Town of Murphy, North Carolina
Financial Statements
June 30, 2019

Turner & Company CPAs P.A.
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Town of Murphy, North Carolina
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Introductory Information

Town of Murphy, North Carolina

Mayor and Town Council

Rick Ramsey, Mayor

Frank E. Dickey

Barbara Hughes

Barry R. McClure

Noland Smith

Gail Walker Stansell

Karen Watson

Administrative and Financial Staff

Chad Simons, Town Manager & Finance Officer

Patricia J. Siler, 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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Murphy, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Murphy, North Carolina, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Rural Fire Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 47 and 48, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 3, 2019 on our consideration of the Town of Murphy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Murphy's internal control over financial reporting and compliance.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
December 3, 2019

Management's Discussion and Analysis

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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

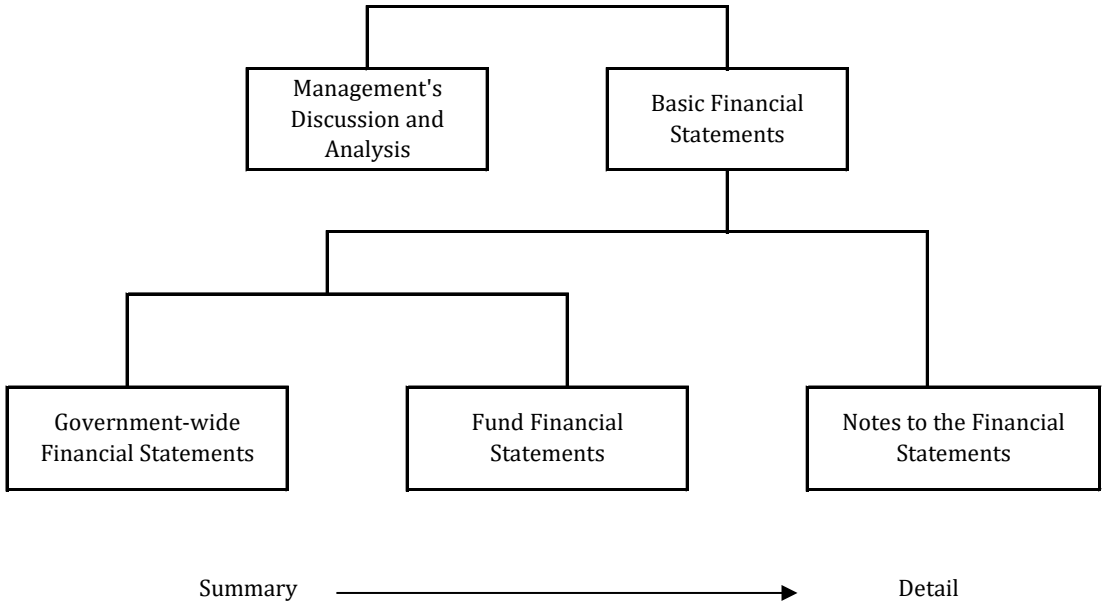
Financial Highlights

- The assets and deferred outflows of resources of the Town of Murphy exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $20,889,985 *(net position).*
- The government's total net position increased by $897,000 based on increases in both the governmental activities net position and the business type activities net position.
- As of the close of the current fiscal year, the Town of Murphy's governmental funds reported combined ending fund balances of $3,902,889 with a net increase of $400,289 in fund balance. Approximately 23.90 percent of this total amount, or $932,703, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,668,137, or 129.23 percent of total general fund expenditures for the fiscal year.
- The Town of Murphy's total debt decreased by $73,785 (3.50%) during the current fiscal year. The Town incurred no additional long-term debt during the fiscal year. The primary factor in the net decrease in debt was the scheduled principal repayments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Murphy, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statues 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 Statues. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted.

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 46 of this report.

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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 4,025,117	$ 3,617,016	$ 3,277,616	$ 2,752,886	$ 7,302,733	$ 6,369,902
Capital assets	3,123,497	3,262,217	13,539,813	13,042,626	16,663,310	16,304,843
Deferred outflows of resources	265,223	191,864	107,013	74,412	372,236	266,276
Total assets and deferred outflows of resources	7,413,837	7,071,097	16,924,442	15,869,924	24,338,279	22,941,021
Long-term liabilities outstanding	2,161,399	2,090,832	486,285	475,829	2,647,684	2,566,661
Other liabilities	112,682	117,013	643,578	234,797	756,260	351,810
Deferred inflows of resources	41,909	26,964	2,441	2,601	44,350	29,565
Total liabilities and deferred inflows of resources	2,315,990	2,234,809	1,132,304	713,227	3,448,294	2,948,036
Net position						
Net investment in capital assets	1,450,043	1,547,898	13,177,693	12,647,586	14,627,736	14,195,484
Restricted	932,703	799,911	-	-	932,703	799,911
Unrestricted	2,715,101	2,488,479	2,614,445	2,509,111	5,329,546	4,997,590
Total net position	$ 5,097,847	$ 4,836,288	$ 15,792,138	$ 15,156,697	$ 20,889,985	$ 19,992,985

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Murphy exceeded liabilities and deferred inflows by $20,889,985 as of June 30, 2019. The Town's net position increased by $897,000 for the fiscal year ended June 30, 2019. The largest portion (70.02%) 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 $932,703 (4.46%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $5,329,546 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 92.37%, excluding motor vehicles. The statewide average for Municipalities with populations of 1,000 to 2,499 in the fiscal year 2018 was 97.95%.

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 36,276	$ 35,182	$ 1,918,300	$ 1,898,317	$ 1,954,576	$ 1,933,499
Operating grants and contributions	185,865	184,981	364,127	276,172	549,992	461,153
Capital grants and contributions	62,568	-	1,293,927	448,705	1,356,495	448,705
General revenues:						
Property taxes	1,283,976	1,252,925	-	-	1,283,976	1,252,925
Grants and contributions not restricted to specific programs	1,061,639	857,532	-	-	1,061,639	857,532
Other	104,602	33,462	2,706	25,668	107,308	59,130
Total revenues	2,734,926	2,364,082	3,579,060	2,648,862	6,313,986	5,012,944
Expenses						
General government	497,038	542,920	-	-	497,038	542,920
Public safety	1,280,021	1,278,091	-	-	1,280,021	1,278,091
Transportation	246,560	217,422	-	-	246,560	217,422
Economic and physical development	5,139	5,005	-	-	5,139	5,005
Environmental protection	162,695	179,061	-	-	162,695	179,061
Cultural recreation	207,940	224,273	-	-	207,940	224,273
Interest on long-term debt	73,974	75,968	-	-	73,974	75,968
Water and sewer	-	-	2,231,278	2,166,573	2,231,278	2,166,573
Housing authority	-	-	712,341	736,129	712,341	736,129
Total expenses	2,473,367	2,522,740	2,943,619	2,902,702	5,416,986	5,425,442
Increase (decrease) in net position before transfers	261,559	(158,658)	635,441	(253,840)	897,000	(412,498)
Transfers	-	-	-	-	-	-
Increase in net position	261,559	(158,658)	635,441	(253,840)	897,000	(412,498)
Net position, beginning	4,836,288	4,994,946	15,156,697	15,410,537	19,992,985	20,405,483
Net position, ending	$ 5,097,847	$ 4,836,288	$ 15,792,138	$ 15,156,697	$ 20,889,985	$ 19,992,985

Governmental Activities. Governmental activities increased the Town's net position by $261,560. Key elements of this increase are as follows:

- The Town received $62,568 in grant revenue from the NC Department of Natural and Cultural Resources for the construction of Phase 2 of the Piney Knob Bike Trail.
- There was an increase in the amount of revenue received from beverage tax distributions.
- There was an increase in the amount of local option sales tax received in the current fiscal year.
- Other income increased predominantly because of an increase in Rural Fire Fund revenue.
- Management was able to decrease expenditures primarily because of the implementation of a new health insurance plan, which at the same time improved the Town's comprehensive benefits package.

