

# City of Murphy, Texas



## Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2017

Prepared by: City of Murphy, Texas Finance Department



**CITY OF MURPHY, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2017**

**Page  
Number**

**INTRODUCTORY SECTION**

Letter of Transmittal .....	i – iv
Certificate of Achievement for Excellence in Financial Reporting .....	v
Organization Chart.....	vi
List of Elected Officials and Administrative Officers .....	vii

**FINANCIAL SECTION**

Independent Auditors’ Report.....	1 – 3
Management’s Discussion and Analysis .....	4 – 14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16 – 17
Government Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	19

**CITY OF MURPHY, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**SEPTEMBER 30, 2017**

	<b><u>Page Number</u></b>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Budgetary Comparison Schedule – General Fund.....	22 – 24
<b>Proprietary Fund Financial Statements</b>	
Statement of Fund Net Position – Proprietary Funds .....	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	26
Statement of Cash Flows – Proprietary Funds.....	27
<b>Discretely Presented Component Units Statements</b>	
Statement of Fund Net Position – Discretely Presented Component Units.....	28
Statement of Activities – Discretely Presented Component Units .....	29
Notes to the Financial Statements.....	30 – 61
<b>Required Supplementary Information:</b>	
Schedule of Changes in Net Pension Liability and Related Ratios .....	62
Schedule of Contributions and Notes to Schedule of Contributions .....	63
Notes to Required Supplementary Information .....	64

**CITY OF MURPHY, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2017**

	<b><u>Page Number</u></b>
Supplementary Information	
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Modified Accrual Basis) and Actual – Debt Service Fund .....	65
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Modified Accrual Basis) and Actual – Capital Projects Fund.....	66
Discretely Presented Component Units:	
Balance Sheet – Component Unit – Community Development Corporation .....	67
Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit – Community Development Corporation .....	68
Balance Sheet – Component Unit – Murphy Municipal Development District .....	69
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Component Unit – Murphy Municipal Development District.....	70
Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit – Murphy Municipal Development District.....	71
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities – Component Unit – Murphy Municipal Development District.....	72
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Modified Accrual Basis) and Actual – Community Development Corporation.....	73
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Modified Accrual Basis) and Actual – Murphy Municipal Development District.....	74

**CITY OF MURPHY, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2017**

**Page  
Number**

**STATISTICAL SECTION**

**Table**

Net Position by Component .....	1	75 – 76
Changes in Net Position .....	2	77 – 80
Governmental Activities Tax Revenues by Source .....	3	81
Fund Balances, Governmental Funds .....	4	82 – 83
Changes in Fund Balances of Governmental Funds .....	5	84 – 87
Assessed Value and Estimated Actual Value of Taxable Property .....	6	88
Property Tax Rates – Direct and Overlapping Governments .....	7	89
Principal Property Taxpayers .....	8	90
Property Tax Levies and Collections .....	9	91
Water and Sewer Revenues .....	10	92
Ratios of Outstanding Debt by Type .....	11	93
Ratios of General Bonded Debt Outstanding .....	12	94
Direct and Overlapping Governmental Activities Debt .....	13	95
Legal Debt Margin Information .....	14	96 – 97
Pledged Revenue Coverage .....	15	98
Demographic and Economic Statistics .....	16	99
Principal Area Employers .....	17	100

**CITY OF MURPHY, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2017**

	<b><u>Table</u></b>	<b><u>Page</u></b> <b><u>Number</u></b>
Full-Time Equivalent City Government Employees by Function/Program .....	18	101
Operating Indicators by Function .....	19	102
Capital Asset Statistics by Function/Program.....	20	103
 <b>CONTINUING DISCLOSURE SECTION (UNAUDITED)</b>		
Valuation, Exemptions and General Obligation Debt .....	1CD	104
Tax Rate Levy and Collection History .....	2CD	105
General Obligation Debt Service Requirements.....	3CD	106
Governmental Fund Revenues and Expenditure History.....	4CD	107 – 110
Municipal Sales Tax History .....	5CD	111
Cash and Investments for Primary Government.....	6CD	112
Proprietary Funds Debt Service Requirements.....	7CD	113

**CITY OF MURPHY, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**SEPTEMBER 30, 2017**

**Page**  
**Number**

**COMPLIANCE SECTION**

Auditor's Reports:

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 <i>Government Auditing Standards</i> .....	114 – 115
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# **INTRODUCTORY SECTION**

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Mike Castro  
City Manager

206 North Murphy Road  
Murphy, TX 75094  
[www.murphytx.org](http://www.murphytx.org)

March 20, 2018

Honorable Mayor Scott Bradley and City Council  
City of Murphy  
Murphy, Texas

Dear Mayor Bradley and Council Members:

The Comprehensive Annual Financial Report (“CAFR”) of the City of Murphy, Texas for the year ended September 30, 2017 is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pattillo, Brown, & Hill, L.L.P. has issued an unmodified (“clean”) opinion on the City of Murphy’s financial statements for the year ended September 30, 2017. The independent auditor’s report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to complement the Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditors’ report and provides a narrative introduction, overview and analysis of the basic financial statements.

#### GENERAL INFORMATION – CITY OF MURPHY

The City of Murphy, Texas incorporated in 1958, is located in Collin County, the northeastern part of the Dallas-Fort Worth metroplex. It currently occupies 5.1 square miles and serves a population of approximately 19,900. The City of Murphy is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Murphy has operated under the council-manager form of government since February 7, 2004. Policy-making and legislative authority are vested in a governing council (“Council”) consisting of the mayor and six other members, all elected on a non-partisan basis. The Mayor and each Council member serve a three-year term and are elected at large. The City Council appoints the City Manager, who serves as Chief Administrative Officer of the City. The City Manager shall be responsible to the City Council for all of the administrative and operational affairs of the City. The City Manager shall establish, direct and supervise the administration of all departments of the City, with only those exceptions that are outlined in the charter.

The City of Murphy provides a full range of services, including police and fire protection; emergency medical services; water and sewer operations/maintenance, utility billing and solid waste collection and disposal; municipal court; animal control services; community development (planning and zoning, code compliance, building inspections and health inspections); construction and maintenance of roadways, streets and other infrastructure; public improvements; and parks, recreational and community activities.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Murphy as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable and are not part of the primary government's operations. The Murphy Municipal Development District and Murphy Community Development Corporation are included in the financial statements as discretely presented component units.

The City Manager is required by city charter to present the proposed budget to the City Council by August 10<sup>th</sup> of each year. The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Murphy, Texas financial planning and control. The budget is prepared by fund and department (e.g., police) level.

### ECONOMIC CONDITIONS AND OUTLOOK

The local economy continued to improve during 2017. The City saw several new businesses come to town over the past year which in turn, has generated additional growth. These businesses have contributed to an increase of sales tax. Property values have increased as the economy locally and state wide has improved. The housing industry has continued to expand but the City will soon reach build out within the next couple years. The new sales tax generated from new businesses should help offset the declining building and development fee revenues as the City reaches build out.

### MAJOR INITIATIVES

For the fiscal year ended September 30, 2017, the top priority projects of the City of Murphy included:

Complete the construction of the South Maxwell Creek Parallel Trunk Sewer Line

Complete the construction of two new lanes of Betsy Lane from North Murphy Road to McCreary Road

Finalize the construction of the Timber Nature Preserve and Trail

Upgrade and replace IT infrastructure and Council Chambers audio visual equipment

Purchase of vehicles for Police and Animal Control

Purchase of vehicle for Fire and replace SCBA equipment

Work with the Capital Projects Advisory Committee to consider capital construction projects for future Bond Election

Purchase new ticket writers for Police and Municipal Court

Maintenance and repairs of sidewalks and streets

Replacement of Public Safety communications equipment

## FINANCIAL INFORMATION

### Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's Finance Director, and expenditure estimates by each City department. Each department submits a five year Roadmap/Plan each year which serves as a guide for the proposed fiscal year budget. These Roadmap/Plans are reviewed and updated each fiscal year. Budgets are reviewed by the City Manager and budget workshops are held with City Council prior to the submission of the recommended budget to the City Council by August 10<sup>th</sup>.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the City Manager, Finance Director and the City Council concurrently with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council.

During the course of the fiscal year, expenditure controls are maintained by each department head with overall review exercised by the Finance Director. Monthly departmental expenditures are generated by an automated management accounting system and proved expenditure totals for the most recently completed month, as well, as a year-to-date total, and an actual versus planned rate of expenditure. Major expenditure requests are approved by the City Council when the budget is approved.

The objective of these controls is to regulate expenditures to be in accordance with the budget and directives of the City Council. These controls are inherently limited by the segregation of duties of a small government.

### Relevant financial policies

The City has adopted an investment policy to document the strategy of the City's investments and maintain an efficient cash management program. First Southwest Company provides additional financial advisory services to the City.

### General Governmental Functions

**Tax Rates:** All eligible property within the City is subject to assessment, levy and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds with the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

Tax Rate

2013-2014	.5700
2014-2015	.5500
2015-2016	.5300
2016-2017	.5100
2017-2018	.5000

OTHER INFORMATION

Awards and Acknowledgments

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Murphy, Texas for its comprehensive annual report (“CAFR”) for the fiscal year ended September 30, 2016. This was the thirteenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to Karen Montgomery, Finance Director and the City’s employees throughout the organization, who were instrumental in the successful completion of this report.

Our appreciation is also extended to Mayor Bradley and City Council for providing the resources necessary to maintain the integrity of the City’s financial affairs.

Respectfully submitted,



Mike Casto, PhD  
City Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

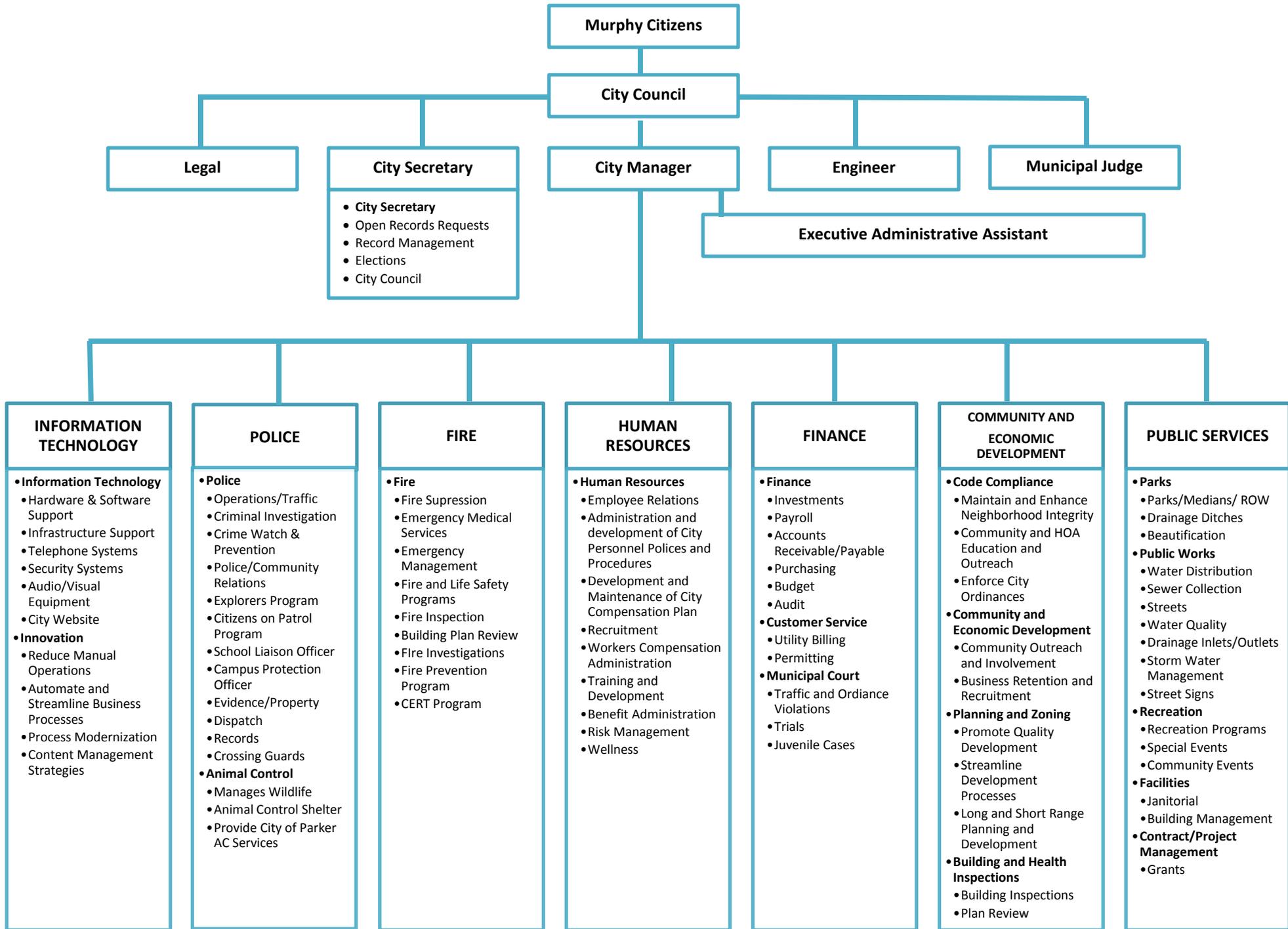
**City of Murphy  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morrell*

Executive Director/CEO



# **CITY OF MURPHY, TEXAS**

## **ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS FOR THE YEAR ENDED SEPTEMBER 30, 2017**

### **City Council**

Scott Bradley, Mayor  
Jennifer Berthiaume, Mayor Pro-Tem  
Sarah Fincanon, Deputy Mayor Pro-Tem  
Owais Siddiqui  
Chris George  
Betty Spraggins  
Don Reilly

### **City Manager**

Mike Castro, PhD

### **Leadership Team**

Del Albright, Fire Chief  
Arthur Cotten, Chief of Police  
Jared Mayfield, Director of Community and Economic Development, AICP  
Karen L. Montgomery, CPA, Finance Director  
Susie Quinn, TRMC, City Secretary  
Tim Rogers, Director of Public Services  
Jana Traxler, SPHR, Human Resources Director

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# **FINANCIAL SECTION**

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PATILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Murphy, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Murphy, Texas' 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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, schedule of changes in net pension liability and related ratios and schedule of contributions, on pages 4-14 and 62-63 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 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murphy, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, on our consideration of the City of Murphy, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City of Murphy, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
March 20, 2018

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## Management's Discussion and Analysis

As management of the City of Murphy ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Murphy for the fiscal year September 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Murphy exceeded its liabilities at the close of the fiscal year by \$90,717,122 (net position). Of this amount, \$81,528,756 or 90%, is net investment in capital assets. Net position restricted for a specific purpose is \$2,915,162. The remaining, \$6,273,204 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The government's total net position increased by \$5,098,443 mainly due to increased collections of property and sales taxes.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,420,183, a decrease of \$498,012, in comparison with the prior year. The decrease in combined ending fund balances is attributable to the capital outlay expenditures. Approximately 68% of this total amount, or \$5,036,099, is available for spending at the government's discretion (unassigned).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$5,036,099 was 33% percent of total general fund expenditures for the fiscal year. The decrease in fund balance of the General Fund in the amount of \$80,191 was due to an increase in expenditures in all departments and capital outlay.
- The City's total outstanding long-term debt decreased by \$3,619,402 during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City of Murphy's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City 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 City of Murphy.

## **Basic Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City of Murphy's basic financial statements. The City of Murphy's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City'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 proprietary fund statements, and 3) component units.

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 these financial statements. After the notes, **required supplemental information** is provided to show details about the City's pension plan and individual funds. Budgetary information required by the General Statutes can also 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 City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City of Murphy's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the government-wide financial statements distinguish functions of the City of Murphy that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and permit fees/court fees finance most of these activities. The business-type activities are those that the City charges customers to provide utility services. The final category is the component unit. The City of Murphy has two component units, the Murphy Municipal Development District and the Murphy Community Development Corporation.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City'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 City of Murphy, like other governmental entities in Texas, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City 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 City'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 City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Murphy adopts an annual appropriated budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City 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; 2) the final budget as amended by the council; 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 City of Murphy has one type of proprietary fund which is the Water & Sewer Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Murphy’s progress in funding its obligation to provide pension benefits to its employees.

**City of Murphy's Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 8,553,940	\$ 10,407,033	\$ 7,185,494	\$ 7,070,275	\$ 15,739,434	\$ 17,477,308
Capital assets	82,567,195	79,132,965	31,826,745	31,716,646	114,393,940	110,849,611
Total assets	<u>91,121,135</u>	<u>89,539,998</u>	<u>39,012,239</u>	<u>38,786,921</u>	<u>130,133,374</u>	<u>128,326,919</u>
Total deferred outflows of resources	<u>1,581,668</u>	<u>1,576,399</u>	<u>167,518</u>	<u>159,106</u>	<u>1,749,186</u>	<u>1,735,505</u>
Long-term liabilities	30,251,590	33,443,080	8,649,433	9,077,345	38,901,023	42,520,425
Other liabilities	<u>1,129,705</u>	<u>1,445,948</u>	<u>1,017,638</u>	<u>317,842</u>	<u>2,147,343</u>	<u>1,763,790</u>
Total liabilities	<u>31,381,295</u>	<u>34,889,028</u>	<u>9,667,071</u>	<u>9,395,187</u>	<u>41,048,366</u>	<u>44,284,215</u>
Total deferred inflows of resources	<u>103,890</u>	<u>141,854</u>	<u>13,182</u>	<u>17,676</u>	<u>117,072</u>	<u>159,530</u>
Net position:						
Net investment in capital assets	55,881,755	48,931,345	25,647,001	25,461,135	81,528,756	74,392,480
Restricted	2,208,595	2,610,809	706,567	674,204	2,915,162	3,285,013
Unrestricted	<u>3,127,268</u>	<u>4,543,361</u>	<u>3,145,936</u>	<u>3,397,825</u>	<u>6,273,204</u>	<u>7,941,186</u>
Total net position	<u>\$ 61,217,618</u>	<u>\$ 56,085,515</u>	<u>\$ 29,499,504</u>	<u>\$ 29,533,164</u>	<u>\$ 90,717,122</u>	<u>\$ 85,618,679</u>

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 resources exceed liabilities and deferred inflows by \$90,717,122 as of September 30, 2017.

*Net investment in capital assets:*

The City's net position increased by \$5,098,443, for the fiscal year ended September 30, 2017. However, a large portion, 90%, reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Murphy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Murphy's investment in its 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.

