

____ CITY OF ____
MURPHY

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Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2011

206 N. Murphy Road • Murphy, Texas • 75094 • www.murphytx.org

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2011

City of Murphy, Texas

City Manager

James Fisher

Director of Finance

Linda Truitt



CITY OF
MURPHY

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**CITY OF MURPHY, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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CITY OF
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INTRODUCTORY SECTION



CITY OF
MURPHY

LIFE LIVED AT YOUR PACE



James Fisher
City Manager

February 17, 2012

Honorable Mayor and City Council
City of Murphy
Murphy, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Murphy, Texas, for the year ended September 30, 2011, 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.

Conway Company CPAs, P.C. have issued an unqualified ("clean") opinion on the City of Murphy's financial statements for the year ended September 30, 2011. The independent auditor's report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to compliment 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 18,000. The City of Murphy, Texas 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, Texas 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 Council appoints the city manager, who in turn appoints the heads of the various departments. Council members serve three-year terms. The Mayor and Council members are elected at large.

The City of Murphy, Texas provides a full range of service, including police and fire protection; emergency medical services; water, sewer and solid waste collection and disposal; community development (planning and zoning); the 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 Economic Development Corporation and Murphy Community Development Corporation are included in the financial statements as discretely presented component units.

The City Manager is required to present the proposed budget to the Council by August 10th of each year. The 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

In 2011, although retailers generally took a slower and cautious approach to locating and expanding, Murphy continued to experience increased sales tax, property values and new businesses. Early indicators are pointing to a higher consumer confidence and positive growth in 2012.

MAJOR INITIATIVES

For Fiscal Year 2011-2012, the top priority projects for the City of Murphy include:

- Complete the remodeling and equip and furnish the community center.

- Open the Community Center.

- Complete the street rehabilitation program.

- Complete the upgrade of the Windy Hills lift station.

- Complete the construction of the water and sewer replacement lines in North Murphy Road.

- Complete the design and begin the construction of the Murphy Central Park.

- Complete the water meter change out program in Zone 1.

- Refund outstanding general obligation and certificates of obligation where savings can be recognized.

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. Budgets are reviewed by the City Manager who makes final decisions and submits a recommended budget to the City Council by August 10th.

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 concurrent 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 Director of Finance. Monthly departmental expenditures are generated by an automated management accounting system and provide 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 the 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 within 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:

	<u>Tax Rate</u>
2007-2008	.4683
2008-2009	.5183
2009-2010	.5384
2010-2011	.5650
2011-2012	.5650

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 financial report (CAFR) for the fiscal year ended September 30, 2010. This was the seventh 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 the City employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report.

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

Respectfully submitted



James Fisher
City Manager

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

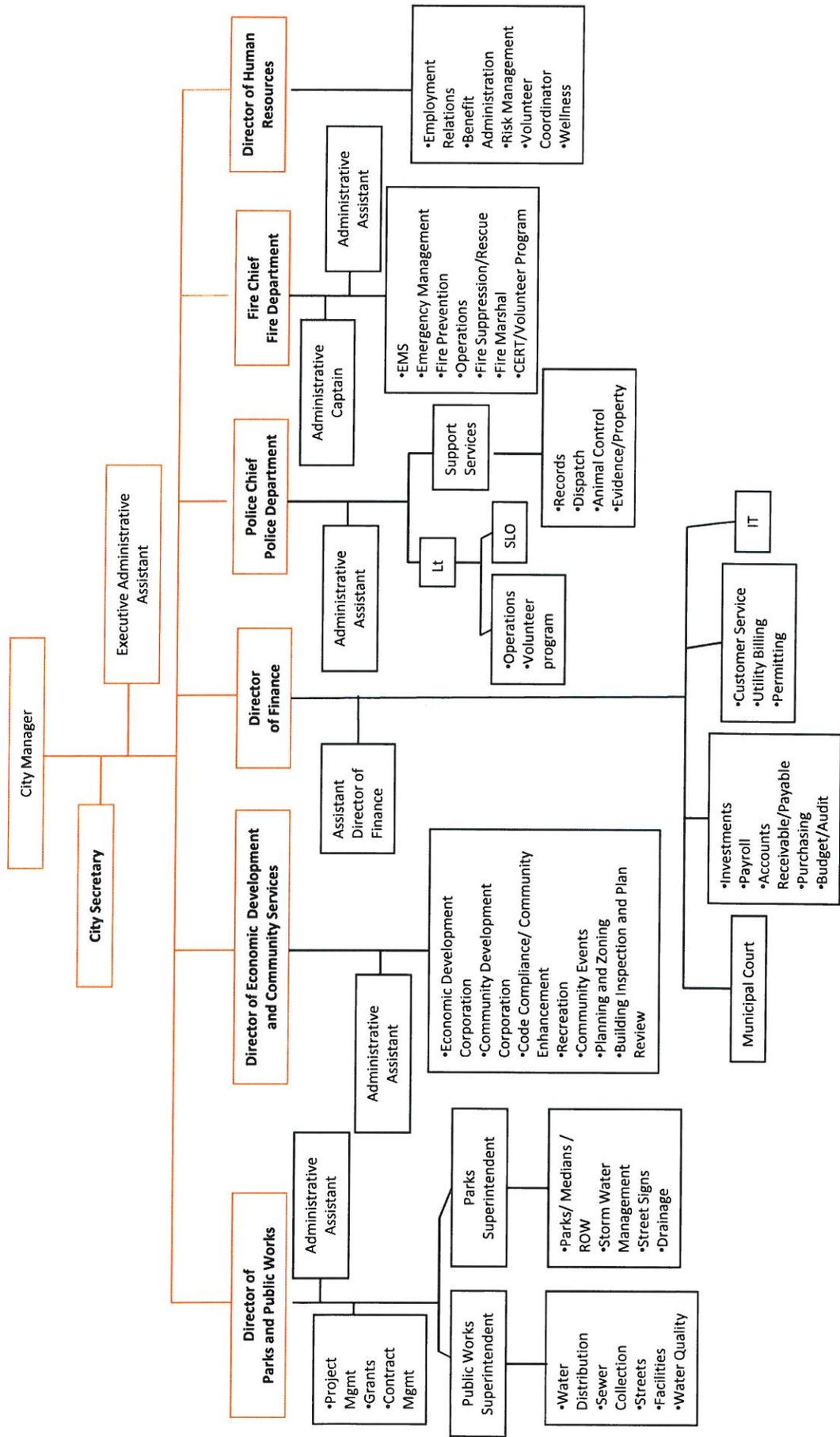


Linda C. Danson

President

Jeffrey R. Emer

Executive Director



City Council:

Bret M. Baldwin	Mayor
John Daugherty	Mayor Pro Tem
Colleen Halbert	Deputy Mayor Pro Tem
Scott Bradley	Council member
David Brandon	Council member
Bernard Grant	Council member
Dennis Richmond	Council member

Administrative Officers:

James Fisher	City Manager
Linda Truitt	Director of Finance
Aimee Nemer	City Secretary
Mark Lee	Fire Chief
G. M. Cox	Police Chief

FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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Member
American Institute of CPAs
Texas Society of CPAs

February 17, 2012

Independent Auditor's Report on Financial Statements

Mayor and City Council
City of Murphy
206 N Murphy Road
Murphy, TX 75094

Mayor and City Council:

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 ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Murphy's management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated February 17, 2012, on our consideration of the City of Murphy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Pension Trust – TMRS Funding Progress and Contributions, and the budgetary comparison information on pages 55 to 58 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.

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, schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, supplementary information 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.

Respectfully submitted,



Conway Company CPAs, P.C.

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CITY OF MURPHY, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2011

As management of the City of Murphy, we offer readers of the City of Murphy's financial statements this narrative overview and analysis of the financial activities of the City of Murphy for the fiscal year ended September 30, 2011. 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 of the City of Murphy exceeded its liabilities at the close of the fiscal year by \$75,599,179 (net assets). Of this amount, \$5,106,220 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. A total of \$68,837,476, or 91%, is invested in capital assets which does not directly generate revenue and are not available to generate liquid capital. Net assets restricted for specific purposes total \$1,655,483, or 2%.
- The government's total net assets increased by \$1,667,297, (excluding prior period adjustments) due to increases in both the governmental activities' and the business-type activities' net assets. A significant increase in charge for services and property tax revenues account for this increase.
- As of the close of the current fiscal year, the City of Murphy's governmental funds reported combined ending fund balances of \$13,207,130, an increase of \$512,412 in comparison with the prior year. The increase in combined ending fund balances is attributable to an increase in charges for services. Approximately 23% of this total amount, or \$3,044,152, 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 \$3,044,152 was 32% percent of total general fund expenditures for the fiscal year. The increase in General Fund balance was largely due to higher revenues from franchise taxes and charge for services.
- The City of Murphy's total bonded debt increased by \$2,755,000, or 6%, during the current fiscal year. The key factors in this increase were the issuance of \$4,620,000 in general obligation bonds and \$750,000 in tax notes.

Overview of the Financial Statements

This 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.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

Basic Financial Statements

The first two statements (pages 19-21) 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 (pages 22-30) 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, **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 assets presents information on all of the City of Murphy's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 in these statements 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 statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting methods.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the 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 Community Development Corporation and the Murphy Economic Development Corporation.

The government-wide financial statements are on pages 19 - 21 of this report.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

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 all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-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 Assets 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 Governmental Fund financial statements can be found on pages 22-25 of this report.

The City of Murphy adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the 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 assets 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. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31 – 52 of this report.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

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.

Accounting Changes – The following statement for the Governmental Accounting Standards Board (“GASB”) was effective for the City in the fiscal year ending September 30, 2011.

GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions” enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Changes to the government fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

The City of Murphy's Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 15,289,643	\$ 14,289,384	\$ 8,272,717	\$ 9,448,758	\$ 23,562,360	\$ 23,738,142
Capital assets	71,920,791	68,768,221	30,218,514	29,361,441	102,139,305	98,129,662
Total assets	<u>87,210,434</u>	<u>83,057,605</u>	<u>38,491,231</u>	<u>38,810,199</u>	<u>125,701,665</u>	<u>121,867,804</u>
Long-term liabilities outstanding	40,638,725	37,237,897	7,694,921	8,039,082	48,333,646	45,276,979
Other liabilities	1,066,416	1,447,840	702,424	543,156	1,768,840	1,990,996
Total liabilities	<u>41,705,141</u>	<u>38,685,737</u>	<u>8,397,345</u>	<u>8,582,238</u>	<u>50,102,486</u>	<u>47,267,975</u>
Net assets:						
Invested in capital assets, net of related debt	41,512,671	40,526,417	27,324,805	27,822,526	68,837,476	68,348,943
Restricted	1,049,447	1,134,412	606,036	636,791	1,655,483	1,771,203
Unrestricted	2,943,175	2,711,039	2,163,045	1,768,644	5,106,220	4,479,683
Total net assets	<u>\$ 45,505,293</u>	<u>\$ 44,371,868</u>	<u>\$ 30,093,886</u>	<u>\$ 30,227,961</u>	<u>\$ 75,599,179</u>	<u>\$ 74,599,829</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the City of Murphy exceeded liabilities by \$75,599,179 as of September 30, 2011.

Invested in capital assets, net of related debt

The City's net assets increased by \$1,667,297, excluding prior period adjustments, for the fiscal year ended September 30, 2011. However, a large portion, 91%, reflects the City's 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 assets:

Restricted net assets represent 2.19% that are subject to external restrictions on how they may be used, or by enabling legislation. The restricted net assets are comprised of (a) \$1,062,317 for debt service and, (b) \$593,166 for state imposed restrictions.

Unrestricted net assets:

Unrestricted net assets in the amount of \$5,106,220 are available to fund the City programs to citizens and creditors.

CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011

The City of Murphy's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUE:						
Program Revenues:						
Charge for services	\$ 2,524,523	\$ 2,388,379	\$ 5,786,584	\$ 4,770,998	\$ 8,311,107	\$ 7,159,377
Operating grants and contributions	56,398	38,633	-	-	56,398	38,633
Capital grants and contributions	879,125	-	-	-	879,125	-
General Revenues:						
Property taxes	8,346,701	7,936,243	-	-	8,346,701	7,936,243
Franchise taxes	820,067	702,436	-	-	820,067	702,436
Sales and use tax	952,543	873,012	-	-	952,543	873,012
Investment income	75,747	26,621	13,688	25,191	89,435	51,812
Impact fees	-	-	401,334	401,981	401,334	401,981
Miscellaneous	81,337	109,115	5,322	11,224	86,659	120,339
Total Revenues	<u>13,736,441</u>	<u>12,074,439</u>	<u>6,206,928</u>	<u>5,209,394</u>	<u>19,943,369</u>	<u>17,283,833</u>
EXPENSES:						
Program Expenses:						
General Government	3,210,378	2,971,283	-	-	3,210,378	2,971,283
Public Safety	4,858,706	4,655,966	-	-	4,858,706	4,655,966
Public Works	1,113,673	1,164,048	-	-	1,113,673	1,164,048
Public Services and Operations	595,725	484,030	-	-	595,725	484,030
Parks and Recreation	1,051,270	933,716	-	-	1,051,270	933,716
Interest and fiscal agent fees	1,604,422	1,416,827	-	-	1,604,422	1,416,827
Environmental Waste Services	647,574	624,281	-	-	647,574	624,281
Water and Sewer	-	-	5,194,324	4,999,305	5,194,324	4,999,305
Total Expenses	<u>13,081,748</u>	<u>12,250,151</u>	<u>5,194,324</u>	<u>4,999,305</u>	<u>18,276,072</u>	<u>17,249,456</u>
Increase in Net Assets before Transfers	654,693	(175,712)	1,012,604	210,089	1,667,297	34,377
Transfers	850,000	850,000	(850,000)	(850,000)	-	-
Increase in Net Assets	1,504,693	674,288	162,604	(639,911)	1,667,297	34,377
Net Assets, October 1	44,371,868	44,742,316	30,227,962	31,324,487	74,599,830	76,066,803
Prior Period Adjustments	(371,268)	(1,044,736)	(296,680)	(456,614)	(667,948)	(1,501,350)
Net Assets, September 30	<u>\$45,505,293</u>	<u>\$44,371,868</u>	<u>\$30,093,886</u>	<u>\$30,227,962</u>	<u>\$75,599,179</u>	<u>\$74,599,830</u>

The Governmental Activities have increased the net assets, excluding prior period adjustments, for the past two fiscal years. Though revenues did increase in the current fiscal period, expenditures continue to increase at the same time. The most significant governmental expenses to increase were the General Government and Public Safety. These expenses were offset partially by an increase in program revenues collected and the slight increase in property tax revenues.

