

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2012



James Fisher, City Manager

Linda Truitt, Finance Director

Steven Ventura, Assistant Finance Director



CITY OF
MURPHY

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**CITY OF MURPHY, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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CITY OF
MURPHY

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INTRODUCTORY SECTION



CITY OF
MURPHY

LIFE LIVED AT YOUR PACE



James Fisher
City Manager

March 8, 2013

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, 2012, 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. has issued an unqualified ("clean") opinion on the City of Murphy's financial statements for the year ended September 30, 2012. 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 approximately 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); 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 Development District 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 2012, 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 2013.

MAJOR INITIATIVES

For Fiscal Year 2012-2013, the top priority projects for the City of Murphy include:

- Complete the design and construction of the Murphy Central Park including Plano Sports Authority Facility

- Complete the water meter change out program in Zone 3

- Complete the construction of McCreary Road

- Begin the design and Right of Way acquisition of the South Maxwell Creek Trunk Sewer Line

- Complete the design and construction of the Animal Shelter

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>
2008-2009	.5183
2009-2010	.5384
2010-2011	.5650
2011-2012	.5650
2012-2013	.5700

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, 2011. This was the eighth 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, 2011

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.



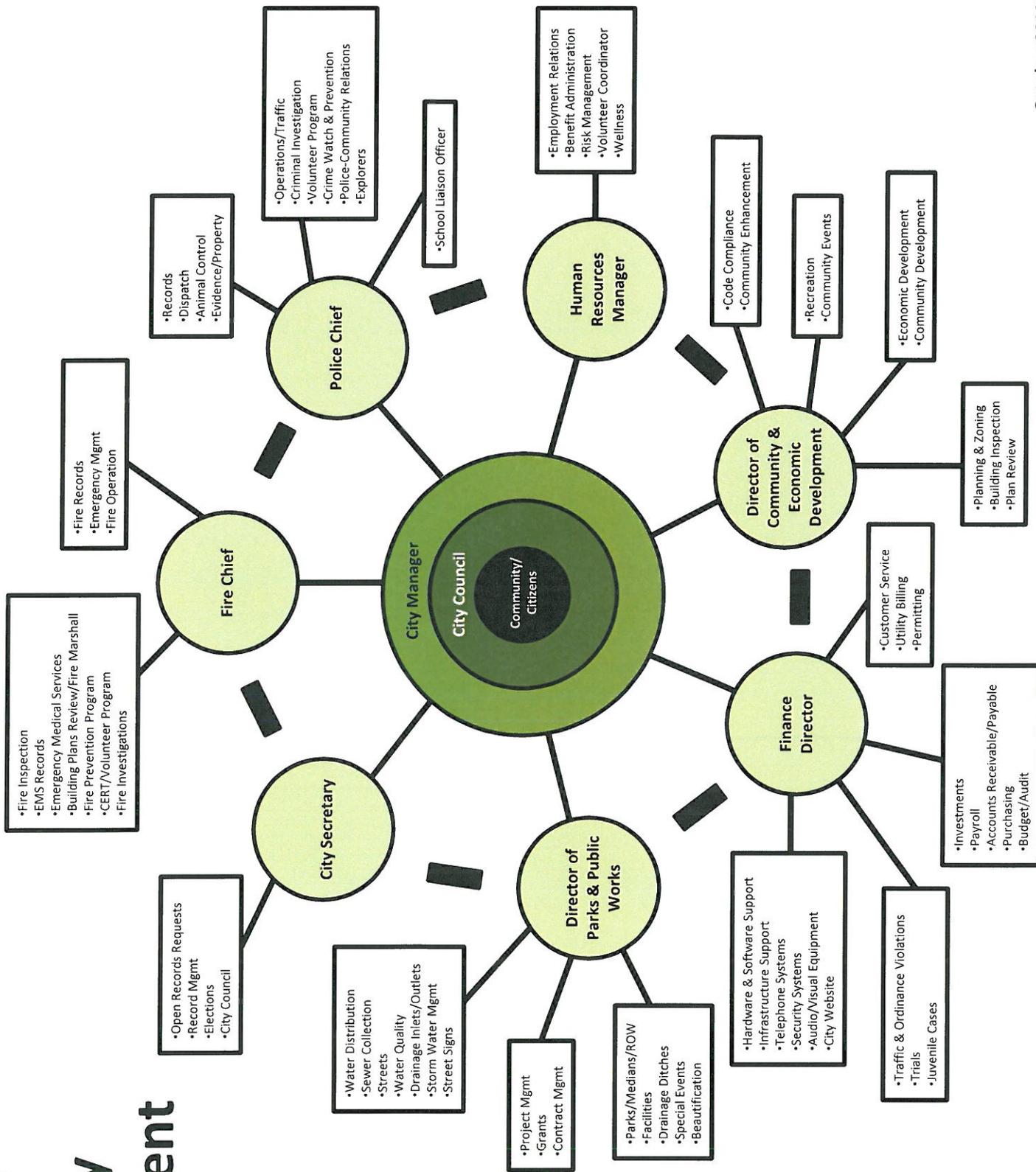
Christopher P. Morrell

President

Jeffrey R. Enos

Executive Director

City of Murphy Government



**City of Murphy, Texas
Elected Officials and Administrative Officers
For the Year Ended September 30, 2012**

City Council

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

City Manager

James Fisher

Leadership Team

GM Cox, Chief of Police
Kim Lenoir, Director of Parks & Public Works
Kristen Roberts, Director of Community and Economic Development
Linda Truitt, Finance Director
Mark Lee, Fire Chief
Stacy Buckley, Human Resources Manager
Nancy Medows, Interim City Secretary – contract
through First Texas



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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March 8, 2013

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Murphy
P.O. Box 826
Murphy, TX 75126

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, 2012, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Pension Trust – TMRS Funding Progress and Contributions, on pages 5 to 15 and page 60 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

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Rockwall, Texas 75087
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Fax (972) 771-1022

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated March 8, 2013 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murphy, Texas' financial statements as a whole. 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 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.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with governmental 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 taken as a whole.