*Restricted net position:*

Restricted net position represents 3% that are subject to external restrictions on how they may be used, or by enabling legislation. The restricted net positions are comprised of (a) \$803,734 for debt service and, (b) \$2,111,428 for state imposed and other restrictions.

*Unrestricted net position:*

Unrestricted net position in the amount of \$6,273,204 is available to fund the City programs to citizens and creditors.

**City of Murphy's Changes in Net Position**

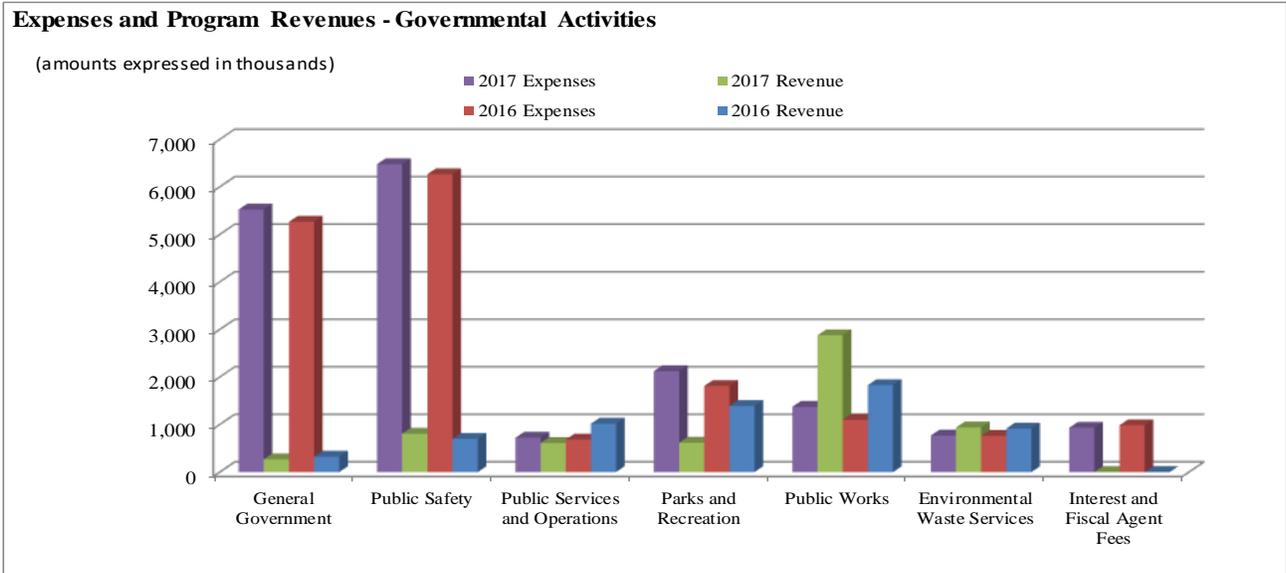
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,722,772	\$ 3,004,941	\$ 9,439,667	\$ 8,980,060	\$ 12,162,439	\$ 11,167,456
Operating grants and contributions	749,828	1,484,689	-	-	749,828	1,484,689
Capital grants and contributions	3,274,505	1,688,896	-	-	3,274,505	1,688,896
General revenues:						
Property taxes	11,178,829	10,483,060	-	-	11,178,829	10,483,060
Franchise taxes	991,976	1,028,798	-	-	991,976	1,028,798
Sales and use tax taxes	2,000,975	2,005,510	-	-	2,000,975	2,005,510
Investment income	48,857	26,124	32,451	19,057	81,308	45,181
Miscellaneous	1,236,276	770,986	11,848	35,352	1,248,124	806,338
Total revenues	<u>22,204,018</u>	<u>20,493,004</u>	<u>9,483,966</u>	<u>9,034,469</u>	<u>31,687,984</u>	<u>29,527,473</u>
Expenses:						
General government	5,522,920	5,265,718	-	-	5,522,920	5,265,718
Public safety	6,478,115	6,267,504	-	-	6,478,115	6,267,504
Public works	1,216,617	1,101,172	-	-	1,216,617	1,101,172
Public services and operations	723,266	684,246	-	-	723,266	684,246
Parks and recreation	2,121,627	1,811,728	-	-	2,121,627	1,811,728
Development	156,813	121,369	-	-	156,813	121,369
Sanitation services	769,519	760,878	-	-	769,519	760,878
Interest on long-term debt	933,038	985,676	-	-	933,038	985,676
Water and sewer	-	-	8,667,626	8,172,075	8,667,626	8,172,075
Total expenses	<u>17,921,915</u>	<u>16,998,291</u>	<u>8,667,626</u>	<u>8,172,075</u>	<u>26,589,541</u>	<u>25,170,366</u>
Increases in net position before transfers	4,282,103	3,494,713	816,340	862,394	5,098,443	4,357,107
Transfers	<u>850,000</u>	<u>850,000</u>	<u>( 850,000)</u>	<u>( 850,000)</u>	<u>-</u>	<u>-</u>
Change in net position	5,132,103	4,344,713	( 33,660)	12,394	5,098,443	4,357,107
Net position, beginning	<u>56,085,515</u>	<u>54,209,622</u>	<u>29,533,164</u>	<u>29,262,423</u>	<u>85,618,679</u>	<u>83,472,045</u>
Prior period adjustment	-	( 2,468,820)	-	258,347	-	( 2,210,473)
Net position, ending	<u>\$ 61,217,618</u>	<u>\$ 56,085,515</u>	<u>\$ 29,499,504</u>	<u>\$ 29,533,164</u>	<u>\$ 90,717,122</u>	<u>\$ 85,618,679</u>

The Governmental Activities have increased net position, excluding prior period adjustments, in the amount of \$5,132,103. This is due in large part to property taxes as well as charges for services and grant revenue.

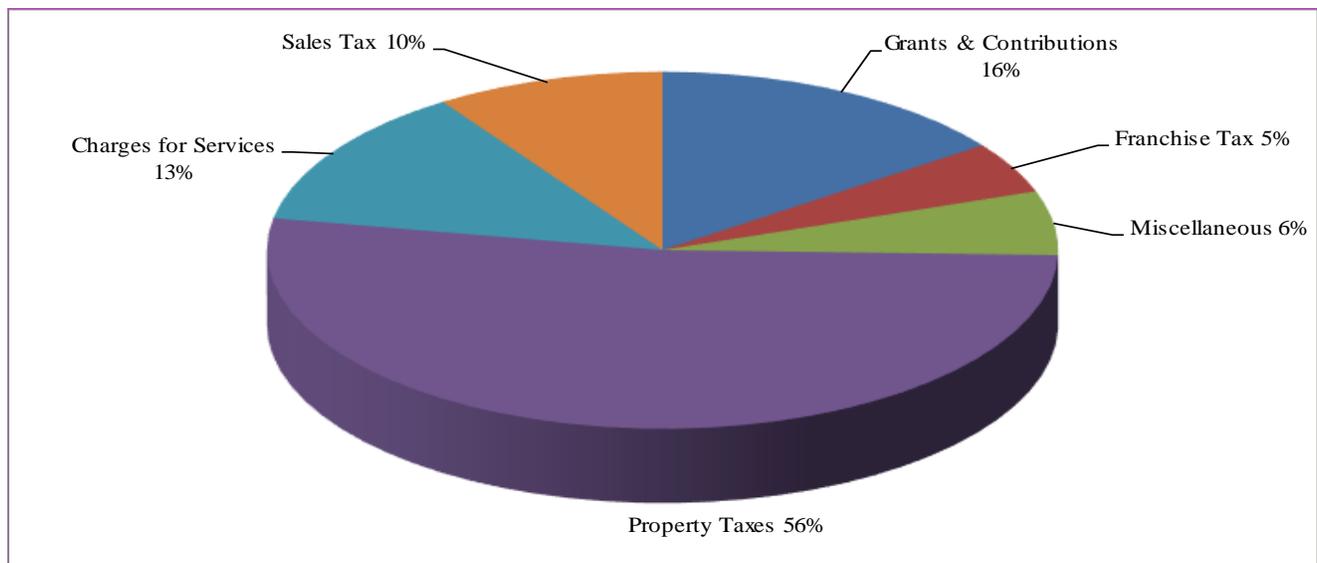
The Business-type Activities have a decrease in net position of \$33,660 due in part to an increase in contractual expenses.

**Governmental-type Activities** – Governmental-type activities increased the City’s net position by \$5,132,103. A key element of this increase is as follows:

The City received greater revenues from property and sales taxes as well as capital grants and contributions.

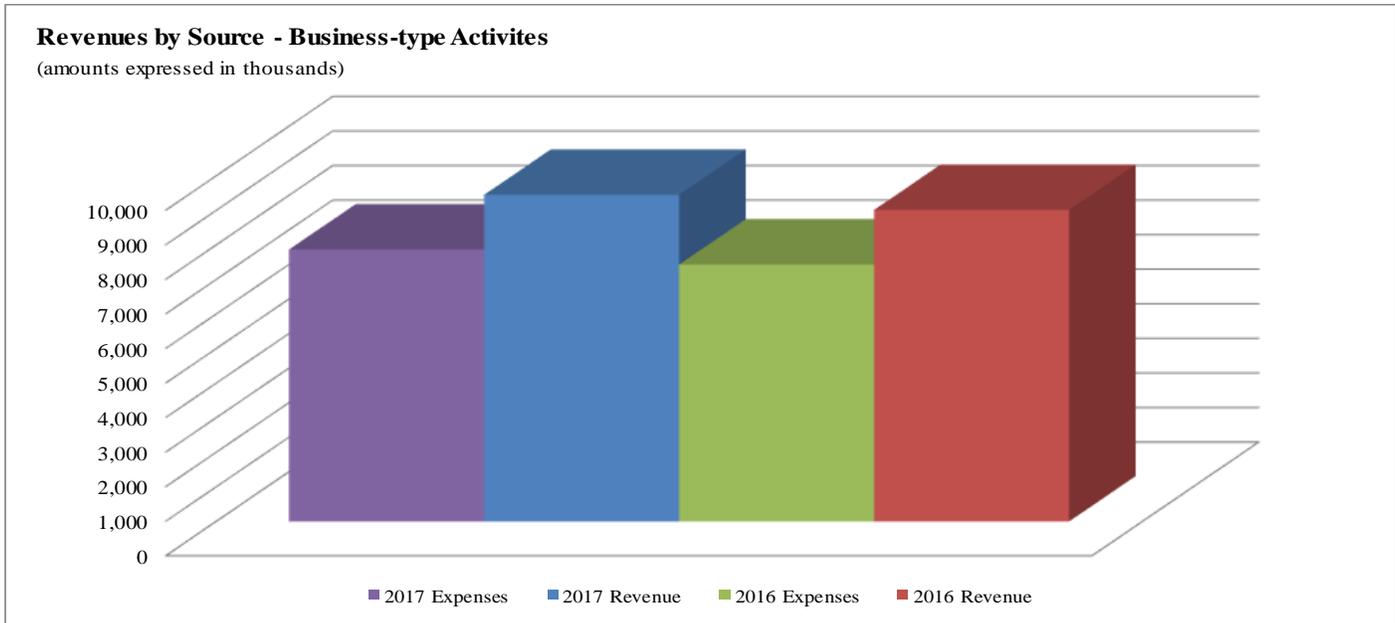


**Revenues by Source – Governmental Activities**

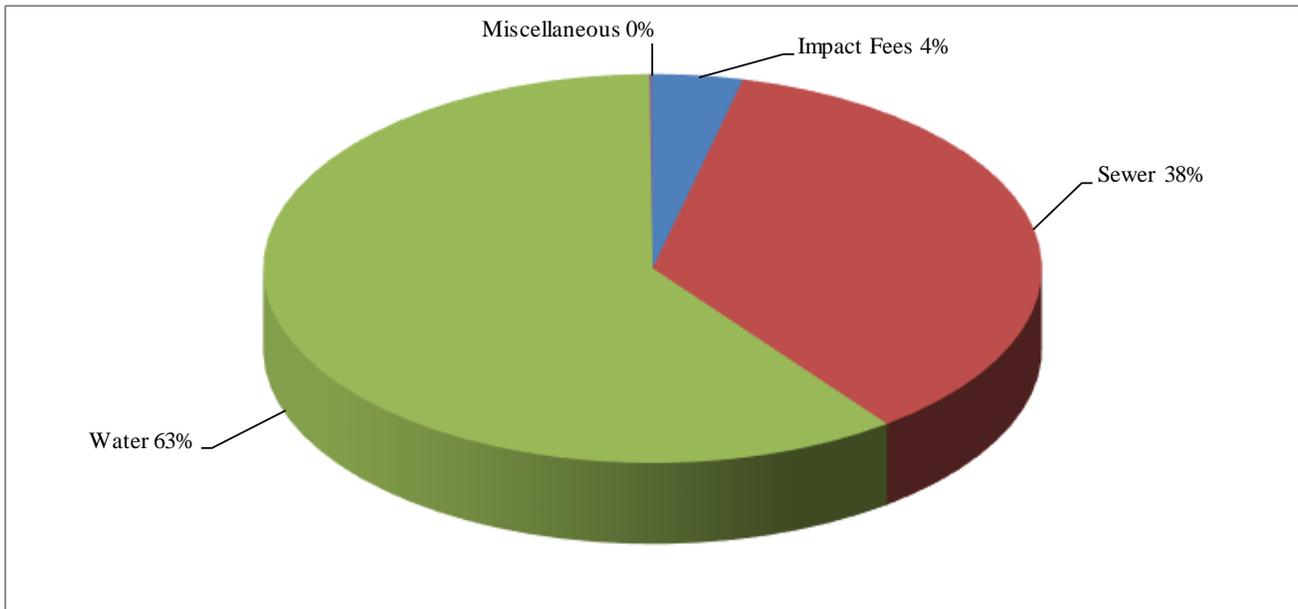


**Business-type Activities** – Business-type activities decreased the City’s net position by \$33,660 . Key elements for this decrease are as follows:

In the business-type activities, the City experienced increases in contractual services of \$393,372 or 8%. This was mainly due to an increase in water purchase costs of approximately \$342,000.



**Revenues by Source – Business-type Activities**



## Financial Analysis of the City's Funds

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

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's resources available for spending as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been granted authority to assign resources for a particular purpose for the City.

The General Fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$5,036,099. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 33% of total General Fund expenditures. The decrease in fund balance of the General Fund in the amount of \$80,191 was due to an increase in expenditures in all departments and capital outlay.

At September 30, 2017, the governmental funds of the City of Murphy reported a combined fund balance of \$7,420,183, a 6% decrease from last year primarily due to capital expenditures. The City restricted \$2,307,374 during the year ended September 30, 2017, of which \$1,319,879 is for capital improvements.

At September 30, 2017, the debt service fund, a major governmental fund, had a total fund balance of \$902,513 which is restricted for the payment of debt. An increase of \$42,658 in fund balance during the current year was due to collecting more property tax revenue than the prior year.

At September 30, 2017, the capital projects fund, a major fund, had a decrease in fund balance of \$460,479. The decrease is due to the spending of resources obtained through the issuance of long-term debt and spending those proceeds on capital acquisitions and construction in the current fiscal year.

**General Fund Budgetary Highlights:** During the fiscal year 2017, the City budget was revised. 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.

Revenues were slightly less than the budgeted amounts within the fund. Expenditures were slightly less than budgeted amounts across all departments within the General Fund.

**Proprietary Funds** – The City 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 Water and Sewer Fund at the end of the fiscal year amounted to \$3,145,936 and \$25,647,001 invested in net capital assets less related debt. Other factors concerning the finances of these funds have already been addressed in the discussion of the City business-type activities.

**Capital assets** – The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2017, totals \$114,393,940 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, park facilities, machinery and equipment and water infrastructure.

Major capital asset events during the current fiscal year included the following:

- Several ongoing major street infrastructure improvements: N Murphy Rd, Betsy Lane and S. Maxwell Creek Sanitary Sewer Line Project.
- Construction and improvements for food truck court.
- Radio system improvements
- Various equipment purchases

More detailed information about the City’s capital assets is presented in Note C to the financial statements.

**City of Murphy  
Capital Assets  
September 30, 2017**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 10,655,693	\$ 10,533,114	\$ -	\$ -	\$ 10,655,693	\$ 10,533,114
Construction in progress	11,846,804	11,535,313	5,246,416	4,560,178	17,093,220	16,095,491
Buildings and improvements	27,630,867	26,139,639	-	-	27,630,867	26,139,639
Machinery and equipment	10,695,305	5,866,984	1,203,869	866,330	11,899,174	6,733,314
Infrastructure	52,691,499	52,715,411	38,342,097	38,342,097	91,033,596	91,057,508
Accumulated depreciation	( 30,952,973)	( 27,657,496)	(12,965,637)	(12,051,959)	( 43,918,610)	( 39,709,455)
<b>Total</b>	<b>\$ 82,567,195</b>	<b>\$ 79,132,965</b>	<b>\$ 31,826,745</b>	<b>\$ 31,716,646</b>	<b>\$ 114,393,940</b>	<b>\$ 110,849,611</b>

**Long-Term Debt**

As of September 30, 2017, total long-term debt for the City was \$38,901,023.

**City of Murphy  
Outstanding Debt  
September 30, 2017**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation and certificates of obligation	\$ 3,510,000	\$ 3,720,000	\$ 8,085,000	\$ 8,550,000	\$ 11,595,000	\$ 12,270,000
Refunding bonds	19,795,000	22,120,000	-	-	19,795,000	22,120,000
Tax notes	2,405,000	3,280,000	-	-	2,405,000	3,280,000
TMRS pension liability	2,982,370	2,674,772	378,425	333,293	3,360,795	3,008,065
Compensated absences	321,728	267,200	19,572	17,017	341,300	284,217
Premium on bonds issued	1,237,492	1,381,108	166,436	177,035	1,403,928	1,558,143
	<b>\$ 30,251,590</b>	<b>\$ 33,443,080</b>	<b>\$ 8,649,433</b>	<b>\$ 9,077,345</b>	<b>\$ 38,901,023</b>	<b>\$ 42,520,425</b>

The City of Murphy’s long-term debt decreased by \$3,619,402 , or 9% during the past fiscal year. This was mainly due to the regular scheduled pay downs of bonds held by the City.

More detailed information about the City’s long-term liabilities is presented in Note D to the financial statements.

Texas statutes limit the amount of bonds a governmental entity may issue to 10% of the assessed calculation of taxable property to the most recent ad valorem tax roll. The current debt limitation for the City is \$230,134,000, which is significantly in excess of the outstanding general obligation debt.

