Infrastructure Fund (SCIF)	\$ 70,000	\$ -	\$ 28,000	\$ 28,000	\$ (42,000)
Total revenues	70,000	-	28,000	28,000	(42,000)
EXPENDITURES					
Cultural and recreation:					
Design	70,000	-	28,000	28,000	42,000
Total expenditures	70,000	-	28,000	28,000	42,000
Revenues over (under) expenditures	-	-	-	-	-
Other financing sources (uses):					
Transfers from other funds:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balances, beginning			-		
Fund balances, ending			\$ -		

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, 2023

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Charges for services			
Dwelling rental		\$ 332,816	
Excess utilities		9,501	
Other operating revenues		5,423	
Total operating revenues	<u>\$ 328,850</u>	<u>347,740</u>	<u>\$ 18,890</u>
NONOPERATING REVENUES			
Investment earnings		-	
HUD operating subsidy		306,744	
HUD contributions		415,669	
Total nonoperating revenues	<u>596,108</u>	<u>722,413</u>	<u>126,305</u>
Total revenues	<u>924,958</u>	<u>1,070,153</u>	<u>145,195</u>
OPERATING EXPENSES			
Administration:			
Salaries and related expenses		205,806	
Payment in lieu of taxes		16,562	
Travel and continuing education		6,386	
Legal and accounting		7,500	
Supplies and other		26,085	
Insurance		18,963	
Collection losses		9,312	
Total administration	<u>306,094</u>	<u>290,614</u>	<u>15,480</u>
Maintenance and tenant services:			
Salaries and related expenses		93,964	
Materials		24,112	
Contract costs, training and other		93,128	
Utilities		161,887	
Total maintenance and tenant services	<u>518,464</u>	<u>373,091</u>	<u>145,373</u>
Capital outlay:			
Capital outlay		100,305	
Total capital outlay	<u>100,400</u>	<u>100,305</u>	<u>95</u>
Total expenditures	<u>924,958</u>	<u>764,010</u>	<u>160,948</u>
Revenues over expenditures	<u>-</u>	<u>306,143</u>	<u>306,143</u>
OTHER FINANCING SOURCES (USES)			
Insurance recovery	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 306,143</u>	<u>\$ 306,143</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 306,143	
Reconciling items:			
Capital outlay		100,305	
Decrease in accrued vacation pay		6,899	
Depreciation		(139,983)	
Total reconciling items		<u>(32,779)</u>	
Change in net position		<u>\$ 274,267</u>	

Town of Murphy, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Water and sewer charges		\$ 2,027,253	
Water and sewer taps and recovery fees		47,895	
Other operating revenues		134,600	
Total operating revenues	<u>\$ 2,285,900</u>	<u>2,209,748</u>	<u>\$ (76,152)</u>
NONOPERATING REVENUES			
Interest earnings		5,741	
Noncapital grants		16,975	
Sale of supplies		14,300	
Total nonoperating revenues	<u>100</u>	<u>37,016</u>	<u>36,916</u>
Total revenues	<u>2,286,000</u>	<u>2,246,764</u>	<u>(39,236)</u>
OPERATING EXPENSES			
Water filter plant			
Salaries and employee benefits		211,004	
Other operating expenditures		122,080	
Capital outlay		58,723	
Travel		5,252	
Supplies		103,443	
Insurance		6,000	
Contracted services		28,839	
Maintenance		22,419	
Total water filter plant	<u>584,000</u>	<u>557,760</u>	<u>26,240</u>
Water utility maintenance			
Salaries and employee benefits		361,626	
Other operating expenditures		107,937	
Capital outlay		88,524	
Travel		6,815	
Supplies		94,988	
Insurance		9,000	
Contracted services		60,572	
Maintenance		88,332	
Debt service:			
Interest and other charges		34,098	
Principal retirement		106,512	
Total water utility	<u>960,700</u>	<u>958,404</u>	<u>2,296</u>
Wastewater plant			
Salaries and employee benefits		131,116	
Other operating expenditures		229,946	
Capital outlay		52,398	
Travel		21,304	
Supplies		39,194	
Insurance		6,178	
Contracted services		4,993	
Maintenance		2,956	
Total wastewater	<u>594,000</u>	<u>488,085</u>	<u>105,915</u>
Total expenditures	<u>2,138,700</u>	<u>2,004,249</u>	<u>134,451</u>
Revenues over expenditures	<u>147,300</u>	<u>242,515</u>	<u>95,215</u>