The Business-type Activities show an increase in net assets for the current fiscal year. The increase in net assets this fiscal year is in large part due to the increase in rates charged to customers for services provided.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

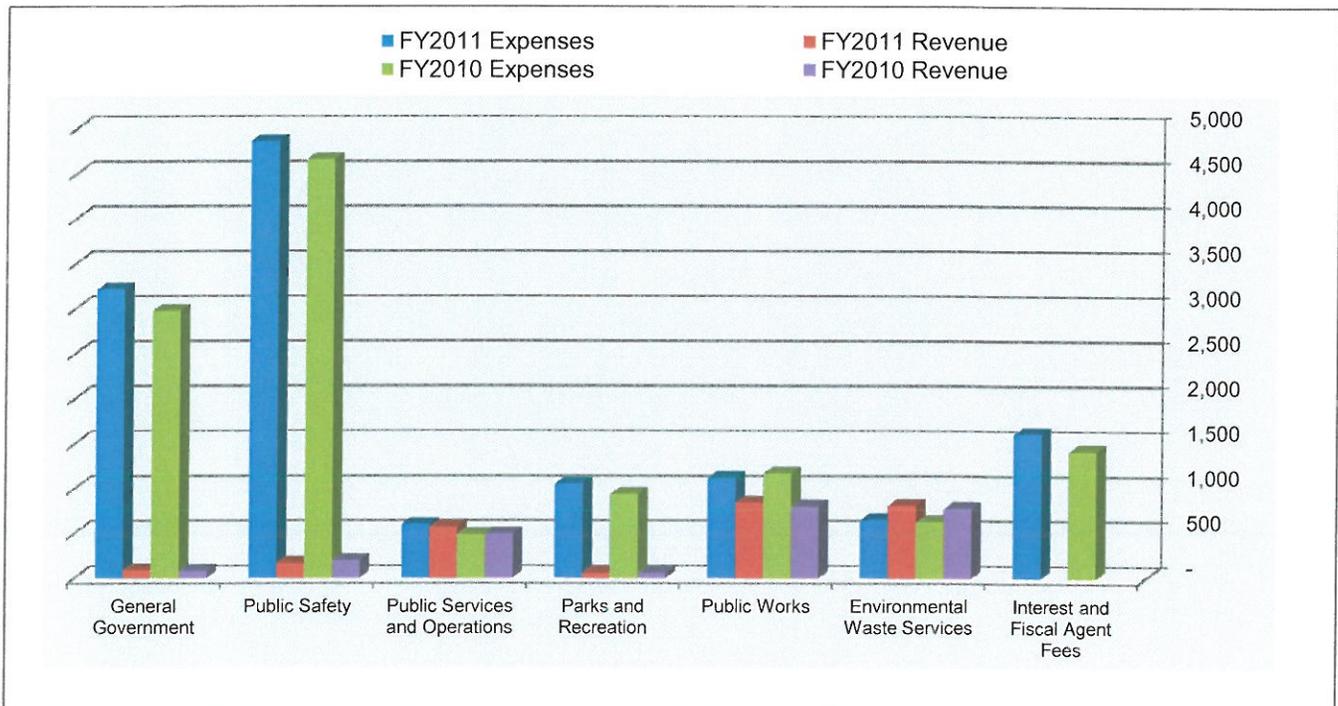
Governmental-type activities - Governmental-type activities increased the City's net assets by \$1,504,693, excluding prior period adjustments. Key elements of this increase are as follows:

Intragovernmental revenue in the amount of \$791,639 from the CDC for the Community Center.

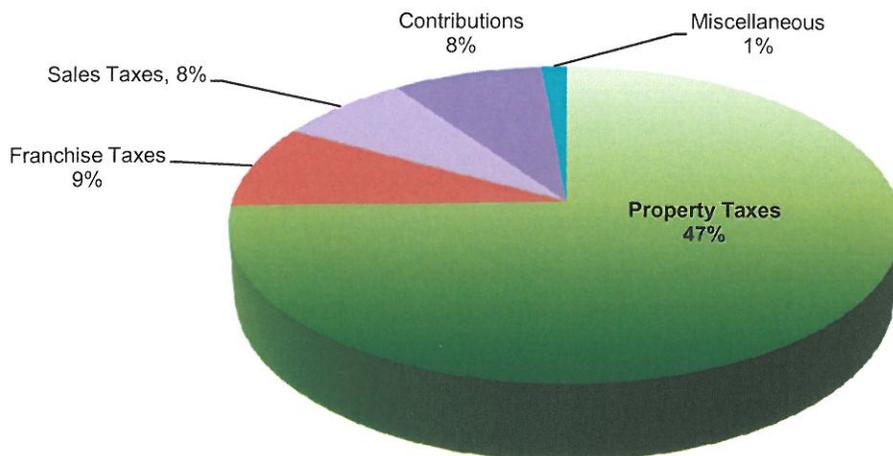
Property tax revenues increased \$410,458 or 5%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities

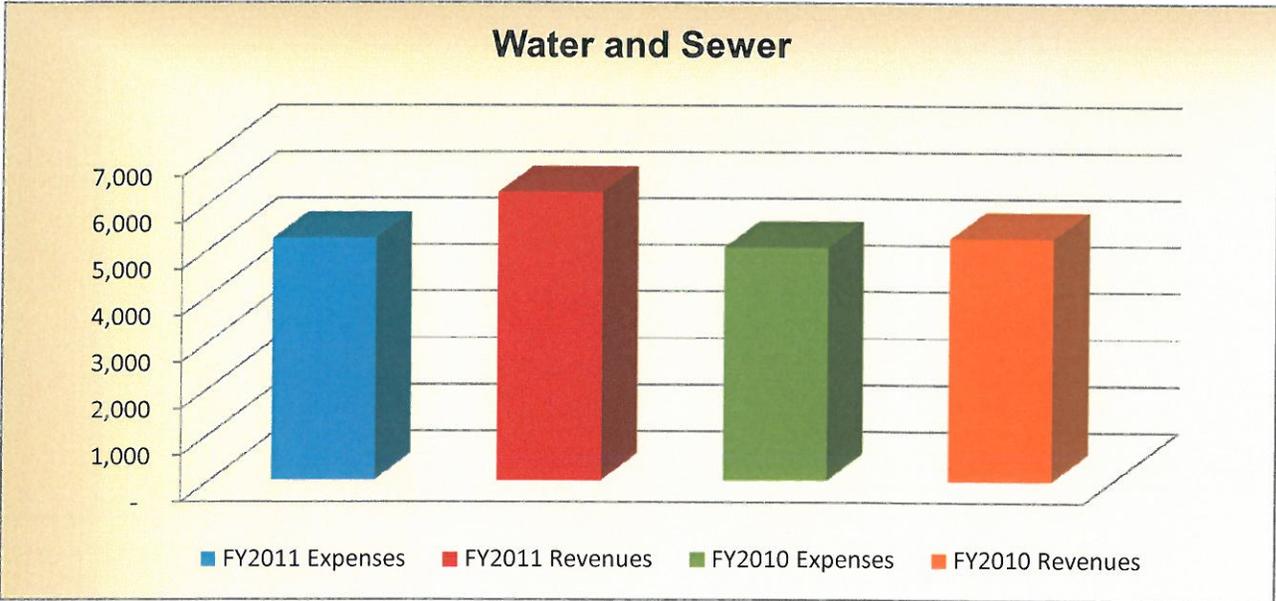


**CITY OF MURPHY, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2011**

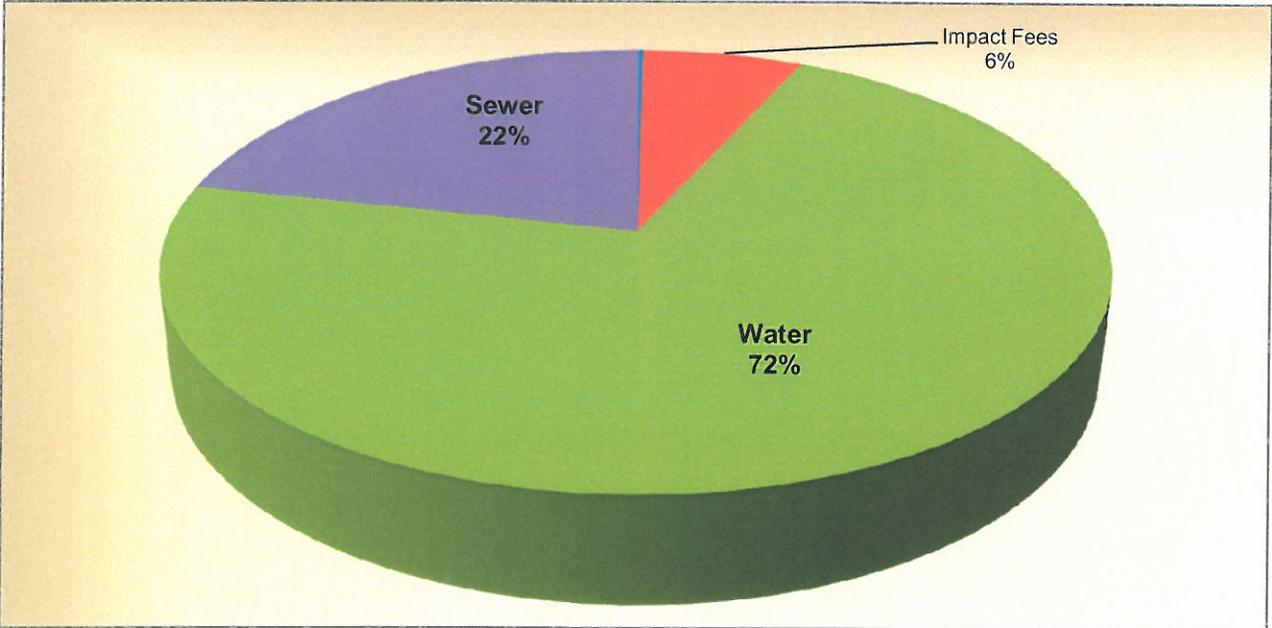
Business-type Activities - Business-type activities increased the City's net assets by \$162,604, excluding prior period adjustments. A key element for this increase is as follows:

Water and sewer revenues increased by \$1,014,939 or 20% due to an increase in rates charged to customers for services.

Expenditures and Program Revenues - Business-type Activities
 (amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

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 of Murphy'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 of Murphy's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,044,152. 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 32% of total General Fund expenditures. The \$489,379 increase in net assets in the General Fund is largely due to the \$850,000 transfer from the Water Sewer Fund for administrative fees.

At September 30, 2011, the governmental funds of the City of Murphy reported a combined fund balance of \$13,207,130, a 4% increase over last year. The City restricted \$9,706,567 during the year ended September 30, 2011, of which \$8,657,120 is for capital improvements. This affects the availability of fund resources for future use.

At September 30, 2011, the debt service fund had a total fund balance of \$902,317 which is restricted for the payment of debt. A decrease of (\$105,275) in fund balance during the current year was due to a slight increase in debt payments.

At September 30, 2011, the capital projects fund had a total fund balance of \$9,092,038. The issuance of new debt is the key factor of the increase in the fund balance. Most of the projects have a long duration due to construction phases. Major expenditures incurred during the current year include the completion of several parks, street beautification and N. Murphy Road.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget three times. 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 mainly in the areas of property taxes and fine revenues. Charges for services were slightly more than the budgeted amount. Expenditures were slightly less than the budget.

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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,163,045 and \$27,324,805 invested in net 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.

CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011

Capital assets - The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2011, totals \$102,139,305 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, machinery and equipment.

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

- Design, engineering & construction of relocation of several projects in the Utility Funds pertaining to the relocation of waterlines and a lift station are ongoing in the business-type activities.
- Design, engineering & construction of the community center and several parks increased the governmental construction in progress by \$2,504,285.
- Construction of the public safety radio system cost the City \$1,245,995.

City of Murphy
Capital Assets
As of September 30, 2011
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 10,430,780	\$ 10,166,465	\$ -	\$ -	\$ 10,430,780	\$ 10,166,465
Buildings	17,655,997	17,654,974	-	-	17,655,997	17,654,974
Infrastructure	37,834,967	36,593,273	28,816,459	27,487,746	66,651,426	64,081,019
Machinery & Equipment	1,529,543	1,297,526	132,937	182,242	1,662,480	1,479,768
Construction in progress	4,469,504	3,055,983	1,269,118	1,691,453	5,738,622	4,747,436
Total	\$ 71,920,791	\$ 68,768,221	\$ 30,218,514	\$ 29,361,441	\$ 102,139,305	\$ 98,129,662

More detailed information about the City's capital assets is presented in Note F to the financial statements on pages 40 and 41.

Long-term Debt - As of September 30, 2011, the City of Murphy had total long-term debt outstanding of \$47,815,000. This debt represents bonds secured by specified revenue sources.

City of Murphy
Outstanding Debt
As of September 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds and Certificates of Obligation (backed by tax revenues and net Water/Sewer revenues)	\$ 38,360,000	\$ 35,770,000	\$ 7,495,000	\$ 7,790,000	\$ 45,855,000	\$ 43,560,000
Refunding Bonds (backed by tax revenues)	100,000	200,000	-	-	100,000	200,000
Tax Note (backed by tax revenues)	1,685,000	1,075,000	-	-	1,685,000	1,075,000
Revenue Bonds (backed by Water/Sewer revenues)	-	-	175,000	225,000	175,000	225,000
Total	\$ 40,145,000	\$ 37,045,000	\$ 7,670,000	\$ 8,015,000	\$ 47,815,000	\$ 45,060,000

The City of Murphy's bonded debt increased by \$2,755,000 (6%) during the past fiscal year. There were two new debt issuances during September 30, 2011 totaling \$5,370,000 in the governmental funds.

More detailed information about the City's long-term liabilities is presented in Note G to the financial statements on pages 42 - 44.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2011**

Economic Factors and Next Year's Budgets and Rates

The FY 2012 budget reflects a 2.3% decrease in the M&O tax rate from \$0.317442 to \$0.309993 per \$100 Valuation. The tax rate for the debt service fund increased by \$0.007449 to \$0.255007 the result of the issuance of \$4,800,000 (final phase) of the \$16,000,000 bond package overwhelmingly approved by the voters in November 2008.

The FY 2012 budget will raise more total property taxes than last year's budget by \$156,621 or 1.88%, and of that amount \$156,195 is tax revenue to be raised from new property added of the roll this year.

The City continues to see growth in sales tax collection as the retail and commercial area continues to develop. With the construction and opening of a new Wal Mart in FY 2012/2013, sales tax is projected to increase by approximately 50%. The City anticipates with the opening of the Wal Mart, other retail and commercial activity will increase and will generate additional sales tax and property tax.

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 \$5,000,000 a 35.13% increase from the FY 2011 budget while sewer sales are budgeted at \$1,330,000, an 11.33% decrease. The City's budget increase of water revenues is due to the continuing growth and increase of water rates. The base water rate increased from \$8.50 to \$20.00 per 3/4 inch residential meter and a tiered water rate structure was implemented in July 2011.

While the City supports water conservation in general and especially during the drought that the North Texas area is experiencing, this will have a negative impact on the water sales while the operational costs remain constant. Revenues from water and sewer sales will be monitored closely throughout the year.

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.



BASIC FINANCIAL STATEMENTS



**CITY OF MURPHY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,293,760	\$ 1,605,141	\$ 4,898,901	\$ 1,619,592
Receivables (net of allowance for uncollectible)	352,754	908,168	1,260,922	160,109
Due from utility fund	88,931	-	88,931	-
Notes receivable	791,639	-	791,639	100,000
Prepaid items	10,243	-	10,243	-
Deferred charges	422,369	169,434	591,803	-
Restricted assets:				
Cash and cash equivalents	10,329,947	5,589,974	15,919,921	-
Capital assets not being depreciated:				
Land	10,430,780	-	10,430,780	-
Construction in progress	4,469,504	1,269,118	5,738,622	-
Capital assets net of accumulated depreciation:				
Infrastructure	37,834,967	28,803,684	66,638,651	-
Buildings and improvements	17,655,997	-	17,655,997	-
Machinery and equipment	1,529,543	145,712	1,675,255	-
Total Assets	<u>87,210,434</u>	<u>38,491,231</u>	<u>125,701,665</u>	<u>1,879,701</u>
LIABILITIES				
Accounts payable	668,562	189,876	858,438	34,541
Accrued expenses	115,240	15,143	130,383	1,647
Due to general fund	-	88,931	88,931	-
Unearned revenues	-	33,147	33,147	-
Other liabilities	51,969	3,927	55,896	-
Customer deposits	-	332,847	332,847	-
Accrued interest payable	230,645	38,553	269,198	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	38,206	3,912	42,118	1,316
Note payable to primary government	-	-	-	131,768
Bonds payable	2,540,000	360,000	2,900,000	-
Due in more than one year:				
Compensated absences	150,289	8,271	158,560	6,492
Note payable to primary government	-	-	-	659,871
Bonds payable	37,910,230	7,322,738	45,232,968	-
Total Liabilities	<u>41,705,141</u>	<u>8,397,345</u>	<u>50,102,486</u>	<u>835,635</u>
NET ASSETS				
Investment in capital assets, net of related debt	41,512,671	27,324,805	68,837,476	-
Restricted for:				
Debt service	902,317	160,000	1,062,317	-
Use of impact fees	-	446,036	446,036	-
Court use	147,130	-	147,130	-
Unrestricted	2,943,175	2,163,045	5,106,220	1,044,066
Total Net Assets	<u>\$ 45,505,293</u>	<u>\$ 30,093,886</u>	<u>\$ 75,599,179</u>	<u>\$ 1,044,066</u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Function/Program Activities				
Primary Government				
Governmental Activities:				
General government	\$ 3,210,378	\$ 85,083	\$ -	\$ -
Public safety	4,858,706	163,677	36,413	-
Public services and operations	595,725	570,456	19,985	-
Parks and recreation	1,051,270	55,108	-	879,125
Public works	1,113,673	839,768	-	-
Sanitation services	647,574	810,431	-	-
Interest on Long-Term Debt	1,604,422	-	-	-
Total governmental activities	<u>13,081,748</u>	<u>2,524,523</u>	<u>56,398</u>	<u>879,125</u>
Business-type Activities:				
Water and sewer	5,194,324	6,187,918	-	-
Total business-type activities	<u>5,194,324</u>	<u>6,187,918</u>	<u>-</u>	<u>-</u>
Total primary government	<u>18,276,072</u>	<u>8,712,441</u>	<u>56,398</u>	<u>879,125</u>
Component units:				
Governmental Activities:				
Community Development Corporation	1,071,679	-	-	-
Economic Development Corporation	405,939	100,000	-	-
Total component units	<u>\$ 1,477,618</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Sales taxes
Franchise taxes
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net assets - ending