### **Economic Factors and Next Year's Budgets and Rates**

For the fourth year in a row the City has reduced the property tax rate. The FY2018 tax rate is at \$0.5000 per \$100 valuation compared to \$0.5100 the previous year. The FY2018 budget reflects a 3.05% decrease in the M&O tax rate from \$0.327749 to \$0.317750 per \$100. The tax rate for the debt service fund decreased by \$0.00001 to \$0.182550.

The FY2018 budget will raise more total property taxes than last year's budget by \$567,576 or 5.08% and of that amount, \$150,624 is tax revenue to be raised from new property added to the roll this year.

The City continues to see growth in sales tax collection as the retail and commercial areas continue to develop. Sales tax revenues are projected to generate approximately 14% of the new FY2018 General Fund revenues. This number should continue to increase as new businesses open up.

The main source of revenues for the Utility Fund is water and sewer fees for both residential and commercial customers. Revenues from the sale of water are budgeted at \$6,472,305 for FY2018, a 7.19% increase from the FY2017 budget due to the end of water conservation measures enacted during drought conditions. Sewer sales are projected at \$3,514,228, an increase of 2.5%. Water and sewer rates were adjusted in September 2017 by 12.13% and 10.4% respectively. These increases included the amount the North Texas Municipal Water District planned to increase their rates, and the amount needed to cover the City's operating and capital costs necessary to maintain the water and sewer systems. Comparable increases will be needed annually for the next several years in order for the utility fund to remain financially viable.

### **Request for Information**

This report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City of Murphy, Finance Department, 206 N. Murphy Road, Murphy, Texas 75094.

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# **BASIC FINANCIAL STATEMENTS**

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**CITY OF MURPHY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,518,035	\$ 3,750,233	\$ 10,268,268	\$ 2,201,342
Receivables (net of allowance for uncollectible)	927,073	1,483,895	2,410,968	321,474
Internal Balances	957,051	( 957,051)	-	-
Restricted assets:				
Cash and cash equivalents	90,666	2,901,926	2,992,592	-
Prepaid items	61,115	6,491	67,606	-
Capital assets not being depreciated:				
Land	10,655,693	-	10,655,693	-
Construction in progress	11,846,804	5,246,416	17,093,220	-
Capital assets net of accumulated depreciation:				
Infrastructure	52,691,499	38,342,097	91,033,596	-
Buildings and improvements	27,630,867	-	27,630,867	-
Machinery and equipment	10,695,305	1,203,869	11,899,174	-
Accumulated depreciation	( 30,952,973)	( 12,965,637)	( 43,918,610)	-
Total assets	<u>91,121,135</u>	<u>39,012,239</u>	<u>130,133,374</u>	<u>2,522,816</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	1,319,616	167,518	1,487,134	-
Deferred charge on refunding	262,052	-	262,052	-
<b>Total Deferred Outflow of Resources</b>	<u>1,581,668</u>	<u>167,518</u>	<u>1,749,186</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	509,653	489,105	998,758	78,711
Accrued liabilities	324,008	45,418	369,426	3,412
Due to other governments	84,004	-	84,004	-
Other liabilities	84,813	7,935	92,748	9
Unearned revenues	-	33,147	33,147	-
Customer deposits	4,716	401,768	406,484	-
Accrued interest payable	122,511	40,265	162,776	-
Noncurrent liabilities:				
Due within one year				
Compensated absences	32,173	1,957	34,130	-
Note payable	595,000	-	595,000	-
Bond payable	2,762,219	490,599	3,252,818	-
Due in more than one year:				
Compensated absences	289,555	17,615	307,170	-
Net pension liability	2,982,370	378,425	3,360,795	-
Note payable	1,810,000	-	1,810,000	-
Bonds payable	21,780,273	7,760,837	29,541,110	-
<b>Total liabilities</b>	<u>31,381,295</u>	<u>9,667,071</u>	<u>41,048,366</u>	<u>82,132</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	103,890	13,182	117,072	-
<b>Total Deferred Inflows of Resources</b>	<u>103,890</u>	<u>13,182</u>	<u>117,072</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	55,881,755	25,647,001	81,528,756	-
Restricted for:				
Debt service	803,734	-	803,734	-
Use of impact fees	-	706,567	706,567	-
Public works	1,319,879	-	1,319,879	-
Court Use	73,119	-	73,119	-
Animal shelter	7,342	-	7,342	-
PEG fees	4,521	-	4,521	-
Unrestricted	3,127,268	3,145,936	6,273,204	2,440,684
<b>Total net position</b>	<u>\$ 61,217,618</u>	<u>\$ 29,499,504</u>	<u>\$ 90,717,122</u>	<u>\$ 2,440,684</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,522,920	\$ 10,658	\$ 257,345	\$ -
Public safety	6,478,115	804,307	3,623	-
Public services and operations	723,266	612,060	-	-
Parks and recreation	2,121,627	128,962	488,860	-
Public works	1,216,617	228,462	-	3,274,505
Development	156,813	-	-	-
Sanitation services	769,519	938,323	-	-
Interest on long-term debt	933,038	-	-	-
Total governmental activities	<u>17,921,915</u>	<u>2,722,772</u>	<u>749,828</u>	<u>3,274,505</u>
Business-type activities:				
Water and sewer	<u>8,667,626</u>	<u>9,439,667</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>8,667,626</u>	<u>9,439,667</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>26,589,541</u></u>	<u><u>12,162,439</u></u>	<u><u>749,828</u></u>	<u><u>3,274,505</u></u>
Component units:				
Governmental Activities:				
Community Development Corporation	832,156	-	-	-
Murphy Development District	<u>787,897</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total component units:</b>	<u><u>\$ 1,620,053</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**General revenues:**

Taxes:  
Property  
Franchise  
Sales  
Investment income  
Donations  
Miscellaneous  
Transfers  
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$( 5,254,917)	\$ -	\$( 5,254,917)	\$ -
( 5,670,185)	-	( 5,670,185)	-
( 111,206)	-	( 111,206)	-
( 1,503,805)	-	( 1,503,805)	-
2,286,350	-	2,286,350	-
( 156,813)	-	( 156,813)	-
168,804	-	168,804	-
( 933,038)	-	( 933,038)	-
<u>( 11,174,810)</u>	<u>-</u>	<u>( 11,174,810)</u>	<u>-</u>
-	772,041	772,041	-
-	772,041	772,041	-
<u>( 11,174,810)</u>	<u>772,041</u>	<u>( 10,402,769)</u>	<u>-</u>
-	-	-	( 832,156)
-	-	-	( 787,897)
-	-	-	( 1,620,053)
11,178,829	-	11,178,829	-
991,976	-	991,976	-
2,000,975	-	2,000,975	1,965,096
48,857	32,451	81,308	7,631
-	-	-	23,087
1,236,276	11,848	1,248,124	-
850,000	( 850,000)	-	-
<u>16,306,913</u>	<u>( 805,701)</u>	<u>15,501,212</u>	<u>1,995,814</u>
5,132,103	( 33,660)	5,098,443	375,761
<u>56,085,515</u>	<u>29,533,164</u>	<u>85,618,679</u>	<u>2,064,923</u>
<u>\$ 61,217,618</u>	<u>\$ 29,499,504</u>	<u>\$ 90,717,122</u>	<u>\$ 2,440,684</u>

**CITY OF MURPHY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	General	Debt Service	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$ 4,638,430	\$ 901,804	\$ 977,801	\$ 6,518,035
Receivables (net of allowances for uncollectibles)	560,406	24,441	342,226	927,073
Prepaid items	61,115	-	-	61,115
Due from utility fund	957,051	-	-	957,051
Restricted-cash and cash equivalents	90,666	-	-	90,666
<b>Total assets</b>	6,307,668	926,245	1,320,027	8,553,940
<b>LIABILITIES:</b>				
Accounts payable	509,505	-	148	509,653
Accrued liabilities	324,008	-	-	324,008
Due to other governments	84,004	-	-	84,004
Customer deposits	4,716	-	-	4,716
Unearned revenue	-	-	-	-
Other liabilities	84,813	-	-	84,813
<b>Total liabilities</b>	1,007,046	-	148	1,007,194
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	33,588	23,732	-	57,320
Unavailable revenue - ambulance fees	61,735	-	-	61,735
Unavailable revenue - municipal fines	7,508	-	-	7,508
<b>Total deferred inflows of resources</b>	102,831	23,732	-	126,563
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	61,115	-	-	61,115
Restricted:				
Debt service	-	902,513	-	902,513
Animal shelter	7,342	-	-	7,342
Municipal court	73,119	-	-	73,119
PEG fees	4,521	-	-	4,521
Capital improvements	-	-	1,319,879	1,319,879
Assigned:				
Police	15,595	-	-	15,595
Unassigned	5,036,099	-	-	5,036,099
<b>Total Fund Balances</b>	5,197,791	902,513	1,319,879	7,420,183
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	\$ 6,307,668	\$ 926,245	\$ 1,320,027	\$ 8,553,940

The accompanying notes are an integral part of these financial statements.

**CITY OF MURPHY, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

<b>Total fund balances - governmental funds</b>	\$ 7,420,183
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	82,567,195
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	( 25,710,000)
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	( 1,237,492)
For debt refunding, the difference between the acquisition price and the net carrying value amount of the debt has been deferred and amortized in the government-wide financial statements.	262,052
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	( 122,511)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	( 321,728)
Deferred resources related to pensions	1,215,726
Net pension liability	( 2,982,370)
Revenue reported as unearned revenue in the governmental fund financial statements are recorded as revenue in the government-wide financial statements.	<u>126,563</u>
<b>Net position of governmental activities</b>	<b>\$ <u>61,217,618</u></b>

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property tax	\$ 7,184,253	\$ 3,994,576	\$ -	\$ 11,178,829
Franchise taxes	991,976	-	-	991,976
Fines and forfeitures	359,625	-	-	359,625
Sales tax	2,000,975	-	-	2,000,975
Charges for services	1,765,694	-	-	1,765,694
Licenses and permits	560,366	-	-	560,366
Grants	1,587	-	997,312	998,899
Intergovernmental	332,036	488,860	-	820,896
Donations	2,402	-	-	2,402
Investment income	35,524	8,530	4,803	48,857
Miscellaneous	1,253,128	-	744	1,253,872
<b>Total revenues</b>	<u>14,487,566</u>	<u>4,491,966</u>	<u>1,002,859</u>	<u>19,982,391</u>
<b>EXPENDITURES</b>				
Current Operating:				
General government	4,831,123	-	-	4,831,123
Public safety	6,219,077	-	-	6,219,077
Public works	271,249	-	-	271,249
Public services and operations	674,530	-	-	674,530
Parks and recreation	1,493,101	-	-	1,493,101
Development	153,344	-	-	153,344
Sanitation services	769,519	-	-	769,519
Debt service:				
Principal retirement	-	3,410,000	-	3,410,000
Interest and fiscal agent fees	-	1,039,308	-	1,039,308
Bond issuance costs	-	-	13,950	13,950
Capital outlay	1,005,814	-	1,449,388	2,455,202
<b>Total expenditures</b>	<u>15,417,757</u>	<u>4,449,308</u>	<u>1,463,338</u>	<u>21,330,403</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 930,191)	42,658	( 460,479)	( 1,348,012)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	850,000	-	-	850,000
<b>Total other financing sources (uses)</b>	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>850,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	( 80,191)	42,658	( 460,479)	( 498,012)
<b>FUND BALANCES, BEGINNING</b>	<u>5,277,982</u>	<u>859,855</u>	<u>1,780,358</u>	<u>7,918,195</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 5,197,791</u>	<u>\$ 902,513</u>	<u>\$ 1,319,879</u>	<u>\$ 7,420,183</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MURPHY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Net change in fund balances - total governmental funds</b>	\$( 498,012)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2017 capital outlays is to increase net position.	6,729,707
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	( 3,295,477)
Current year long-term debt principal payments are expenditures in the fund financial statements and are shown as a reduction in long term debt in the government-wide financial statements.	3,410,000
Premiums and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in the government-wide financial statements.	106,180
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as revenue in the governmental funds.	14,040
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	( 54,528)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows or inflow. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability were amortized.	( 226,929)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	<u>( 1,052,878)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 5,132,103</u></b>

**CITY OF MURPHY, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property tax	\$ 7,115,300	\$ 7,115,300	\$ 7,184,253	\$ 68,953
Franchise taxes	1,052,700	965,241	991,976	26,735
Fines and forfeitures	326,500	326,500	359,625	33,125
Sales tax	1,932,000	1,932,000	2,000,975	68,975
Charges for services	1,531,000	1,692,628	1,765,694	73,066
Licenses and permits	590,000	759,418	560,366	( 199,052)
Grants	-	-	1,587	1,587
Intergovernmental	323,000	330,000	332,036	2,036
Donations	-	1,400	2,402	1,002
Investment income	12,000	35,000	35,524	524
Miscellaneous	<u>28,100</u>	<u>1,951,810</u>	<u>1,253,128</u>	<u>( 698,682)</u>
Total Revenues	<u>12,910,600</u>	<u>15,109,297</u>	<u>14,487,566</u>	<u>( 621,731)</u>
<b>EXPENDITURES</b>				
<b>General Government:</b>				
City Administration:				
Personnel services	374,300	364,289	363,700	589
Materials and supplies	5,200	3,854	2,119	1,735
Other services	<u>219,200</u>	<u>196,996</u>	<u>193,692</u>	<u>3,304</u>
Total City Administration	<u>598,700</u>	<u>565,139</u>	<u>559,511</u>	<u>5,628</u>
Human Resources:				
Personnel services	116,600	119,908	119,634	274
Materials and supplies	1,000	1,000	704	296
Other services	<u>64,200</u>	<u>58,690</u>	<u>57,705</u>	<u>985</u>
Total Human Resources	<u>181,800</u>	<u>179,598</u>	<u>178,043</u>	<u>1,555</u>
Information Technology:				
Personnel services	454,700	450,086	419,429	30,657
Materials and supplies	9,600	19,850	19,816	34
Other services	490,500	733,204	693,829	39,375
Capital outlay	<u>270,000</u>	<u>282,500</u>	<u>277,226</u>	<u>5,274</u>
Total Information Technology	<u>1,224,800</u>	<u>1,485,640</u>	<u>1,410,300</u>	<u>75,340</u>
City Council:				
Personnel services	15,900	15,900	13,429	2,471
Materials and supplies	3,600	6,734	5,108	1,626
Other services	334,100	279,237	241,034	38,203
Capital outlay	<u>120,000</u>	<u>144,645</u>	<u>144,645</u>	<u>-</u>
Total City Council	<u>473,600</u>	<u>446,516</u>	<u>404,216</u>	<u>42,300</u>
City Secretary:				
Personnel services	107,800	111,875	110,905	970
Materials and supplies	36,300	41,200	29,424	11,776
Other services	<u>61,800</u>	<u>57,825</u>	<u>43,612</u>	<u>14,213</u>
Total City Secretary	<u>205,900</u>	<u>210,900</u>	<u>183,941</u>	<u>26,959</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MURPHY, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>EXPENDITURES (continued)</b>				
Finance:				
Personnel services	385,100	274,328	273,317	1,011
Materials and supplies	1,700	1,752	1,752	-
Other services	160,800	266,160	265,559	601
Total Finance	<u>547,600</u>	<u>542,240</u>	<u>540,628</u>	<u>1,612</u>
Facilities:				
Personnel Services	226,200	230,500	228,024	2,476
Materials and supplies	66,800	65,600	59,215	6,385
Other services	324,700	1,355,693	1,280,799	74,894
Capital outlay	45,000	45,000	-	45,000
Total Facilities	<u>662,700</u>	<u>1,696,793</u>	<u>1,568,038</u>	<u>128,755</u>
Municipal Court:				
Personnel services	338,700	346,880	347,861	( 981)
Materials and supplies	3,600	2,518	2,518	-
Other services	66,300	53,253	57,938	( 4,685)
Capital outlay	45,200	50,322	46,322	4,000
Total Municipal Court	<u>453,800</u>	<u>452,973</u>	<u>454,639</u>	<u>( 1,666)</u>
<b>Total General Government</b>	<u>4,348,900</u>	<u>5,579,799</u>	<u>5,299,316</u>	<u>280,483</u>
<b>Public Safety:</b>				
Fire Department:				
Personnel services	2,251,500	2,220,138	2,193,957	26,181
Materials and supplies	185,300	174,029	152,926	21,103
Other services	345,400	387,113	354,275	32,838
Capital outlay	400,000	400,000	399,038	962
Total Fire Department	<u>3,182,200</u>	<u>3,181,280</u>	<u>3,100,196</u>	<u>81,084</u>
Police Department:				
Personnel services	3,121,600	3,129,562	3,129,433	129
Materials and supplies	160,600	107,591	107,591	-
Other services	335,600	280,895	280,895	-
Capital outlay	58,000	58,476	58,476	-
Total Police Department	<u>3,675,800</u>	<u>3,576,524</u>	<u>3,576,395</u>	<u>129</u>
<b>Total Public Safety</b>	<u>6,858,000</u>	<u>6,757,804</u>	<u>6,676,591</u>	<u>81,213</u>
<b>Public Works:</b>				
Public works department				
Materials and supplies	76,500	66,186	40,420	25,766
Other services	280,200	277,650	230,829	46,821
Capital outlay	8,000	8,000	6,450	1,550
<b>Total Public Works</b>	<u>364,700</u>	<u>351,836</u>	<u>277,699</u>	<u>74,137</u>
<b>Public Services and Operations:</b>				
Community Services:				
Personnel services	339,900	301,128	301,312	( 184)
Materials and supplies	7,900	6,153	6,153	-
Other services	146,700	198,775	198,775	-
Total Community Services	<u>494,500</u>	<u>506,056</u>	<u>506,240</u>	<u>( 184)</u>