Town of Murphy, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other funds:			
Downtown Waterline Rehabilitation Project	(147,300)	(147,300)	-
Insurance recovery	-	2,791	2,791
Total other financing sources (uses)	<u>(147,300)</u>	<u>(144,509)</u>	<u>2,791</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 98,006</u>	<u>\$ 98,006</u>

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

Revenues and other sources over expenditures and other uses	\$ 98,006
Reconciling items:	
Principal retirement	106,512
Capital outlay	199,645
Increase (decrease) in deferred outflows of resources - pensions	83,312
Decrease (increase) in net pension liability	(256,639)
Decrease (increase) in accrued vacation pay	3,252
Decrease (increase) in deferred inflows of resources - pensions	133,015
Depreciation and amortization	(860,164)
Contributions of capital assets - infrastructure	4,247,635
Water and Sewer Capital Project Funds:	
Capital contributions	107,050
Transfer to project funds	147,300
Total reconciling items	<u>3,910,918</u>
Change in net position	<u>\$ 4,008,924</u>

Water and Sewer Capital Project Funds

Valley River Housing Development Project - This fund is used to account for the infrastructure project that will support the proposed Valley River Apartments which will provide 56 affordable workforce rental housing units and a community center within 6 buildings which will serve low- and moderate-income persons in or near the Murphy, North Carolina area. The project is funded by the North Carolina Department of Commerce Community Development Block Grant - Neighborhood Revitalization (CDBG-NR) Program.

Downtown Waterline Rehabilitation Project - This fund is used to account for the replacement of various sections of aging water and sanitary sewer infrastructure within the downtown Murphy area. The project is funded by transfers from the Enterprise Fund and an installment financing agreement.

Ice Plant Sewer Rehabilitation Project - This fund is used to account for the replacement and expansion of the Ice Plant lift station and associated components. The upgrade will both enable adequate sewer service to three of the county's largest employers-Erlanger Western Carolina Hospital campus, Moog Inc, and Tri-County Community College-and support a new medical office complex that will house six to seven new medical practices (estimated to create at least 42 new jobs) and future industrial development in the Peachtree community and along the Hwy 64 West corridor. The project is funded by transfers from the Enterprise Fund and various grant sources.

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

Town of Murphy, North Carolina
Water and Sewer Capital Project Fund - Valley River Housing Development Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
CDBG-NR	\$ 750,000	\$ -	\$ 25,800	\$ 25,800	\$ (724,200)
Total revenues	<u>750,000</u>	<u>-</u>	<u>25,800</u>	<u>25,800</u>	<u>(724,200)</u>
EXPENDITURES					
Public facilities and improvements	675,000	-	-	-	675,000
Planning	3,500	-	-	-	3,500
Administration	<u>71,500</u>	<u>-</u>	<u>25,800</u>	<u>25,800</u>	<u>45,700</u>
Total expenditures	<u>750,000</u>	<u>-</u>	<u>25,800</u>	<u>25,800</u>	<u>724,200</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Murphy, North Carolina
Water and Sewer Capital Project Fund - Downtown Waterline Rehabilitation Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

	Actual			Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
REVENUES					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Construction	1,132,466	-	-	-	1,132,466
Non construction	167,300	-	147,300	147,300	20,000
Contingency	50,000	-	-	-	50,000
Total expenditures	<u>1,349,766</u>	<u>-</u>	<u>147,300</u>	<u>147,300</u>	<u>1,202,466</u>
Revenues over (under) expenditures	<u>(1,349,766)</u>	<u>-</u>	<u>(147,300)</u>	<u>(147,300)</u>	<u>1,202,466</u>
OTHER FINANCING SOURCES (USES)					
Installment purchase obligations issued	900,000	-	900,000	900,000	-
Transfers from other funds:					
Water and Sewer	449,766	-	147,300	147,300	(302,466)
Total other financing sources (uses)	<u>1,349,766</u>	<u>-</u>	<u>1,047,300</u>	<u>1,047,300</u>	<u>(302,466)</u>
Revenues and other sources over (under) expenditures (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 900,000</u>

Town of Murphy, North Carolina
Water and Sewer Capital Project Fund - Ice Plant Sewer Rehabilitation Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