Business-Type Activities. Business-type activities increased the Town's net position by $635,441. Key elements of this increase are as follows:

- Program revenues of the Housing Authority increased by $81,035 between 2018 and 2019.
- Non-capital grants for the Housing Authority increased by $76,066.
- Capital grants and contributions increased substantially between 2018 and 2019. The Town received additional funding in the amount of $1,183,771 from a Community Block Development Grant for the Regal Street Area Water and Sewer Improvement Project.
- Operating grants and contributions increased by $87,955 between 2018 and 2019. The Town received funding from the Division of Water Infrastructure for the Asset Inventory and Assessment Grant Project.
- Operating expenses in the business-type activities increased by $64,705 during the current fiscal year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Murphy. At the end of the current fiscal year, the Town of Murphy's fund balance available for appropriation was $3,247,222, while total fund balance reached $3,303,273. 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 157.28% of general fund expenditures, while total fund balance represents 159.99% of the same amount.

The governmental funds of the Town of Murphy reported a combined fund balance of $3,902,889 at June 30, 2019, with a $400,289 net increase in fund balance.

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

There were several reasons the Town revised its budget throughout the year. Total amendments to the General Fund increased revenues by $8,500. Expenditures were less than budgeted amounts due to the due diligence of those in management, and the Town was able to comply with its budgetary requirements.

Proprietary Funds. The Town of Murphy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Housing Authority Fund at the end of the fiscal year amounted to $623,023 and that of the Water and Sewer Fund amounted to $1,991,422. The total change in net position for both funds was ($100,167) and $735,608, 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, 2019, totals $16,663,310 (net of accumulated depreciation). These assets include buildings and improvements, land, furniture, machinery and equipment, vehicles, plants and distribution systems, and construction in progress.

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

- $38,642 was added to construction in progress for new public restrooms
- $62,568 was added to construction in progress for Phase 2 of the Piney Knob Bike Trail
- $18,931 was expended for two vehicles for the police department

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

Water and Sewer Fund:

- $1,183,771 was added to construction in progress for the Regal Street Area Water and Sewer Improvement Project
- $26,725 was added to equipment and furniture for a computer system
- $11,616 was added to equipment and furniture for trench boxes
- $38,338 was added to equipment and furniture for an alarm system
- $13,038 was added to equipment and furniture for a camera system
- $12,103 was added to equipment and furniture for a blower and elbow
- $61,848 was added to plants and distribution systems for water lines

Housing Authority Fund:

- $6,413 was added to equipment and furniture for a golf cart and utility trailer

Town of Murphy, North Carolina's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital assets						
Land	$ -	$ -	$ 110,587	$ 110,587	$ 110,587	$ 110,587
Construction in progress	101,210	-	1,452,661	268,890	1,553,871	268,890
Buildings and system	1,991,836	2,055,761	1,642,789	1,799,967	3,634,625	3,855,728
Other improvements	661,696	718,974	-	-	661,696	718,974
Plant and distribution systems	-	-	10,076,378	10,668,369	10,076,378	10,668,369
Equipment and furniture	23,454	29,737	245,827	181,224	269,281	210,961
Vehicles and motorized equipment	339,091	446,735	11,571	13,589	350,662	460,324
Computer software	5,860	8,565	-	-	5,860	8,565
Computer equipment	350	2,445	-	-	350	2,445
Total capital assets	$ 3,123,497	$ 3,262,217	$ 13,539,813	$ 13,042,626	$ 16,663,310	$ 16,304,843

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Phase 2 Piney Knob Bike Trail	$ 62,568	$ 37,432
Public bathrooms	38,642	7,963
Regal Street Area Water and Sewer Improvement Project	1,452,661	547,339
Total	$ 1,553,871	$ 592,734

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

Long-Term Obligations. Debt totals include direct placement installment purchases, direct borrowing State revolving loans, and capital leases. As of June 30, 2019, the Town of Murphy had total debt outstanding of $2,035,574. 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	
	2019	2018	2019	2018	2019	2018
Direct placement installment purchase	$ 1,612,698	$ 1,642,490	$ -	$ -	$ 1,612,698	$ 1,642,490
Capitalized leases	60,756	71,829	-	-	60,756	71,829
Direct borrowing State revolving loans	-	-	362,120	395,040	362,120	395,040
Total debt outstanding	1,673,454	1,714,319	362,120	395,040	2,035,574	2,109,359
Compensated absences	58,487	53,532	31,723	31,817	90,210	85,349
Net pension liability (LGERS)	318,179	214,416	136,362	91,892	454,541	306,308
Total pension liability (LEO)	180,144	180,164	-	-	180,144	180,164
Total long-term obligations	$ 2,230,264	$ 2,162,431	$ 530,205	$ 518,749	$ 2,760,469	$ 2,681,180

- The Town of Murphy's total debt decreased by $73,785 (3.50%) during the current fiscal year. The Town incurred no additional long-term debt during the fiscal year. The primary factor in the net decrease in debt was the scheduled principal repayments.
- North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Murphy is $16,330,527.
- Additional information regarding the Town of Murphy's long-term debt can be found in Note III.B.6 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- The Town does not anticipate any significant change in current economic factors that affect Town operations.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The property tax rate was maintained at $.42 to sustain current tax revenue streams. Local sales tax revenue and the Town's portion of the ABC profits continue to increase which should allow the Town to combat the lack of growth in our tax base, maintain current services and avoid a tax increase.

$45,000 is budgeted to replace a utility truck.

Existing fund balance will be used for extending street lights during the 2019-2020 year.

$80,000 is appropriated for the purchase of a track hoe which the Town will be able to use in the replacement of some of its older infrastructure.

The Town will purchase a 2007 Sutphen fire truck which will enhance the ability of the Fire Department to serve the Town, rural Murphy, and Tribal properties.

A new Dodge Charger patrol vehicle for the police department has been budgeted at $34,000.

Business-Type Activities: The Town budgeted an increase in sewer base rates of $3 per month for users inside the Town limits and $6 per month for outside users. The increase will allow the Town to address equipment needs, complete the Mooreland Heights sewer line project, and place the Town in a better position to take on additional debt service associated with the U.S. Forest Service rehab project which is estimated at $25,000 a year for the next twenty years.

Additionally, all volume and water base charges will increase by about five (5) percent, and the lowest tiers of our commercial decreasing block rate structure will be eliminated. The latter change ensures our residential customers are not subsidizing large users.

The 2020 budget appropriates $25,000 to replace sewer line in the Mooreland Heights area.

The budget provides $39,486 for exterior repairs and washout cleanings for water distribution tanks.