**CITY OF MURPHY, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>EXPENDITURES (continued)</b>				
Animal Control:				
Personnel services	128,600	133,116	132,317	799
Materials and supplies	18,300	15,471	11,514	3,957
Other services	35,500	35,217	24,459	10,758
Capital outlay	54,700	54,700	47,159	7,541
Total Animal Control	<u>237,100</u>	<u>238,504</u>	<u>215,449</u>	<u>23,055</u>
<b>Total Public Services and Operations</b>	<u>731,600</u>	<u>744,560</u>	<u>721,689</u>	<u>22,871</u>
<b>Parks and Recreation:</b>				
Parks:				
Personnel services	734,700	758,479	752,909	5,570
Materials and supplies	210,000	184,956	165,159	19,797
Other services	263,900	232,529	203,475	29,054
Capital outlay	24,000	26,498	26,498	-
Total Parks	<u>1,232,600</u>	<u>1,202,462</u>	<u>1,148,041</u>	<u>54,421</u>
Recreation:				
Personnel services	221,700	241,707	237,626	4,081
Materials and supplies	15,300	15,300	9,179	6,121
Other services	149,400	145,393	124,753	20,640
Total Recreation	<u>386,400</u>	<u>402,400</u>	<u>371,558</u>	<u>30,842</u>
<b>Total Parks and Recreation</b>	<u>1,619,000</u>	<u>1,604,862</u>	<u>1,519,599</u>	<u>85,263</u>
<b>Economic Development:</b>				
Personnel services	136,300	130,447	125,660	4,787
Materials and supplies	600	500	399	101
Other services	61,100	35,686	27,285	8,401
<b>Total Economic Development</b>	<u>198,000</u>	<u>166,633</u>	<u>153,344</u>	<u>13,289</u>
<b>Solid Waste Management:</b>				
Other services	775,100	769,520	769,519	1
<b>Total Waste Management</b>	<u>775,100</u>	<u>769,520</u>	<u>769,519</u>	<u>1</u>
<b>Total expenditures</b>	<u>14,895,300</u>	<u>15,975,014</u>	<u>15,417,757</u>	<u>557,257</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	( 1,984,700)	( 865,717)	( 930,191)	( 64,474)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	850,000	850,000	850,000	-
<b>Total other financing sources (uses)</b>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	( 1,134,700)	( 15,717)	( 80,191)	( 64,474)
<b>FUND BALANCES, BEGINNING</b>	<u>5,277,982</u>	<u>5,277,982</u>	<u>5,277,982</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 4,143,282</u>	<u>\$ 5,262,265</u>	<u>\$ 5,197,791</u>	<u>\$( 64,474)</u>

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

	<u>Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,750,233
Receivables, net	1,483,895
Prepaid items	6,491
Restricted cash and investments	<u>2,901,926</u>
Total current assets	<u>8,142,545</u>
Noncurrent assets:	
Capital assets:	
Infrastructure	38,342,097
Vehicles, machinery and equipment	1,203,869
Construction in progress	5,246,416
Less: accumulated depreciation	<u>( 12,965,637)</u>
Total noncurrent assets	<u>31,826,745</u>
Total assets	<u>39,969,290</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>167,518</u>
Total deferred outflow of resources	<u>167,518</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	489,105
Accrued liabilities	45,418
Other liabilities	7,935
Due to general fund	957,051
Unearned revenues	33,147
Payables from restricted assets:	
Customer deposits	401,768
Accrued interest payable	40,265
Compensated absences - current	1,957
Revenue bonds payable - current	<u>490,599</u>
Total current liabilities	<u>2,467,245</u>
Noncurrent liabilities:	
Compensated absences	17,615
Net pension liability	378,425
Revenue bonds payable	<u>7,760,837</u>
Total noncurrent liabilities	<u>8,156,877</u>
Total liabilities	<u>10,624,122</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>13,182</u>
Total deferred inflow of resources	<u>13,182</u>
<b>NET POSITION</b>	
Net investment in capital assets	25,647,001
Restricted for:	
Impact fees	706,567
Unrestricted	<u>3,145,936</u>
Total net position	<u>\$ 29,499,504</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Water and Sewer
<b>OPERATING REVENUES</b>	
Charges for sales and services:	
Service charges	\$ 9,439,667
Miscellaneous	<u>11,848</u>
<b>Total operating revenues</b>	<u>9,451,515</u>
<b>OPERATING EXPENSES</b>	
Personnel services	1,140,685
Supplies and material	114,006
Maintenance and repair	68,834
Contractual services	6,111,966
Depreciation	<u>913,678</u>
<b>Total operating expenses</b>	<u>8,349,169</u>
<b>Operating Income (Loss)</b>	<u>1,102,346</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	32,451
Interest, fiscal charges and paying agent fees	<u>( 318,457)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>( 286,006)</u>
<b>Income before transfers</b>	816,340
Transfers Out	<u>( 850,000)</u>
<b>Change in net position</b>	<u>( 33,660)</u>
<b>TOTAL NET POSITION, BEGINNING</b>	<u>29,533,164</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 29,499,504</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Water and Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 8,969,052
Cash paid to employees	( 1,198,622)
Cash paid for goods and services	( 4,587,361)
Net cash provided by (used in) operating activities	3,183,069
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	( 850,000)
Net cash provided by (used in) non-capital financing activities	( 850,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest and fiscal charges	( 318,457)
Principal payments on bonds payables	( 465,000)
Acquisition or construction of capital assets	( 1,023,777)
Net cash provided by (used in) capital and related financing activities	( 1,807,234)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	32,451
Net cash provided by (used in) investing activities	32,451
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	558,286
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	6,093,873
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	6,652,159
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	1,102,346
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	924,277
Change in assets and liabilities	
(Increase) decrease in assets:	
Other assets	( 3,571)
Receivables	( 510,413)
Deferred outflows	( 8,412)
Increase (decrease) in liabilities:	
Accounts payable	349,664
Accrued expenses	49,949
Due to other funds	1,230,282
Customer deposits	27,950
Compensated absences	2,555
Net pension liability	23,934
Accrued interest payable	( 998)
Deferred inflows	( 4,494)
Total adjustments	2,080,723
Net cash provided by (used in) operating activities	\$ 3,183,069

The accompanying notes are an integral part of these financial statements.

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**SEPTEMBER 30, 2017**

	Governmental Activities		
	Murphy CDC	Murphy MDD	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 612,564	\$ 1,588,778	\$ 2,201,342
Receivables, net	<u>161,786</u>	<u>159,688</u>	<u>321,474</u>
Total assets	<u>774,350</u>	<u>1,748,466</u>	<u>2,522,816</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	72,002	6,709	78,711
Accrued Liabilities	3,412	-	3,412
Other liabilities	<u>9</u>	<u>-</u>	<u>9</u>
Total liabilities	<u>75,423</u>	<u>6,709</u>	<u>82,132</u>
<b>NET POSITION</b>			
Unrestricted	<u>698,927</u>	<u>1,741,757</u>	<u>2,440,684</u>
Total net position	<u>\$ 698,927</u>	<u>\$ 1,741,757</u>	<u>\$ 2,440,684</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>		<b>Total</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>CDC                      MDD</b>		
					<b>Governmental Activities</b>		
<b>Governmental Activities</b>							
Community Development Corporation	\$ 832,156	\$ -	\$ -	\$ -	\$( 832,156)	\$ -	\$( 832,156)
Municipal Development District	<u>787,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 787,897)</u>	<u>( 787,897)</u>
Total component unit	<u>\$ 1,620,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( 832,156)</u>	<u>( 787,897)</u>	<u>( 1,620,053)</u>
General revenues:							
					985,944	979,152	1,965,096
					23,087	-	23,087
					<u>979</u>	<u>6,652</u>	<u>7,631</u>
					<u>1,010,010</u>	<u>985,804</u>	<u>1,995,814</u>
					177,854	197,907	375,761
					<u>521,073</u>	<u>1,543,850</u>	<u>2,064,923</u>
					<u>\$ 698,927</u>	<u>\$ 1,741,757</u>	<u>\$ 2,440,684</u>

The accompanying notes are an integral part of these financial statements.

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# CITY OF MURPHY, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support, likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The more significant accounting policies of the City are described below.

#### A. Reporting Entity

The City of Murphy, Texas (“City”) is a municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1959, and first adopted its Home Rule Charter in February, 2004. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The City provides the following services as authorized by its charter: public safety, public works, water and sanitary sewer utilities, culture-recreation, planning and zoning, and general administrative services.

Government-wide financial statements do not provide information by fund, but distinguish between the City’s governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City’s statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City’s basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

***Discretely Presented Component Units:*** The City has two component units, the Murphy Community Development Corporation ("CDC") and the Murphy Municipal Development District ("MDD"). The CDC was incorporated July 29, 2003, and the MDD was incorporated April 16, 2012. The CDC is governed by a seven member board and the MDD is governed by a five member board, both appointed and serving at the pleasure of the City Council. The funding for the CDC and MDD occurs by the City transferring ½ of one (1) percent of sales tax revenue collected by the City respectively to each corporation. Adding the creation of the CDC and MDD to the resources currently available will significantly increase the City's ability to assist community development and financing development projects beneficial to the City. All of the CDC and MDD funding can be used for direct assistance to prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separate financial statements are not issued for the CDC or the MDD.

## **B. Basis of Presentation, Basis of Accounting**

### **1. Basis of Presentation**

***Government-wide Statements:*** The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

***Fund Financial Statements:*** The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service, and capital projects fund. The City does not have any non-major funds.

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

***Government-wide and Proprietary Fund Financial Statements:*** These financial statements are reported using the economic resources measurement focus and 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 City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

## 2. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

***Governmental Fund Financial Statements:*** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year-end.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fine and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

### **The City reports the following major governmental funds:**

The ***General Fund*** is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreements to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from the General Fund.

The ***Debt Service Fund*** accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt paid from taxes levied by the City.

The ***Capital Projects Fund*** accounts for the acquisition and construction of major capital facilities being financed from obligation or certificate of obligation bond proceeds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperation items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the City's water and sewer services are charges to customers for sales and services. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. The revenues and expenses not meeting this definition are reported as nonoperation revenues and expenses.

**The City reports the following major enterprise fund:**

The *Water and Sewer Fund* accounts for the operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis. Water and sewer impact fees are also accumulated in this fund.

**3. Financial Statement Amounts**

*a. Cash and Cash Equivalents*

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Obligations of the United States or its agencies and instruments;
- Obligations of State of Texas or its agencies and instrumentalities; and
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

***b. Receivable and Payable Balances***

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation.

Trade and property tax receivables are shown net of an allowance for uncollectible.

***c. Property Taxes***

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31<sup>st</sup>. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities with a population greater than 5,000 limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2017, the City had a tax rate of \$0.51 per \$100 assessed valuation based upon the maximum rates described above.

***d. Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method.

***e. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the business-type funds represent cash and cash equivalents and investments set aside for impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customer deposits received for water and sewer service are, by law, to be considered restricted assets. These activities are included in the Water and Sewer Fund.

***f. Capital Assets***

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized during the current year was \$0.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Infrastructure	30 - 50 years
Buildings and improvements	25 - 40 years
Machinery and vehicles	5-10 years

***g. Pensions***

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City’s Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

***h. 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. The City also has three items in the fund statements. They are deferred inflows from property taxes, municipal court fines and ambulance fees.

*i. Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick leave accrued hours shall be carried to the next year with a maximum of 720 hours (one thousand eighty (1080) hours for full-time firefighters).

*j. 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 are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bond issuance costs are expensed during the year they are incurred.

The 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.

### ***k. Net Position Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

### ***l. Fund Equity***

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- i. ***Nonspendable fund balance*** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- ii. ***Restricted fund balance*** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- iii. ***Committed fund balance*** – amounts can only be used for specific purposes pursuant to constraints imposed by ordinances of the City Council – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- iv. ***Assigned fund balance*** – amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. The balances can be created with a resolution.

- v. ***Unassigned fund balance*** – the residual classification for the City’s General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources as needed.

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain unrestricted fund balance in its funds sufficient to fund cash flows and to provide financial reserve for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the City’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The City’s adopted policy is to achieve and maintain an unassigned fund balance in the General Fund equal to 15 percent of total budgeted expenditures for each fiscal year. The City is currently in compliance with this policy.

***m. Fund Balance Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

***n. Federal and State Grants***

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal and state agencies including the Texas Parks and Wildlife Department which are accounted for in the General Fund and Capital Projects Fund.

***o. Comparative Data/Reclassification***

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

***p. Interfund Activity***

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities.

***q. Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

***r. Program Revenues***

Certain revenues such as charges for services and impact fees are included in program revenues.

***s. Program Expenses***

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

## II. COMPLIANCE AND ACCOUNTABILITY

### Finance-Related Legal and Contractual Provisions

Violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

### Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

### Budgets and Budgetary Accounting

The City adopts an “appropriated budget” of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 22 and other informational budgets are presented in the supplementary information.

The following procedures are followed in establishing the budgetary data:

1. On or before the 10<sup>th</sup> day of August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and revenues and an accompanying budget message.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the current budget shall be in force on a month-to-month basis until a new budget is adopted by the City Council.
4. Budget for the General Fund and Debt Service Fund are legally adopted on a basis consistent with GAAP. The majority of the City’s Capital Projects Funds are budgeted on an annual basis.
5. The level of control (the level at which expenditures may not exceed budget) is the department level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter any department must be approved by the City Council.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or appropriated as part of the following year's budget.

The City had several departments that were over budget as well as the General Fund in total. These overages were funded by available fund balance.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits, for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the applicable depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

#### *Cash Deposits*

At September 30, 2017, the carrying amount of the City's deposits (cash, money markets, and interest-bearing savings accounts included in temporary investments) was \$16,338,296 and the bank balance was \$15,130,321. The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. As of September 30, 2017, the amount of deposits covered by collateralized securities was \$14,488,440. Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

#### Statement of Net Position

Primary Government	
Cash and cash equivalents	\$ 10,268,268
Restricted assets-cash and cash equivalents	<u>2,992,592</u>
Total cash and cash equivalents	<u>13,260,860</u>
Governmental - Unrestricted Cash	6,518,035
Business-type - Unrestricted Cash	<u>3,750,233</u>
	<u>10,268,268</u>
Governmental - Restricted Cash	
Municipal Court (technology, building security, juvenile mgr.)	75,071
Police Seizure funds	<u>15,595</u>
Total	<u>90,666</u>
Business-type - Restricted Cash	
Impact fees	830,234
Capital Improvements	<u>2,071,692</u>
Total	<u>2,901,926</u>
Total Restricted Cash	<u>\$ 2,992,592</u>

## ***Investments***

The Public Funds Investment Act (“Act”) (Government Code Chapter 2256) requires the City to have an independent audit or perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

## ***Investment Accounting Policy***

In fiscal year 2016, the City adopted GASB Statement No. 72 (“GASB 72”), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurement.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At year-end the City does not have any investments subject to the fair value hierarchy.

## ***Disclosure relating to Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the time to the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk.

At this time, the City does not have any investment inherent to interest rate risk.

## ***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledge securities in the collateral pool must equal at least the bank balances less the FDIC insurance at all times.

As of September 30, 2017 the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

## B. Receivables

Receivables as of year-end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Total</u>
Receivables					
Taxes	\$ 369,052	\$ 27,027	\$ -	\$ -	\$ 396,079
Ambulance fees	131,266	-	-	-	131,266
Municipal court fees	150,153	-	-	-	150,153
Intergovernmental	-	-	342,226	-	342,226
Fees and Charges	<u>128,412</u>	<u>117</u>	<u>-</u>	<u>1,517,998</u>	<u>1,646,527</u>
Gross Receivables	778,883	27,144	342,226	1,517,998	2,666,251
Less: allowance for uncollectible	<u>( 218,477)</u>	<u>( 2,703)</u>	<u>-</u>	<u>( 34,103)</u>	<u>( 255,283)</u>
Net Total Receivables	<u>\$ 560,406</u>	<u>\$ 24,441</u>	<u>\$ 342,226</u>	<u>\$ 1,483,895</u>	<u>\$ 2,410,968</u>

## C. Capital Assets

Capital asset activity for the period ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 10,533,114	\$ 122,579	\$ -	\$ -	\$ 10,655,693
Construction in progress	<u>11,535,313</u>	<u>311,491</u>	<u>-</u>	<u>-</u>	<u>11,846,804</u>
Total capital assets, not being depreciated:	<u>22,068,427</u>	<u>434,070</u>	<u>-</u>	<u>-</u>	<u>22,502,497</u>
Capital assets, being depreciated:					
Buildings & improvements	27,630,867	-	-	-	27,630,867
Infrastructure	48,715,408	3,976,091	-	-	52,691,499
Vehicles & equipment	<u>7,866,987</u>	<u>2,828,318</u>	<u>-</u>	<u>-</u>	<u>10,695,305</u>
Total capital assets being depreciated	<u>84,213,262</u>	<u>6,804,409</u>	<u>-</u>	<u>-</u>	<u>91,017,671</u>
Less accumulated depreciation for:					
Buildings & improvements	( 8,135,848)	( 988,643)	-	-	( 9,124,491)
Infrastructure	( 15,342,040)	( 1,779,558)	-	-	( 17,121,598)
Vehicles & equipment	<u>( 4,179,608)</u>	<u>( 527,276)</u>	<u>-</u>	<u>-</u>	<u>( 4,706,884)</u>
Total accumulated depreciation	<u>( 27,657,496)</u>	<u>( 3,295,477)</u>	<u>-</u>	<u>-</u>	<u>( 30,952,973)</u>
Total capital assets being depreciated, net:	<u>56,555,766</u>	<u>3,508,932</u>	<u>-</u>	<u>-</u>	<u>60,064,698</u>
Governmental activities capital assets, net:	<u>\$ 78,624,193</u>	<u>\$ 3,943,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,567,195</u>

	Beginning Balance	Additions	Decreases	Adjustments	Ending Balances
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ 4,560,178	\$ 686,238	\$ -	\$ -	\$ 5,246,416
Total capital assets not being depreciated:	<u>4,560,178</u>	<u>686,238</u>	<u>-</u>	<u>-</u>	<u>5,246,416</u>
Capital assets, being depreciated:					
Buildings and improvements	38,342,097	-	-	-	38,342,097
Vehicles and equipment	<u>866,330</u>	<u>337,540</u>	<u>-</u>	<u>-</u>	<u>1,203,870</u>
Total capital assets being depreciated:	<u>39,208,427</u>	<u>337,540</u>	<u>-</u>	<u>-</u>	<u>39,545,967</u>
Less accumulated depreciation for:					
Buildings and improvements	( 11,571,719)	( 831,447)	-	-	( 12,403,166)
Vehicles and equipment	<u>( 480,240)</u>	<u>( 82,231)</u>	<u>-</u>	<u>-</u>	<u>( 562,471)</u>
Total accumulated depreciation:	<u>( 12,051,959)</u>	<u>( 913,678)</u>	<u>-</u>	<u>-</u>	<u>( 12,965,637)</u>
Total capital assets being depreciated, net:	<u>27,156,468</u>	<u>( 576,138)</u>	<u>-</u>	<u>-</u>	<u>26,580,330</u>
Business-type activities capital assets, net:	<u>\$ 31,716,646</u>	<u>\$ 110,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,826,746</u>

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

Governmental activities:	
General Government	\$ 1,088,919
Public Safety	317,478
Public Works, including depreciation of general infrastructure assets	1,045,368
Public Service	39,040
Culture and Recreation	<u>804,672</u>
Total depreciation expense - governmental activities	<u>3,295,477</u>
Business-type activities: Water Sewer	<u>913,678</u>
Total depreciation expense - business-type activities	<u>\$ 913,678</u>

#### **D. Interfund Balances**

##### **Due to and from Other Funds**

Balances due to and due from other funds at September 30, 2017 consisted of the following:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Water Sewer Fund	\$ 957,051

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

## E. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one Year
<b>Governmental Activities:</b>					
General obligation bonds & certificates of obligations	\$ 3,720,000	\$ -	\$( 210,000)	\$ 3,510,000	\$ 215,000
Refunding bonds	22,120,000	-	( 2,325,000)	19,795,000	2,405,000
Tax notes	3,280,000	-	( 875,000)	2,405,000	595,000
Total bonds payable:	<u>29,120,000</u>	<u>-</u>	<u>( 3,410,000)</u>	<u>25,710,000</u>	<u>3,215,000</u>
Plus deferred amounts:					
Bond issuance premium	1,381,108	-	( 143,616)	1,237,492	142,219
For total bonds payable, net:	<u>30,501,108</u>	<u>-</u>	<u>( 3,553,616)</u>	<u>26,947,492</u>	<u>3,357,219</u>
Net pension liability	2,674,772	1,124,892	( 817,294)	2,982,370	-
Compensated absences	267,200	337,330	( 282,802)	321,728	32,173
Governmental activity					
Long-term debt:	<u>\$ 33,443,080</u>	<u>\$ 1,462,222</u>	<u>\$( 4,653,712)</u>	<u>\$ 30,251,590</u>	<u>\$ 3,389,392</u>
<b>Business-type Activities:</b>					
Water & Sewer					
Certificates of obligation	\$ 8,550,000	\$ -	\$( 465,000)	\$ 8,085,000	\$ 480,000
Total bonds payable:	<u>8,550,000</u>	<u>-</u>	<u>( 465,000)</u>	<u>8,085,000</u>	<u>480,000</u>
Plus deferred amounts:					
Bond issuance premium	177,035	-	( 10,599)	166,436	10,599
For total bonds payable, net:	<u>8,727,035</u>	<u>-</u>	<u>( 475,599)</u>	<u>8,251,436</u>	<u>490,599</u>
Net pension liability	333,293	148,836	( 103,704)	378,425	-
Compensated absences	17,017	37,729	( 35,174)	19,572	1,957
Business-type activity					
Long-term debt:	<u>\$ 9,077,345</u>	<u>\$ 186,565</u>	<u>\$( 614,477)</u>	<u>\$ 8,649,433</u>	<u>\$ 492,556</u>

### ***Compensated Absences***

Compensated absences represent the estimated liability for employees' accrued holiday time and vacation leave which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and the Proprietary Fund based on the assignment of an employee at termination.