	Actual			Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	
REVENUES				
NC Department of Environmental Quality				
State Fiscal Recovery Fund	\$ 360,000	\$ -	\$ -	\$ (360,000)
US Treasury				
American Rescue Plan Act	264,000	-	69,250	(194,750)
Appalachian Regional Commission	300,000	-	-	(300,000)
Golden LEAF	500,000	-	-	(500,000)
Total revenues	<u>1,424,000</u>	<u>-</u>	<u>69,250</u>	<u>(1,354,750)</u>
EXPENDITURES				
Planning	350,000	-	69,250	280,750
Sewer improvements	1,030,000	-	-	1,030,000
Administration	114,900	-	-	114,900
Total expenditures	<u>1,494,900</u>	<u>-</u>	<u>69,250</u>	<u>1,425,650</u>
Revenues over (under) expenditures	<u>\$ (70,900)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,900</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Water and Sewer	70,900	-	-	(70,900)
Total other financing sources (uses)	<u>70,900</u>	<u>-</u>	<u>-</u>	<u>(70,900)</u>
Revenues and other sources over (under) expenditures (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Murphy, North Carolina
Water and Sewer Capital Project Fund - Hiwassee River Sewer Repair Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2023

	Actual		Total to Date	Variance Positive (Negative)	
	Project Authorization	Prior Years			Current Year
REVENUES					
United States Department of Agriculture:					
Appalachian Regional Commission	\$ 158,058	\$ -	\$ 12,000	\$ 12,000	\$ (146,058)
Total revenues	<u>158,058</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>(146,058)</u>
EXPENDITURES					
Administration and engineering	26,000	-	12,000	12,000	14,000
Sewer improvements	129,568	-	-	-	129,568
Contingency	2,490	-	-	-	2,490
Total expenditures	<u>158,058</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>146,058</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
Water and Sewer	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

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

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy - Town - Wide Levy
- Statement of Modernization Cost - Completed (Non-GAAP) - CFP 2020
- Statement of Modernization Cost - Completed (Non-GAAP) - CFP 2021

Town of Murphy, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ -	\$ 1,203,839	\$ 1,147,387	\$ 56,452
2021-2022	65,472	-	25,073	40,399
2020-2021	23,403	-	6,152	17,251
2019-2020	13,875	-	3,543	10,332
2018-2019	8,198	-	1,693	6,505
2017-2018	6,720	-	1,334	5,386
2016-2017	4,177	-	1,250	2,927
2015-2016	2,682	-	442	2,240
2014-2015	2,119	-	53	2,066
2013-2014	941	-	546	395
2012-2013	203	-	203	-
	<u>\$ 127,790</u>	<u>\$ 1,203,839</u>	<u>\$ 1,187,676</u>	<u>\$ 143,953</u>
Less: allowance for uncollectible accounts				
General Fund				<u>(35,988)</u>
Ad valorem taxes receivable - net				<u>\$ 107,965</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,199,209
Reconciling items:				
Taxes written off				203
Less: interest collected				(12,240)
Other adjustments				504
Subtotal				<u>(11,533)</u>
Total collections and credits				<u>\$ 1,187,676</u>

Town of Murphy, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2023

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 285,871,667	0.420	\$ 1,200,661	\$ 1,158,700	\$ 41,961
Penalties	195,476	0.420	821	821	-
Total	<u>286,067,143</u>		<u>1,201,482</u>	<u>1,159,521</u>	<u>41,961</u>
Discoveries - current and prior years	933,333	0.420	3,920	3,920	-
Releases	<u>(372,143)</u>		<u>(1,563)</u>	<u>(1,563)</u>	<u>-</u>
Total property valuation	<u>\$ 286,628,333</u>				
Net levy			1,203,839	1,161,878	41,961
Unpaid (by taxpayer) taxes at June 30, 2023			<u>56,452</u>	<u>56,452</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,147,387</u>	<u>\$ 1,105,426</u>	<u>\$ 41,961</u>
Current levy collection percentage			<u>95.31%</u>	<u>95.14%</u>	<u>100.00%</u>

Town of Murphy, North Carolina
Statement of Modernization Cost - Completed (Non-GAAP)
Capital Fund Program Grant NC 19P03050120 - Operations
For the Year Ended June 30, 2023

	Project CFP 2020
Funds approved	\$ 203,273
Funds expended	203,273
Excess of funds approved (expended)	\$ -
Funds advanced	\$ 203,273
Funds expended	203,273
Excess of funds advanced (expended)	\$ -

Town of Murphy, North Carolina
Statement of Modernization Cost - Completed (Non-GAAP)
Capital Fund Program Grant NC 19P03050121 - Operations
For the Year Ended June 30, 2023