Requests for Information

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

Basic Financial Statements

Town of Murphy, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Town of Murphy ABC Board
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,629,543	$ 2,562,610	$ 6,192,153	$ 619,216
Restricted cash and cash equivalents	256,180	139,580	395,760	59,225
Taxes receivable (net)	86,905	-	86,905	-
Accrued interest receivable on taxes	6,573	-	6,573	-
Accounts receivable (net)	7,000	158,111	165,111	-
Due from other governments	49,051	400,580	449,631	-
Internal balances	(10,135)	10,135	-	-
Inventories	-	-	-	310,013
Prepaid items	-	6,600	6,600	10,073
Total current assets	4,025,117	3,277,616	7,302,733	998,527
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	101,210	1,563,248	1,664,458	45,287
Other capital assets, net of depreciation	3,022,287	11,976,565	14,998,852	295,533
Total capital assets	3,123,497	13,539,813	16,663,310	340,820
Total assets	7,148,614	16,817,429	23,966,043	1,339,347
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	265,223	107,013	372,236	65,107
Total deferred outflows of resources	265,223	107,013	372,236	65,107
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	13,209	458,792	472,001	305,757
Accrued interest payable	30,608	-	30,608	-
Unearned revenue	-	1,286	1,286	-
Current portion of long-term liabilities	68,865	43,920	112,785	-
Payable from restricted assets	-	139,580	139,580	-
Total current liabilities	112,682	643,578	756,260	305,757
Long-term liabilities:				
Due in more than one year	2,161,399	486,285	2,647,684	78,762
Total liabilities	2,274,081	1,129,863	3,403,944	384,519
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	15,541	-	15,541	-
Pension deferrals	26,368	2,441	28,809	769
Total deferred inflows of resources	41,909	2,441	44,350	769
NET POSITION				
Net investment in capital assets	1,450,043	13,177,693	14,627,736	295,533
Restricted for:				
Transportation	103,981	-	103,981	-
Public safety	751,815	-	751,815	-
Stabilization by state statute	76,907	-	76,907	-
Other functions	-	-	-	161,404
Unrestricted	2,715,101	2,614,445	5,329,546	562,229
Total net position	$ 5,097,847	$ 15,792,138	$ 20,889,985	$ 1,019,166

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, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Town of Murphy ABC Board
Primary government:								
Governmental activities:								
General government	$ 497,038	$ 27,206	$ 1,500	$ -	$ (468,332)	$ -	$ (468,332)	$ -
Public safety	1,280,021	651	126,671	-	(1,152,699)	-	(1,152,699)	-
Transportation	246,560	-	56,520	-	(190,040)	-	(190,040)	-
Economic and physical development	5,139	-	-	62,568	57,429	-	57,429	-
Environmental protection	162,695	-	1,174	-	(161,521)	-	(161,521)	-
Cultural and recreation	207,940	8,419	-	-	(199,521)	-	(199,521)	-
Interest on long-term debt	73,974	-	-	-	(73,974)	-	(73,974)	-
Total governmental activities	2,473,367	36,276	185,865	62,568	(2,188,658)	-	(2,188,658)	-
Business-type activities:								
Water and sewer	2,231,278	1,640,112	140,691	1,183,771	-	733,296	733,296	-
Housing	712,341	278,188	223,436	110,156	-	(100,561)	(100,561)	-
Total business-type activities	2,943,619	1,918,300	364,127	1,293,927	-	632,735	632,735	-
Total primary government	$ 5,416,986	$ 1,954,576	$ 549,992	$ 1,356,495	(2,188,658)	632,735	(1,555,923)	-
Component unit:								
ABC Board	$ 3,566,181	$ 3,435,484	$ -	$ -	-	-	-	(130,697)
Total component unit	$ 3,566,181	$ 3,435,484	$ -	$ -	-	-	-	(130,697)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,283,976	-	1,283,976	-
Grants and contributions not restricted to specific programs					1,061,639	-	1,061,639	-
Unrestricted investment earnings					19,482	2,706	22,188	600
Miscellaneous					85,120	-	85,120	-
Extraordinary item: income from easement					-	-	-	185,000
Total general revenues and transfers					2,450,217	2,706	2,452,923	185,600
Change in net position					261,559	635,441	897,000	54,903
Net position, beginning					4,836,288	15,156,697	19,992,985	964,263
Net position, ending					$ 5,097,847	$ 15,792,138	$ 20,889,985	$ 1,019,166

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

Town of Murphy, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds			
	General Fund	Rural Fire Fund	Piney Knob Trail System	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,019,792	$ 609,751	$ -	$ 3,629,543
Restricted cash	256,180	-	-	256,180
Receivables, net:				
Taxes	86,905	-	-	86,905
Accounts	7,000	-	-	7,000
Due from other funds	20,856	-	-	20,856
Due from other governments	28,195	-	20,856	49,051
Total assets	3,418,928	609,751	20,856	4,049,535
LIABILITIES				
Accounts payable and accrued liabilities	13,209	-	-	13,209
Due to other funds	-	10,135	20,856	30,991
Total liabilities	13,209	10,135	20,856	44,200
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	86,905	-	-	86,905
Prepaid taxes	15,541	-	-	15,541
Total deferred inflows of resources	102,446	-	-	102,446
FUND BALANCES				
Restricted				
Stabilization by state statute	56,051	-	20,856	76,907
Streets	103,981	-	-	103,981
Public safety	152,199	599,616	-	751,815
Assigned				
Subsequent year's expenditures	322,905	-	-	322,905
Unassigned	2,668,137	-	(20,856)	2,647,281
Total fund balances	3,303,273	599,616	-	3,902,889
Total liabilities, deferred inflows of resources and fund balances	$ 3,418,928	$ 609,751	$ 20,856	$ 4,049,535

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

Town of Murphy, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

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

Total Fund Balance, Governmental Funds		$ 3,902,889
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	$ 6,457,957	
Accumulated depreciation	(3,334,460)	3,123,497
Deferred outflows of resources related to pensions are not reported in the funds		265,223
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		
Accrued interest receivable on taxes		6,573
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Property taxes receivable		86,905
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)		(1,731,941)
Net pension liability		(318,179)
Total pension liability		(180,144)
Deferred inflows of resources related to pensions are not reported in the funds		(26,368)
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		(30,608)
Net position of governmental activities		$ 5,097,847

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, 2019

	Major Funds			
	General Fund	Rural Fire Fund	Piney Knob Trail System	Total Governmental Funds
REVENUES				
Ad valorem taxes	$ 941,207	$ 332,658	$ -	$ 1,273,865
Unrestricted intergovernmental	1,061,639	-	-	1,061,639
Restricted intergovernmental	185,865	-	62,568	248,433
Permits and fees	651	-	-	651
Sales and services	35,625	-	-	35,625
Investment earnings	17,655	1,827	-	19,482
Miscellaneous	39,114	35,005	-	74,119
Total revenues	2,281,756	369,490	62,568	2,713,814
EXPENDITURES				
Current:				
General government	514,447	-	-	514,447
Public safety	894,370	197,295	-	1,091,665
Transportation	196,353	-	-	196,353
Economic and physical development	-	-	62,568	62,568
Environmental protection	155,348	-	-	155,348
Cultural and recreation	188,740	-	-	188,740
Debt service:				
Principal	40,865	-	-	40,865
Interest and other charges	74,540	-	-	74,540
Total expenditures	2,064,663	197,295	62,568	2,324,526
Excess (deficiency) of revenues over expenditures	217,093	172,195	-	389,288
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	99,598	-	-	99,598
Transfers (to) other funds	-	(99,598)	-	(99,598)
Insurance recovery	11,001	-	-	11,001
Total other financing sources (uses)	110,599	(99,598)	-	11,001
Net change in fund balance	327,692	72,597	-	400,289
Fund balances, beginning	2,975,581	527,019	-	3,502,600
Fund balances, ending	$ 3,303,273	$ 599,616	$ -	$ 3,902,889

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, 2019

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		$ 400,289
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	120,141	
Depreciation expense for governmental assets	(258,861)	
		(138,720)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		66,973
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues	10,111	
		10,111
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt	40,865	
Decrease in accrued interest payable	566	
		41,431
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(4,955)	
Pension expense	(113,570)	
		(118,525)
Total changes in net position of governmental activities		$ 261,559