**Governmental activities bonds payable at September 30, 2017, includes the following individual issues:**

Description	Interest Rate Payable	Original Issue	Amounts			Outstanding 09/30/17	Due Within One Year
			Outstanding 10/1/2016	Issued	Retired		
2009 Series GO	2.5% - 5.0%	\$ 7,915,000	\$ 5,205,000	\$ -	\$ 475,000	\$ 4,730,000	\$ 490,000
2010 Series GO	2.0% - 4.02%	4,800,000	3,720,000	-	210,000	3,510,000	215,000
2010 Tax Note	2.0% - 2.5%	1,075,000	165,000	-	165,000	-	-
2011 Series GO	1.35% - 2.05%	8,725,000	7,835,000	-	675,000	7,160,000	695,000
2011 Tax Note	2.0% - 4.0%	750,000	135,000	-	135,000	-	-
2012 GO Refund	2.0% - 5.0%	11,695,000	9,080,000	-	1,175,000	7,905,000	1,220,000
2012 Tax Note	1.35%	1,500,000	600,000	-	195,000	405,000	200,000
2014 Tax Note	1.74%	1,000,000	580,000	-	140,000	440,000	145,000
2016 Tax Note	1.57%	1,800,000	1,800,000	-	240,000	1,560,000	250,000
Total Debt Payable		<u>\$ 39,260,000</u>	<u>\$ 29,120,000</u>	<u>\$ -</u>	<u>\$ 3,410,000</u>	<u>\$ 25,710,000</u>	<u>\$ 3,215,000</u>

**Governmental activities debt service requirements are as follows:**

Year Ending September 30:	Principal	Interest	Total Requirements
2018	\$ 3,215,000	\$ 905,997	\$ 4,120,997
2019	3,130,000	804,573	3,934,573
2020	3,030,000	700,786	3,730,786
2021	3,030,000	591,555	3,621,555
2022	2,850,000	485,643	3,335,643
2023-2027	7,075,000	1,323,194	8,398,194
2028-2031	<u>3,380,000</u>	<u>227,981</u>	<u>3,607,981</u>
Total	<u>\$ 25,710,000</u>	<u>\$ 5,039,729</u>	<u>\$ 30,749,729</u>

A description of the purpose for each bond issuance follows:

\$7,915,000, Series 2009, general obligation refunding bonds, issued for the purpose of remodeling and equipping the City's community center, parks and recreational facilities, street improvements and refunding a portion of the City's general obligation debt, certificates of obligation, Series 1998.

\$4,800,000, Series 2010, general obligation bonds, issued for the purpose of remodeling, renovating and equipping the City's community center, park and recreational facilities and street improvements.

\$1,075,000, Series 2010, tax notes, issued for the purpose of purchasing a new fire truck and ambulance for the Fire Department.

\$8,725,000, Series 2011, general obligation refunding bonds, issued for the purpose of refunding a portion of the City's general debt obligation, certificates of obligation, Series 2001, 2002, 2002A, acquiring, constructing, improving and equipping park and recreational facilities and acquiring, constructing, improving and maintaining streets, thoroughfares, bridges, alleyways and sidewalks within the City.

\$750,000, Series 2011, tax notes, issued for the purpose of the development of the community recreational center involving the acquisition of real property and construction, renovation, equipping, improving, operation and maintenance of such center and related infrastructure.

\$11,695,000, Series 2012, general obligation refunding bonds, issued for the purpose of refunding a portion of the City's general obligation debt, certificates of obligation, series 2001, 2002, 2002A, 2003, 2004.

\$1,500,000, Series 2012, tax notes, issued for the purpose of the development of the City Central Park including design, constructing, renovation, equipping and improving such park and related infrastructure and the professional services rendered in relation to this project.

\$1,000,000, Series 2014, tax notes, issued for the purpose of development of city parks, the renovation of the City Recreational and Community Center, providing signage for a municipal complex and the construction of an animal shelter.

\$1,800,000, Series 2017, tax notes, issued for the purpose of development and purchase of items for a public safety voice, radio dispatch, emergency alert system, and associated software.

***Business-type activities bonds payable at September 30, 2017, includes the following individual issues:***

Description	Interest Rate Payable	Original Issue	Outstanding 10/01/16	Issued	Retired	Outstanding 09/30/17	Due Within One Year
2009 Series CO	2.5% - 4.625%	\$ 8,000,000	\$ 5,890,000	\$ -	\$ 350,000	\$ 5,540,000	\$ 365,000
2014 Series CO	2.0%-4.0%	<u>2,910,000</u>	<u>2,660,000</u>	<u>-</u>	<u>115,000</u>	<u>2,545,000</u>	<u>115,000</u>
Total Bonds Payable		<u>\$ 10,910,000</u>	<u>\$ 8,550,000</u>	<u>\$ -</u>	<u>\$ 465,000</u>	<u>\$ 8,085,000</u>	<u>\$ 480,000</u>

***Business-type activities debt service requirements are as follows:***

Year Ending September 30:	Principal	Interest	Total Requirements
2018	\$ 480,000	\$ 314,579	\$ 794,579
2019	500,000	298,241	798,241
2020	515,000	280,341	795,341
2021	535,000	261,791	796,791
2022	550,000	241,754	791,754
2023-2027	3,130,000	851,473	3,981,473
2028-2032	1,985,000	218,803	2,203,803
2033-2034	<u>390,000</u>	<u>15,800</u>	<u>405,800</u>
Total	<u>\$ 8,085,000</u>	<u>\$ 2,482,782</u>	<u>\$ 10,567,782</u>

A description of the purpose for each bond issuance follows:

\$8,000,000, Series 2009, certificates of obligation, issued for the purpose of water and sewer infrastructure improvements including the purchase of land and right-of-ways.

\$2,910,000, Series 2014, certificates of obligation, issued for the purpose of sewer infrastructure improvements including the purchase of land and right-of-ways.

**F. Operating Leases**

The City has eight operating leases within the Water and Sewer Fund with DART for the leasing of right-of way.

<u>Year Ending September 30:</u>	<u>Annual Payment</u>
2018	\$ 19,730
2019	<u>21,210</u>
Total	<u>\$ 40,940</u>

**G. Defined Benefit Pension Policies**

***Plan Descriptions***

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS.

***Benefits Provided***

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	70% of CPI Repeating

***Employees covered by benefit terms***

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	87
Active employees	<u>112</u>
	<u><u>231</u></u>

**Contributions.** The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.76% and 14.52% in calendar years 2016 and 2017, respectively. The city’s contributions to TMRS for the year ended September 30, 2017, were \$1,003,913, and were equal to the required contributions.

**Net Pension Liability.** The city’s Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rate multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major assets class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

### ***Discount Rate***

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

### ***Changes in the Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 16,036,931	\$ 13,028,867	\$ 3,008,064
Changes for the year:			
Service cost	1,296,399	-	1,296,399
Interest	1,111,877	-	1,111,877
Difference between expected and actual experience	219,473	-	219,473
Changes of assumptions	-	-	-
Contributions - employer	-	931,923	( 931,923)
Contributions - employee	-	474,375	( 474,375)
Net investment income	-	879,201	( 879,201)
Benefit payments, including refunds of employee contributions	( 425,744)	( 425,744)	-
Administrative expense	-	( 9,944)	9,944
Other changes	-	( 537)	537
Net changes	<u>2,202,005</u>	<u>1,849,274</u>	<u>352,731</u>
Balance at 12/31/2016	<u>\$ 18,238,936</u>	<u>\$ 14,878,141</u>	<u>\$ 3,360,795</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 6,745,191	\$ 3,360,795	\$ 683,356

### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmrs.org](http://www.tmrs.org).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended September 30, 2017, the City recognized pension expense of \$1,267,773.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred <u>Outflows of Resources</u>	Deferred <u>Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 176,184	\$ 117,072
Changes in actuarial assumptions	28,347	-
Difference between projected and actual investment earnings	550,981	-
Contributions subsequent to the measurement date	<u>732,250</u>	<u>-</u>
Total	<u>\$ 1,487,762</u>	<u>\$ 117,072</u>

\$732,250 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30,		
2018	\$	202,840
2019		202,838
2020		187,133
2021		42,601
2022		<u>3,028</u>
	\$	<u>638,440</u>

### ***Group-term Life Insurance***

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefit's Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal years ended 2017, 2016 and 2015 were \$8,080, \$7,731, and \$7,117, respectively, which equaled the required contributions each year.

#### **H. Health Care Coverage**

During the year ended September 30, 2017, employees of the City were covered by a health insurance plan ("Plan"). The City contributed \$520 per month per employee and 60% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay additional contributions for dependents. All contributions were paid to Blue Cross Blue Shield. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

#### **I. Insurance Coverage**

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2012, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

#### **J. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settlement claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

#### **K. Litigation**

There are no threatened or pending litigations against the City at fiscal year-end.

## **L. Additional Water and Sewer Information**

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Pumped	1,404,775,000
Gallons Billed	1,286,948,000

The City of Murphy secures its water supply and sewer services from the North Texas Municipal Water District (“District”), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas Independent of the City. The District is governed by a 17-member board (“Board”). The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee or rental due to the District. Because of these factors, the District is not included in the City’s basic financial statements.

The City purchases all of its water from the North Texas Municipal Water District. The cost for water purchases is calculated based upon the maximum or peak usage of prior years. The City currently pays \$2.58 per thousand gallons of water for this fiscal year.

The City is also contracted for wastewater treatment services with the District. The District has been designated by the Texas Water Quality Board as the regional agency to provide and develop a Regional System for Wastewater Treatment in the general area of the East Fork of the Trinity River, which includes the City of Murphy and other cities located in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Relative thereto, the City and other cities have entered into wastewater system contracts with the District, which provide for the establishment, operation, and maintenance of a Regional Wastewater System for the purpose of providing facilities to adequately receive, transport, treat, and dispose of wastewater for the cities. In order to provide said services, the contract provides that (a) the District will acquire, design, construct, and complete the system, repair, replace and/or extend the system to provide service to the cities; (b) in consideration of payments to be made under the contract, each of the cities shall have the right to discharge all of its wastewater from its sewage system into the District’s system, subject to certain quality requirements set forth in the contract; (c) the District will issue its bonds, in amounts and at times determined by the District, to provide for the wastewater treatment facilities; (d) each city agrees to pay its proportionate share of the annual requirement sufficient to pay or provide for the payment of an “Operation and Maintenance Component” and a “Bond Service Component”; (e) each city’s proportionate share of the annual requirement shall be a percentage obtained by dividing such city’s estimated contributing flow to the system by the total estimated contributing flow to the system by all cities during such fiscal year. No city will exercise oversight responsibility of the District and no city is liable for the District’s debt. The City of Murphy’s payment for the year ended September 30, 2017 was \$328,750, net of payments to the City for facilities usage.

**M. Construction Commitments**

The City has active construction projects as of September 30, 2017. The projects include park infrastructure and improvements, street infrastructure, and water/wastewater infrastructure improvements. At September 31, 2017, the City’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Park Development	\$ 642,482	\$ -
Street Infrastructure	1,927,919	742,881
Utilities	1,500,615	567,393
Radio Replacement Project	1,656,414	-
Totals	<u>\$ 5,727,430</u>	<u>\$ 1,310,274</u>

**N. Interfund Transactions**

Transfers between funds during the fiscal year were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Water Sewer Fund	General Fund	\$ 850,000
		<u>\$ 850,000</u>

**O. Murphy Community Development Corporation**

The Murphy Community Development Corporation (“CDC”) is financed with the City transferring ¼ of sales tax receipts each month. This has voter approval and is to be used to fund public projects to enhance the quality of life in the community.

**1. Deposits and Investments**

Cash and investment as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Unrestricted cash	\$ <u>612,564</u>

**Custodial credit risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2017, CDC deposits with financial institutions were covered by FDIC and fully collateralized.

**2. Receivables**

Receivables for CDC at the end of the current fiscal year were as follows:

Receivables:	
Sales tax	\$ <u>161,786</u>

**3. Pledged Revenues**

In December 2010, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of the Community Recreation Center involving the acquisition of real property, construction, renovation, equipping and improving operations of the Center and related infrastructure. The Board of Directors of the CDC agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City began in FY2013 with the final payment being due in FY2017.

In August 2012, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of the City Central Park involving the acquisition of real property, construction, renovation, equipping and improving operations of the Park and related infrastructure. The Board of Directors of the CDC agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City begin in FY2015 with the final payment being due in FY2019.

The amount pledged revenue recognized during the fiscal year was \$985,944 and the amount of debt service expenditures paid were \$338,468.

Debt service requirements are as follows:

<u>Year Ending September 30:</u>	<u>Total Requirements</u>
2018	\$ 204,118
2019	<u>206,384</u>
Total	<u>\$ 410,502</u>

**P. Murphy Municipal Development District**

In November, 2011, the City held a special election for the purpose of submitting to qualified voters to terminate the Murphy Economic Development Corporation (Type A) and the abolition of its sales tax for the promotion and development of new and expanded business enterprises at the rate of one-half of one percent, and concurrently, authorize the creation of the City of Murphy Municipal Development District (“MDD”) with the imposition of a sales and use tax at the rate of one-half of one percent for the purpose of financing development projects beneficial to the district.



#### 4. Pledged Revenues

In December 2013, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of City park facilities, the renovation of the City Community Recreation Center, providing signage for the municipal complex and the construction of an animal shelter. The Board of Directors of the Murphy Municipal Development District agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City began in FY 2015 with the final payment being due in FY 2020.

The amount of pledged revenue recognized during the fiscal year was \$979,152 and the amount of debt service expenditures paid were \$150,392.

Pledged revenue requirements are as follows:

<u>Year Ending September 30,</u>	<u>Total Requirements</u>
2018	\$ 125,000
2019	125,000
2020	<u>125,000</u>
Total	<u>\$ 375,000</u>

#### Q. Subsequent Events

The City approved the issuance of new debt on February 6, 2018. The City of Murphy, Texas Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2018 in the amount of \$5.7 million. The bonds will be used for water and wastewater capital improvement projects.

# CITY OF MURPHY, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Plan Year	2014	2015	2016
<b>A. Total pension liability</b>			
Service Cost	\$ 1,050,852	\$ 1,245,327	\$ 1,296,399
Interest (on the Total Pension Liability)	918,661	1,026,901	1,111,877
Difference between expected and actual experience	( 124,436)	( 100,244)	219,473
Changes of assumptions	-	46,815	-
Benefit payments, including refunds of employee contributions	( 333,601)	( 458,443)	( 425,744)
Net change in total pension liability	1,511,476	1,760,356	2,202,005
Total pension liability - beginning	12,765,099	14,276,575	16,036,931
Total pension liability - ending (a)	\$ 14,276,575	\$ 16,036,931	\$ 18,238,936
<b>B. Plan fiduciary net position</b>			
Contributions - Employer	\$ 638,669	\$ 943,727	\$ 931,923
Contributions - Employee	423,071	473,766	474,375
Net Investment Income	613,963	17,806	879,201
Benefit payments, including refunds of employee contributions	( 333,601)	( 458,443)	( 425,744)
Administrative Expenses	( 6,408)	( 10,842)	( 9,944)
Other	( 527)	( 536)	( 537)
Net change in plan fiduciary net position	1,335,167	965,478	1,849,274
Plan fiduciary net position - beginning	10,728,222	12,063,389	13,028,867
Plan fiduciary net position - ending (b)	\$ 12,063,389	\$ 13,028,867	\$ 14,878,141
<b>C. Net pension liability - ending (a) - (b)</b>	<b>\$ 2,213,186</b>	<b>\$ 3,008,064</b>	<b>\$ 3,360,795</b>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	84.50%	81.24%	81.57%
<b>E. Covered employee payroll</b>	\$ 6,043,871	\$ 6,768,083	\$ 6,776,784
<b>F. Net position liability as a percentage of covered employee payroll</b>	36.62%	44.44%	49.59%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

**CITY OF MURPHY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Fiscal Year	2014	2015	2016	2017
Actuarial determined contribution	\$ 622,027	\$ 841,012	\$ 906,822	\$ 995,834
Contributions in relation to the actuarially determined contribution	<u>622,027</u>	<u>841,012</u>	<u>906,822</u>	<u>995,834</u>
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	5,931,242	6,442,822	6,708,287	6,997,115
Contributions as a percentage of covered employee payroll	10.49%	13.05%	13.52%	14.23%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with scale BB.