	Project CFP 2021
Funds approved	\$ 212,396
Funds expended	212,396
Excess of funds approved (expended)	\$ -
Funds advanced	\$ 212,396
Funds expended	212,396
Excess of funds advanced (expended)	\$ -

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, 2023, 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, 2023. 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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, 2023

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Murphy, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Murphy's major federal programs for the year ended June 30, 2023. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Murphy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
November 15, 2023

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Murphy, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Murphy's major state programs for the year ended June 30, 2023. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's State programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. 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 GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Turner & Company CPAs P.A.
Murphy, North Carolina
November 15, 2023

Town of Murphy, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Name of Federal Program or Cluster	CFDA#
Public Housing Capital Fund (CFP)	14.872

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

Auditee qualified as low-risk auditee _____ yes X no

State Awards

Internal control over major State programs:

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

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

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

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

Program Name
State Transportation Improvement Program (STIP)

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

Town of Murphy

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

Cindy Chastian

Barry R. McClure

Commissioners

Charlene Smith

Gail Walker Stansell

Keisha Dockery

Corrective Action Plan For the Fiscal Year Ended June 30, 2023

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

Town of Murphy

Tim Radford, Mayor

P.O. Box 130

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Gail Walker Stansell

Keisha Dockery

Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2023

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

Town of Murphy, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal ALN Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Federal Grants:					
Cash Assistance:					
<u>U.S. Department of Housing and Urban Development</u>					
<u>Office of Public Housing</u>					
Public and Indian Housing: Operating Fund (OFND)	14.850	NC03000000120D	\$ 306,744	\$ -	\$ -
Total Public and Indian Housing			306,744	-	-
Public Housing Capital Fund (CFP)	14.872	NC19P03050120	203,273	-	-
Public Housing Capital Fund (CFP)	14.872	NC19P03050121	212,396	-	-
Total Public Housing Capital Fund			415,669	-	-
Passed-through N.C. Department of Department of Commerce:					
Rural Economic Development Division:					
Community Development Block Grant Neighborhood Revitalization (CDBG-NR)	14.228	20-C-3639	25,800	-	-
Total U.S. Department of Housing and Urban Development			748,213	-	-
<u>U.S. Department of Treasury</u>					
Passed-through N.C. Department of Environmental Quality:					
Division of Water Infrastructure:					
Coronavirus State and Local Fiscal Recovery Funds	21.027	SRP-W-ARP-0188	69,250	-	-
<u>U.S. Department of Agriculture</u>					
<u>Rural Development</u>					
Passed-through Appalachian Regional Commission:					
All Other ARC-Funded Area Development Projects	23.002	XXXX	12,000	-	-
Total U.S. Department of Agriculture			12,000	-	-
Total assistance - federal programs			829,463	-	-
State Grants:					
Noncash Assistance:					
<u>N.C. Department of Transportation</u>					
State Transportation Improvement Program (STIP)		TIP R-5735	-	4,247,635	-
Total N.C. Department of Transportation			-	4,247,635	-
Cash Assistance:					
<u>N.C. Office of State Budget and Management</u>					
Southwestern Commission Council of Government					
State Capital and Infrastructure Fund (SCIF) Directed Grant		XXXX	-	78,000	-
Total N.C. Office of State Budget and Management			-	78,000	-
<u>N.C. Department of Insurance</u>					
Office of the State Fire Marshal					
COVID-19 - S.L. 2022-74, 2022 Supplemental Fire Grant		XXXX	-	35,000	-
Total N.C. Department of Insurance			-	35,000	-
<u>N.C. Department of Environmental Quality</u>					
Division of Water Infrastructure					
Wastewater Merger/Regionalization Feasibility Study Grant		E-MRF-W-21-0047	-	16,975	-
Connect NC Bond		E-SRP-W-19-0175	-	49,077	-
Total N.C. Department of Environmental Quality			-	66,052	-

Town of Murphy, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal ALN Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
<u>N.C. Department of Transportation</u>					
Division of Planning and Programming					
Powell Bill		32570	-	41,172	-
Total N.C. Department of Transportation			-	41,172	-
Total assistance - State programs			-	4,467,859	-
Total assistance			\$ 829,463	\$ 4,467,859	\$ -

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Murphy under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Murphy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Murphy.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Loans Outstanding

The Town of Murphy had the following loan balances outstanding at June 30, 2023 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2023 consist of:

	<u>Amount Outstanding</u>
State of North Carolina	
Connect NC Bond - State Reserve Loan Program	\$ 49,077