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

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Primary Government		Component Units
	Business-type Activities	Total	
\$ (3,125,295)	\$ -	\$ (3,125,295)	\$ -
(4,658,616)	-	(4,658,616)	-
(5,284)	-	(5,284)	-
(117,037)	-	(117,037)	-
(273,905)	-	(273,905)	-
162,857	-	162,857	-
(1,604,422)	-	(1,604,422)	-
(9,621,702)	-	(9,621,702)	-
-	993,594	993,594	-
-	993,594	993,594	-
(9,621,702)	993,594	(8,628,108)	-
-	-	-	(1,071,679)
-	-	-	(305,939)
\$ -	\$ -	\$ -	\$ (1,377,618)
\$ 8,346,701	\$ -	\$ 8,346,701	\$ -
952,543	-	952,543	941,137
820,067	-	820,067	-
75,747	13,688	89,435	2,322
81,337	5,322	86,659	-
850,000	(850,000)	-	-
11,126,395	(830,990)	10,295,405	943,459
1,504,693	162,604	1,667,297	(434,159)
44,371,868	30,227,962	74,599,830	1,478,225
(371,268)	(296,680)	(667,948)	-
\$ 45,505,293	\$ 30,093,886	\$ 75,599,179	\$ 1,044,066

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

**CITY OF MURPHY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 3,293,761	\$ -	\$ 434,918	\$ 3,728,679
Receivables (net of allowances for uncollectibles)	336,970	15,784	-	352,754
Due from utility fund	88,931	-	-	88,931
Prepaid items	10,243	-	-	10,243
Note receivable - CDC	791,639	-	-	791,639
Restricted-cash and cash equivalents	158,380	899,133	8,837,516	9,895,029
Total Assets	4,679,924	914,917	9,272,434	14,867,275
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	488,166	-	180,396	668,562
Accrued expenditures	115,240	-	-	115,240
Unearned revenues	811,774	12,600	-	824,374
Other liabilities	51,969	-	-	51,969
Total Liabilities	1,467,149	12,600	180,396	1,660,145
FUND BALANCES				
Nonspendable - prepaid items	10,243	-	-	10,243
Restricted for:				
Debt service	-	902,317	-	902,317
Court use	147,130	-	-	147,130
Capital improvements	-	-	8,657,120	8,657,120
Assigned for:				
Police	11,250	-	-	11,250
Capital improvements	-	-	434,918	434,918
Unassigned	3,044,152	-	-	3,044,152
Total Fund Balances	3,212,775	902,317	9,092,038	13,207,130
Total Liabilities and Fund Balances	\$ 4,679,924	\$ 914,917	\$ 9,272,434	\$ 14,867,275

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

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

Total fund balances - governmental funds	\$ 13,207,130
Amounts reported for governmental activities in the statement of net assets are different because:	
Costs associated with the issuance of governmental long term-debt are expenses when incurred in the fund statements and are capitalized and amortized over the life of the debt in the government-wide statements.	422,369
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	87,058,811
Accumulated depreciation is not included in the governmental fund financial statements.	(15,138,021)
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	(40,145,000)
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	(305,230)
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.	(230,645)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(188,495)
Revenue reported as unearned revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	824,374
Net assets of governmental activities - statement of net assets	<u>\$ 45,505,293</u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUE				
Property taxes	\$4,675,421	\$ 3,648,153	\$ -	\$ 8,323,574
Franchise taxes	820,067	-	-	820,067
Fines and forfeitures	570,456	-	-	570,456
Sales tax	952,543	-	-	952,543
Charges for services	1,404,681	-	-	1,404,681
Licenses and permits	548,294	-	-	548,294
Grants	33,368	-	-	33,368
Donations	23,030	-	-	23,030
Investment income	6,496	55,447	13,805	75,748
Miscellaneous	42,207	1,223	39,000	82,430
Total Revenues	<u>9,076,563</u>	<u>3,704,823</u>	<u>52,805</u>	<u>12,834,191</u>
EXPENDITURES				
Current Operating:				
General government	2,291,717	-	-	2,291,717
Public safety	4,523,231	-	-	4,523,231
Public works	233,191	-	-	233,191
Public services and operations	595,352	-	-	595,352
Parks and recreation	844,565	-	69	844,634
Sanitation services	647,574	-	-	647,574
Debt Service:				
Principal retirement	-	2,270,000	-	2,270,000
Interest and fiscal agent fees	-	1,540,098	-	1,540,098
Bond issuance costs	-	129,932	-	129,932
Capital Outlay:				
General government	155,446	-	-	155,446
Public safety	98,080	-	1,084,694	1,182,774
Public services and operations	-	-	-	-
Parks and recreation	49,763	-	2,405,388	2,455,151
Total Expenditures	<u>9,438,919</u>	<u>3,940,030</u>	<u>5,472,762</u>	<u>18,851,711</u>
Excess (deficiency) of revenues over (under) expenditures	(362,356)	(235,207)	(5,419,957)	(6,017,520)
Other Revenues and Financing Sources (Uses)				
Debt issuance	-	-	5,550,000	5,550,000
Refunding bonds issued	-	4,105,000	-	4,105,000
Payments to bond refunding escrow agent	-	(4,253,068)	-	(4,253,068)
Discount on bond issuance	-	(72,435)	-	(72,435)
Premium on bond issuance	-	350,435	-	350,435
Transfers	851,735	-	(1,735)	850,000
Total Other Financing Sources (Uses)	<u>851,735</u>	<u>129,932</u>	<u>5,548,265</u>	<u>6,529,932</u>
Net Change in Fund Balances	489,379	(105,275)	128,308	512,412
Fund Balances, beginning	<u>2,723,396</u>	<u>1,007,592</u>	<u>8,963,730</u>	<u>12,694,718</u>
Fund Balances, ending	<u>\$3,212,775</u>	<u>\$ 902,317</u>	<u>\$9,092,038</u>	<u>\$ 13,207,130</u>

The accompanying notes to the basic financial statements 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, 2011**

Net change in fund balances - total governmental funds	\$ 512,412
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 2011 capital outlays is to increase net assets.	5,775,982
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 assets.	(2,370,698)
Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements but are shown as a reduction in long term debt in the government-wide financial statements.	2,270,000
Current year bond proceeds are other finance sources in the fund financial statements but are shown as an increase in the liabilities in the government-wide financial statements.	(5,550,000)
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.	(6,510)
Bond issuance costs are expenditures in the fund financial statements when debt is issued but it is amortized over the term of the bond in the government-wide financial statements.	142,687
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.	(57,815)
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 assets.	20,123
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	768,512
Change in net assets of governmental activities - statement of activities	<u><u>\$ 1,504,693</u></u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011**

	<u>Water & Sewer</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,605,141
Receivables (net of allow for uncollectibles)	908,168
Total Current Assets	<u>2,513,309</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	5,589,974
Deferred charges	169,434
Capital Assets:	
Infrastructure	36,164,032
Machinery & equipment	471,949
Construction in progress	1,269,118
Less accumulated depreciation	<u>(7,686,585)</u>
Total Capital Assets (net of accumulated depreciation)	<u>30,218,514</u>
Total noncurrent assets	<u>35,977,922</u>
Total Assets	<u><u>38,491,231</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities:	
Accounts payable	189,876
Other accrued liabilities	15,143
Other liabilities	3,927
Due from general fund	88,931
Unearned revenues	33,147
Payables from restricted assets:	
Customer deposits	332,847
Accrued interest payable	38,553
Compensated absences - current	3,912
Revenue bonds payable - current	<u>360,000</u>
Total Current Liabilities	<u>1,066,336</u>
Noncurrent Liabilities:	
Compensated absences	8,271
Revenue bonds payable	<u>7,322,738</u>
Total Noncurrent Liabilities	<u>7,331,009</u>
Total Liabilities	<u><u>8,397,345</u></u>

NET ASSETS

Investment in Capital Assets, net of related debt	27,324,805
Restricted for:	
Debt service	160,000
Use of impact fees	446,036
Unrestricted	<u>2,163,045</u>
Total Net Assets	<u><u>\$ 30,093,886</u></u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Water & Sewer</u>
OPERATING REVENUES:	
Charges for sales and services:	
Service charges	\$ 6,187,918
Miscellaneous	5,322
Total operating revenues	<u>6,193,240</u>
OPERATING EXPENSES:	
Personnel services	692,153
Supplies and materials	161,757
Maintenance and repair	97,236
Contractual services	3,343,422
Depreciation	770,981
Total operating expenses	<u>5,065,549</u>
Operating Income (Loss)	<u>1,127,691</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	13,688
Interest and fiscal charges	(128,775)
Total non-operating revenues (expenses)	<u>(115,087)</u>
Income before transfers	<u>1,012,604</u>
Transfers	<u>(850,000)</u>
Change in net assets	162,604
Total net assets, beginning	30,227,962
Prior period adjustment	(296,680)
Total net assets, ending	<u>\$ 30,093,886</u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Business-Type Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 6,008,383
Cash received from other transactions	5,322
Cash paid to employees	(690,606)
Cash paid for goods and services	(3,551,698)
Net cash provided by (used in) operating activities	<u>1,771,401</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(850,000)
Net cash provided by (used in) non-capital financing activities	<u>(850,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
prior period adjustment to fixed assets	296,680
Debt issuance fees	8,704
Interest and fiscal charges	(131,797)
Principal payments on bonds payables	(345,000)
Acquisition or construction of capital assets	(1,924,736)
Net cash provided by (used in) capital and related financing activities	<u>(2,096,149)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	13,688
Net cash provided by (used in) investing activities	<u>13,688</u>
Net increase (decrease) in cash and cash equivalents	(1,161,060)
Cash and cash equivalents, October 1	8,356,175
Cash and cash equivalents, September 30	<u>\$ 7,195,115</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 1,127,691
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	770,981
Prior period adjustment	(296,680)
Change in assets and liabilities	
(Increase) decrease in assets:	
Receivables	(280,549)
Prepaid expense	286,119
Due to general fund	88,931
Increase (decrease) in liabilities:	
Accounts payable	71,956
Accrued expenses	(10,793)
Customer deposits	10,940
Other liabilities	114
Deferred revenues	1,144
Compensated absences	1,547
Total adjustments	<u>643,710</u>
Net cash provided by (used in) operating activities	<u>\$ 1,771,401</u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2011**

	<u>Governmental Activities</u>		
	<u>Murphy Community Development Corporation</u>	<u>Murphy Economic Development Corporation</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 952,137	\$ 667,455	\$ 1,619,592
Receivables (net of allow for uncollectibles)	80,055	80,054	160,109
Note receivable	-	100,000	100,000
Total Assets	<u>1,032,192</u>	<u>847,509</u>	<u>1,879,701</u>
LIABILITIES			
Accounts payable	31,952	2,589	34,541
Accrued expenditures	994	653	1,647
Noncurrent liabilities:			
Due within one year:			
Compensated absences	757	559	1,316
Note payable to primary government	131,768	-	131,768
Due in more than one year:			
Compensated absences	5,825	667	6,492
Note payable to primary government	659,871	-	659,871
Total Liabilities	<u>831,167</u>	<u>4,468</u>	<u>835,635</u>
NET ASSETS			
Unrestricted	201,025	843,041	1,044,066
Total Net Assets	<u>\$ 201,025</u>	<u>\$ 843,041</u>	<u>\$ 1,044,066</u>

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

CITY OF MURPHY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Component Unit</u>
			<u>Governmental Activities</u>
Governmental Activities			
Community Development Corporation	\$ 1,071,679	\$ -	\$ (1,071,679)
Economic Development Corporation	405,939	100,000	(305,939)
Total component unit	<u>\$ 1,477,618</u>	<u>\$ 100,000</u>	<u>\$ (1,377,618)</u>
		General revenues:	
		Sales taxes	\$ 941,137
		Investment income	2,322
		<u>Total general revenues</u>	<u>943,459</u>
		Change in net assets	(434,159)
		Net assets - beginning	1,478,225
		<u>Net assets - ending</u>	<u>\$ 1,044,066</u>

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

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

A. Summary of Significant Accounting Policies

The City of Murphy, Texas ("City") is a municipal corporation governed by an elected mayor and a six-member council and provides the following services to the citizens of the City as authorized by its charter: public safety (police and fire), public works, parks and recreation, water and sewer utilities, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local government include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* and by the Financial Accounting Standards Board when applicable. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. The more significant accounting policies of the City are described below.

1. Reporting Entity

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. 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 assets and statement of activities. Significantly, the City's statement of net assets 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.

Under GASB 14, 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. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

A. Summary of Significant Accounting Policies

1. Reporting Entity (continued)

Discretely presented component units. The City has two component units, the Murphy Community Development Corporation ("CDC") and the Murphy Economic Development Corporation ("EDC"). The CDC was incorporated July 28, 2003, and the EDC was incorporated July 17, 2003. The CDC is governed by a seven member board and the EDC is governed by a five member board, both appointed and serving at the pleasure of the City Council. The funding for the CDC and EDC occurs by the City transferring 1/4 of sales tax revenue collected by the City respectively to each corporation. Adding the creation of the CDC and EDC to the resources currently available will more than double the current ability to assist economic and community development in the community. All of the CDC and EDC 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 EDC.

2. Basis of Presentation, Basis of Accounting

a. 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 assets 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 improvements funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater funds 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 for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board and all pronouncements of the Financial Standards Board issued on or before November 30, 1989.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

A. Summary of Significant Accounting Policies

- 2. Basis of Presentation, Basis of Accounting**
a. Basis of Presentation (continued)

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.

- b. 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 as required by GASB Interpretation No. 6.

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, fines 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 balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major business-type 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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

A. Summary of Significant Accounting Policies (continued)

3. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property tax estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a 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 of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2011, the City had a tax rate of \$0.565 per \$100 assessed valuation based upon the maximum rates described above.

d. Prepaid Items and Deferred Charges

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

Deferred charges reported at the government-wide level and in proprietary funds are comprised of the balance of unamortized debt issuance costs. Such issuance costs are amortized over the life of the related debt using a straight-line 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 repayment of deposits to utility customers, impact fees, specific capital additions and various bond covenants.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

e. Restricted Assets (continued)

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-like 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. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are 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-like activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized during the current year was \$189,995.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 - 50
Buildings	25 - 40
Machinery and Vehicles	5 - 10

g. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The maximum accrual of vacation leave is one year's accumulation. Sick leave accrued hours shall be carried to the next year with a maximum of 720 hours.

h. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life 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 reported deferred as charges and amortized over the term of the related debt.

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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

i. 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.

- *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.
- *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.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by formal action of the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established by the City Council, or by a body or an official designated for that purpose.
- *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 unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are 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.

j. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal agencies including Justice and Homeland Security which are accounted for in the General Fund.

k. 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.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

l. 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.

m. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

n. Program Revenues

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

o. Program Expenses

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," 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

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

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

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

3. 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 56 and other informational budgets are presented in the supplementary information.

The following procedures are followed in establishing the budgetary data:

- On or before the 10th 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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

B. Compliance and Accountability

3. Budgets and Budgetary Accounting (continued)

- 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.
- 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.
- 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 reappropriated as part of the following year's budget.