Respectfully submitted,

Conway Company CPAs, P.C.

Conway Company CPAs, P.C.

CITY OF MURPHY, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2012

As management of the City of Murphy ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Murphy for the fiscal year ended September 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City of Murphy exceeded its liabilities at the close of the fiscal year by \$77,340,510 (net position). Of this amount, \$69,895,620, or 90%, is net investment in capital assets. Net position restricted for a specific purpose is \$1,588,670. The remaining, \$5,856,220 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The government's total net position increased by \$1,862,761, excluding prior period adjustments, mainly due to intergovernmental revenue in the amount of \$1,563,587.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,774,857, a decrease of (\$1,432,272), excluding prior period adjustments, in comparison with the prior year. The decrease in combined ending fund balances is attributable to the capital expenditures in the Capital Projects Fund for parks and recreation. Approximately 26% of this total amount, or \$3,060,756, 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 \$3,060,756 was 29% percent of total general fund expenditures for the fiscal year. The increase in fund balance of the General Fund in the amount of \$13,017 was largely due to budgeted expenditures being in-line with expected revenues.
- The City's total outstanding long-term debt decreased by (\$1,005,202), or (2%), during the current fiscal year.

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, 2012**

Basic Financial Statements

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

The first two statements (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, **required supplemental information** is provided to show details about the City's pension plan and individual funds. Budgetary information required by the General Statutes can also be found in this part of the statements.

Government-wide Financial Statements

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

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

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

The government-wide financial statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and permit fees/court fees finance most of these activities. The business-type activities are those that the City charges customers to provide utility services. The final category is the component unit. The City of Murphy has two component units, the Murphy Development District and the Murphy Community 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, 2012**

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund financial statements can be found on pages 22-29 of this report.

The City of Murphy adopts an annual appropriated budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Murphy has one type of proprietary fund which is the Water & Sewer Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 30-32 of this report.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012**

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 36 – 60 of this report.

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, 2012.