**Other Information:**

Notes There were no benefit changes during the year.

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

## CITY OF MURPHY, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

#### **Budgets**

The City adopts an “appropriated budget” of the governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- On or before the 10<sup>th</sup> day of August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and revenues and an accompanying budget message.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the City Council takes no action on or prior to such day, the current budget shall be in force on a month-to-month basis until a new budget is adopted by the City Council.
- Budgets for the General Fund and the Debt Service Fund are legally adopted on a basis consistent with GAAP. The majority of the City’s Capital Projects Funds are budgeted on an annual basis.
- The level of control (the level at which expenditures may not exceed budget) is the department level. The City Manager and/or the Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter any department must be approved by the city Council.

Encumbrances for goods or services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year’s budget.

**CITY OF MURPHY, TEXAS**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 4,001,700	\$ 4,001,700	\$ 3,994,576	\$( 7,124)
Investment income	2,000	2,000	8,530	6,530
Intergovernmental	<u>-</u>	<u>455,020</u>	<u>488,860</u>	<u>33,840</u>
Total revenues	<u>4,003,700</u>	<u>4,458,720</u>	<u>4,491,966</u>	<u>33,246</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	2,960,000	3,410,000	3,410,000	-
Interest and fiscal charges	<u>1,022,700</u>	<u>1,027,720</u>	<u>1,039,308</u>	<u>( 11,588)</u>
Total expenditures	<u>3,982,700</u>	<u>4,437,720</u>	<u>4,449,308</u>	<u>( 11,588)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>21,000</u>	<u>21,000</u>	<u>42,658</u>	<u>21,658</u>
<b>NET CHANGE IN FUND BALANCE</b>	21,000	21,000	42,658	21,658
<b>FUND BALANCE, BEGINNING</b>	<u>859,855</u>	<u>859,855</u>	<u>859,855</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 880,855</u>	<u>\$ 880,855</u>	<u>\$ 902,513</u>	<u>\$ 21,658</u>

**CITY OF MURPHY, TEXAS**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Grant	\$ 1,045,000	\$ 1,045,000	\$ 997,312	\$( 47,688)
Investment income	3,600	3,600	4,803	1,203
Miscellaneous	-	-	744	( 744)
Total revenues	<u>1,048,600</u>	<u>1,048,600</u>	<u>1,002,859</u>	<u>( 45,741)</u>
<b>EXPENDITURES</b>				
Bond issue costs	-	-	13,950	( 13,950)
Capital outlays:				
Public works	8,000	8,000	-	8,000
Park and recreation	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,449,388</u>	<u>70,612</u>
Total expenditures	<u>1,528,000</u>	<u>1,528,000</u>	<u>1,463,338</u>	<u>64,662</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>( 479,400)</u>	<u>( 479,400)</u>	<u>( 460,479)</u>	<u>18,921</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 479,400)</u>	<u>( 479,400)</u>	<u>( 460,479)</u>	<u>18,921</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,780,358</u>	<u>1,780,358</u>	<u>1,780,358</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,300,958</u>	<u>\$ 1,300,958</u>	<u>\$ 1,319,879</u>	<u>\$ 18,921</u>

**CITY OF MURPHY, TEXAS**  
**BALANCE SHEET - COMPONENT UNIT**  
**COMMUNITY DEVELOPMENT CORPORATION**  
**SEPTEMBER 30, 2017**

	<u>Community Development Corporation</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 612,564
Receivables (net of allowances for uncollectibles)	<u>161,786</u>
<b>Total assets</b>	<u>774,350</u>
<b>LIABILITIES:</b>	
Accounts payable	72,002
Accrued liabilities	3,412
Other liabilities	<u>9</u>
<b>Total liabilities</b>	<u>75,423</u>
<b>FUND BALANCE</b>	
Unassigned	<u>698,927</u>
<b>Total Fund Balance</b>	<u>698,927</u>
<b>Total liabilities and fund balance</b>	<u>\$ 774,350</u>

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - COMPONENT UNIT**  
**COMMUNITY DEVELOPMENT CORPORATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Community Development Corporation</u>
<b>REVENUE</b>	
Sales tax	\$ 985,944
Donations	23,087
Investment income	979
Total revenues	<u>1,010,010</u>
 <b>EXPENDITURES</b>	
Current	
Personnel services	74,158
Administration	114,041
Contractual services	14,664
Community events	254,535
Intergovernmental	338,469
Capital outlay	36,289
Total expenditures	<u>832,156</u>
 <b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	 <u>177,854</u>
 <b>FUND BALANCE/EQUITY, OCTOBER 1</b>	 <u>521,073</u>
 <b>FUND BALANCE/EQUITY, SEPTEMBER 30</b>	 <u>\$ 698,927</u>

**CITY OF MURPHY, TEXAS**  
**BALANCE SHEET - COMPONENT UNIT**  
**MURPHY MUNICIPAL DEVELOPMENT DISTRICT**  
**SEPTEMBER 30, 2017**

	Murphy Municipal Development District
<b>ASSETS</b>	
Cash and equivalents	\$ 1,588,778
Receivables (net of allowances for uncollectibles)	<u>159,688</u>
<b>Total assets</b>	<u>1,748,466</u>
<b>LIABILITIES</b>	
Accounts payable	<u>6,709</u>
<b>Total liabilities</b>	<u>6,709</u>
<b>FUND BALANCE</b>	
Unassigned	<u>1,741,757</u>
<b>Total Fund Balance</b>	<u>1,741,757</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 1,748,466</u>

**CITY OF MURPHY, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION - COMPONENT UNIT**  
**MURPHY MUNICIPAL DEVELOPMENT DISTRICT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Total fund balances - governmental funds</b>	\$ 1,741,757
Revenue reported as unearned revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	<u>-</u>
<b>Net position of governmental activities - statement of net position</b>	<u>\$ 1,741,757</u>

**CITY OF MURPHY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE**  
**MURPHY MUNICIPAL DEVELOPMENT DISTRICT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Murphy Municipal Development District <hr style="border: 0.5px solid black;"/>
<b>REVENUE</b>	
Sales tax	\$ 979,152
Investment income	6,652
Total revenues	<hr style="border: 0.5px solid black;"/> 985,804
<b>EXPENDITURES</b>	
Current	
Administration	274,200
Contractual Services	247,126
Intergovernmental	150,392
Capital Outlay	116,179
Total expenditures	<hr style="border: 0.5px solid black;"/> 787,897
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	197,907
<b>FUND BALANCE/EQUITY, OCTOBER 1</b>	<hr style="border: 0.5px solid black;"/> 1,543,850
<b>FUND BALANCE/EQUITY, SEPTEMBER 30</b>	\$ <u><u>1,741,757</u></u>

**CITY OF MURPHY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
MURPHY MUNICIPAL DEVELOPMENT DISTRICT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Net change in fund balance - total governmental funds</b>	\$ 197,907
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	<u>-</u>
<b>Change in net position of governmental activities - statement of activities</b>	<u><u>\$ 197,907</u></u>

**CITY OF MURPHY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL**  
**COMMUNITY DEVELOPMENT CORPORATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Sales tax	\$ 953,500	\$ 953,500	\$ 985,944	\$ 32,444
Donations	10,000	10,000	23,087	( 13,087)
Investment income	500	499	979	480
Total revenues	964,000	963,999	1,010,010	46,011
<b>EXPENDITURES</b>				
Current				
Personnel services	70,900	72,600	74,158	( 1,558)
Administration	147,800	48,100	114,041	( 65,941)
Contractual services	3,200	16,564	14,664	1,900
Community events	295,300	295,300	254,535	40,765
Supplies	243,000	2,901	-	2,901
Intergovernmental	339,000	339,000	338,469	531
Capital outlay	37,000	37,000	36,289	711
Total expenditures	1,136,200	811,465	832,156	( 20,691)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>				
	( 172,200)	152,534	177,854	25,320
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	242,500	( 98,000)	-	98,000
	242,500	( 98,000)	-	98,000
<b>NET CHANGE IN FUND BALANCES</b>				
	( 172,200)	152,534	177,854	25,320
<b>FUND BALANCE/EQUITY, OCTOBER 1</b>				
	521,073	521,073	521,073	-
<b>FUND BALANCE/EQUITY, SEPTEMBER 30</b>				
	\$ 348,873	\$ 673,607	\$ 698,927	\$ 25,320

**CITY OF MURPHY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL**  
**MURPHY MUNICIPAL DEVELOPMENT DISTRICT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Sales tax	\$ 953,500	\$ 953,500	\$ 979,152	\$ 25,652
Investment income	<u>5,000</u>	<u>5,000</u>	<u>6,652</u>	<u>1,652</u>
Total revenues	<u>958,500</u>	<u>958,500</u>	<u>985,804</u>	<u>27,304</u>
<b>EXPENDITURES</b>				
Current				
Administration	292,500	277,500	274,200	3,300
Contractual Services	222,200	237,200	247,126	( 9,926)
Intergovernmental	129,100	129,100	150,392	( 21,292)
Capital Outlay	<u>-</u>	<u>-</u>	<u>116,179</u>	<u>( 116,179)</u>
Total expenditures	<u>643,800</u>	<u>643,800</u>	<u>787,897</u>	<u>( 144,097)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	314,700	314,700	197,907	( 116,793)
<b>OTHER REVENUES AND FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Revenues and Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>314,700</u>	<u>314,700</u>	<u>197,907</u>	<u>( 116,793)</u>
<b>FUND BALANCE/EQUITY, OCTOBER 1</b>	<u>1,543,850</u>	<u>1,543,850</u>	<u>1,543,850</u>	<u>-</u>
<b>FUND BALANCE/EQUITY, SEPTEMBER 30</b>	<u>\$ 1,858,550</u>	<u>\$ 1,858,550</u>	<u>\$ 1,741,757</u>	<u>\$ ( 116,793)</u>

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**STATISTICAL  
SECTION**

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**City of Murphy, Texas**  
**STATISTICAL SECTION**  
(UNAUDITED)

This part of the City of Murphy, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	75
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	88
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	93
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future</i>	
Demographic and Economic Information	99
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	101
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF MURPHY, TEXAS**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 37,750	\$ 41,606	\$ 40,527	\$ 41,513
Restricted	1,884	1,034	1,134	1,049
Unrestricted	<u>2,334</u>	<u>2,102</u>	<u>2,711</u>	<u>2,943</u>
Total governmental activities net position	<u>\$ 41,968</u>	<u>\$ 44,742</u>	<u>\$ 44,372</u>	<u>\$ 45,505</u>
<b>Business-type activities:</b>				
Net investment in capital assets	\$ 28,918	\$ 28,568	\$ 27,822	\$ 27,325
Restricted	2,280	921	637	606
Unrestricted	<u>79</u>	<u>1,835</u>	<u>1,769</u>	<u>2,163</u>
Total business-type activities net position	<u>\$ 31,277</u>	<u>\$ 31,324</u>	<u>\$ 30,228</u>	<u>\$ 30,094</u>
<b>Primary government:</b>				
Net investment in capital assets	\$ 66,668	\$ 70,174	\$ 68,349	\$ 68,838
Restricted	4,164	1,955	1,771	1,655
Unrestricted	<u>2,413</u>	<u>3,937</u>	<u>4,480</u>	<u>5,106</u>
Total primary government net position	<u>\$ 73,245</u>	<u>\$ 76,066</u>	<u>\$ 74,600</u>	<u>\$ 75,599</u>

Source: Comprehensive Annual Financial Reports

**TABLE 1**

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 42,865	\$ 44,574	\$ 47,365	\$ 50,922	\$ 48,931	55,882
903	887	818	832	2,611	2,209
3,922	5,232	5,616	2,455	4,543	3,127
\$ 47,690	\$ 50,693	\$ 53,799	\$ 54,209	\$ 56,085	\$ 61,218
\$ 27,031	\$ 25,025	\$ 24,910	22,284	25,461	25,647
686	652	647	647	674	707
1,933	3,483	3,464	6,332	3,398	3,146
\$ 29,650	\$ 29,160	\$ 29,021	\$ 29,263	\$ 29,533	\$ 29,500
\$ 69,896	\$ 69,599	\$ 72,275	\$ 73,206	\$ 74,392	\$ 81,529
1,589	1,539	1,465	1,479	3,285	2,916
5,855	8,715	9,080	8,787	7,941	6,273
\$ 77,340	\$ 79,853	\$ 82,820	\$ 83,472	\$ 85,618	\$ 90,718

**CITY OF MURPHY, TEXAS**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 2,832	\$ 2,169	\$ 2,971	\$ 3,210
Public safety	4,324	4,678	4,656	4,859
Public service	-	536	484	596
Public works	1,708	560	1,164	1,114
Sanitation services	604	608	624	647
Parks and recreation	917	768	934	1,051
Development	711	-	-	-
Interest on long-term debt	1,282	1,300	1,417	1,605
Total governmental activities expenses	<u>12,378</u>	<u>10,619</u>	<u>12,250</u>	<u>13,082</u>
Business-type activities:				
Water and sewer	5,035	4,190	4,999	5,194
Total business-type activities expenses	<u>5,035</u>	<u>4,190</u>	<u>4,999</u>	<u>5,194</u>
Total primary government expenses	<u>\$ 17,413</u>	<u>\$ 14,809</u>	<u>\$ 17,249</u>	<u>\$ 18,276</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
General government	\$ 600	\$ 1,386	\$ 79	\$ 85
Public safety	16	165	194	164
Public works	1,316	764	797	840
Public services	-	-	493	571
Parks and recreation	-	40	53	55
Sanitation services	704	730	776	810
Operating grants and contributions	34	20	22	56
Capital grants and contributions	280	144	-	879
Total governmental activities program revenues	<u>2,950</u>	<u>3,249</u>	<u>2,414</u>	<u>3,460</u>
Business-type activities:				
Charges for services:				
Water and sewer	5,884	5,301	5,173	6,188
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>5,884</u>	<u>5,301</u>	<u>5,173</u>	<u>6,188</u>
Total primary government program revenues	<u>\$ 8,834</u>	<u>\$ 8,550</u>	<u>\$ 7,587</u>	<u>\$ 9,648</u>

**TABLE 2**

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 3,705	\$ 3,636	\$ 3,517	\$ 4,051	\$ 5,266	\$ 5,522	
5,062	5,291	5,525	5,905	6,268	6,478	
704	789	630	702	684	723	
1,476	1,220	1,275	1,587	1,812	2,122	
676	698	721	1,433	1,101	1,217	
1,472	1,545	1,582	151	121	157	
-	131	110	756	761	770	
<u>1,584</u>	<u>1,129</u>	<u>1,218</u>	<u>1,228</u>	<u>986</u>	<u>933</u>	
<u>14,679</u>	<u>14,439</u>	<u>14,578</u>	<u>15,813</u>	<u>16,999</u>	<u>17,922</u>	
<u>5,739</u>	<u>6,461</u>	<u>6,507</u>	<u>7,388</u>	<u>8,172</u>	<u>8,668</u>	
<u>5,739</u>	<u>6,461</u>	<u>6,507</u>	<u>7,388</u>	<u>8,172</u>	<u>8,668</u>	
\$ <u>20,418</u>	\$ <u>20,900</u>	\$ <u>21,085</u>	\$ <u>23,201</u>	\$ <u>25,171</u>	\$ <u>26,590</u>	
\$ 95	\$ 39	\$ 40	\$ 15	\$ 15	\$ 11	
172	832	682	716	698	804	
1,007	213	217	559	1,017	612	
536	939	727	117	139	129	
62	121	137	220	221	228	
823	903	897	917	916	938	
218	369	245	717	1,485	750	
<u>2,540</u>	<u>1,976</u>	<u>1,546</u>	<u>2,821</u>	<u>1,689</u>	<u>3,275</u>	
<u>5,453</u>	<u>5,392</u>	<u>4,491</u>	<u>6,082</u>	<u>6,180</u>	<u>6,747</u>	
6,276	7,059	7,188	8,623	8,980	9,440	
-	-	-	-	-	-	
<u>6,276</u>	<u>7,059</u>	<u>7,188</u>	<u>8,623</u>	<u>8,980</u>	<u>9,440</u>	
\$ <u>11,729</u>	\$ <u>12,451</u>	\$ <u>11,679</u>	\$ <u>14,705</u>	\$ <u>15,160</u>	\$ <u>16,187</u>	

**CITY OF MURPHY, TEXAS**  
**CHANGES IN NET POSITION**  
**LAST NINE FISCAL YEARS**  
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 9,428)	\$( 7,370)	\$( 9,836)	\$( 9,622)
Business-type activities	849	1,111	174	994
Total primary government net expense	<u>( 8,579)</u>	<u>( 6,259)</u>	<u>( 9,662)</u>	<u>( 8,628)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Taxes				
Property	6,229	7,414	7,936	8,347
Sales	1,238	795	873	952
Franchise	667	809	702	820
Investment income	173	115	27	76
Donations	-	237	17	-
Extraordinary revenue	713	-	-	-
Miscellaneous	155	50	105	81
Transfers	<u>1,289</u>	<u>854</u>	<u>850</u>	<u>850</u>
Total governmental activities	<u>10,464</u>	<u>10,274</u>	<u>10,510</u>	<u>11,126</u>
Business-type activities:				
Investment income	69	33	25	14
Donations	-	25	-	-
Extraordinary revenue	198	-	-	-
Miscellaneous	13	57	11	5
Transfers	<u>( 1,289)</u>	<u>( 854)</u>	<u>( 850)</u>	<u>( 850)</u>
Total business-type activities	<u>( 1,009)</u>	<u>( 739)</u>	<u>( 814)</u>	<u>( 831)</u>
Total primary government	<u>9,455</u>	<u>9,535</u>	<u>9,696</u>	<u>10,295</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	1,036	2,904	674	1,504
Business-type activities	<u>( 160)</u>	<u>372</u>	<u>( 640)</u>	<u>163</u>
Total primary government	<u>\$ 876</u>	<u>\$ 3,276</u>	<u>\$ 34</u>	<u>\$ 1,667</u>

Notes:

In April 2007, the City increased sales tax local option from 1% to 2% resulting in additional sales tax revenues of \$10,614 in FY 2007.