C. 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 pledged 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, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$20,818,822 and the bank balance was \$21,873,240. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011, 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, 2011, the amount of deposits covered by collateralized securities was \$25,032,332. Cash and investments as of September 30, 2011 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government

Cash and cash equivalents	\$ 4,898,901
Restricted assets-cash and cash equivalents	<u>15,919,921</u>
Total cash and cash equivalents	<u>\$ 20,818,822</u>

Governmental - Unrestricted Cash	\$ 3,293,760
Business-type - Unrestricted Cash	1,605,141
Total Unrestricted Cash	<u>\$ 4,898,901</u>

Governmental - Restricted Cash

Municipal Court - technology, building security, juvenile mgr	\$ 147,130
Capital Improvements	9,272,434
Police Seizure Funds	11,250
Debt	899,133
	<u>\$ 10,329,947</u>

Business-type - Restricted Cash

Customer Deposits	\$ 332,847
Impact fees	446,036
Capital Improvements	4,811,091
	<u>\$ 5,589,974</u>

Total Restricted Cash	<u>\$ 15,919,921</u>
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**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

C. Deposits and Investments (continued)

Investments

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent auditor 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

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investments value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

Disclosures 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 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 investments 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 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 pledge securities in the collateral pool must equal at least the bank balances less the FDIC insurance at all times.

As of September 30, 2011 the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized. In June 2011, the City was assigned a rating of AA- by Standard and Poor's.

D. Receivables

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

	General	Proprietary	Debt Service	Total
Receivables:				
Taxes	\$ 187,142	\$ -	\$ -	\$ 187,142
Fees and Charges	794,222	920,353	17,525	1,732,100
Gross Receivables	981,364	920,353	17,525	1,919,242
Less: allowance for uncollectible	(644,394)	(12,185)	(1,741)	(658,320)
Net Total Receivables	\$ 336,970	\$ 908,168	\$ 15,784	\$ 1,260,922

CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

E. Note Receivable

In December, 2010, the City issued anticipation notes for the purpose of paying contractual obligations to be incurred for the development of a community recreational center. The Board of Directors of the Murphy Community Development Corporation agreed to pay the costs of this project by remitting to the City from the receipts of local sales and use taxes received by the Corporation to pay the principal and interest on the anticipation notes. The following is the detail on this note receivable:

	Beginning Balance	Decreases	Ending Balance	Receive within one year
Note receivable - CDC	\$ 791,639	\$ -	\$ 791,639	\$ 131,768

Note receivable requirements are as follows:

Year Ending September 30:	Payment
2012	\$ 131,768
2013	130,058
2014	128,258
2015	131,233
2016	133,938
2017	136,384
	<u>\$ 791,639</u>

F. Capital Assets

Capital asset activity for the period ended September 30, 2011 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 10,166,465	\$ -	\$ 264,315	\$ -	\$ 10,430,780
Construction in progress	3,055,983	-	4,204,248	(2,790,727)	4,469,504
Total capital assets, not being depreciated:	<u>13,222,448</u>	<u>-</u>	<u>4,468,563</u>	<u>(2,790,727)</u>	<u>14,900,284</u>
Capital assets being depreciated:					
Buildings & Improvements	21,591,167	-	750,000	-	22,341,167
Infrastructure	43,610,812	-	2,790,727	-	46,401,539
Vehicles & Equipment	2,802,849	-	612,973	-	3,415,822
Total capital assets being depreciated	<u>68,004,828</u>	<u>-</u>	<u>4,153,700</u>	<u>-</u>	<u>72,158,528</u>
Less accumulated depreciation for:					
Buildings & Improvements	(3,936,193)	-	(748,977)	-	(4,685,170)
Infrastructure	(7,017,540)	(371,268)	(1,177,764)	-	(8,566,572)
Vehicles & Equipment	(1,505,322)	-	(380,957)	-	(1,886,279)
Total accumulated depreciation	<u>(12,459,055)</u>	<u>(371,268)</u>	<u>(2,307,698)</u>	<u>-</u>	<u>(15,138,021)</u>
Total capital assets being depreciated, net	<u>55,545,773</u>	<u>(371,268)</u>	<u>1,846,002</u>	<u>-</u>	<u>57,020,507</u>
Governmental activities capital assets, net	<u>\$ 68,768,221</u>	<u>\$ (371,268)</u>	<u>\$ 6,314,565</u>	<u>\$ (2,790,727)</u>	<u>\$ 71,920,791</u>

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

F. Capital Assets (continued)

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Business-type Activities					
Capital assets not being depreciated:					
Construction in progress	\$ 1,691,453	\$ -	\$ 1,913,284	\$ (2,335,619)	\$ 1,269,118
Total capital assets, not being depreciated:	<u>1,691,453</u>	<u>-</u>	<u>1,913,284</u>	<u>(2,335,619)</u>	<u>1,269,118</u>
Capital assets being depreciated:					
Buildings and Systems	33,828,412	-	2,335,618	-	36,164,030
Vehicles and Equipment	460,498	-	11,451	-	471,949
Total capital assets being depreciated	<u>34,288,910</u>	<u>-</u>	<u>2,347,069</u>	<u>-</u>	<u>36,635,979</u>
Less accumulated depreciation for:					
Buildings and Systems	(6,327,891)	(283,905)	(735,775)	-	(7,347,571)
Vehicles and Equipment	(291,031)	(12,775)	(35,206)	-	(339,012)
Total accumulated depreciation	<u>(6,618,922)</u>	<u>(296,680)</u>	<u>(770,981)</u>	<u>-</u>	<u>(7,686,583)</u>
Total capital assets being depreciated, net	<u>27,669,988</u>	<u>(296,680)</u>	<u>1,576,088</u>	<u>-</u>	<u>28,949,396</u>
Business-type activities capital assets, net	<u>\$ 29,361,441</u>	<u>\$ (296,680)</u>	<u>\$ 3,489,372</u>	<u>\$ (2,335,619)</u>	<u>\$ 30,218,514</u>

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

Governmental activities:	
General Government	\$ 889,550
Public Safety	324,906
Public Works, including depreciation of general infrastructure assets	880,482
Public Service	6,124
Culture and Recreation	<u>206,636</u>
Total depreciation expense - governmental activities	<u>\$ 2,307,698</u>
Business-type activities:	
Water Sewer	<u>\$ 770,981</u>
Total depreciation expense - business-type activities	<u>\$ 770,981</u>

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds & certificates of obligation	\$ 35,770,000	\$ 8,725,000	\$ (6,135,000)	\$38,360,000	\$ 2,170,000
Refunding bonds	200,000	-	(100,000)	100,000	100,000
Tax notes	1,075,000	750,000	(140,000)	1,685,000	270,000
	<u>37,045,000</u>	<u>9,475,000</u>	<u>(6,375,000)</u>	<u>40,145,000</u>	<u>2,540,000</u>
Plus deferred amounts:					
For issuance premium	155,912	350,435	(8,915)	497,432	26,437
For issuance discounts	(135,191)	(72,435)	15,424	(192,202)	19,047
Total bonds payable	<u>37,065,721</u>	<u>9,753,000</u>	<u>(6,368,491)</u>	<u>40,450,230</u>	<u>2,585,484</u>
Compensated absences	172,176	57,745	(41,426)	188,495	38,206
Governmental activity Long-term debt	<u>\$ 37,237,897</u>	<u>\$ 9,810,745</u>	<u>\$ (6,409,917)</u>	<u>\$40,638,725</u>	<u>\$ 2,623,690</u>
Business-type Activities					
Water & Sewer					
Revenue bonds	\$ 225,000	\$ -	\$ (50,000)	\$ 175,000	\$ 50,000
Certificates of obligation	7,790,000	-	(295,000)	7,495,000	310,000
	<u>8,015,000</u>	<u>-</u>	<u>(345,000)</u>	<u>7,670,000</u>	<u>360,000</u>
Plus deferred amounts:					
For insurance premium	52,245	-	(2,750)	49,495	2,750
For issuance discounts	(38,799)	-	2,042	(36,757)	2,042
Total bonds payable	<u>8,028,446</u>	<u>-</u>	<u>(345,708)</u>	<u>7,682,738</u>	<u>364,792</u>
Compensated absences	10,636	4,314	(2,767)	12,183	3,912
Business-type activity Long-term debt	<u>\$ 8,039,082</u>	<u>\$ 4,314</u>	<u>\$ (348,475)</u>	<u>\$ 7,694,921</u>	<u>\$ 368,704</u>

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued compensatory 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.

Changes in Governmental Bonded Debt

Description	Interest Rate Payable	Amounts Issue	Amounts		Amounts Outstanding 2011	Due Within One Year	
			Outstanding 2010	Issued			
2001 Series CO	4.75%-5.75%	\$ 3,500,000	\$ 2,455,000	\$ -	\$ (2,085,000)	\$ 370,000	\$ 180,000
2001 GO Refund	4.5%-5.75%	1,155,000	200,000	-	(100,000)	100,000	100,000
2002 Series CO	4.5%-5.75%	3,500,000	2,540,000	-	(1,610,000)	930,000	170,000
2002A Series CO	3.5%-4.75%	5,000,000	3,535,000	-	(965,000)	2,570,000	235,000
2003 Series CO	3.5% - 5%	6,700,000	5,085,000	-	(295,000)	4,790,000	310,000
2004 Series CO	4.125%-4.875%	10,000,000	8,115,000	-	(430,000)	7,685,000	450,000
2009 Series CO	2.5%-4.625%	1,500,000	1,500,000	-	(230,000)	1,270,000	240,000
2009 Series GO	2.5%-4.725%	7,915,000	7,740,000	-	(390,000)	7,350,000	405,000
2010 Series GO	2%-3.75%	4,800,000	4,800,000	-	(130,000)	4,670,000	180,000
2010 Tax Note	2%-2.5%	1,075,000	1,075,000	-	(140,000)	935,000	150,000
2011 Tax Note	1.35%-2.05%	750,000	-	750,000	-	750,000	120,000
2011 Series GO	2% - 4%	8,725,000	-	8,725,000	-	8,725,000	-
Total Debt Payable		<u>\$ 54,620,000</u>	<u>\$37,045,000</u>	<u>\$ 9,475,000</u>	<u>\$ (6,375,000)</u>	<u>\$ 40,145,000</u>	<u>\$ 2,540,000</u>

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

G. Long-Term Obligations

Changes in Governmental Bonded Debt (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2012	2,540,000	1,562,728	4,102,728
2013	2,525,000	1,422,298	3,947,298
2014	2,635,000	1,333,467	3,968,467
2015	2,820,000	1,242,056	4,062,056
2016	2,960,000	1,144,251	4,104,251
2017 - 2021	13,715,000	4,309,974	18,024,974
2022 - 2026	8,500,000	1,668,147	10,168,147
2027 - 2031	4,450,000	394,283	4,844,283
Totals	\$40,145,000	\$ 13,077,204	\$53,222,204

A description of the purpose for each bond issuance follows:

\$3,500,000 Series 2001 certificates of obligation, issued for the purpose of drainage improvements, acquisition of land and preparation for future City facilities, including City hall, a fire station and a public safety building.

\$1,155,000 Series 2001, general obligation refunding bonds, issued for the purpose of refinancing general obligation Series 1990, Series 1992 and Series 1993.

\$3,500,000 Series 2002, certificate of obligation, issued for the purpose of purchasing land for park improvements and municipal complex, street improvements, construction of a new fire station, municipal complex and park improvements.

\$5,000,000 Series 2002A, certificate of obligation, issued for the purpose of constructing a municipal complex to include a fire station, City hall, police and court building, and a public works maintenance building.

\$6,700,000 Series 2003, certificate of obligation, issued for the purpose of constructing a municipal complex to include a fire station, City hall, police and court building, and a public works maintenance building.

\$10,000,000 Series 2004, certificate of obligation, issued for the purpose of constructing a municipal complex to include a fire station, City hall, police and court building, and a public works maintenance building, street improvements, improvements to water/sewer systems and purchase land for park improvements.

\$1,500,000 Series 2009, certificate of obligation, issued for the purpose of street improvements, emergency services equipment, supplies and radio communications system.

\$7,915,000 Series 2009, general obligation bonds, issued for the purpose of refinancing 1998 certificate of obligations, remodel and renovation of community center, park construction and improvements, land purchase, street improvements and other infrastructure improvements, beautification

\$4,800,000 Series 2010, general obligation bonds, issued for the purpose of remodeling the community center, acquiring and constructing park improvements and constructing street improvements including storm drainage improvements.

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

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

G. Long-Term Obligations (continued)

\$8,725,000 Series 2011, general obligation refunding and improvements bonds, issued for the purpose of refunding portions of 2001CO, 2002CO, 2002A CO and acquiring, constructing, improving and equipping parks and recreational facilities and street infrastructure

\$750,000 2011 tax notes, issued for the purpose of the development of the community recreational center

Changes in Business-type Bonded Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30		Retired	Amounts Outstanding September 30 2011	Due Within One Year
			2010	Issued			
1994 Revenue	5.7%-6.25%	\$ 700,000	\$ 225,000	\$ -	\$ (50,000)	\$ 175,000	\$ 55,000
2009 Series CO	2.5%-4.625%	8,000,000	7,790,000	-	(295,000)	7,495,000	305,000
Total Bonds Payable		\$ 8,700,000	\$ 8,015,000	\$ -	\$ (345,000)	\$ 7,670,000	\$ 360,000

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2012	\$ 360,000	\$ 301,129	\$ 661,129
2013	370,000	288,466	658,466
2014	380,000	275,266	655,266
2015	330,000	261,766	591,766
2016	340,000	251,716	591,716
2017-2021	1,900,000	1,067,281	2,967,281
2022-2026	2,325,000	640,510	2,965,510
2027-2029	1,665,000	117,283	1,782,283
Totals	\$ 7,670,000	\$ 3,203,417	\$10,873,417

A description of the purpose for each bond issuance follows:

\$700,000 Series 1994, revenue bond, issued for the purpose of improving the water/sewer systems.

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

H. Bond Issuance Costs

The City incurred various bond issuance fees upon issuance of the 2009, 2010 and 2011 bonds. These fees are amortized over the term of the bonds. The following is a schedule of these fees:

General Fund	Fees	Prior Years	Current Year	Balance	Due Within One Year
		Amortization Expense	Amortization Expense		
2009 GO bond issue fees	\$ 200,580	\$ 10,029	\$ 10,029	\$ 180,522	\$ 10,029
2009 CO bond issue fees	31,050	1,553	1,552	27,945	1,552
2010 GO bond issue fees	73,532	-	3,677	69,855	3,677
2010 tax notes bond issue fees	16,468	-	2,353	14,115	2,353
2011 GO bond issue fees	98,000	-	-	98,000	4,900
2011 tax notes bond issue fees	31,932	-	-	31,932	5,322
Totals	\$ 451,562	\$ 11,582	\$ 17,611	\$ 422,369	\$ 27,833

Proprietary Fund	Fees	Prior Years	Current Year	Balance	Due Within One Year
		Amortization Expense	Amortization Expense		
2009 CO bond issue fees	\$ 188,259	\$ 9,412	\$ 9,413	\$ 169,434	\$ 9,413

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

I. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rate:	7%
Matching Ratio (City to Employee):	2-1
A member is vested after	5 yrs
Members can retire at certain ages, based on the years of service with the City.	
The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age.	
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

I. Pension Plan
2. Contributions (continued)

Schedule of Actuarial Liabilities and Funding Progress

	<u>12/31/08</u>	<u>12/31/09</u>	Prior to restructuring <u>12/31/10</u>	Restructured <u>12/31/10</u>
Actuarial Valuation Date				
Actuarial Value of Assets	\$ 4,051,192	\$ 4,660,163	\$ 5,450,418	\$ 6,521,264
Actuarial Accrued Liability	6,679,956	7,485,416	8,434,449	9,965,682
Percentage Funded	60.6%	62.3%	64.6%	65.4%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	2,628,764	2,825,253	2,984,081	3,444,418
Annual Covered Payroll	5,071,787	4,966,291	4,823,373	4,823,373
UAAL as a Percentage of Covered Payroll	51.8%	56.9%	61.9%	71.4%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual required contribution (ARC) Plus	503,187	505,869	573,711	573,711
Contributions Made Less	(503,187)	(505,869)	(573,711)	(573,711)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of PR	Level % of PR	Level % of PR	Level % of PR
GASB25 Equivalent Single	24.0 years'	23.2 years	22.2 years;	22.2 years;
Amortization period	closed period	closed period	closed period	closed period
Amortization period for new Gains/Losses	25 years	25 years	25 years	25 years
Asset Valuation Method	Amortized Cost	10-yr smoothed market	10-yr smoothed market	10-yr smoothed market
Actuarial assumptions:				
Investment rate of return *	7.50%	7.50%	7.50%	7.00%
Projected salary increase *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation rate at	3.00%	3.00%	3.00%	3.00%
Cost-of-living Adjustments	2.10%	2.10%	2.10%	2.10%

Funded Status and Funding Progress - In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructuring of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

I. Pension Plan (continued)

3. 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 Benefits 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 pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$8,823, \$8,208 and \$7,007, respectively, which equaled the required contributions each year.