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, 2019

	General Fund				Rural Fire Fund			
	Original	Final	Actual Amounts	Variance Positive (Negative)	Original	Final	Amounts	Variance Positive (Negative)
REVENUES								
Ad valorem taxes	$ 901,000	$ 901,000	$ 941,207	$ 40,207	$ 296,325	$ 316,325	$ 332,658	$ 16,333
Unrestricted intergovernmental	785,500	785,500	1,061,639	276,139	-	-	-	-
Restricted intergovernmental	169,100	169,100	185,865	16,765	-	-	-	-
Permits and fees	300	300	651	351	-	-	-	-
Sales and services	34,850	34,850	35,625	775	-	-	-	-
Investment earnings	-	-	17,655	17,655	-	-	1,827	1,827
Miscellaneous	10,000	18,500	39,114	20,614	-	19,000	35,005	16,005
Total revenues	1,900,750	1,909,250	2,281,756	372,506	296,325	335,325	369,490	34,165
EXPENDITURES								
Current:								
General government	494,545	579,045	514,447	64,598	-	-	-	-
Public safety	986,400	1,006,400	894,370	112,030	196,725	235,725	197,295	38,430
Transportation	196,000	221,000	196,353	24,647	-	-	-	-
Environmental protection	163,360	172,360	155,348	17,012	-	-	-	-
Cultural and recreation	218,350	231,850	188,740	43,110	-	-	-	-
Debt service:								
Principal retirement	40,950	40,950	40,865	85	-	-	-	-
Interest and other charges	74,550	74,550	74,540	10	-	-	-	-
Total expenditures	2,174,155	2,326,155	2,064,663	261,492	196,725	235,725	197,295	38,430
Revenues over (under) expenditures	(273,405)	(416,905)	217,093	633,998	99,600	99,600	172,195	72,595
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	-	-	11,001	11,001	-	-	-	-
Total other financing sources (uses)	99,600	99,600	110,599	10,999	(99,600)	(99,600)	(99,598)	2
Revenues over (under) expenditures and other uses	(173,805)	(317,305)	327,692	644,997	-	-	72,597	72,597
Fund balance appropriated	173,805	317,305	-	(317,305)	-	-	-	-
Net change in fund balance	$ -	$ -	327,692	$ 327,692	$ -	$ -	72,597	$ 72,597
Fund balances, beginning			2,975,581				527,019	
Fund balances, ending			$ 3,303,273				$ 599,616	

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, 2019

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 664,885	$ 1,897,725	$ 2,562,610
Restricted cash and cash equivalents	33,400	106,180	139,580
Accounts receivable (net) - billed	1,051	157,060	158,111
Due from other funds	-	10,135	10,135
Due from other governments	-	400,580	400,580
Prepaid items	6,600	-	6,600
Total current assets	705,936	2,571,680	3,277,616
Noncurrent assets:			
Capital assets:			
Land and construction in progress	110,587	1,452,661	1,563,248
Other capital assets, net of depreciation	1,660,755	10,315,810	11,976,565
Total capital assets	1,771,342	11,768,471	13,539,813
Total noncurrent assets	1,771,342	11,768,471	13,539,813
Total assets	2,477,278	14,340,151	16,817,429
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	-	107,013	107,013
Total deferred outflows of resources	-	107,013	107,013
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	40,197	418,595	458,792
Tenant prepaid rents	1,286	-	1,286
Compensated absences - current	-	11,000	11,000
State revolving loans - current	-	32,920	32,920
Liabilities payable from restricted assets:			
Customer deposits	33,400	106,180	139,580
Total current liabilities	74,883	568,695	643,578
Noncurrent liabilities:			
Compensated absences	8,030	12,693	20,723
Net pension liability	-	136,362	136,362
State revolving loans - noncurrent	-	329,200	329,200
Total noncurrent liabilities	8,030	478,255	486,285
Total liabilities	82,913	1,046,950	1,129,863
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	-	2,441	2,441
NET POSITION			
Net investment in capital assets	1,771,342	11,406,351	13,177,693
Unrestricted	623,023	1,991,422	2,614,445
Total net position	$ 2,394,365	$ 13,397,773	$ 15,792,138

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, 2019

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	$ 270,589	$ 1,587,686	$ 1,858,275
Water and sewer taps	-	15,389	15,389
Other operating revenues	7,599	37,037	44,636
Total operating revenues	278,188	1,640,112	1,918,300
OPERATING EXPENSES			
Operating expenses	238,393	1,455,639	1,694,032
Maintenance and tenant services	313,559	72,813	386,372
Depreciation	160,389	702,826	863,215
Total operating expenses	712,341	2,231,278	2,943,619
Operating income (loss)	(434,153)	(591,166)	(1,025,319)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	394	2,312	2,706
Non-capital grants	-	140,691	140,691
Total nonoperating revenue (expenses)	394	143,003	143,397
Income (loss) before contributions and transfers	(433,759)	(448,163)	(881,922)
Capital contributions	333,592	1,183,771	1,517,363
Change in net position	(100,167)	735,608	635,441
Total net position, beginning	2,494,532	12,662,165	15,156,697
Total net position, ending	$ 2,394,365	$ 13,397,773	$ 15,792,138

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, 2019

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 273,922	$ 1,592,677	$ 1,866,599
Cash paid for goods and services	(375,959)	(929,309)	(1,305,268)
Cash paid to or on behalf of employees for services	(170,095)	(574,797)	(744,892)
Customer deposits received	1,387	9,064	10,451
Other operating revenues	7,599	37,037	44,636
Net cash provided (used) by operating activities	(263,146)	134,672	(128,474)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Non-capital grants	-	140,691	140,691
Total cash flows from noncapital financing activities	-	140,846	140,846
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(6,413)	(1,353,989)	(1,360,402)
Principal paid on bond maturities and equipment contracts	-	(32,920)	(32,920)
Capital contributions	333,592	1,183,771	1,517,363
Net cash provided (used) by capital and related financing activities	327,179	(203,138)	124,041
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	394	2,312	2,706
Net increase (decrease) in cash and cash equivalents	64,427	74,692	139,119
Cash and cash equivalents at beginning of year	633,858	1,929,213	2,563,071
Cash and cash equivalents at end of year	$ 698,285	$ 2,003,905	$ 2,702,190

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, 2019

	Major Enterprise Funds		
	Housing Authority Fund	Water and Sewer Fund	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income	$ (434,153)	$ (591,166)	$ (1,025,319)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	160,389	702,826	863,215
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	3,333	(10,398)	(7,065)
(Increase) decrease in prepaid items	534	-	534
(Increase) decrease in deferred outflows of resources - pensions	-	(32,601)	(32,601)
(Increase) decrease in due from other governments	-	(379,235)	(379,235)
Increase (decrease) in accounts payable and accrued liabilities	4,480	392,850	397,330
Increase (decrease) in customer deposits	1,387	9,064	10,451
Increase (decrease) in accrued vacation pay	884	(978)	(94)
Increase (decrease) in net pension liability	-	44,470	44,470
Increase (decrease) in deferred outflows of resources for pensions	-	(160)	(160)
Total adjustments	171,007	725,838	896,845
Net cash provided by operating activities	$ (263,146)	$ 134,672	$ (128,474)

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

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I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Murphy ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town of Murphy and Cherokee County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Murphy ABC Board, Highway 64, Murphy, NC 28906.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Rural Fire Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital and Grant Project Funds, which are presented with the Projects and lapse at the end of each respective project. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year fund. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund 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. Firemen's local relief funds are also classified as restricted cash because they can be expended only for the purposes for the relief of firefighters and county fire marshals who are members of this Association, and who may be injured or rendered sick by disease contracted in the actual discharge of duty as firefighters or county fire marshals, and for the relief of surviving spouses, children, and if there be no surviving spouse or children, then dependent mothers of the firefighters and county fire marshals killed or dying from disease so contracted in the discharge of duty per G.S. 58-85-1.