GASB Statement 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” was issued in June, 2011 to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”, improves financial reporting by clarifying the appropriate use of the elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012**

The City of Murphy's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 15,212,969	\$ 15,289,643	\$ 5,292,236	\$ 8,183,786	\$ 20,505,205	\$ 23,473,429
Capital assets	74,468,682	71,920,791	32,516,131	30,218,514	106,984,813	102,139,305
Total assets	89,681,651	87,210,434	37,808,367	38,402,300	127,490,018	125,612,734
Deferred outflows of resources						
Deferred charge on refunding	449,232	-	-	-	449,232	-
Total deferred outflows of resources	449,232	-	-	-	449,232	-
Long-term liabilities outstanding	41,048,656	40,638,725	7,339,124	7,694,921	48,387,780	48,333,646
Other liabilities	1,392,062	1,066,416	818,898	613,493	2,210,960	1,679,909
Total liabilities	42,440,718	41,705,141	8,158,022	8,308,414	50,598,740	50,013,555
Net position:						
Net Investment in capital assets	42,864,733	41,512,671	27,030,887	27,324,805	69,895,620	68,837,476
Restricted	902,766	1,049,447	685,904	606,036	1,588,670	1,655,483
Unrestricted	3,922,666	2,943,175	1,933,554	2,163,045	5,856,220	5,106,220
Total net position	\$ 47,690,165	\$ 45,505,293	\$ 29,650,345	\$ 30,093,886	\$ 77,340,510	\$ 75,599,179

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources exceeded liabilities by \$77,340,510 as of September 30, 2012.

Net investment in capital assets:

The City's net position increased by \$1,862,761, excluding prior period adjustments, for the fiscal year ended September 30, 2012. However, a large portion, 90%, reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Murphy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Murphy's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position represents 2.05% that are subject to external restrictions on how they may be used, or by enabling legislation. The restricted net positions are comprised of (a) \$915,542 for debt service and, (b) \$673,128 for state imposed restrictions.

Unrestricted net position:

Unrestricted net position in the amount of \$5,856,220 is available to fund the City programs to citizens and creditors.

CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUE:						
Program Revenues:						
Charge for services	\$ 2,695,310	\$ 2,524,523	\$ 5,686,038	\$ 5,786,584	\$ 8,381,348	\$ 8,311,107
Operating grants and contributions	217,631	56,398	-	-	217,631	56,398
Capital grants and contributions	2,539,487	879,125	-	-	2,539,487	879,125
General Revenues:						
Property taxes	8,476,687	8,346,701	-	-	8,476,687	8,346,701
Franchise taxes	924,686	820,067	-	-	924,686	820,067
Sales and use tax	1,048,827	952,543	-	-	1,048,827	952,543
Investment income	20,487	75,747	8,876	13,688	29,363	89,435
Impact fees	-	-	590,008	401,334	590,008	401,334
Miscellaneous	42,043	81,337	30,515	5,322	72,558	86,659
Total Revenues	<u>15,965,158</u>	<u>13,736,441</u>	<u>6,315,437</u>	<u>6,206,928</u>	<u>22,280,595</u>	<u>19,943,369</u>
EXPENSES:						
Program Expenses:						
General Government	3,705,261	3,210,378	-	-	3,705,261	3,210,378
Public Safety	5,061,637	4,858,706	-	-	5,061,637	4,858,706
Public Works	1,475,871	1,113,673	-	-	1,475,871	1,113,673
Public Services and Operations	704,278	595,725	-	-	704,278	595,725
Parks and Recreation	1,471,993	1,051,270	-	-	1,471,993	1,051,270
Development	-	-	-	-	-	-
Environmental Waste Services	675,918	647,574	-	-	675,918	647,574
Interest and fiscal agent fees	1,583,332	1,604,422	-	-	1,583,332	1,604,422
Water and Sewer	-	-	5,739,544	5,194,324	5,739,544	5,194,324
Total Expenses	<u>14,678,290</u>	<u>13,081,748</u>	<u>5,739,544</u>	<u>5,194,324</u>	<u>20,417,834</u>	<u>18,276,072</u>
Increase in Net Position before Transfers	1,286,868	654,693	575,893	1,012,604	1,862,761	1,667,297
Transfers	850,000	850,000	(850,000)	(850,000)	-	-
Increase(Decrease) in Net Position	2,136,868	1,504,693	(274,107)	162,604	1,862,761	1,667,297
Net Position, October 1	45,505,293	44,371,868	30,093,886	30,227,962	75,599,179	74,599,830
Prior Period Adjustments	48,004	(371,268)	(169,434)	(296,680)	(121,430)	(667,948)
Net Position, September 30	<u>\$47,690,165</u>	<u>\$45,505,293</u>	<u>\$29,650,345</u>	<u>\$30,093,886</u>	<u>\$77,340,510</u>	<u>\$75,599,179</u>