J. Health Care Coverage

During the year ended September 30, 2011, employees of the City were covered by a health insurance plan ("Plan"). The City contributed \$401 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.

K. Insurance Coverage

Below is a schedule of insurance in force.

Company	Entity Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
Liability Coverage:						
TX Municipal League Joint Self Ins Fund	00903	General	\$ 1,000,000 per occurrence	10/01/10 to 10/01/11	\$ 9,894	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Automotive	\$ 1,000,000 per occurrence	10/01/10 to 10/01/11	\$ 20,488	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Law Enforcement	\$ 1,000,000 per claim	10/01/10 to 10/01/11	\$ 13,015	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Public Employee Dishonesty	\$ 250,000	10/01/10 to 10/01/11	\$ 629	\$ 250
TX Municipal League Joint Self Ins Fund	00903	Errors & Omissions	\$ 1,000,000 per claim	10/01/10 to 10/01/11	\$ 16,612	\$ 1,000
Property Coverage:						
TX Municipal League Joint Self Ins Fund	00903	Real and Personal	Replacement Cost	10/01/10 to 10/01/11	\$ 17,629	\$ 2,500
TX Municipal League Joint Self Ins Fund	00903	Mobile Equipment	Replacement Cost	10/01/10 to 10/01/11	\$ 1,713	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Automobile- Phys. Damage	Comprehensive Scheduled	10/01/10 to 10/01/11	\$ 8,909	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Boiler and Machinery	Comprehensive Scheduled	10/01/10 to 10/01/11	included	\$ 2,500

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, 2010, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

L. 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 settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.,

M. Litigation

There were three threatened or pending litigations against the City at fiscal year end. It is believed that all of these cases will be resolved in the City's favor.

N. 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	1,133,421,000
Gallons Billed	1,062,254,100

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 \$1.42 per thousand gallons of water for this fiscal year. There was an increase in the amount spent purchasing water, \$199,254 (11%) over the previous 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, 2011 was \$592,834, net of payments to the City for facilities usage.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

O. Construction Commitments

The City has active construction projects as of September 30, 2011. The projects include park infrastructure and improvements, street infrastructure, community center improvements, and water/wastewater infrastructure improvements. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Community Center	\$ 2,230,899	\$ 835,819
Park Development	180,736	399,743
Street Infrastructure	811,874	114,006
Public Safety Radio System	1,245,995	44,928
Lift Station	484,539	49,124
Utilities	784,579	2,231,635
	<u>\$ 5,738,622</u>	<u>\$ 3,675,255</u>

P. 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
Capital Projects Fund	General Fund	5,474,427
Debt Service	Capital Projects Fund	5,550,000
		<u>\$11,874,427</u>

Transfers are used to 1) transfer the Water Sewer Fund's portion of expenses, such as salaries of the City Manager, Finance Director and Assistant City Manager, and a portion of the municipal complex expenses, 2) move restricted amounts from borrowing to the Capital Projects Fund, and 3) reclassify projects from the Capital Fund to the General Fund,

Q. Prior Period Adjustment

The City of Murphy had a prior period adjustment in the General Fund of \$371,268 which was an adjustment to correct prior years' depreciation expense. The Water Sewer fund also had a prior period adjustment to correct prior years depreciation in the amount of \$296,680.

R. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2011 up through February 17, 2012, the date the financial statements were available to be issued. Several bids were awarded for parks plans and construction totaling \$1,000,000 for Timbers Nature Preserve Park and trail project and Liberty Ridge Park.

In February, 2012, City Council approved the issuance of General Obligation Refunding Bonds in the amount of \$13,715,000. This 2012 Series will save the City approximately \$925,000 in interest expense.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

S. Murphy Community Development Corporation

The Murphy Community Development Corporation ("CDC") is financed with the City transferring 1/4 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.

a. Deposits and Investments

Cash and investments as of September 30, 2011 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Unrestricted cash	<u>\$ 952,137</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, 2011 CDC deposits with financial institutions were covered by FDIC and fully collateralized.

b. Receivables

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

Receivables	
Sales tax	<u>\$ 8,055</u>

c. Compensated absences

The CDC follows the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The maximum accrual of vacation leave is one year's accumulation. Sick leave accrued hours shall be carried to the next year with a maximum of 720 hours.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 6,362</u>	<u>\$ 914</u>	<u>\$ (694)</u>	<u>\$ 6,582</u>	<u>\$ 757</u>

d. Note Payable

In December, 2010, the CDC entered into an agreement with the City of Murphy. The City issued anticipation notes to pay contractual obligations for the development of the community recreation center involving the acquisition of real property, construction, renovation, equipping, improving, and operations and maintenance of the center and related infrastructure. The Board of Directors of the CDC agreed to pay the costs of this project by remitting to the City from receipts of the local sales and use taxes received to pay the principal and interest on this anticipation note. The payments to the City will begin in FY2012 and final payment is due in FY2017.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Payable	<u>-</u>	<u>\$ 791,639</u>	<u>-</u>	<u>\$ 791,639</u>	<u>\$ 131,768</u>

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

S. Murphy Community Development Corporation
 d. Note Payable (continued)

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2012	\$ 131,768
2013	130,058
2014	128,258
2015	131,233
2016	133,938
2017	136,384
Total	<u>\$ 791,639</u>

e. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2011 up through February 17, 2012, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events regarding the CDC requiring disclosure.

T. Murphy Economic Development Corporation

The Murphy Economic Development Corporation ("EDC") is financed with the City transferring 1/4 of sales tax receipts each month. This has voter approval and is to be used for direct assistance to business prospects and continued development of infrastructure.

a. Deposits and Investments

Cash and investments as of September 30, 2011 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Unrestricted cash	<u>\$ 667,455</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 held by as 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, 2011 EDC deposits with financial institutions were covered by FDIC and fully collateralized.

b. Receivables

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

Receivables - sales tax	<u>\$ 8,054</u>
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**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

T. Murphy Economic Development Corporation (continued)

c. Note Receivable

In January, 2011, the Board of Directors authorized a business incentive loan to Boomerjack's for building improvements. The loan is for \$100,000 to be paid back to the EDC annually beginning in FY2012 at 2% interest. The following is the detail of the note receivable:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Receivable	-	\$ 100,000	-	\$ 100,000	\$ 20,000

Requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Due
2012	\$ 20,000	\$ 2,000	\$ 22,000
2013	20,000	1,600	21,600
2014	20,000	1,200	21,200
2015	20,000	800	20,800
2016	20,000	400	20,400
Totals	\$ 100,000	\$ 6,000	\$ 106,000

d. Unearned revenue

Governmental funds report unearned revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. The EDC has deferred the revenue of the loan made to a local business as an incentive loan. This deferred revenue will be decreased as the monies are received for the note.

e. Compensated absences

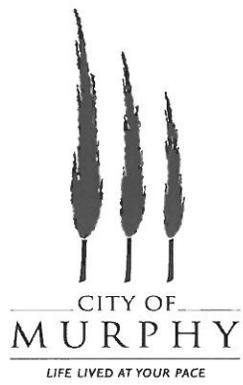
The CDC follows the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The maximum accrual of vacation leave is one year's accumulation. Sick leave accrued hours shall be carried to the next year with a maximum of 720 hours.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 1,186	\$ 178	\$ (138)	\$ 1,226	\$ 559

f. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2011 up through February 17, 2012, the date the financial statements were available to be issued. In November, 2011 an election approved the abolishment of the EDC and replaced it with the Municipal Development District ("MDD"). The MDD is effective April 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MURPHY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
 (Unaudited)

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Credit	Actuarial Accrued Liability UAAL	Funded Percent	Annual Covered Payroll	UAAL as Percent of Covered Payroll	Annual Contributions		Percent Contributed
								Required	Actual	
2006	12/31/2005	\$ 1,961,232	\$ 2,741,909	\$ 780,677	71.53%	\$ 3,107,397	25.12%	\$ 243,513	\$ 243,513	100.00%
2007	12/31/2006	2,599,165	3,509,632	910,467	74.06%	4,111,974	22.14%	332,089	332,089	100.00%
2008	12/31/2007	3,227,636	5,519,638	2,292,002	58.48%	4,464,231	51.34%	440,620	440,620	100.00%
2009	12/31/2008	4,051,192	6,679,956	2,628,764	60.65%	5,071,787	51.83%	503,187	503,187	100.00%
2010	12/31/2009	4,660,163	7,485,416	2,825,253	62.26%	4,966,291	56.89%	505,869	505,869	100.00%
2011	12/31/2010 1	5,450,418	8,434,499	2,984,081	64.62%	4,823,373	61.87%	573,711	573,711	100.00%
2011	12/31/2010 2	6,521,264	9,965,682	3,444,418	65.44%	4,823,373	71.41%	573,711	573,711	100.00%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

CITY OF MURPHY, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 4,741,000	\$ 4,686,000	\$ 4,675,421	\$ (10,579)
Franchise taxes	751,100	818,300	820,067	1,767
Fines and forfeitures	434,600	584,600	570,456	(14,144)
Sales tax	905,000	952,000	952,543	543
Grants	25,300	33,300	33,368	68
Charge for services	1,396,600	1,399,500	1,404,681	5,181
Licenses and permits	527,000	546,000	548,294	2,294
Donations	-	22,900	23,030	130
Investment income	7,100	6,400	6,496	96
Miscellaneous	50,300	40,400	42,207	1,807
Total Revenues	\$ 8,838,000	\$ 9,089,400	\$ 9,076,563	\$ (12,837)

(continued)

**CITY OF MURPHY, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES				
City Administration:				
Personnel services	\$ 260,400	\$ 260,400	\$ 261,006	\$ (606)
Materials and supplies	12,800	12,800	5,342	7,458
Other services	146,500	146,500	140,643	5,857
Total City Administration	<u>419,700</u>	<u>419,700</u>	<u>406,991</u>	<u>12,709</u>
Human Resources:				
Personnel services	85,250	85,250	82,275	2,975
Materials and supplies	46,400	46,400	45,218	1,182
Other services	26,300	26,300	21,806	4,494
Total Human Resources	<u>157,950</u>	<u>157,950</u>	<u>149,299</u>	<u>8,651</u>
Information Technology:				
Personnel services	174,850	174,850	172,331	2,519
Materials and supplies	14,400	14,400	55,462	(41,062)
Other services	22,000	22,000	95,694	(73,694)
Capital outlay	283,300	283,300	155,446	127,854
Total Information Technology	<u>494,550</u>	<u>494,550</u>	<u>478,933</u>	<u>15,617</u>
City Council:				
Materials and supplies	300	300	1,724	(1,424)
Other services	279,700	346,700	280,684	66,016
Total City Council	<u>280,000</u>	<u>347,000</u>	<u>282,408</u>	<u>64,592</u>
City Secretary:				
Personnel services	97,550	97,550	96,812	738
Materials and supplies	12,000	12,000	24,145	(12,145)
Other services	76,400	76,400	57,954	18,446
Total City Secretary	<u>185,950</u>	<u>185,950</u>	<u>178,911</u>	<u>7,039</u>
Finance:				
Personnel services	252,200	252,200	249,321	2,879
Materials and supplies	30,700	30,700	26,706	3,994
Other services	110,300	110,300	104,063	6,237
Total Finance	<u>393,200</u>	<u>393,200</u>	<u>380,090</u>	<u>13,110</u>
Fire Department:				
Personnel services	1,628,700	1,628,700	1,598,515	30,185
Materials and supplies	117,000	117,000	100,937	16,063
Other services	302,900	269,900	210,578	59,322
Total Fire Department	<u>2,048,600</u>	<u>2,015,600</u>	<u>1,910,030</u>	<u>105,570</u>
Public Works:				
Materials and supplies	33,500	33,500	33,350	150
Other services	216,600	216,600	199,841	16,759
Total Public Works	<u>250,100</u>	<u>250,100</u>	<u>233,191</u>	<u>16,909</u>
Facilities:				
Materials and supplies	70,000	64,500	12,505	51,995
Other services	393,300	331,300	304,741	26,559
Total Facilities	<u>\$ 463,300</u>	<u>\$ 395,800</u>	<u>\$ 317,246</u>	<u>\$ 78,554</u>

(continued)

**CITY OF MURPHY, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Community Development:				
Personnel services	\$ 318,500	\$ 318,500	\$ 318,571	\$ (71)
Materials and supplies	17,500	17,500	3,694	13,806
Other services	141,000	191,000	200,212	(9,212)
Total Community Development	<u>477,000</u>	<u>527,000</u>	<u>522,477</u>	<u>4,523</u>
Police Department:				
Personnel services	2,269,000	2,269,000	2,226,658	42,342
Materials and supplies	100,400	100,400	120,654	(20,254)
Other services	361,000	329,000	265,888	63,112
Capital outlay	108,300	108,300	98,080	10,220
Total Police Department	<u>2,838,700</u>	<u>2,806,700</u>	<u>2,711,280</u>	<u>95,420</u>
Animal Control:				
Personnel services	49,900	49,900	49,874	26
Materials and supplies	8,700	8,700	6,192	2,508
Other services	9,800	20,300	16,808	3,492
Total Animal Control	<u>68,400</u>	<u>78,900</u>	<u>72,874</u>	<u>6,026</u>
Parks and Recreation:				
Personnel services	526,000	526,000	543,692	(17,692)
Materials and supplies	100,900	100,900	86,115	14,785
Other services	264,300	264,300	214,759	49,541
Capital outlay	55,000	55,000	49,763	5,237
Total Parks and Recreation	<u>946,200</u>	<u>946,200</u>	<u>894,329</u>	<u>51,871</u>
Municipal Court:				
Personnel services	132,750	132,750	130,685	2,065
Materials and supplies	2,500	2,500	3,017	(517)
Other services	123,200	128,200	119,584	8,616
Total Municipal Court	<u>258,450</u>	<u>263,450</u>	<u>253,286</u>	<u>10,164</u>
Waste Management:				
Other services	655,700	655,700	647,574	8,126
Total Waste Management	<u>655,700</u>	<u>655,700</u>	<u>647,574</u>	<u>8,126</u>
Total Expenditures	<u>9,937,800</u>	<u>9,937,800</u>	<u>9,438,919</u>	<u>498,881</u>
Excess of revenues over (under) expenditures	<u>(1,099,800)</u>	<u>(848,400)</u>	<u>(362,356)</u>	<u>486,044</u>
Other Financing Sources (Uses)				
Transfers	850,000	850,000	851,735	1,735
Total Other Financing Sources (Uses)	<u>850,000</u>	<u>850,000</u>	<u>851,735</u>	<u>1,735</u>
Net change in Fund Balances	<u>(249,800)</u>	<u>1,600</u>	<u>489,379</u>	<u>487,779</u>
Fund Balances, beginning of year	<u>2,723,396</u>	<u>2,723,396</u>	<u>2,723,396</u>	
Fund Balances, end of year	<u>\$ 2,473,596</u>	<u>\$ 2,724,996</u>	<u>\$ 3,212,775</u>	