Town of Murphy Restricted Cash

Governmental Activities		
General Fund	Powell Bill Funds	$ 103,981
	Firemen's Local Relief Funds	152,199
Total Governmental Activities		$ 256,180
Business-type Activities		
Water and Sewer Fund	Customer deposits	$ 106,180
Murphy Housing Authority	Customer deposits	33,400
Total Business-type Activities		$ 139,580
Total Restricted Cash		$ 395,760

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, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

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

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

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

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

Asset Class	Estimated Useful Lives
Buildings and improvements	33
Equipment and furniture	3-10
Land improvements	3-33

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (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.

13. Estimates

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted

2. Contractual Violations

None Noted

B. Deficit in Fund Balance 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-collaterization, 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, 2019, the Town's deposits had a carrying amount of $6,587,613 and a bank balance of $6,678,684. 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, 2019, the Town's petty cash fund totaled $300.

At June 30, 2019, the ABC Board's deposits had a carrying amount of $675,941 and a bank balance of $645,436. Of the bank balance, $250,000 was covered by federal depository insurance and $395,436 was covered by collateral held by authorized agents in the name of the State Treasurer. At June 30, 2019, the ABC Boards petty cash fund totaled $200, and there was $2,300 available for use in the cash registers.

2. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	$ 28,968
Total General Fund	28,968
Enterprise Funds:	
Water and Sewer Fund - accounts receivable	5,645
Housing Authority Fund - accounts receivable	350
Total Enterprise Funds	5,995
Total	$ 34,963

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government Activities:				
Capital assets not being depreciated:				
Construction in progress	$ -	$ 101,210	$ -	$ 101,210
Total capital assets not being depreciated	-	101,210	-	101,210
Capital assets being depreciated:				
Buildings and system	2,807,725	-	-	2,807,725
Other improvements	1,192,481	-	-	1,192,481
Equipment and furniture	106,906	-	-	106,906
Vehicles and motorized equipment	2,210,893	18,931	-	2,229,824
Computer software	13,524	-	-	13,524
Computer equipment	6,287	-	-	6,287
Total capital assets being depreciated	6,337,816	18,931	-	6,356,747

Less accumulated depreciation for:				
Buildings and system	751,964	63,925	-	815,889
Other improvements	473,507	57,278	-	530,785
Equipment and furniture	77,169	6,283	-	83,452
Vehicles and motorized equipment	1,764,158	126,575	-	1,890,733
Computer software	4,959	2,705	-	7,664
Computer equipment	3,842	2,095	-	5,937
Total accumulated depreciation	3,075,599	258,861	-	3,334,460
Total capital assets being depreciated, net	3,262,217			3,022,287
Governmental activity capital assets, net	$ 3,262,217			$ 3,123,497

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

General government	$ 10,607
Public safety	174,810
Transportation	49,273
Economic and physical development	5,139
Environmental protection	5,005
Cultural and recreational	14,027
Total depreciation expense	$ 258,861

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Construction in progress	$ 268,890	1,183,771	$ -	$ 1,452,661
Total capital assets not being depreciated	268,890	1,183,771	-	1,452,661
Capital assets being depreciated:				
Plants and distribution systems	19,465,852	68,848	-	19,534,700
Equipment and furniture	524,460	101,370	-	625,830
Vehicles and motorized equipment	104,024	-	-	104,024
Total capital assets being depreciated	20,094,336	170,218	-	20,264,554
Less accumulated depreciation for:				
Plants and distribution systems	8,797,483	660,839	-	9,458,322
Equipment and furniture	358,000	39,969	-	397,969
Vehicles and motorized equipment	90,435	2,018	-	92,453
Total accumulated depreciation	9,245,918	702,826	-	9,948,744
Total capital assets being depreciated, net	10,848,418			10,315,810
Water and Sewer fund capital assets, net	$ 11,117,308			$ 11,768,471
Housing Authority Fund				
Capital assets not being depreciated:				
Land	$ 110,587	$ -	$ -	$ 110,587
Total capital assets not being depreciated	110,587	-	-	110,587

Capital assets being depreciated:				
Buildings and system	6,225,295	-	-	6,225,295
Equipment and furniture	155,850	6,413	-	162,263
Vehicles and motorized equipment	25,718	-	-	25,718
Total capital assets being depreciated	6,406,863	6,413	-	6,413,276
Less accumulated depreciation for:				
Buildings and system	4,425,328	157,178	-	4,582,506
Equipment and furniture	141,086	3,211	-	144,297
Vehicles and motorized equipment	25,718	-	-	25,718
Total accumulated depreciation	4,592,132	160,389	-	4,752,521
Total capital assets being depreciated	1,814,731			1,660,755
Housing fund capital assets, net	1,925,318			1,771,342
Business-type activities capital assets, net	$ 13,042,626			$ 13,539,813

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Phase 2 Piney Knob Bike Trail	$ 62,568	$ 37,432
Public bathrooms	38,642	7,963
Regal Street Area Water and Sewer Improvement Project	1,452,661	547,339
Total	$ 1,553,871	$ 592,734

Discretely presented component unit

Capital asset activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ABC Board				
Capital assets not being depreciated:				
Land	$ 45,287	$ -	$ -	$ 45,287
Total capital assets not being depreciated	45,287	-	-	45,287
Capital assets being depreciated:				
Buildings and improvements	423,407	5,986	-	429,393
Other improvements	53,245	-	-	53,245
Furniture and equipment	115,454	8,276	4,935	118,795
Total capital assets being depreciated	592,106	14,262	4,935	601,433
Less accumulated depreciation for:				
Buildings and improvements	149,341	11,172	-	160,513
Other improvements	42,565	825	-	43,390
Furniture and maintenance equipment	99,173	7,759	4,935	101,997
Total accumulated depreciation	291,079	19,756	4,935	305,900
Total capital assets being depreciated	301,027			295,533
ABC Board capital assets, net	$ 346,314			$ 340,820

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

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	Vendors	Other	Total
Governmental activities:			
General	$ 13,209	$ -	$ 13,209
Total governmental activities	$ 13,209	$ -	$ 13,209
Business-type activities:			
Housing authority	$ 30,245	$ 9,952	$ 40,197
Water and sewer	418,595	-	418,595
Total business-type activities	$ 448,840	$ 9,952	$ 458,792

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 $95,676 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of $454,541 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the Town's proportion was 0.019% (measured as of June 30, 2018), which was an decrease of 0.001% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of $134,704. At June 30, 2019, 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	$ 70,125	$ 2,353
Changes in assumptions	120,618	-
Net difference between projected and actual earnings on pension plan investments	62,395	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,900	5,785
Town contributions subsequent to the measurement date	95,676	-
Total	$ 356,714	$ 8,138

$95,676 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	$ 122,906
2021	80,247
2022	14,965
2023	34,782
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	$ 1,091,846	$ 454,541	$ (78,002)

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description.*

The Town of Murphy administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total	9

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, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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

Mortality Rates

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

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

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

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

4. *Contributions.*

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

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

At June 30, 2019, the Town reported a total pension liability of $180,144. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of $19,611.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,797	$ 6,498
Changes in assumptions	12,725	14,173
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	$ 15,522	$ 20,671

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

Year ended June 30:	
2020	$ (546)
2021	(546)
2022	(546)
2023	(546)
2024	(203)
Thereafter	(2,762)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	$ 206,805	$ 180,144	$ 156,526

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

Total pension liability as of December 31, 2017	$ 180,164
Changes for the year:	
Service cost	14,133
Interest on the total pension liability	5,693
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(7,444)
Changes of assumptions or other inputs	(12,402)
Benefit payments	-
Other changes	-
Net changes	(20)
Total pension liability as of December 31, 2018	$ 180,144

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.16% to 3.64% 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, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	$ 134,702	$ 19,611	$ 154,313
Pension Liability	454,541	180,144	634,685
Proportionate share of the net pension liability	0.01916%	n/a	

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	70,125	2,797	72,922
Changes of assumptions	120,618	12,725	133,343
Net difference between projected and actual earnings on pension plan investments	62,395	-	62,395
Changes in proportion and differences between contributions and proportionate share of contributions	7,900	-	7,900
Benefit payments and administrative costs paid subsequent to the measurement date	95,676	-	95,676
Deferred Inflows of Resources			
Differences between expected and actual experience	2,353	6,498	8,851
Changes of assumptions	-	14,173	14,173
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,785	-	5,785
Benefit payments and administrative costs paid subsequent to the measurement date	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of $18,779 for the reporting year. No amounts were forfeited.

3. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed $50,000 or be less than $25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

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

Source		Amount
Contributions to pension plan in current fiscal year	$	95,676
Differences between expected and actual experience		72,922
Changes of assumptions		133,343
Net difference between projected and actual		62,395
Changes in proportion and differences between employer contributions and proportionate share of contributions		7,900
Total	$	372,236

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

Source		Amount
Prepaid taxes (General Fund)	$	15,541
Taxes receivable (General Fund), less penalties		86,905
Differences between expected and actual experience		8,851
Changes of assumptions		14,173
Net difference between projected and actual		-
Changes in proportion and differences between employer contributions and proportionate share of contributions		5,785
Total	$	131,255

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains the following types of major coverage for the amounts of retained risk noted: general liability coverage of $2 million per occurrence, auto liability coverage of $1 million, property coverage of $21,273,661, workers' compensation coverage up to statutory limits, and employee benefit liability of $1 million. Specific information on the limits of these policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town of Murphy carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

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

The Murphy Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Authority has worker's compensation coverage up to statutory limits, general liability coverage of $5 million per occurrence and $5 million annual aggregate, property coverage $6,101,578, auto liability coverage of $5 million for each occurrence, and public officials' legal liability of $5 million for each loss and annual aggregate. All housing authority employees are covered under a public employee dishonesty bond of $300,000. Bond premiums are calculated on a limit of $125,000, the bond limit amount required by the United States Department of Housing and Urban Development (HUD).

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

6. Long-term Obligations

a. Capital Leases

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

The following is an analysis of the assets recorded under capital leases June 30, 2019:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Other improvements - Street lights	$ 206,639	$ 144,647	$ 61,992

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

Year Ending June 30	
2020	$ 15,807
2021	15,807
2022	15,807
2023	15,807
2024	7,905
Total minimum lease payments	71,133
Less: amount representing interest	10,377
Present value of the minimum lease payments	$ 60,756

b. 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, and includes interest at 4.25%.

Annual debt service payments of the installment purchase as of June 30, 2019, including $1,175,739 of interest, are as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2020	$ 31,058	$ 68,540
2021	32,378	67,220
2022	33,754	65,844
2023	35,189	64,409
2024	36,684	62,914
2025 - 2029	208,177	289,813
2030 - 2034	256,338	241,652
2035 - 2039	315,641	182,349
2040 - 2044	388,663	109,327
2045 - 2049	274,816	23,671
Total	$ 1,612,698	$ 1,175,739

c. 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, 2019:

In March 2010, the Town entered into a $332,683 State Revolving Fund loan from direct borrowings for the Cherokee Hills and Murphy Medical Center Pump Station Upgrade project and is secured by the net revenues for the water and sewer system. The loan requires twenty annual payments of $16,539, beginning May 1, 2012, with interest at 0% per annum on the unpaid principal. The loan contains provisions that an event of default could have further commitment of funds withdrawn.	$ 181,927
In November 2010, the Town entered into a $329,162 State Revolving Fund loan from direct borrowings for the Radio Read Meter Improvements project and is secured by the net revenues for the water and sewer system. The loan requires twenty annual payments of $16,381, beginning May 1, 2012, with interest at 0% per annum on the unpaid principal. The loan contains provisions that an event of default could have further commitment of funds withdrawn.	180,193
	$ 362,120

Annual debt service payments of the State revolving fund loans as of June 30, 2019, are as follows:

	Business-type Activities	
Year Ending June 30	Principal	Interest
2020	$ 32,920	$ -
2021	32,920	-
2022	32,920	-
2023	32,920	-
2024	32,920	-
2025 - 2029	164,600	-
2030 - 2031	32,920	-
Total	$ 362,120	$ -

At June 30, 2019, the Town of Murphy had a legal debt margin of $16,330,527.

d. Long-Term Obligation Activity:

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2019:

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

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct placement installment purchase	$ 1,642,490	$ -	$ 29,792	$ 1,612,698	$ 31,058
Capitalized leases	71,829	-	11,073	60,756	15,807
Compensated absences	53,532	26,474	21,519	58,487	22,000
Net pension liability (LGERS)	214,416	103,763	-	318,179	-
Total pension liability (LEO)	180,164	-	20	180,144	-
Total governmental activities	$ 2,162,431	$ 130,237	$ 62,404	$ 2,230,264	$ 68,865
Business-type activities:					
Water and Sewer Fund					
Direct borrowing State revolving loans	$ 395,040	$ -	$ 32,920	$ 362,120	$ 32,920
Compensated absences	24,671	10,123	11,101	23,693	11,000
Net pension liability (LGERS)	91,892	44,470	-	136,362	-
Total Water and Sewer Fund	511,603	54,593	44,021	522,175	43,920
Housing Authority Fund					
Compensated absences	7,146	1,964	1,080	8,030	-
Total Housing Authority Fund	7,146	1,964	1,080	8,030	-
Total business-type activities	$ 518,749	$ 56,557	$ 45,101	$ 530,205	$ 43,920

No interest was capitalized during 2019; interest incurred and charged to expense totaled $74,540.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to the General Fund:	
Piney Knob Trail System	$ 20,856
Total	$ 20,856
Due to the Water and Sewer Fund:	
Rural Fire Fund	$ 10,135
Total	$ 10,135

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

Transfers to/from other funds June 30, 2019, consist of the following:

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

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided by matching funds for various grant programs.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	$ 3,123,497	$ 13,539,813
Less: long-term debt	1,673,454	362,120
Net investment in capital assets	$ 1,450,043	$ 13,177,693

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	**$ 3,303,273**
Less:	
Stabilization by State Statute	56,051
Streets - Powell Bill	103,981
Public Safety - Firemen's Relief	152,199
Appropriated Fund Balance in 2020 Budget	322,905
Working Capital/Fund Balance Policy	232,616
Remaining Fund Balance	2,435,521

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

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

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

IV. Joint Ventures

Nantahala Regional Library

The Town also participates in a joint venture to operate the Nantahala Regional Library with five other local governments. Each participating county may appoint three board members to the nine member board of the Library. The Town has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2019. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated $169,567 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's offices at 11 Blumenthal Avenue, Murphy, North Carolina 28906.

Firemen's Relief Fund

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the Town reported revenues of $12,671 and expenditures of $8,542 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, 2019. 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, 2019, the approved Supplemental Retirement Reserve amount was $90,000.

V. Related Organization

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

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. New Accounting Pronouncements

Pronouncements effective for the 2019 Financial Statements:

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations and sets the guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. This pronouncement did not impact the Town.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Town has implemented GASB No. 88 and modified the note disclosures related to debt.