For FY 2008, the City had \$11,561 in additional sales tax revenues due to the increase in the sales tax local option from 1% to 2%. This was the first year to have 12 months (annual) with this increase.

Source: Comprehensive Annual Financial Reports

**TABLE 2**

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$( 9,226)	\$( 9,047)	\$( 10,087)	\$( 9,731)	\$( 10,819)	\$( 11,175)
<u>537</u>	<u>598</u>	<u>681</u>	<u>1,235</u>	<u>808</u>	<u>772</u>
<u>( 8,689)</u>	<u>( 8,449)</u>	<u>( 9,406)</u>	<u>( 8,496)</u>	<u>( 10,011)</u>	<u>( 10,403)</u>
8,477	8,962	9,348	9,911	10,483	11,179
1,049	1,300	1,625	1,801	2,006	2,001
925	855	970	1,041	1,029	992
20	17	12	11	26	49
-	-	-	-	-	-
-	-	-	-	-	-
42	281	389	57	770	1,236
<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>
<u>11,363</u>	<u>12,265</u>	<u>13,194</u>	<u>13,671</u>	<u>15,164</u>	<u>16,307</u>
9	6	4	6	19	32
-	-	-	-	-	-
-	-	-	-	-	-
30	10	25	22	35	12
<u>( 850)</u>	<u>( 850)</u>				
<u>( 811)</u>	<u>( 834)</u>	<u>( 821)</u>	<u>( 822)</u>	<u>( 796)</u>	<u>( 806)</u>
<u>10,552</u>	<u>11,431</u>	<u>12,373</u>	<u>12,849</u>	<u>14,368</u>	<u>15,501</u>
2,137	3,218	3,107	3,940	4,344	5,132
<u>( 274)</u>	<u>( 236)</u>	<u>( 140)</u>	<u>413</u>	<u>12</u>	<u>( 34)</u>
<u>\$ 1,863</u>	<u>\$ 2,982</u>	<u>\$ 2,967</u>	<u>\$ 4,353</u>	<u>\$ 4,356</u>	<u>\$ 5,098</u>

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TABLE 3

**CITY OF MURPHY, TEXAS**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts expressed in thousands)

<u>Fiscal Year Ended</u>	<u>Property Tax</u>	<u>Sales Tax*</u>	<u>Franchise Tax</u>	<u>Total</u>
2008	\$ 6,229	\$ 1,238	\$ 667	\$ 8,134
2009	7,414	795	809	9,018
2010	7,936	879	702	9,517
2011	8,347	953	820	10,120
2012	8,477	1,049	925	10,451
2013	8,950	1,299	856	11,105
2014	9,365	1,625	970	11,960
2015	9,892	1,801	1,041	12,734
2016	10,483	2,006	1,029	13,517
2017	11,179	2,001	992	14,172

\* Prior to 2009, the discretely presented component units' sales tax revenues were included in this amount.

**CITY OF MURPHY, TEXAS**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
General fund				
Nonspendable - prepaid items	\$ -	\$ -	\$ 18	\$ 10
Restricted for:				
Court use	93	103	127	147
Animal shelter	-	-	-	-
PEG fees	-	-	-	-
Assigned for:				
Police	-	10	12	12
Unassigned	<u>942</u>	<u>1,648</u>	<u>2,567</u>	<u>3,044</u>
Total general fund	<u>\$ 1,035</u>	<u>\$ 1,761</u>	<u>\$ 2,724</u>	<u>\$ 3,213</u>
All other governmental funds				
Restricted for:				
Debt service	\$ 876	\$ 935	\$ 1,008	\$ 902
Capital improvements	337	7,108	8,964	8,657
Assigned for:				
Capital projects	547	477	-	435
Special revenues	<u>1,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,160</u>	<u>\$ 8,520</u>	<u>\$ 9,972</u>	<u>\$ 9,994</u>

Note:

\* Includes inventory, advances to other funds, and prepaid items.

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Source: Comprehensive Annual Financial Reports

**TABLE 4**

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 61
147	125	101	88	70	73
-	-	6	12	8	7
-	-	13	15	5	5
18	17	19	11	11	16
<u>3,060</u>	<u>3,557</u>	<u>3,635</u>	<u>3,965</u>	<u>5,155</u>	<u>5,036</u>
<u>\$ 3,225</u>	<u>\$ 3,699</u>	<u>\$ 3,774</u>	<u>\$ 4,091</u>	<u>\$ 5,278</u>	<u>\$ 5,198</u>
\$ 756	\$ 844	\$ 836	\$ 836	\$ 860	\$ 903
7,358	3,771	3,427	1,958	1,780	1,320
435	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 8,549</u>	<u>\$ 4,615</u>	<u>\$ 4,263</u>	<u>\$ 2,794</u>	<u>\$ 2,640</u>	<u>\$ 2,222</u>

**CITY OF MURPHY, TEXAS**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>REVENUES</b>				
Taxes:				
Property	\$ 6,229	\$ 7,427	\$ 8,020	\$ 8,324
Sales	1,238	795	873	953
Franchise	667	809	703	820
Charges for services	1,210	1,311	1,403	1,405
Licenses and permits	848	440	496	548
Fines and forfeitures	576	479	493	570
Investment income	173	115	26	76
Grant revenue	314	164	22	33
Intergovernmental	-	301	-	-
Donations	22	10	17	23
Miscellaneous	157	50	109	82
Total revenues	<u>11,434</u>	<u>11,901</u>	<u>12,162</u>	<u>12,834</u>
<b>EXPENDITURES</b>				
General government	2,668	2,070	2,060	2,292
Public safety	4,135	4,607	4,429	4,523
Public works	917	554	295	233
Public services and operations	-	555	481	595
Sanitation	604	609	624	648
Development	-	-	-	-
Parks and recreation	892	1,416	828	845
Capital Outlay	756	453	4,577	5,776
Debt service:				
Principal	1,370	2,965	1,565	2,270
Interest and fiscal charges	1,210	1,150	1,582	1,540
Other	-	176	-	130
Total expenditures	<u>12,552</u>	<u>14,555</u>	<u>16,441</u>	<u>18,852</u>

TABLE 5

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 8,466	\$ 8,950	\$ 9,365	\$ 9,892	\$ 10,483	\$ 11,179
1,049	1,299	1,625	1,801	2,006	2,001
925	856	970	1,041	1,029	992
1,451	1,595	1,633	1,647	1,739	1,766
721	891	689	521	941	560
536	442	367	370	304	360
20	17	12	11	26	49
752	1,133	640	2,816	620	999
188	1,212	1,095	717	765	821
27	23	84	11	4	2
49	295	400	67	779	1,254
<u>14,184</u>	<u>16,713</u>	<u>16,880</u>	<u>18,894</u>	<u>18,696</u>	<u>19,982</u>
2,615	2,669	2,552	3,060	4,250	4,831
4,754	4,974	5,267	5,683	5,876	6,219
256	240	307	285	231	271
698	783	624	668	646	675
676	698	721	756	761	770
78	131	110	152	119	153
1,089	1,096	1,128	1,137	1,118	1,493
3,319	6,232	3,330	4,862	2,978	2,455
2,928	2,914	2,874	3,095	3,235	3,410
1,588	1,317	1,244	1,198	1,099	1,039
115	-	-	-	-	14
<u>18,116</u>	<u>21,054</u>	<u>18,157</u>	<u>20,896</u>	<u>20,313</u>	<u>21,330</u>

**CITY OF MURPHY, TEXAS**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds/Note proceeds	-	9,415	5,875	9,655
Premium (Discount) on issuance of debt	-	-	( 32)	278
Payments to escrow agent	-	-	-	( 4,253)
Extraordinary revenue (expense)	( 590)	-	-	-
Capital leases	-	-	-	-
Transfers in	1,289	854	850	850
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>699</u>	<u>10,269</u>	<u>6,693</u>	<u>6,530</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>\$ ( 419)</u></u>	<u><u>\$ 7,615</u></u>	<u><u>\$ 2,414</u></u>	<u><u>\$ 512</u></u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>21.87%</u>	<u>29.18%</u>	<u>26.53%</u>	<u>29.14%</u>

Source: Comprehensive Annual Financial Reports

**TABLE 5**

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
13,195	-	150	-	1,800	-
789	-	-	-	-	-
( 12,335)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
850	850	850	850	851	850
-	-	-	-	( 1)	-
<u>2,499</u>	<u>850</u>	<u>1,000</u>	<u>850</u>	<u>2,650</u>	<u>850</u>
<u>\$( 1,433)</u>	<u>\$( 3,491)</u>	<u>\$( 277)</u>	<u>\$( 1,152)</u>	<u>\$ 1,033</u>	<u>\$( 498)</u>
<u>30.52%</u>	<u>28.52%</u>	<u>28.52%</u>	<u>26.41%</u>	<u>24.92%</u>	<u>30.47%</u>

**TABLE 6**

**CITY OF MURPHY, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts expressed in thousands)

Fiscal Year	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value <sup>(1)</sup>	Total Direct Tax Rate	Estimated Actual Taxable Value <sup>(1)</sup>	Total Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2008	\$ 1,243,105	\$ 78,719	\$ 29,409	\$ 1,292,415	0.4683	\$ 1,292,415	100.00%
2009	1,313,839	76,480	20,106	1,370,213	0.5183	1,370,213	100.00%
2010	1,335,852	168,299	20,102	1,484,049	0.5384	1,484,049	100.00%
2011	1,343,032	171,655	46,830	1,467,857	0.5650	1,467,857	100.00%
2012	1,344,417	200,050	44,852	1,499,615	0.5650	1,499,615	100.00%
2013	1,374,719	210,457	40,516	1,544,660	0.5700	1,544,660	100.00%
2014	1,456,899	231,165	49,666	1,638,398	0.5700	1,638,398	100.00%
2015	1,600,864	253,386	53,625	1,800,625	0.5500	1,800,625	100.00%
2016	1,788,854	259,811	73,647	1,975,018	0.5300	1,975,018	100.00%
2017	2,021,044	280,198	109,172	2,192,070	0.5000	2,192,070	100.00%

Source: Collin County Appraisal District

Note: Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

TABLE 7

**CITY OF MURPHY, TEXAS**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

(Unaudited) (Per \$100 of assessed value)

Fiscal Year Ended September 30,	City Direct Rates			Overlapping Rates*			
	General Fund	General Obligation Debt Service	Total Direct Rate	Plano Independent School District	Wylie Independent School District	Collin County	Collin County College District
2008	0.2688	0.1945	0.4633	1.2684	1.3900	0.2450	0.0870
2009	0.3341	0.1842	0.5183	1.3034	1.5100	0.2425	0.0865
2010	0.3341	0.2043	0.5384	1.3284	1.5900	0.2425	0.0863
2011	0.3174	0.2476	0.5650	1.3534	1.6400	0.2400	0.0863
2012	0.3174	0.2476	0.5650	1.3734	1.6400	0.2400	0.0863
2013	0.3295	0.2405	0.5700	1.3734	1.6400	0.2400	0.0862
2014	0.3415	0.2285	0.5700	1.4530	1.6400	0.2375	0.0836
2015	0.33627	0.2137	0.5500	1.4480	1.6400	0.2350	0.0820
2016	0.33322	0.1968	0.5300	1.4390	1.6400	0.2084	0.0821
2017	0.32775	0.1823	0.5100	1.4390	1.6400	0.1922	0.0798

Source: Collin County Appraisal District

\*Overlapping rates are those of local and county governments that apply to property owners within the City of Murphy.

**TABLE 8**

**CITY OF MURPHY, TEXAS  
PRINCIPAL PROPERTY TAXPAYERS  
SEPTEMBER 30, 2017  
(Unaudited)**

Taxpayer	2017			2008			
	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value	Assessed Taxpayer Value	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value
MURPHY MARKETPLACE STATION LLC	\$ 52,995	1	2.99%	MURPHY CROSSING SHOPPING CENTER	\$ 9,478	1	0.62%
WAL-MART REAL ESTATE BUSINESS TRUST	14,678	2	0.83%	ALLEN & LOUCKS VENTURE LP	9,184	2	0.46%
MURPHY CROSSING SHOPPING CENTER DALLAS TX LP	12,347	3	0.70%	FORESTAR (USA) REAL ESTATE GROUP	8,040	3	0.43%
LOWE'S HOME CENTERS INC	11,048	4	0.62%	MURPHY STORAGE PARTNERS LLC	6,957	4	0.34%
NSA PROPERTY HOLDINGS LLC	8,865	5	0.50%	WAL-MART TEXAS LP	6,443	5	0.30%
DUKE REALTY BEMC MURPHY DEVELOPMENT LLC	8,846	6	0.50%	MCBIRNEY #544 JV	6,266	6	0.28%
HEALTH CARE REIT INC	8,167	7	0.46%	ABS TX INVESTOR LP	5,400	7	0.26%
WAL-MART STORES TEXAS LLC	7,150	8	0.40%	SHADDOCK DEVELOPERS LTD	5,384	8	0.25%
GELO INVESTMENTS LLC	5,920	9	0.33%	ONE MURPHY VILLAGE LTD	4,311	9	0.23%
ABS TX INVESTOR LP	5,297	10	0.30%	LOWE'S HOME CENTERS INC	4,778	10	0.22%
<b>Total</b>	<b>\$ <u>135,313</u></b>		<b><u>7.62%</u></b>	<b>Total</b>	<b>\$ <u>66,241</u></b>		<b><u>3.38%</u></b>

Source: Collin Central Appraisal District

TABLE 9

**CITY OF MURPHY, TEXAS**  
**PROPERTY TAX LEVY AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts expressed in thousands)

Fiscal Year Ended	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 6,056	\$ 5,917	97.70%	105	\$ 6,022	99.44%
2009	7,315	7,286	99.60%	15	7,301	99.81%
2010	7,891	7,866	99.68%	10	7,876	99.81%
2011	8,297	8,274	99.72%	26	8,300	100.04% *
2012	8,455	8,432	99.73%	29	8,461	100.07% *
2013	8,782	8,766	99.82%	19	8,785	100.03% *
2014	9,325	9,298	99.71%	14	9,298	99.71% *
2015	9,888	9,870	99.82%	3	9,873	99.85%
2016	10,451	10,424	99.74%	12	10,436	99.86%
2017	11,155	11,125	99.73%	-	11,125	99.73%

Source: Collin County Appraisal District

\* These years of levies have had adjustments that create collections greater than the original levy.

**CITY OF MURPHY, TEXAS**  
**WATER AND SEWER REVENUES**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts expressed in thousands)

Fiscal Year	Water	Sewer	Total
2008	\$ 2,496	\$ 2,103	\$ 4,599
2009	3,123	2,177	5,300
2010	3,529	1,644	5,173
2011	4,555	1,633	6,188
2012	4,357	1,329	5,686
2013	4,736	1,427	6,163
2014	4,297	2,271	6,568
2015	5,338	2,811	8,149
2016	6,177	3,103	9,280
2017	5,947	3,493	9,440

**TABLE 11**

**CITY OF MURPHY, TEXAS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

(Unaudited) (Amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities						Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes	Gen Oblig & Refunding Bonds	Capital Leases	Tax Note	Issuance Premiums	Revenue Bonds	Certificates of Obligation	Capital Leases	Issuance Premiums				
2008	\$ 25,750	\$ -	\$ 535	\$ -	\$ -	\$ -	\$ 490	\$ -	\$ -	\$ -	\$ 26,775	5.94%	\$ 1,927	
2009	24,450	-	8,285	-	-	-	275	8,000	-	-	41,010	8.69%	2,868	
2010	23,230	-	12,740	-	1,075	-	225	7,790	-	-	45,060	9.52%	3,140	
2011	17,615	-	20,845	-	1,685	-	175	7,495	-	-	47,815	8.19%	2,701	
2012	3,535	839	32,015	28	2,915	-	120	7,190	-	-	46,642	7.07%	2,634	
2013	2,655	340	32,292	14	2,305	1,647	60	6,924	-	44	46,281	7.19%	2,320	
2014	5,690	-	25,265	-	2,705	1,511	-	6,560	-	41	40,220	5.02%	1,950	
2015	4,725	-	23,730	-	2,100	1,524	-	9,000	-	188	41,267	4.83%	1,958	
2016	3,720	-	22,120	-	3,280	1,381	-	8,550	-	177	39,228	4.58%	1,747	
2017	3,510	-	19,795	-	2,405	1,237	-	8,085	-	166	35,198	3.55%	1,528	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 16 for personal income and population data.

**CITY OF MURPHY, TEXAS**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property	Per Capita
2008	\$ 535	\$ 535	\$ -	2.03%	\$ -
2009	8,285	935	7,350	2.39%	514
2010	12,740	1,007	11,733	2.49%	818
2011	20,845	902	19,943	2.73%	1,127
2012	32,015	756	31,259	2.08%	1,765
2013	37,252	844	36,408	2.36%	1,576
2014	35,171	836	34,335	1.75%	1,392
2015	32,079	836	31,243	1.74%	1,482
2016	35,948	747	35,201	1.78%	1,571
2017	32,794	804	31,990	1.46%	1,389

**CITY OF MURPHY, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2017**  
(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Collin County	\$ 402,800,000	1.89%	\$ 7,612,920
Collin County Community College District	31,600,000	1.89%	597,240
Plano Independent School District	852,635,313	3.17%	27,028,539
Wylie Independent School District	<u>307,599,292</u>	11.64%	<u>35,804,558</u>
	<u>\$ 1,594,634,605</u>		71,043,257
City of Murphy		100.00%	<u>26,947,492</u>
Total direct and overlapping debt			<u>\$ 97,990,749</u>

Source: Municipal Advisory Council of Texas

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Murphy. This process recognizes that, when considering the City of Murphy's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Murphy's boundaries and dividing it by the overlapping government's total taxable assessed value.