SUPPLEMENTARY INFORMATION



CITY OF MURPHY, TEXAS
DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 3,694,000	\$ 3,658,000	\$ 3,648,153	\$ (9,847)
Investment income	31,000	55,000	55,447	447
Miscellaneous	-	1,200	1,223	23
Total Revenues	<u>3,725,000</u>	<u>3,714,200</u>	<u>3,704,823</u>	<u>(9,377)</u>
EXPENDITURES				
Debt Service:				
Principal payments	2,270,000	2,270,000	2,270,000	-
Interest expense	1,526,900	1,540,500	1,540,098	402
Total Expenditures	<u>3,796,900</u>	<u>3,810,500</u>	<u>3,810,098</u>	<u>402</u>
Excess (deficiency) of revenues over (under) expenditures	(71,900)	(96,300)	(105,275)	(8,975)
Other Revenues and Financing Sources (uses)				
Debt issuance	-	-	3,925,000	3,925,000
Payments to bond refunding escrow agent	-	-	(4,336,878)	(4,336,878)
Bond issuance costs	-	-	411,878	411,878
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(71,900)	(96,300)	(105,275)	(8,975)
Fund Balances/Equity, October 1	1,007,592	1,007,592	1,007,592	
Fund Balances/Equity, September 30	<u>\$ 935,692</u>	<u>\$ 911,292</u>	<u>\$ 902,317</u>	

CITY OF MURPHY, TEXAS
 CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Miscellaneous	\$ -	\$ -	\$ 39,000	\$ 39,000
Investment income	11,500	11,500	13,805	2,305
Total Revenues	<u>11,500</u>	<u>11,500</u>	<u>52,805</u>	<u>41,305</u>
EXPENDITURES				
Park and recreation	-	-	69	(69)
Capital outlays:				
Public safety	1,782,240	1,782,240	1,084,694	697,546
Public works	2,169,575	2,169,575	1,982,611	186,964
Park and recreation	8,414,650	8,414,650	2,405,388	6,009,262
Total Expenditures	<u>12,366,465</u>	<u>12,366,465</u>	<u>5,472,762</u>	<u>6,893,703</u>
Excess (deficiency) of revenues over (under) expenditures	(12,354,965)	(12,354,965)	(5,419,957)	6,935,008
Other Revenues and Financing Sources (uses)				
Debt issuance	4,800,000	4,800,000	5,550,000	750,000
Bond issuance costs	(150,000)	(150,000)	-	150,000
Transfers	25,000	25,000	(1,735)	(26,735)
Total Other Financing Sources (uses)	<u>4,675,000</u>	<u>4,675,000</u>	<u>5,548,265</u>	<u>873,265</u>
Net change in Fund Balances	(7,679,965)	(7,679,965)	128,308	7,808,273
Fund Balances/Equity, October 1	<u>8,963,730</u>	<u>8,963,730</u>	<u>8,963,730</u>	
Fund Balances/Equity, September 30	<u>\$ 1,283,765</u>	<u>\$ 1,283,765</u>	<u>\$ 9,092,038</u>	

**CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2011**

	<u>Community Development Corporation</u>
ASSETS	
Cash and cash equivalents	\$ 952,137
Receivables (net of allowance for uncollectibles)	80,055
Total Assets	<u>1,032,192</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	31,952
Accrued expenditures	994
Total Liabilities	<u>32,946</u>
FUND BALANCES	
Unassigned	999,246
Total Fund Balances	<u>999,246</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,032,192</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS-COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2011**

Total fund balances - governmental funds	\$ 999,246
Amounts reported for governmental activities in the statements of net assets are different for the following reason:	
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(6,582)
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	(791,639)
Net assets of governmental activities - statement of net assets	<u>\$ 201,025</u>

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Community Development Corporation</u>
REVENUE	
Sales tax	\$ 470,568
Investment income	1,330
Total Revenues	<u>471,898</u>
EXPENDITURES	
Personal services	51,437
Administration	81,421
Contractual services	4,902
Supplies	93,704
Miscellaneous	1,188
Interest and fiscal charges	40,806
Total Expenditures	<u>273,458</u>
Excess (deficiency) of revenues over (under) expenditures	198,440
Fund Balances/Equity, October 1	800,806
Fund Balances/Equity, September 30	<u>\$ 999,246</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Net change in fund balances - total governmental funds	\$ 198,440
Amounts reported for governmental activities in the statement of activities are different for the following:	
Changes to vacation and sick liabilities are not shown in the fund financial statements.	(6,583)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(791,639)
Change in net assets of governmental activities - statement of activities	<u><u>\$ (599,782)</u></u>

**CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2011**

	<u>Economic Development Corporation</u>
ASSETS	
Cash and cash equivalents	\$ 667,455
Receivables (net of allowance for uncollectibles)	80,054
Note receivable	100,000
Total Assets	<u>847,509</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	2,589
Accrued expenditures	653
Unearned revenues	100,000
Total Liabilities	<u>103,242</u>
FUND BALANCES	
Unassigned	744,267
Total Fund Balances	<u>744,267</u>
 Total Liabilities and Fund Balances	 <u>\$ 847,509</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2011**

Total fund balances - governmental funds	\$ 744,267
Amounts reported for governmental activities in the statement of net assets are different for the following:	
Accrued liabilities for compensated absences have not been reflected in the fund financial statements	(1,226)
Revenue reported as unearned revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	100,000
Net assets of governmental activities - statement of net assets	<u>\$ 843,041</u>

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Economic Development Corporation</u>
REVENUE	
Sales tax	\$ 470,569
Investment income	993
Total Revenues	<u>471,562</u>
EXPENDITURES	
Personal services	86,548
Administration	47,101
Contractual services	52,832
Supplies	2,728
Miscellaneous	8,891
Incentives	207,000
Total Expenditures	<u>405,100</u>
Excess (deficiency) of revenues over (under) expenditures	66,462
Fund Balances/Equity, October 1	<u>677,805</u>
Fund Balances/Equity, September 30	<u>\$ 744,267</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Net change in fund balances - total governmental funds	\$ 66,462
Amounts reported for governmental activities in the statement of activities are different for the following:	
Changes to vacation and sick liabilities are not shown in the fund financial statements.	(839)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	100,000
Change in net assets of governmental activities - statement of activities	<u><u>\$ 165,623</u></u>

**CITY OF MURPHY, TEXAS
COMMUNITY DEVELOPMENT FUND - SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales tax	\$ 452,500	\$ 470,500	\$ 470,568	\$ 68
Investment income	1,500	1,400	1,330	(70)
Total Revenues	<u>454,000</u>	<u>471,900</u>	<u>471,898</u>	<u>(2)</u>
EXPENDITURES				
Personal services	62,700	62,700	51,437	11,263
Administration	72,150	81,714	81,421	293
Contractual services	11,000	11,000	4,902	6,098
Supplies	570,550	538,550	93,704	444,846
Miscellaneous	8,700	8,700	1,188	7,512
Interest and fiscal charges	-	32,000	40,806	(8,806)
Total Expenditures	<u>725,100</u>	<u>734,664</u>	<u>273,458</u>	<u>461,206</u>
Excess (deficiency) of revenues over (under) expenditures	(271,100)	(262,764)	198,440	461,204
Fund Balances/Equity, October 1	800,806	800,806	800,806	
Fund Balances/Equity, September 30	<u>\$ 529,706</u>	<u>\$ 538,042</u>	<u>\$ 999,246</u>	

CITY OF MURPHY, TEXAS
 ECONOMIC DEVELOPMENT FUND - SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales tax	\$ 452,500	\$ 470,500	\$ 470,569	\$ 69
Investment income	1,000	1,000	993	(7)
Total Revenues	<u>453,500</u>	<u>471,500</u>	<u>471,562</u>	<u>62</u>
EXPENDITURES				
Personal services	90,050	90,050	86,548	3,502
Administration	76,500	90,629	47,101	43,528
Contractual services	10,200	46,200	52,832	(6,632)
Supplies	2,600	2,600	2,728	(128)
Miscellaneous	10,500	10,500	8,891	1,609
Incentives	200,000	207,000	207,000	-
Total Expenditures	<u>389,850</u>	<u>446,979</u>	<u>405,100</u>	<u>41,879</u>
Excess (deficiency) of revenues over (under) expenditures	63,650	24,521	66,462	41,941
Fund Balances/Equity, October 1	677,805	677,805	677,805	
Fund Balances/Equity, September 30	<u>\$ 741,455</u>	<u>\$ 702,326</u>	<u>\$ 744,267</u>	

STATISTICAL SECTION (UNAUDITED)



**STATISTICAL SECTION
(UNAUDITED)**

This part of the City of Murphy's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents

Table #s

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1,2,3,4,5

Revenue Capacity

These tables contain information to help the reader assess the City's two most significant local revenue sources, property and sales taxes.

6,7,8,9

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

10,11,12,13,14,15

Economic and Demographic Information

These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

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Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.

18,19,20

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004: tables presenting government-wide information include information beginning that year.

CITY OF MURPHY, TEXAS
NET ASSETS BY COMPONENT - UNAUDITED
LAST EIGHT FISCAL YEARS
(Accrual basis of accounting)
(Amounts expressed in thousands)

	FISCAL YEAR				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	\$ 20,724	\$ 31,431	\$ 35,636	\$ 35,217	\$ 37,750
Restricted	409	488	564	737	1,884
Unrestricted	8,798	5,442	5,080	4,633	2,334
Total governmental activities net assets	<u>29,931</u>	<u>37,361</u>	<u>41,280</u>	<u>40,587</u>	<u>41,968</u>
Business-type activities					
Invested in capital assets, net of related debt	24,419	26,921	29,992	29,979	28,918
Restricted	-	361	-	-	2,280
Unrestricted	1,761	2,472	2,867	2,640	79
Total business-type activities net assets	<u>26,180</u>	<u>29,754</u>	<u>32,859</u>	<u>32,619</u>	<u>31,277</u>
Primary government					
Invested in capital assets, net of related debt	45,143	58,352	65,628	65,196	66,668
Restricted	409	849	564	737	4,164
Unrestricted	10,559	7,914	7,947	7,273	2,413
Total primary government net assets	<u>\$ 56,111</u>	<u>\$ 67,115</u>	<u>\$ 74,139</u>	<u>\$ 73,206</u>	<u>\$ 73,245</u>

Note: Years will be added each year until ten years are reported for comparison

Table 1

FISCAL YEAR		
2009	2010	2011
\$ 41,606	\$ 40,527	\$ 41,513
1,034	1,134	1,049
2,102	2,711	2,943
<u>44,742</u>	<u>44,372</u>	<u>45,505</u>
28,568	27,822	27,325
921	637	606
1,835	1,769	2,163
<u>31,324</u>	<u>30,228</u>	<u>30,094</u>
70,174	68,349	68,838
1,955	1,771	1,655
3,937	4,480	5,106
<u>\$ 76,066</u>	<u>\$ 74,600</u>	<u>\$ 75,599</u>

CITY OF MURPHY, TEXAS
CHANGES IN NET ASSETS - UNAUDITED
LAST EIGHT FISCAL YEARS
(Accrual basis of accounting)
(Amounts expressed in thousands)

	FISCAL YEAR					
	2004	2005	2006	2007	2008	2009
EXPENSES						
Government activities:						
General government	\$ 1,389	\$ 1,074	\$ 1,995	\$ 3,372	\$ 2,832	\$ 2,169
Public Safety	2,420	2,386	3,132	4,275	4,324	4,678
Public Service	-	-	-	-	-	536
Public Works	2,260	2,152	2,191	3,049	1,708	560
Sanitation Services	350	490	565	629	604	608
Parks and recreation	67	110	227	256	917	768
Development *	-	-	-	-	711	-
Interest Expense	1,232	1,522	1,331	1,260	1,282	1,300
Total governmental activities expenses	<u>7,718</u>	<u>7,734</u>	<u>9,441</u>	<u>12,841</u>	<u>12,378</u>	<u>10,619</u>
Business-type activities:						
Water and Sewer	<u>3,137</u>	<u>3,314</u>	<u>3,944</u>	<u>4,860</u>	<u>5,035</u>	<u>4,190</u>
Total business-type activities expenses	<u>3,137</u>	<u>3,314</u>	<u>3,944</u>	<u>4,860</u>	<u>5,035</u>	<u>4,190</u>
Total primary government expenses	<u>10,855</u>	<u>11,048</u>	<u>13,385</u>	<u>17,701</u>	<u>17,413</u>	<u>14,809</u>
PROGRAM REVENUES						
Governmental activities:						
Charge for services:						
General government	1,477	1,574	2,226	1,629	600	1,386
Public Safety	191	245	661	702	16	165
Public Works	-	80	-	31	1,316	764
Public Services **	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	40
Sanitation Services	549	624	728	724	704	730
Operating grants and contributions	4	-	49	87	34	20
Capital grants and contributions	180	6,312	2,914	370	280	144
Total governmental activities program revenues	<u>2,401</u>	<u>8,835</u>	<u>6,578</u>	<u>3,543</u>	<u>2,950</u>	<u>3,249</u>
Business-type activities						
Charge for services:						
Water and Sewer	4,196	5,077	6,221	5,240	5,884	5,301
Capital grants and contributions	-	2,615	1,026	84	-	-
Total business-type activities program revenues	<u>4,196</u>	<u>7,692</u>	<u>7,247</u>	<u>5,324</u>	<u>5,884</u>	<u>5,301</u>
Total primary government program revenues	<u>6,597</u>	<u>16,527</u>	<u>13,825</u>	<u>8,867</u>	<u>8,834</u>	<u>8,550</u>
NET (EXPENSE) REVENUES						
Governmental activities	(5,317)	1,101	(2,863)	(9,298)	(9,428)	(7,370)
Business-type activities	1,059	4,378	3,303	464	849	1,111
Total primary government program net expenses	<u>\$ (4,258)</u>	<u>\$ 5,479</u>	<u>\$ 440</u>	<u>\$ (8,834)</u>	<u>\$ (8,579)</u>	<u>\$ (6,259)</u>

* Prior to the year 2008, Development was included in Parks and Recreation. In 2009, they were reported as discretely presented component units.