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

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

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61* . This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Most provisions will be applied on a retroactive basis; however, provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest will be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

VIII. Significant Effects of Subsequent Events

The Town has evaluated events and transactions that occurred between June 30, 2019 and December 3, 2019, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2019. No events have occurred which would have a material effect on the financial statements of the Town as of that date.

Required Supplementary Financial Data

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

* Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System

* Schedule of Contributions to Local Government Employees' Retirement System

* Schedule of Changes in Total Pension Liability

* Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

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

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

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

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

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

Town of Murphy, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

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

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, 2019

	2019	2018	2017
Total pension liability	$ 180,144	$ 180,164	$ 141,619
Covered payroll	414,709	406,255	407,197
Total pension liability as a percentage of covered payroll	43.44%	44.35%	34.78%

Notes to the schedules:

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

Individual Fund Statements and Schedules

Town of Murphy, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes - current year		$ 869,360	
Taxes - prior years		11,191	
Interest		11,361	
Vehicle taxes		49,295	
Total	$ 901,000	941,207	$ 40,207
Unrestricted intergovernmental:			
Local option sales taxes		534,337	
Payments in lieu of taxes-outside sources		174,874	
Utility sales tax		86,173	
Beer and wine tax		7,255	
ABC profit distribution		259,000	
Total	785,500	1,061,639	276,139
Restricted intergovernmental:			
Powell Bill allocation		56,520	
ABC revenue for law enforcement		19,000	
Firemen's relief fund		12,671	
Solid waste disposal tax		1,174	
EBCI revenue for fire protection		95,000	
Local grants		1,500	
Total	169,100	185,865	16,765
Permits and fees:			
Inspection fees		274	
Court costs and fees		377	
Total	300	651	351
Sales and services:			
Charges and fees		35,625	
Total	34,850	35,625	775
Investment earnings	-	17,655	17,655
Miscellaneous:			
Miscellaneous		39,114	
Total	18,500	39,114	20,614
Total revenues	1,909,250	2,281,756	372,506

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, 2019

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Administration:			
Salaries and employee benefits		276,515	
Other operating expenditures		199,290	
Capital outlay		38,642	
Total	579,045	514,447	64,598
Total general government	579,045	514,447	64,598
Public safety:			
Police:			
Salaries and employee benefits		601,097	
Other operating expenditures		140,639	
Capital outlay		18,931	
Total	806,100	760,667	45,433
Fire:			
Salaries and employee benefits		65,189	
Other operating expenditures		68,514	
Total	200,300	133,703	66,597
Total public safety	1,006,400	894,370	112,030
Transportation:			
Streets and highways:			
Salaries and employee benefits		16,339	
Other operating expenditures		180,014	
Total	221,000	196,353	24,647
Total transportation	221,000	196,353	24,647
Environmental protection:			
Sanitation:			
Salaries and employee benefits		99,656	
Other operating expenditures		32,026	
Total	147,360	131,682	15,678
Cemetery maintenance:			
Other operating expenditures		23,666	
Total	25,000	23,666	1,334
Total environmental protection	172,360	155,348	17,012

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, 2019

	Budget	Actual	Variance Positive (Negative)
Cultural and recreation:			
Parks and recreation:			
Other operating expenditures		19,173	
Total	34,500	19,173	15,327
Libraries:			
Salaries and employee benefits		132,965	
Other operating expenditures		36,602	
Total	197,350	169,567	27,783
Total cultural and recreation	231,850	188,740	43,110
Debt service:			
Principal retirement	40,950	40,865	85
Interest and other charges	74,550	74,540	10
Total debt service	115,500	115,405	95
Contingency	-	-	-
Total expenditures	2,326,155	2,064,663	261,492
Revenues over (under) expenditures	(416,905)	217,093	633,998
OTHER FINANCING SOURCES (USES)			
Rural Fire District Fund	99,600	99,598	(2)
Insurance Recovery	-	11,001	11,001
Total	99,600	110,599	10,999
Revenues over (under) expenditures and other uses	(317,305)	327,692	644,997
Fund balance appropriated	317,305	-	317,305
Net change in fund balance	$ -	327,692	$ 962,302
Fund balances, beginning		2,975,581	
Fund balances, ending		$ 3,303,273	

Major Funds

Special Revenue Funds:

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

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

Capital Project Funds:

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

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

Town of Murphy, North Carolina
Special Revenue Fund - Rural Fire District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budget Final	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes		$ 332,658	
Investment earnings		1,827	
Miscellaneous		35,005	
Total revenues	$ 335,325	369,490	$ 34,165
EXPENDITURES			
Current:			
Public safety:			
Salaries and employee benefits		98,607	
Other operating expenditures		98,688	
Total expenditures	235,725	197,295	38,430
Revenues over (under) expenditures	99,600	172,195	72,595
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds:			
General Fund	(99,600)	(99,598)	2
Total other financing sources (uses)	(99,600)	(99,598)	2
Fund balance appropriated	-	-	-
Net change in fund balance	$ -	72,597	$ 72,597
Fund balances, beginning		527,019	
Fund balances, ending		$ 599,616	

Town of Murphy, North Carolina
Capital Project Fund - Piney Knob Trail System
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

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

Proprietary Funds

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

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

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

Town of Murphy, North Carolina
Housing Authority Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Charges for services			
Dwelling rental		$ 257,789	
Excess utilities		12,800	
Other operating revenues		7,599	
Total operating revenues	$ 266,150	278,188	$ 12,038
NONOPERATING REVENUES			
Investment earnings		394	
HUD operating subsidy		223,436	
HUD contributions		110,156	
Total nonoperating revenues	327,590	333,986	6,396
Total revenues	593,740	612,174	18,434
OPERATING EXPENSES			
Administration:			
Salaries and related expenses		170,095	
Payment in lieu of taxes		12,212	
Travel and continuing education		8,291	
Legal and accounting		7,300	
Supplies and other		17,106	
Insurance		18,628	
Collection losses		3,877	
Total administration	250,170	237,509	12,661
Maintenance and tenant services:			
Salaries and related expenses		81,034	
Materials		38,038	
Contract costs, training and other		46,022	
Utilities		148,465	
Total maintenance and tenant services	337,070	313,559	23,511
Capital outlay:			
Capital outlay		6,413	
Total capital outlay	6,500	6,413	87
Total expenditures	593,740	557,481	36,259
Revenues over expenditures	-	54,693	54,693
Revenues and other sources over expenditures and other uses	$ -	$ 54,693	$ 54,693
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		$ 54,693	
Reconciling items:			
Capital outlay		6,413	
Decrease in accrued vacation pay		(884)	
Depreciation		(160,389)	
Total reconciling items		(154,860)	
Change in net position		$ (100,167)	

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, 2019

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Water and sewer charges		$ 1,587,686	
Water and sewer taps		15,389	
Other operating revenues		37,037	
Total operating revenues	$ 1,719,930	1,640,112	$ (79,818)
NONOPERATING REVENUES			
Interest earnings		2,312	
Non-capital grants		65,837	
Total nonoperating revenues	73,252	68,149	(5,103)
Total revenues	1,793,182	1,708,261	(84,921)
OPERATING EXPENSES			
Water filter plant			
Salaries and employee benefits		162,048	
Other operating expenditures		121,215	
Capital outlay		26,275	
Travel		1,501	
Supplies		102,549	
Insurance		4,654	
Contracted services		4,430	
Maintenance		19,595	
Total water filter plant	492,975	442,267	50,708
Water utility maintenance			
Salaries and employee benefits		288,939	
Other operating expenditures		36,055	
Capital outlay		137,219	
Travel		3,264	
Supplies		117,356	
Insurance		4,356	
Contracted services		69,954	
Maintenance		36,631	
Debt service:			
Principal retirement		32,920	
Total water utility	775,447	726,694	48,753
Wastewater plant			
Salaries and employee benefits		123,810	
Other operating expenditures		241,523	
Capital outlay		6,724	
Travel		2,907	
Supplies		55,737	
Insurance		5,986	
Contracted services		23,770	
Maintenance		16,587	
Total wastewater	524,760	477,044	47,716
Total expenditures	1,793,182	1,646,005	147,177
Revenues over expenditures	-	62,256	62,256
Revenues and other sources over expenditures and other uses	$ -	$ 62,256	$ 62,256