The Governmental Activities have increased net position, excluding prior period adjustments, in the amount of \$2,136,868. This is due in large part to the CDC agreeing to pay \$1,563,587 to the City in the form of a notes receivable for the 2012 Bond Series issued in the amount of \$1,500,000 for park improvements.

The Business-type Activities have a decrease in net position of (\$274,107) due in large part to an increase in the cost of contractual services provided for water purchases in the amount of \$291,174.

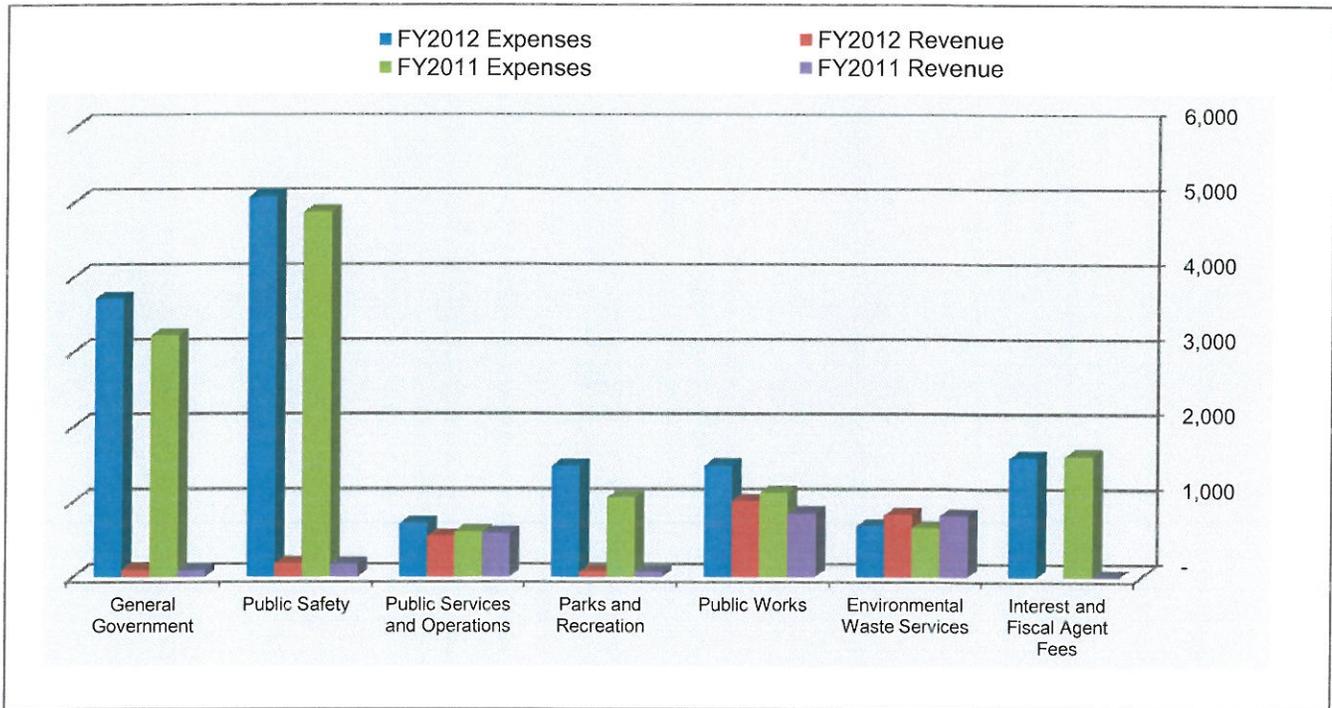
**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012**