** Municipal court revenue was reclassified from General Government to Public Services in the fiscal year 2010.

Note: Years will be added each year until ten years are reported for comparison

Table 2

FISCAL YEAR	
2010	2011
\$ 2,971	\$ 3,210
4,656	4,859
484	596
1,164	1,114
624	647
934	1,051
-	-
1,417	1,605
<u>12,250</u>	<u>13,082</u>
4,999	5,194
<u>4,999</u>	<u>5,194</u>
17,249	18,276
79	85
194	164
797	840
493	571
53	55
776	810
22	56
-	879
<u>2,414</u>	<u>3,460</u>
5,173	6,188
-	-
<u>5,173</u>	<u>6,188</u>
7,587	9,648
(9,836)	(9,622)
174	994
<u>\$ (9,662)</u>	<u>\$ (8,628)</u>

(continued)

CITY OF MURPHY, TEXAS
CHANGES IN NET ASSETS - UNAUDITED
LAST EIGHT FISCAL YEARS
(Accrual basis of accounting)
(Amounts expressed in thousands)

	FISCAL YEAR					
	2004	2005	2006	2007	2008	2009
GENERAL REVENUES AND OTHER CHANGES						
IN NET ASSETS						
Government activities:						
Taxes:						
Property	\$ 2,901	\$ 3,765	\$ 4,580	\$ 5,487	\$ 6,229	\$ 7,414
Sales ***	828	1,173	1,016	1,170	1,238	795
Franchise	344	388	503	601	667	809
Investment Income	144	150	312	342	173	115
Donations	-	-	-	-	-	237
Extraordinary Revenue	-	-	-	-	713	-
Miscellaneous	31	41	15	155	155	50
Transfers	2,196	850	356	850	1,289	854
Total governmental activities	<u>6,444</u>	<u>6,367</u>	<u>6,782</u>	<u>8,605</u>	<u>10,464</u>	<u>10,274</u>
Business-type activities:						
Investment Income	19	37	149	145	69	33
Donations	-	-	-	-	-	25
Extraordinary Revenue	-	-	-	-	198	-
Miscellaneous	24	18	9	-	13	57
Transfers	(2,196)	(850)	(356)	(850)	(1,289)	(854)
Total business-type activities	<u>(2,153)</u>	<u>(795)</u>	<u>(198)</u>	<u>(705)</u>	<u>(1,009)</u>	<u>(739)</u>
Total primary government revenues	<u>4,291</u>	<u>5,572</u>	<u>6,584</u>	<u>7,900</u>	<u>9,455</u>	<u>9,535</u>
CHANGE IN NET ASSETS						
Governmental activities	1,127	7,468	3,919	(693)	1,036	2,904
Business-type activities	(1,094)	3,583	3,105	(241)	(160)	372
Total primary government program net expenses	<u>\$ 33</u>	<u>\$ 11,051</u>	<u>\$ 7,024</u>	<u>\$ (934)</u>	<u>\$ 876</u>	<u>\$ 3,276</u>

Note: Years will be added each year until ten years are reported for comparison

*** Prior to 2009, the CDC and the EDC sales tax revenues were included in this amount.

Table 2
(continued)

FISCAL YEAR	
<u>2010</u>	<u>2011</u>
\$ 7,936	\$ 8,347
873	952
702	820
27	76
17	-
-	-
105	81
850	850
<u>10,510</u>	<u>11,126</u>
25	14
-	-
-	-
11	5
(850)	(850)
<u>(814)</u>	<u>(831)</u>
<u>9,696</u>	<u>10,295</u>
674	1,504
(640)	163
<u>\$ 34</u>	<u>\$ 1,667</u>



CITY OF MURPHY, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE - UNAUDITED
LAST TEN FISCAL YEARS
 (Accrual basis of accounting)
 (Amounts expressed in thousands)

Table 3

Fiscal Year	Property Tax	Sales Tax*	Franchise Tax	Total
2002	\$ 1,478	\$ 395	\$ 231	\$ 2,104
2003	2,336	343	300	2,979
2004	2,901	828	344	4,073
2005	3,765	1,173	388	5,326
2006	4,580	1,016	503	6,099
2007	5,487	1,171	601	7,259
2008	6,229	1,238	667	8,134
2009	7,414	795	809	9,018
2010	7,936	873	702	9,511
2011	8,347	953	820	10,120

* Prior to 2009, sales tax included the amounts now designated as CDC and EDC portion.

CITY OF MURPHY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS - UNAUDITED
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	FISCAL YEAR				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,066	16	796	1,145	2,183
Total General Fund	<u>1,066</u>	<u>16</u>	<u>796</u>	<u>1,145</u>	<u>2,183</u>
All Other Government Funds					
Reserved	276	380	716	1,360	2,034
Unassigned	8,638	12,680	7,877	3,639	1,620
Total all other governmental funds	<u>\$ 8,914</u>	<u>\$ 13,060</u>	<u>\$ 8,593</u>	<u>\$ 4,999</u>	<u>\$ 3,654</u>

Table 4

Pre-GASB54 implementation:

FISCAL YEAR				
2007	2008	2009	2010	2011
\$ -	\$ 93	\$ 103	\$ 127	\$ 147
1,696	941	1,658	2,596	3,066
<u>1,696</u>	<u>1,034</u>	<u>1,761</u>	<u>2,723</u>	<u>3,213</u>
2,187	2,614	8,044	9,971	9,994
713	547	477	-	-
<u>\$ 2,900</u>	<u>\$ 3,161</u>	<u>\$ 8,521</u>	<u>\$ 9,971</u>	<u>\$ 9,994</u>

After GASB54 implementation:

	2011
General Fund	
Nonspendable - prepaid items	\$ 10
Restricted for:	
Court use	147
Assigned for:	
Police	12
Unassigned	3,044
Total General Fund	<u>3,213</u>
All Other Government Funds	
Restricted for:	
Debt service	902
Capital improvements	8,657
Assigned for:	
Capital improvements	435
Unassigned	-
Total all other governmental funds	<u>\$ 9,994</u>

CITY OF MURPHY, TEXAS
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS - UNAUDITED
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	FISCAL YEAR					
	2002	2003	2004	2005	2006	2007
REVENUES						
Property Taxes*	\$ 2,104	\$ 2,979	\$ 2,901	\$ 3,765	\$ 4,580	\$ 5,487
Sales Taxes**	-	-	828	1,173	1,016	1,171
Franchise Taxes	-	-	344	388	503	601
Charges for Services	489	823	1,463	1,545	2,207	1,432
License and permits	912	934	450	656	587	952
Fines/Court	120	178	150	187	585	703
Investment Income	90	154	144	150	312	342
Grant revenue	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-
Donations	164	205	4	6,393	2,981	457
Miscellaneous	27	82	366	95	232	155
Total Revenues	<u>3,906</u>	<u>5,355</u>	<u>6,650</u>	<u>14,352</u>	<u>13,003</u>	<u>11,300</u>
EXPENDITURES						
General government	2,468	2,480	1,311	963	1,268	2,650
Public Safety	1,290	1,936	2,391	2,320	3,162	4,426
Public Works	608	1,553	1,490	1,301	1,330	2,789
Public Services and operations	-	-	-	-	-	-
Sanitation	255	310	350	490	565	630
Parks and Recreation	-	-	67	109	280	255
Capital Outlay	384	1,528	15,026	10,667	4,250	-
Debt Service						
Principal	375	632	880	996	1,422	1,360
Interest and other charges	445	786	1,351	1,507	1,340	1,269
Total Expenditures	<u>5,825</u>	<u>9,225</u>	<u>22,866</u>	<u>18,353</u>	<u>13,617</u>	<u>13,379</u>
OTHER FINANCING SOURCES (USES):						
Note/Bond Proceeds	8,460	6,716	10,257	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Payments to bond refunding escrow agent	-	-	-	-	-	-
Extraordinary Revenue (Expense)	-	-	-	-	-	-
Capital Leases	-	-	72	-	-	-
Transfers	-	250	2,196	850	356	850
Total other financing sources (uses)	<u>8,460</u>	<u>6,966</u>	<u>12,525</u>	<u>850</u>	<u>356</u>	<u>850</u>
NET CHANGE IN FUND BALANCES	<u>\$ 6,541</u>	<u>\$ 3,096</u>	<u>\$ (3,691)</u>	<u>\$ (3,151)</u>	<u>\$ (258)</u>	<u>\$ (1,229)</u>
Debt service as a percentage of noncapital expenditures	15.07%	18.42%	28.46%	32.57%	29.49%	19.65%

*Prior to 2004 Sales taxes and Franchise taxes were included in Property taxes.

** Beginning in 2009 the CDC and EDC were no longer reported in the Sales Taxes revenue.

Table 5

FISCALYEAR			
2008	2009	2010	2011
\$ 6,229	\$ 7,427	\$ 8,020	\$ 8,324
1,238	795	873	953
667	809	703	820
1,210	1,311	1,403	1,405
848	440	496	548
576	479	493	570
173	115	26	76
314	164	22	33
-	301	-	-
22	10	17	23
157	50	109	82
<u>11,434</u>	<u>11,901</u>	<u>12,162</u>	<u>12,834</u>
2,668	2,070	2,060	2,292
4,135	4,607	4,429	4,523
917	554	295	233
-	555	481	595
604	609	624	648
892	1,416	828	845
756	453	4,577	5,776
1,370	2,965	1,565	2,270
1,210	1,150	1,582	1,540
<u>12,552</u>	<u>14,379</u>	<u>16,441</u>	<u>18,722</u>
-	9,415	5,875	9,475
-	(176)	(32)	412
-	-	-	(4,337)
(590)	-	-	-
-	-	-	-
1,289	854	850	850
<u>699</u>	<u>10,093</u>	<u>6,693</u>	<u>6,400</u>
<u>\$ (419)</u>	<u>\$ 7,615</u>	<u>\$ 2,414</u>	<u>\$ 512</u>
21.87%	29.55%	26.53%	29.43%

Table 6

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

Fiscal Year Ended Sept. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2002	\$ 281,512	\$ 25,869	\$ 9,912	\$ 297,469	\$ 0.3764	\$ 111,967	96.78%
2003	400,224	27,692	14,564	413,352	0.4200	173,608	96.60%
2004	525,384	33,577	17,238	541,723	0.4304	233,158	96.92%
2005	652,089	43,097	17,038	678,148	0.4683	317,577	97.55%
2006	793,662	52,038	19,023	826,677	0.4683	387,133	97.75%
2007	1,079,141	72,523	18,942	1,132,722	0.4683	519,337	98.36%
2008	1,243,105	78,719	29,409	1,292,415	0.4683	605,238	97.78%
2009	1,313,839	76,480	20,106	1,370,213	0.5183	710,181	98.55%
2010	1,335,852	168,299	20,102	1,484,049	0.5384	799,012	98.66%
2011	1,343,032	171,655	46,830	1,467,857	0.5650	829,339	96.91%

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.

**CITY OF MURPHY, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES - UNAUDITED
 LAST TEN FISCAL YEARS
 (PER \$100 OF ASSESSED VALUE)**

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates*		Collin County	Collin County Community College
	General Fund	General Obligation Debt Service	Total Direct	Plano Independent School District	Wylie Independent School District		
2002	\$ 0.1615	\$ 0.2149	\$ 0.3764	\$ 1.6285	\$ 1.5609	\$ 0.2500	\$ 0.0928
2003	0.1558	0.2642	0.4200	1.7034	1.6100	0.2500	0.0919
2004	0.1459	0.2845	0.4304	1.7334	1.7200	0.2500	0.0919
2005	0.1492	0.3191	0.4683	1.7334	1.8000	0.2500	0.0906
2006	0.1839	0.2844	0.4683	1.7334	1.8170	0.2500	0.0894
2007	0.2345	0.2338	0.4683	1.2684	1.3900	0.2450	0.0870
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	0.2450	0.0865
2010	0.3341	0.2043	0.5384	1.3284	1.5900	0.2400	0.0863
2011	0.3174	0.2476	0.5650	1.3534	1.6400	0.2400	0.0863

Source: Collin County Appraisal District / Plano ISD / Wylie ISD

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

CITY OF MURPHY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS - UNAUDITED
SEPTEMBER 30, 2011
(Amounts expressed in thousands)

Table 8

Taxpayer	2011			2002		
	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value
Allen & Loucks Venture LP	\$ 24,612	1	1.68%			
Lowe's Home Centers Inc	16,042	2	1.09%			
Allen & Loucks Ventures LP	9,727	3	0.66%			
Murphy Crossing Shopping Center Dallas TX LP	8,914	4	0.61%			
Murphy Storage Partners LLC	5,403	5	0.37%			
Champion Langford Partners	5,223	6	0.36%			
Forestar (USA) Real Estate Group Inc	5,162	7	0.35%			
ABS TX Investor LP	5,000	8	0.34%			
Walmart Texas LP	4,857	9	0.33%			
McBirney #544 JV	4,642	10	0.32%			
Horton D R Texas LTD				\$ 6,786	1	2.28%
Lumbermens Investment Corp				6,655	2	2.24%
Albertsons Inc				6,017	3	2.02%
Wal-Mart Stores East Inc				5,398	4	1.81%
Weingarten-Murphy LTD				5,115	5	1.72%
TXU Electric Delivery Company				3,574	6	1.20%
LSI 544 LP				3,065	7	1.03%
Dublin Murphy Estates LTD				3,043	8	1.02%
Albertsons Inc				3,008	9	1.01%
RR Murphy Development Co LTD				2,976	10	1.00%
Totals	<u>\$ 89,582</u>		<u>6.10%</u>	<u>\$ 45,637</u>		<u>15.34%</u>

SOURCE: Collin County Appraisal District

CITY OF MURPHY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS - UNAUDITED
LAST TEN FISCAL YEARS
(Amounts expressed in thousands)

Table 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2002	\$ 1,410	\$ 1,393	98.79%	\$ 16	\$ 1,409	99.99%
2003	2,210	2,127	96.24%	21	2,148	99.97%
2004	2,809	2,778	98.90%	30	2,808	99.95%
2005	3,649	3,614	99.04%	30	3,644	99.87%
2006	4,410	4,342	98.46%	69	4,411	99.10%
2007	5,309	5,201	97.97%	12	5,213	98.19%
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	8,293	8,274	99.77%	18	8,292	99.99%

Sources: Collin County Appraisal District

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

Table 10

Fiscal Year	Water	Sewer	Total
2002	\$ 925	\$ 880	\$ 1,805
2003	1,538	1,124	2,662
2004	1,676	1,437	3,113
2005	2,234	1,573	3,807
2006	2,720	1,820	4,540
2007	2,239	2,027	4,266
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

**CITY OF MURPHY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE - UNAUDITED
LAST TEN FISCAL YEARS**

(Amounts expressed in thousands, except per capita amount)

FISCAL YEAR	Governmental Activities						Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita (1)
	Certificates of Obligation		Gen Oblig & Refunding Bonds		Capital Leases	Tax Note	Revenue Bonds	Certificates of Obligation	Capital Leases	Total					
	Notes		Notes												
2002	\$ 15,865	\$ 90	\$ -	\$ -	\$ -	\$ -	\$ 1,040	\$ -	\$ -	17	\$ 17,012	6.23%	\$ 2,539		
2003	21,995	99	-	-	-	-	940	-	-	17	23,051	7.22%	2,885		
2004	30,010	147	1,245	31	-	-	940	-	-	11	32,384	9.39%	3,949		
2005	29,270	112	1,040	16	-	-	835	-	-	5	31,278	9.82%	3,475		
2006	28,150	36	825	5	-	-	725	-	-	-	29,741	9.25%	3,141		
2007	26,975	-	680	-	-	-	610	-	-	-	28,265	8.26%	2,754		
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		

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

(1) See Table 17 for personal income and population data.

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

Table 12

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Obligation</u>	<u>Tax Notes</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2002	\$ 1,080	\$ 14,785	\$ -	\$ 15,865	4.24%	\$ 2,368
2003	1,000	20,995	-	21,995	4.18%	2,747
2004	915	30,340	-	31,255	4.79%	3,812
2005	830	29,480	-	30,310	3.89%	3,368
2006	740	28,235	-	28,975	3.08%	3,060
2007	680	26,975	-	27,655	2.49%	2,695
2008	535	25,750	-	26,285	2.03%	1,892
2009	8,285	24,450	-	32,735	2.39%	2,289
2010	12,740	23,230	1,075	37,045	2.49%	2,579
2011	20,845	17,615	1,685	40,145	2.73%	2,268

Note: Estimated population is U.S. Census Bureau count; assessed values provided by Colling County Appraisal District.
See Schedule of Assessed Value and Estimated Actual Value of Taxable Property-Table 6
Population data can be found in the Table 17

**CITY OF MURPHY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2011
(Unaudited)**

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Collin County	\$ 387,580,000	2.06%	\$ 7,984,148
Collin County Community College District	42,830,000	2.06%	882,298
Plano Independent School District	976,599,804	2.94%	28,712,034
Wylie Independent School District	<u>237,353,086</u>	11.66%	<u>27,675,370</u>
	<u>\$ 1,644,362,890</u>		65,253,850
City of Murphy		100.00%	<u>40,145,000</u>
			<u>\$ 105,398,850</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>7.18%</u>
Per capita overlapping bonded debt			<u>\$ 5,955</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 - UNAUDITED
LAST TEN FISCAL YEARS
(Amount expressed in thousands)

	FISCAL YEAR				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 37,455	\$ 52,604	\$ 65,268	\$ 77,923	\$ 93,959
Total net obligation debt applicable to limit	<u>15,865</u>	<u>21,995</u>	<u>31,255</u>	<u>30,310</u>	<u>28,975</u>
Legal debt margin	<u>\$ 21,590</u>	<u>\$ 30,609</u>	<u>\$ 34,013</u>	<u>\$ 47,613</u>	<u>\$ 64,984</u>
Total net obligations debt applicable to the limit as a percentage of debt limit	42.36%	41.81%	47.89%	38.90%	30.84%

Table 14

FISCAL YEAR				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>
\$ 131,205	\$ 132,643	\$ 145,064	\$ 150,415	\$ 151,469
26,918	24,295	29,267	44,052	39,243
<u>\$ 104,287</u>	<u>\$ 108,348</u>	<u>\$ 115,797</u>	<u>\$ 106,363</u>	<u>\$ 112,226</u>
20.52%	18.32%	20.18%	29.29%	25.91%