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, 2019

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

Revenues and other sources over expenditures and other uses	$	62,256
Reconciling items:		
Principal retirement		32,920
Capital outlay		170,217
Increase in deferred outflows of resources - pensions		32,601
Increase in net pension liability		(44,470)
Decrease (Increase) in accrued vacation pay		978
Decrease in deferred inflows of resources - pensions		160
Depreciation		(702,826)
Grant project expenditures (not capital outlay)		(74,854)
Non-capital grant project contributions		74,854
Capital contributions		1,183,771
Total reconciling items		673,351
Change in net position	$	735,607

Water and Sewer Grant Project Fund

Asset Inventory and Assessment Grant - This fund is used to account for the $150,000 grant from the North Carolina Department of Environmental Quality. This grant program provides for developing asset inventories, condition assessment of critical assets, and other components of comprehensive asset management.

Town of Murphy, North Carolina
Water and Sewer Grant Project Fund - Asset Inventory and Assessment Grant
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
NC Department of Environmental Quality	$ 150,000	$ 64,625	$ 74,854	$ 139,479	$ (10,521)
Total revenues	150,000	64,625	74,854	139,479	(10,521)
EXPENDITURES					
Asset inventory and assessment	150,000	64,625	74,854	139,479	10,521
Total expenditures	150,000	64,625	74,854	139,479	10,521
Revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -

Water and Sewer Capital Project Fund

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

Town of Murphy, North Carolina
Water and Sewer Capital Project Fund - Regal Street Area Water and Sewer Improvement Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
REVENUES					
Community Development Block Grant	$ 2,000,000	$ 268,890	$ 1,183,771	$ 1,452,661	$ (547,339)
Total revenues	2,000,000	268,890	1,183,771	1,452,661	(547,339)
EXPENDITURES					
Public sewer improvements	1,084,297	75,145	556,885	632,030	452,267
Public water improvements	715,703	75,145	556,886	632,031	83,672
Administration	200,000	118,600	70,000	188,600	11,400
Total expenditures	2,000,000	268,890	1,183,771	1,452,661	547,339
Revenues over (under) expenditures	$ -	$ -	$ -	$ -	$ -

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 2017

Town of Murphy, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	$ -	$ 945,209	$ 876,545	$ 68,664
2017-2018	47,615	-	28,651	18,964
2016-2017	17,584	-	11,920	5,664
2015-2016	13,382	-	5,639	7,743
2014-2015	6,732	-	2,073	4,659
2013-2014	3,615	-	869	2,746
2012-2013	2,988	-	1,102	1,886
2011-2012	3,834	-	849	2,985
2010-2011	2,600	-	579	2,021
2009-2010	1,819	-	1,278	541
2008-2009	593	-	593	-
	$ 100,762	$ 945,209	$ 930,098	$ 115,873

Less: allowance for uncollectible accounts	
General Fund	(28,968)
Ad valorem taxes receivable - net	$ 86,905

Reconcilement with revenues:

Ad valorem taxes - General Fund	$ 941,207
Reconciling items:	
Taxes written off and prior year taxes released	1,258
Less: interest collected	(11,361)
Other adjustments	(1,006)
Subtotal	(11,109)
Total collections and credits	$ 930,098

Town of Murphy, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	$ 225,133,810	0.420	$ 945,562	$ 899,542	$ 46,020
Discoveries - current and prior years	215,476	0.420	905	905	-
Releases	(299,524)		(1,258)	(227)	(1,031)
Total property valuation	$ 225,049,762				
Net levy			945,209	900,220	44,989
Unpaid (by taxpayer) taxes at June 30, 2019			68,664	68,664	-
Current year's taxes collected			$ 876,545	$ 831,556	$ 44,989
Current levy collection percentage			92.74%	92.37%	100.00%

Town of Murphy, North Carolina
Statement of Modernization Cost - Completed (Non-GAAP)
Capital Fund Program Grant NC 19P03050117 - Operations
For the Year Ended June 30, 2019

	Project CFP 2017
Funds approved	$ 110,156
Funds expended	110,156
Excess of funds approved (expended)	$ -
Funds advanced	$ 110,156
Funds expended	110,156
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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Murphy, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Murphy's basic financial statements, and have issued our report thereon dated December 3, 2019. The financial statements of the Town of Murphy ABC Board were not audited in accordance with Governmental Auditing Standards.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
December 3, 2019

Turner & Company CPAs P.A.

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Murphy, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Murphy's major federal programs for the year ended June 30, 2019. The Town of Murphy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

Turner & Company CPAs P.A.
Murphy, North Carolina
December 3, 2019

Town of Murphy, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

• Material Weakness(es) identified	____ yes	**X** no
• Significant Deficiency(s)	____ yes	**X** none reported

Noncompliance material to financial statements noted ____ yes **X** no

Federal Awards

Internal control over major federal programs:

• Material Weakness identified	____ yes	**X** no
• Significant Deficiency(s)	____ yes	**X** none reported

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

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

Identification of major federal programs:

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

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

Auditee qualified as low-risk auditee **X** yes ____ no

II. Financial Statement Findings

No findings.

III. Federal Award Findings and Questioned Costs

No findings.

Town of Murphy

Rick Ramsey, Mayor

Commissioners
Frank E. Dickey
Barbara Hughes
Barry R. McClure

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Commissioners
Nolan Smith
Gail Walker Stansell
Karen Watson

Corrective Action Plan
For the Fiscal Year Ended June 30, 2019

II. Financial Statement Findings

No findings.

III. Federal Award Findings and Questioned Costs

No findings.

Town of Murphy

Rick Ramsey, Mayor

Commissioners
Frank E. Dickey
Barbara Hughes
Barry R. McClure

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Nolan Smith
Gail Walker Stansell
Karen Watson

Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2019

No findings.

Town of Murphy, North Carolina

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Federal Grants:						
Cash Programs:						
U.S. Department of Housing and Urban Development						
Office of Public Housing						
Public and Indian Housing	14.850	XXXX	$ 223,436	$ -	$ -	$ -
Public Housing Capital Fund (CFP)	14.872	XXXX	110,156	-	-	-
Passed-through N.C. Department of Environmental Quality:						
Division of Water Infrastructure						
Community Development Block Grant, State's Program	14.228	16-I-2721	1,183,771	-	-	-
Total U.S. Department of Housing and Urban Development			1,517,363	-	-	-
U.S. Department of Transportation						
Passed-through the N.C. Department of Natural and Cultural Resources:						
Division of Parks and Recreation:						
Recreational Trails Program	20.219	XXXX	62,568	-	-	-
Total assistance - federal programs			1,579,931	-	-	-
State Grants:						
Cash Assistance:						
N.C. Department of Environmental Quality						
Division of Water Infrastructure						
Asset and Inventory Assessment Grants		H-AIA-D-17-0107	-	74,854	-	-
N.C. Department of Transportation						
Powell Bill		32570	-	48,002	-	-
State Transportation Improvement Program		TIP R-5735	-	65,837	-	-
Total N.C. Department of Transportation			-	113,839	-	-
Total assistance - State programs			-	188,693	-	-
Total assistance			$ 1,579,931	$ 188,693	$ -	$ -

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, 2019. 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.