**CITY OF MURPHY, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

(Unaudited) (Amount expressed in the thousands)

	Fiscal Year			
	2008	2009	2010	2011
Debt limit	\$ 132,643	\$ 145,064	\$ 150,415	\$ 151,469
Total net obligation debt applicable to limit	<u>24,295</u>	<u>29,267</u>	<u>44,052</u>	<u>39,243</u>
Legal debt margin	<u>\$ 108,348</u>	<u>\$ 115,797</u>	<u>\$ 106,363</u>	<u>\$ 112,226</u>
Total net obligations debt applicable to the limit as a percentage of debt limit	18.32%	20.18%	29.29%	25.91%

**TABLE 14**

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 156,500	\$ 161,055	\$ 168,806	\$ 185,425	\$ 204,867	\$ 230,124	
<u>37,709</u>	<u>34,761</u>	<u>29,976</u>	<u>32,080</u>	<u>39,228</u>	<u>35,199</u>	
<u>\$ 118,791</u>	<u>\$ 126,294</u>	<u>\$ 138,830</u>	<u>\$ 153,345</u>	<u>\$ 165,639</u>	<u>\$ 194,925</u>	
24.10%	21.58%	17.76%	17.30%	19.15%	15.30%	

Legal Debt Margin Calculation of Fiscal Year 2017:

Assessed Value	\$ 2,192,070
Add back: exempt real property	<u>109,172</u>
Total assessed value	<u>\$ 2,301,242</u>
Debt limit (10% of total assessed value)	\$ 230,124
Debt application to limit:	
Long term bonds	34,255
Less: amount set aside for repayment of long term bonds	<u>836</u>
Total net debt applicable to limit	<u>\$ 33,419</u>
Legal debt margin	<u>\$ 196,705</u>

TABLE 15

**CITY OF MURPHY, TEXAS**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts expressed in thousands)

Fiscal Year	Water Revenue Bonds						Times Coverage
	Utility Services Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements			
				Principal	Interest		
2008	\$ 5,966	\$ 4,592	\$ 1,374	\$ 120	\$ 36	\$ 9	
2009	5,357	4,174	1,183	215	29	5	
2010	5,209	4,050	1,159	345	313	2	
2011	6,206	4,295	1,911	360	301	3	
2012	6,315	4,689	1,626	370	288	2	
2013	7,075	5,656	1,419	380	275	2	
2014	7,218	5,215	2,003	330	262	3	
2015	8,652	5,706	2,946	450	342	4	
2016	9,034	6,505	2,529	450	342	3	
2017	9,484	6,959	2,525	480	315	3	

Note: Operating expense excluded depreciation; charges and other includes investment income.

**CITY OF MURPHY, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

Calendar Year	Estimated Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate <sup>1</sup>
2008	13,896	\$ 451,105,848	\$ 32,463	34.4	14.0	64,220	2.3%
2009	14,300	471,900,000	33,000	35.8	14.0	65,552	6.0%
2010	14,350	473,550,000	33,000	35.8	14.0	67,355	6.0%
2011	17,700	584,100,000	33,000	37.0	14.0	68,489	6.0%
2012	17,708	659,268,840	37,230	34.9	14.0	68,109	5.4%
2013	19,950	643,946,100	32,278	35.4	14.0	67,839	5.8%
2014	20,625	801,466,875	38,859****	35.6	72.98%***	6,466**	4.7%*
2015	21,078	819,069,742	39,785****	36.0	80.85%***	5,646**	3.57%*
2016	22,447****	853,187,650****	35,057****	35.9****	79.84%***	5,022**	3.475%*
2017	23,032****	991,690,908****	41,738****	36.3****	78.16***	5,062**	3.48%*

Sources: \*Average rate for Collin County for 2015 according to Texas Workforce Commission (www.tracer2.com)

\*\*This is an actual total of students from Murphy enrolled in PISD and WISD (per PISD and WISD)

\*\*\*Percentage of residents that have completed college or higher level of education

(Data was provided by The Retail Coach)

\*\*\*\*Data was provided by The Retail Coach

TABLE 17

**CITY OF MURPHY, TEXAS  
PRINCIPAL AREA EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

Employer	2017			Employer	2008		
	No. of Employees	Rank	Percentage of Total City Employment		No. of Employees	Rank	Percentage of Total City Employment
Walmart	290	1	7.50%				
Lowe's Home Improvement	142	2	3.70%				
City of Murphy	125	3	3.27%				
McMillen High School	110	4	2.87%				
Murphy Middle School	109	5	2.85%				
Sprouts	85	6	2.22%				
Bogges Elementary School	78	7	2.04%				
Chick-fil-a	75	8	1.96%				
Hunt Elementary	74	9	1.93%				
Tibbals Elementary	65	10	1.70%				
				Albertson's	130	1	00.87%
				Murphy Middle School	120	2	00.80%
				Murphy City Hall	100	3	00.67%
				Lowe's	109	4	00.73%
				Walmart Neighborhood Market Stor	95	5	00.63%
				Hunt Elementary School	76	6	00.51%
				Tibbals Elementary School	71	7	00.47%
				Bogges Elementary School	63	8	00.42%
				McDonald's	35	9	00.23%
				Murphy Distribution Center - Plano	23	10	00.15%

Source: Texas Workforce Commission

**TABLE 18**

**CITY OF MURPHY, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	21	16.75	15.5	15.33	15	16	19	21	24	29
Public Safety										
Police										
Officers	22	22	21	22	22	22	24	24	24	24
Civilians	10	9	9	9	11	11	11	11	11	11
Fire										
Firefighters and officers	21	20	19	20	21	22	24	24	24	24
Civilians	2	2	1	1	1	1	1	1	1	1
Animal Control	1	1	1	1	1	2	2	2	2	2
Public Service										
Municipal Court	2.5	2.5	2.5	2	3	3	4	4	3	4
Cultural and Recreation	11	11.75	11.75	10.33	12	12	13	13	15	15
Water										
Administration	5.5	3	3	4.34	6	6	6	6	6	1
Water	10	8	8	7	10	10	10	10	9	9
Wastewater	2	1	1	1	1	1	1	1	1	1
<b>Total</b>	<b>108</b>	<b>97</b>	<b>93</b>	<b>93</b>	<b>103</b>	<b>106</b>	<b>115</b>	<b>117</b>	<b>121</b>	<b>121</b>

Source: Government Human Resource Department

Note: In prior years, some department information not available.

**TABLE 19**

**CITY OF MURPHY, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(Unaudited)**

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Physical arrests	247	183	367	490	489	374	346	198	217	184
Traffic violations	5,552	4,976	5,156	7,796	3,589	3,217	3,140	2,903	3,247	3,483
<b>Fire</b>										
Number of calls answered	943	987	950	1,124	1,079	1,202	1,204	1,301	1,449	1,332
Inspections	156	128	173	192	129	314	224	137	183	334
<b>Water</b>										
New Connections	206	157	166	146	217	130	98	97	79	22
Average daily consumption (gallons) <sup>3</sup> (thousands of gallons)	3,393	3,500	3,353	3,496	2,794	2,719	2,156	2,685	2,647	3,600
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	1,668	2,100	1,770	1,633	1,670	1,704	1,566	2,518	2,473	1,913

Sources: Various government departments and North Texas Municipal Water District

Note: Indicators are not available for the general government function

Sanitation services are provided by contractor

**TABLE 20**

**CITY OF MURPHY, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(Unaudited)**

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units/CID vehicles	12	9	12	12	15	21	19	19	20	21
Motorcycles	3	-	-	-	-	-	-	-	-	-
<b>Fire</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Engines	2	2	2	2	2	2	2	2	2	2
Ambulances	2	2	2	2	2	2	2	3	3	3
Vehicles	4	4	4	4	4	3	5	5	5	5
<b>Public works</b>										
Streets (miles)	78.0	80.0	82.5	82.5	82.5	82.5	82.5	82.5	82.5	82.5
<b>Culture and recreation</b>										
Parks (acreage)	235	280	280	284	297	285	322	322	322	322
Parks	6	8	11	14	14	9	10	10	10	10
Community center	-	-	-	-	1	1	1	1	1	1
<b>Water</b>										
Water lines (miles)	92.0	92.5	92.5	90.6	92.6	93.8	94.3	94.6	94.9	95.0
Fire hydrants	920	950	950	950	911	934	942	949	1,067	1,067
Maximum daily capacity (gallons)	6,200	6,500	6,500	6,212	6,216	6,216	6,216	6,216	5,250	4,943
<b>Wastewater</b>										
Sanitary sewers (miles)	92.0	92.5	92.5	81.0	82.8	84.6	84.6	85.0	85.3	85.0

Sources:

City departments, North Texas Water Municipal District

Note:

No capital asset indicators are available for the general government function.

**CITY OF MURPHY, TEXAS**  
**VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**  
**September 30, 2017**  
(Unaudited)

2016-17 Market Valuation Established by Collin County Appraisal District (excluding totally exempt property & Homestead Cap. Adj.)		\$ 2,301,128,266
Less Exemptions/Reductions at 100% Market Value:		
Agricultural/Open Space Land Use	\$ 9,481,901	
Homestead Cap	55,857,662	
Over 65 and Disabled	33,537,549	
Disabled Veterans	6,843,957	
Disabled Persons	<u>3,337,500</u>	<u>109,058,569</u>
2016-17 Taxable Assessed Valuation		<u>\$ 2,192,069,697</u>
General Debt Payable from Ad Valorem Taxes		\$ 37,670,000
General Interest and Sinking Fund as of September		<u>747,036</u>
Ratio General Tax Debt to Taxable Assessed Valuation		1.72%
2017 Estimated Population	19,500	
Per Capita Taxable Assessed Valuation	\$ 101,283	
Per Capita Net Funded Debt Payable from Ad Valorem Taxes	\$ 1,932	

Note: Collin Central Appraisal District - 2016 Certified Roll

**CITY OF MURPHY, TEXAS**  
**TAX RATE LEVY AND COLLECTION HISTORY**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

Fiscal Year	Tax Rate	General Fund	Interest and Sinking Fund	Total Tax Levy	Current Tax Collected	% of Levy Collected	% of Total Collections to Tax Levy
2008	\$ 0.4682	\$ 0.2688	\$ 0.1994	\$ 6,056,231	\$ 5,917,192	97.70%	99.44%
2009	0.5183	0.3341	0.1842	7,314,636	7,285,649	99.60%	99.80%
2010	0.5384	0.3341	0.2043	7,891,458	7,865,901	99.68%	99.80%
2011	0.5650	0.3174	0.2476	8,293,389	8,273,737	99.76%	99.99%
2012	0.5650	0.3174	0.2476	8,455,059	8,432,643	99.73%	99.94%
2013	0.5700	0.3295	0.2405	8,782,666	8,766,872	99.82%	99.42%
2014	0.5700	0.3415	0.2285	9,325,685	9,298,490	99.71%	99.71%
2015	0.5500	0.3363	0.2137	9,887,932	9,869,763	99.82%	99.82%
2016	0.5300	0.3332	0.0197	10,451,946	10,424,029	99.73%	99.73%
2017	0.5100	0.3228	0.1823	11,117,000	11,089,213	99.84%	99.84%

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**CITY OF MURPHY, TEXAS**  
**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2017**  
(Unaudited)

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2018	\$ 3,215,000	\$ 905,997	\$ 4,120,997	12.50%
2019	3,130,000	804,573	3,934,573	12.17%
2020	3,030,000	700,786	3,730,786	11.79%
2021	3,030,000	591,555	3,621,555	11.79%
2022	2,850,000	485,642	3,335,642	11.09%
2023	2,340,000	387,177	2,727,177	9.10%
2024	1,670,000	306,358	1,976,358	6.50%
2025	975,000	252,598	1,227,598	3.79%
2026	1,020,000	210,758	1,230,758	3.97%
2027	1,070,000	166,302	1,236,302	4.16%
2028	1,110,000	119,636	1,229,636	4.32%
2029	1,165,000	70,305	1,235,305	4.53%
2030	715,000	30,240	745,240	2.78%
2031	390,000	7,800	397,800	1.52%
	<u>\$ 25,710,000</u>	<u>\$ 5,039,727</u>	<u>\$ 30,749,727</u>	

**CITY OF MURPHY, TEXAS**  
**GOVERNMENTAL FUND REVENUES AND EXPENDITURE HISTORY**  
**GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>REVENUES</b>				
Taxes	\$ 8,133	\$ 9,031	\$ 9,596	\$ 10,097
Permits and licenses	848	440	496	548
Charge for services	1,210	1,311	1,403	1,405
Fines and forfeitures	576	479	493	570
Investment income	173	115	27	76
Grants	314	164	21	33
Intergovernmental revenue	-	301	-	-
Donations	21	10	17	23
Miscellaneous	157	50	109	82
Total revenues	<u>\$ 11,432</u>	<u>\$ 11,901</u>	<u>\$ 12,162</u>	<u>\$ 12,834</u>
<b>EXPENDITURES</b>				
General government	\$ 2,668	\$ 2,070	\$ 2,060	\$ 2,292
Public safety	4,190	4,607	4,429	4,523
Public works	226	554	295	233
Sanitation	603	609	624	648
Public service and operations	774	555	481	595
Culture and recreation	1,508	1,416	828	845
Development	-	-	-	-
Capital outlay	-	453	4,577	5,776
Debt service	2,580	4,291	3,147	3,940
Total expenditures	<u>\$ 12,549</u>	<u>\$ 14,555</u>	<u>\$ 16,441</u>	<u>\$ 18,852</u>

TABLE 4CD

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 10,439	\$ 11,105	\$ 11,960	\$ 12,734	\$ 13,518	\$ 14,172
721	891	688	521	941	560
1,451	1,595	1,633	1,647	1,739	1,766
536	442	367	370	304	360
23	17	12	11	26	49
752	1,133	640	2,816	620	999
188	1,211	1,095	717	765	821
27	23	84	11	4	2
48	295	400	67	779	1,253
<u>\$ 14,185</u>	<u>\$ 16,712</u>	<u>\$ 16,879</u>	<u>\$ 16,880</u>	<u>\$ 18,696</u>	<u>\$ 19,982</u>
\$ 2,615	\$ 2,669	\$ 2,552	\$ 3,060	\$ 4,250	\$ 4,831
4,754	4,974	5,267	5,683	5,876	6,219
256	241	307	285	231	271
676	697	721	756	761	770
698	783	624	668	646	675
1,089	1,096	1,127	1,137	1,118	1,493
77	131	113	152	119	153
3,319	6,232	3,330	4,862	2,978	2,455
4,631	4,230	4,119	4,293	4,334	4,463
<u>\$ 18,115</u>	<u>\$ 21,053</u>	<u>\$ 18,160</u>	<u>\$ 20,896</u>	<u>\$ 20,313</u>	<u>\$ 21,330</u>

**CITY OF MURPHY, TEXAS**  
**GOVERNMENTAL FUND REVENUES AND EXPENDITURE HISTORY**  
**GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	\$( 1,117)	\$( 2,654)	\$( 4,279)	\$( 6,018)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds proceeds	\$ -	\$ 9,415	\$ 5,875	\$ 9,655
Note proceeds	-	-	-	-
Capital leases	-	-	-	-
Payments to escrow agent	-	-	-	( 4,253)
Debt issuance cost	-	-	( 32)	278
Extraordinary revenue (expense)	( 590)	-	-	-
Transfers	1,289	854	850	850
Total other financing sources (uses)	\$ 699	\$ 10,269	\$ 6,693	\$ 6,530
<b>BEGINNING FUND BALANCE</b>	\$ 4,596	\$ 4,195	\$ 10,282	\$ 12,696
<b>PRIOR YEAR ADJUSTMENT</b>	17	( 1,528)	-	-
<b>ENDING FUND BALANCE</b>	\$ 4,195	\$ 10,282	\$ 12,696	\$ 13,208

TABLE 4CD

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>\$ ( 3,930)</u>	<u>\$ ( 4,341)</u>	<u>\$ ( 1,281)</u>	<u>\$ ( 4,016)</u>	<u>\$ ( 1,617)</u>	<u>\$ ( 1,348)</u>
\$ 11,695	\$ -	\$ 150	\$ -	\$ 1,800	\$ -
1,500	-	-	-	-	-
-	-	-	-	-	-
( 12,335)	-	-	-	-	-
789	-	-	-	-	-
-	-	-	-	-	-
<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>
<u>\$ 2,499</u>	<u>\$ 850</u>	<u>\$ 1,000</u>	<u>\$ 850</u>	<u>\$ 2,650</u>	<u>\$ 850</u>
\$ 13,208	\$ 11,777	\$ 8,317	\$ 8,037	\$ 6,885	\$ 7,918
<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 11,777</u>	<u>\$ 8,317</u>	<u>\$ 8,036</u>	<u>\$ 4,871</u>	<u>\$ 7,918</u>	<u>\$ 7,420</u>

**CITY OF MURPHY, TEXAS**  
**MUNICIPAL SALES TAX HISTORY**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

Fiscal Year	City of Murphy	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2008	\$ 1,185,721	19.58%	0.0917	\$ 79
2009	1,586,211	21.40%	0.1109	111
2010	1,737,173	22.01%	0.1185	121
2011	1,893,680	22.83%	0.1290	107
2012	2,064,464	24.42%	0.1380	117
2013	2,582,592	29.69%	0.1692	129
2014	3,212,366	34.45%	0.1964	156
2015	3,557,001	35.97%	0.1978	169
2016	3,920,231	37.40%	0.1982	201
2017	3,966,071	35.68%	0.1890	172

**CITY OF MURPHY, TEXAS**  
**CASH AND INVESTMENTS FOR PRIMARY GOVERNMENT**  
**SEPTEMBER 30, 2017**  
(Unaudited)

Type of Investment		
Cash on hand	3.02%	\$ 400,000
Money markets	<u>96.98 %</u>	<u>12,860,860</u>
	<u>100.00 %</u>	<u>\$ 13,260,860</u>

**CITY OF MURPHY, TEXAS**  
**PROPRIETARY FUNDS DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2017**  
(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2018	\$ 480,000	\$ 314,579	\$ 794,579	5.94%
2019	500,000	298,241	798,241	6.18%
2020	515,000	280,341	795,341	6.37%
2021	535,000	261,791	796,791	6.62%
2022	550,000	241,754	791,754	6.80%
2023	575,000	220,038	795,038	7.11%
2024	600,000	197,004	797,004	7.42%
2025	625,000	172,099	797,099	7.73%
2026	650,000	145,453	795,453	8.04%
2027	680,000	116,880	796,880	8.41%
2028	710,000	86,090	796,090	8.78%
2029	745,000	53,513	798,513	9.21%
2030	170,000	33,400	203,400	2.10%
2031	175,000	26,500	201,500	2.16%
2032	185,000	19,300	204,300	2.29%
2033	190,000	11,800	201,800	2.35%
2034	200,000	4,000	204,000	2.47%
	<u>\$ 8,085,000</u>	<u>\$ 2,482,783</u>	<u>\$ 10,567,783</u>	

# **COMPLIANCE SECTION**

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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  
Members of the City Council  
City of Murphy, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Murphy, Texas' basic financial statements, and have issued our report thereon dated March 20, 2018.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Murphy, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Murphy, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Murphy, Texas' 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 over financial reporting 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 financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 City of Murphy, Texas' 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.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 20, 2018