Legal Debt Margin Calculation of Fiscal Year 2011

Assessed Value	\$ 1,467,857
Add back: exempt real property	46,830
Total assessed value	<u>\$ 1,514,687</u>
Debt limit (10% of total assessed value)	\$ 151,469
Debt applicable to limit:	
Long term bonds	\$ 40,145
Loss: Amount set aside for repayment of long term bonds	902
Total net debt applicable to limit	<u>\$ 39,243</u>
Legal debt margin	<u>\$ 112,226</u>

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

Table 15

Water and Sewer Revenue Bonds							
Fiscal Year	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2002	\$ 2,157	\$ 1,367	\$ 790	\$ 90	\$ 71	5	
2003	3,305	2,013	1,292	90	70	8	
2004	4,239	2,484	1,755	100	61	11	
2005	7,747	2,720	5,027	105	56	31	
2006	7,405	3,239	4,166	110	51	26	
2007	5,469	3,951	1,518	115	40	10	
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	

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

**CITY OF MURPHY, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS - UNAUDITED
 LAST TEN FISCAL YEARS**

Table 16

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2002	6,699	\$ 272,917,260	\$ 40,740	33.9	13.8	56,227	5.5%
2003	7,991	319,168,531	39,941	33.7	14.0	58,322	5.3%
2004	8,200	345,031,400	42,077	33.2	14.0	59,931	4.2%
2005	9,000	318,429,000	35,381	33.0	14.0	60,139	4.4%
2006	9,469	321,510,426	33,954	34.6	14.0	62,694	4.2%
2007	10,263	342,353,154	33,358	35.5	14.0	64,478	2.3%
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%

Sources: School enrollment figures provided by school districts and websites
 1 Unemployment rates and per capita provided by Texas Workforce Commission



**CITY OF MURPHY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
(unaudited)**

Table 17

Name of Employer	2011			2002		
	No. of Employees	Rank	Percentage of Total City Employment	No. of Employees	Rank	Percentage of Total City Employment
Albertson's Food Center	130	1	1.85%			
Lowe's	109	2	1.56%			
McMillen High School	108	3	1.54%			
Walmart Neighborhood Market St	95	4	1.36%			
City of Murphy	93	5	1.33%			
Murphy Middle School	83	6	1.18%			
Bogges Elementary School	74	7	1.06%			
Tibbels Elementary	60	8	0.86%			
Chick-fil-A	55	9	0.78%			
What-a-Burger	55	10	0.78%			
Landmark Brick				22	1	0.82%
Lynn Rogers				9	2	0.34%
Parker Group				6	3	0.22%
Jon Lashbrook Insurance				5	4	0.19%
Classic Garden and Landscape				4	5	0.19%
Murphy Veterinary Hospital				4	6	0.15%
Mr Video				2	7	0.07%

Source: City economic development records and employee records

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

Function / Program	FISCAL YEAR					
	2002	2003	2004	2005	2006	2007
General Government	8	18	9	17	22	18
Public Safety						
Police						
Officers	14	17	19	20	19	25
Civilians	-	2	3	2	6	6
Fire						
Firefighters and officers	-	3	5	5	7	14
Civilians	-	-	-	1	2	2
Animal Control	-	-	-	-	-	1
Public Services						
Municipal Court	-	-	-	-	-	2.5
Cultural and Recreation	4	6	7	7	8	11
Water/Wastewater						
Administration	-	-	-	-	-	6.5
Water	7	12	11	10	10	12
Wastewater	-	-	-	-	-	1
Total	<u>33</u>	<u>58</u>	<u>54</u>	<u>62</u>	<u>74</u>	<u>99</u>

Source: Government Human Resource Department

Note: In prior years, some department information not available

Table 18

FISCAL YEAR			
2008	2009	2010	2011
27	24	14.3	16
24	22	21	22
8	9	9	9
18	18	19	20
2	2	1	1
-	-	1	1
-	-	2	2
12	12	10.5	10
-	-	4	4
9	9	8	7
-	-	1	1
100	96	90.8	93

**CITY OF MURPHY, TEXAS
OPERATING INDICATORS BY FUNCTION - UNAUDITED
LAST TEN FISCAL YEARS**

Function/Program	FISCAL YEAR					
	2002	2003	2004	2005	2006	2007
Police						
Physical Arrests	94	124	134	130	183	237
Traffic Violations	1,141	1,733	2,530	3,139	9,147	9,158
Fire						
Number of calls answered	353	392	449	556	568	745
Inspections	-	-	-	-	121	108
Water						
New Connections	379	532	443	534	407	308
Avg Daily Consumption (thousands of gallons)	1,800	2,003	2,162	2,971	3,384	4,036
Wastewater						
Avg daily sewage treatments (thousands of gallons)	1,313	795	1,113	1,114	1,246	1,614

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 19

FISCAL YEAR			
2008	2009	2010	2011
247	183	367	490
5,552	4,976	5,156	7,796
943	987	950	1,124
156	128	173	192
206	157	166	146
3,393	3,500	3,353	3,496
1,668	2,100	1,770	1,633

**CITY OF MURPHY, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION - UNAUDITED
 LAST TEN FISCAL YEARS
 (unaudited)**

Function/Program	FISCAL YEAR						
	2002	2003	2004	2005	2006	2007	2008
Public Safety							
Police							
Stations	1	1	1	1	1	1	1
Patrol Units/CID Vehicles	n/a	n/a	n/a	12	9	12	12
Motorcycles	-	-	-	-	-	3	3
Fire Stations	1	1	1	1	1	1	1
Streets (miles)	n/a	n/a	72.3	73.2	73.2	78	80
Culture and Recreation							
Parks (acreage)	12.5	17.5	142	142	150	180	235
Parks	1	2	5	5	6	6	6
Water							
Water Mains (miles)	n/a	n/a	74.8	80.4	86.1	90	92
Fire Hydrants	n/a	n/a	646	791	857	900	920
Maximum Daily Capacity (thousands of gallons)	n/a	n/a	3,000	2,376	3,300	5,000	6,200
Sewer							
Sanitary Sewer (miles)	n/a	62.9	74	74	81.6	90	92

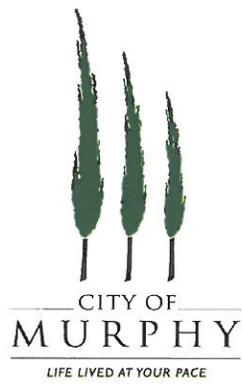
Sources:

City departments, North Texas Water Municipal District

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

Table 20

FISCAL YEAR		
2009	2010	2011
1	1	1
9	12	12
-	-	-
1	1	1
82.5	82.5	
280	280	284
8	11	14
92.5	92.5	90.6
950	950	950
6,500	6,500	6,212
92.5	92.5	81.0



CONTINUING
DISCLOSURE SECTION
(UNAUDITED)



CITY OF MURPHY, TEXAS
VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT - UNAUDITED
SEPTEMBER 30, 2011

Table 1CD

2010-11 Market Valuation Established by Collin County Appraisal District (excluding totally exempt property & Homestead Cap. Adj.)		\$ 1,514,686,828 **
Less Exemptions/Reductions at 100% Market Value:		
Agricultural/Open Space Land Use	\$ 19,862,448	
Homestead Cap	259,153	
Over 65 and Disabled	20,292,624	
Disabled Veterans	3,053,564	
Disabled Persons	3,362,500	
		<u>46,830,289</u>
2010-2011 Taxable Assessed Valuation		<u>\$ 1,467,856,539 **</u>
General Debt Payable from Ad Valorem Taxes		<u>\$ 4,102,728</u>
General Interest and Sinking Fund as of September 30, 2011		<u>\$ 902,317</u>
Ratio General Tax Debt to Taxable Assessed Valuation		0.28%
2011 Estimated Population	17,700	
Per Capita Taxable Assessed Valuation	\$ 82,930	
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes	\$ 232	

****NOTE:** Collin County Appraisal District - 2010 Certified Roll

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

Table 2CD

Fiscal Year	Tax Rate	General Fund	Interest and Sinking Fund	Total Tax Levy	Current Tax Collections	% of Levy Collected	% of Total Tax Collections to Tax Levy
2002	\$ 0.3764	\$ 0.1615	\$ 0.2149	\$ 1,409,790	\$ 1,393,294	98.83%	99.99%
2003	0.4200	0.1558	0.2642	2,209,360	2,127,488	96.29%	99.97%
2004	0.4304	0.1459	0.2845	2,809,140	2,778,140	98.90%	99.95%
2005	0.4683	0.1492	0.3191	3,649,140	3,614,262	99.04%	99.87%
2006	0.4683	0.1839	0.2844	4,400,120	4,341,691	98.67%	99.10%
2007	0.4683	0.2345	0.2338	6,052,380	5,308,795	87.71%	97.83%
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	0.317442	0.247558	8,293,389	8,273,737	99.76%	99.99%

CITY OF MURPHY, TEXAS

Table 3CD

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS - UNAUDITED

SEPTEMBER 30, 2011

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2012	\$ 2,540,000	\$ 1,562,728	\$ 4,102,728	0.25%
2013	2,525,000	1,422,298	3,947,298	9.22%
2014	2,635,000	1,333,467	3,968,467	
2015	2,820,000	1,242,056	4,062,056	
2016	2,960,000	1,144,251	4,104,251	6.40%
2017	2,895,000	1,078,434	3,973,434	10.60%
2018	2,690,000	977,594	3,667,594	
2019	2,600,000	874,242	3,474,242	
2020	2,700,000	765,279	3,465,279	17.25%
2021	2,830,000	614,425	3,444,425	
2022	2,655,000	499,061	3,154,061	
2023	2,145,000	395,323	2,540,323	29.18%
2024	1,705,000	310,406	2,015,406	48.32%
2025	975,000	252,599	1,227,599	
2026	1,020,000	210,758	1,230,758	
2027	1,070,000	166,302	1,236,302	
2028	1,110,000	119,636	1,229,636	
2029	1,165,000	70,305	1,235,305	66.63%
2030	715,000	30,240	745,240	78.26%
2031	390,000	7,800	397,800	100.00%
	<u>\$ 40,145,000</u>	<u>\$ 13,077,204</u>	<u>\$ 53,222,204</u>	

CITY OF MURPHY, TEXAS
GOVERNMENTAL FUND REVENUES AND EXPENDITURE HISTORY - UNAUDITED
LAST TEN FISCAL YEARS
(Amounts expressed thousands)

	FISCAL YEAR				
	2002	2003	2004	2005	2006
Revenues					
Taxes*	\$ 2,104	\$ 2,979	\$ 4,078	\$ 5,269	\$ 6,050
Permits and Licenses	912	934	1,463	1,545	2,207
Charge for Services	489	823	450	656	587
Fines and Forfeitures	120	178	150	187	585
Investment Income	90	154	144	150	312
Grants	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-
Contributions	164	205	4	6,393	2,981
Miscellaneous	27	82	366	95	232
Total Revenues	3,906	5,355	6,655	14,295	12,954
Expenditures					
General Government	2,468	2,480	1,311	963	1,268
Public Safety	1,290	1,936	2,391	2,320	3,162
Public Works	608	1,553	1,490	1,301	1,330
Sanitation	255	310	350	490	565
Public Service and Operations	-	-	-	-	-
Cultural and Recreation	-	-	67	109	280
Capital Outlay	384	1,528	15,026	10,667	4,250
Debt Service	820	1,418	2,231	2,503	2,762
Total Expenditures	5,825	9,225	22,866	18,353	13,617
Excess (Deficiency) of revenues over Expenditures	(1,919)	(3,870)	(16,211)	(4,058)	(663)
Other Financing Sources (Uses)					
Bond Proceeds	8,460	6,716	10,127	-	-
Note Proceeds	-	-	130	-	-
Capital Leases	-	-	72	-	-
Payments to escrow agent	-	-	-	-	-
Debt Issuance Cost	-	-	-	-	-
Extraordinary Revenue(Expense)	-	-	-	-	-
Transfers	-	250	2,196	356	356
Total Other Sources (Uses)	8,460	6,966	12,525	356	356
Beginning Fund Balance	3,439	9,980	13,076	9,390	6,144
Prior Period Adjustment	-	-	-	456	-
Ending Fund Balance	\$ 9,980	\$ 13,076	\$ 9,390	\$ 6,144	\$ 5,837

*Note: Prior to the year 2009 the CDC and the EDC were included
In 2009, the CDC and the EDC were reported as discretely presented component units.

Table 4CD

FISCAL YEAR					
	2007	2008	2009	2010	2011
\$	7,249	\$ 8,133	\$ 9,031	\$ 9,596	\$ 10,097
	1,432	848	440	496	548
	952	1,210	1,311	1,403	1,405
	703	576	479	493	570
	342	173	115	27	76
	-	314	164	21	33
	-	-	301	-	-
	457	21	10	17	23
	155	157	50	109	82
	<u>11,290</u>	<u>11,432</u>	<u>11,901</u>	<u>12,162</u>	<u>12,834</u>
	2,650	2,668	2,070	2,060	2,292
	4,426	4,190	4,607	4,429	4,523
	2,789	226	554	295	233
	630	603	609	624	648
	-	774	555	481	595
	257	1,508	1,416	828	845
	-	-	453	4,577	5,776
	2,629	2,580	4,115	3,147	3,810
	<u>13,381</u>	<u>12,549</u>	<u>14,379</u>	<u>16,441</u>	<u>18,722</u>
	(2,091)	(1,117)	(2,478)	(4,279)	(5,888)
	-	-	-	5,875	9,475
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	(4,337)
	-	-	9,415	(32)	412
	-	(590)	(176)	-	-
	850	1,289	853	850	850
	<u>850</u>	<u>699</u>	<u>10,092</u>	<u>6,693</u>	<u>6,400</u>
	5,837	4,596	4,195	10,281	12,695
	-	17	(1,528)	-	-
\$	<u>4,596</u>	<u>4,195</u>	<u>10,281</u>	<u>12,695</u>	<u>13,207</u>

**CITY OF MURPHY, TEXAS
MUNICIPAL SALES TAX HISTORY - UNAUDITED
LAST TEN FISCAL YEARS**

Table 5CD

Fiscal Year	City of Murphy*	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2002	\$ 394,606	27.99%	\$ 0.1054	\$ 59
2003	343,471	15.55%	0.0653	43
2004	724,370	25.79%	0.1110	66
2005	1,149,662	31.51%	0.1476	96
2006	1,014,410	23.05%	0.1079	72
2007	1,160,260	19.17%	0.0898	80
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

* These sales tax amounts include the amounts transferred to CDC and EDC.

CITY OF MURPHY, TEXAS
 CASH AND INVESTMENTS FOR PRIMARY GOVERNMENT
 SEPTEMBER 30, 2011
 UNAUDITED

Table 6CD

<u>Type of Investment</u>		
Cash on hand	0.00%	\$ 950
Money Markets	<u>100.00%</u>	<u>20,817,872</u>
	<u>100.00%</u>	<u>\$ 20,818,822</u>

**CITY OF MURPHY, TEXAS
 PROPRIETARY FUNDS DEBT SERVICE REQUIREMENTS
 SEPTEMBER 30, 2011
 UNAUDITED**

Table 7CD

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2012	\$ 360,000	\$ 301,129	\$ 661,129	
2013	370,000	288,466	658,466	
2014	380,000	275,266	655,266	2.28%
2015	330,000	261,766	591,766	
2016	340,000	251,716	591,716	
2017	350,000	240,929	590,929	
2018	365,000	228,854	593,854	
2019	380,000	214,866	594,866	
2020	395,000	199,366	594,366	
2021	410,000	183,266	593,266	
2022	425,000	166,354	591,354	
2023	445,000	148,463	593,463	
2024	465,000	129,404	594,404	
2025	485,000	108,974	593,974	
2026	505,000	87,315	592,315	
2027	530,000	64,280	594,280	
2028	555,000	39,590	594,590	
2029	580,000	13,413	593,413	100.00%
	<u>\$ 7,670,000</u>	<u>\$ 3,203,417</u>	<u>\$ 10,873,417</u>	