Governmental-type activities - Governmental-type activities increased the City's net position by \$2,136,868, excluding prior period adjustments. A key elements of this increase is as follows:

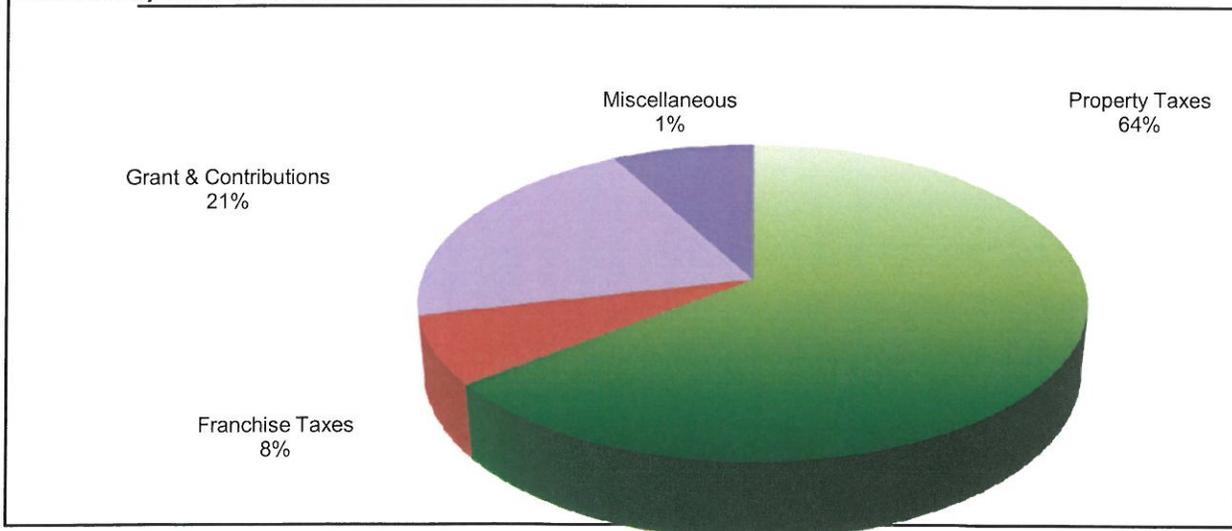
The City received intergovernmental revenue from the Murphy CDC in the amount of \$1,563,587.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities

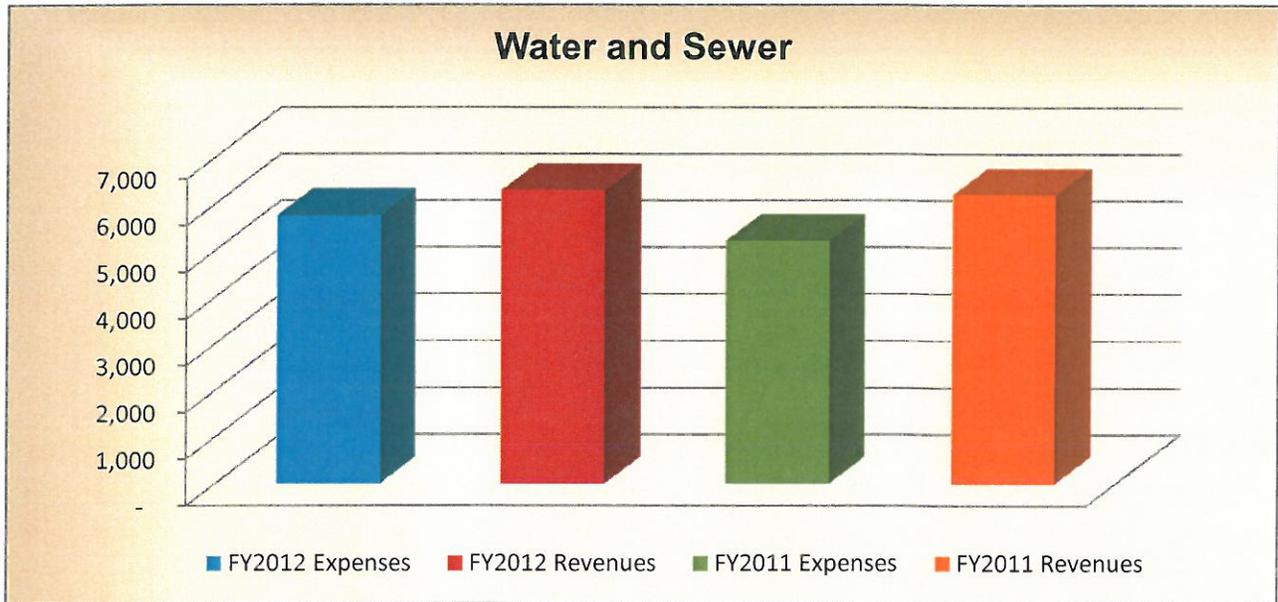


**CITY OF MURPHY, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2012**

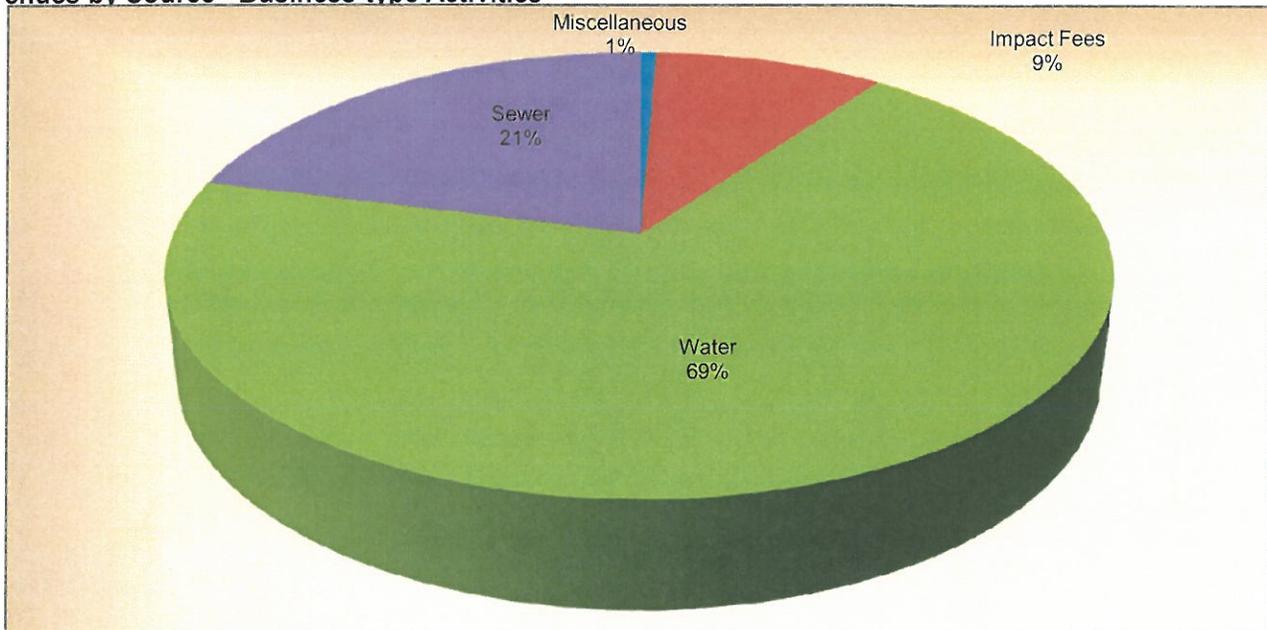
Business-type Activities - Business-type activities decreased the City's net position by (\$274,107), excluding prior period adjustments. Key elements for this decrease are as follows:

Personnel services expenditures increased \$178,062, or 25.73%.
 Maintenance and repair expenditures increased \$158,865, or 163.38%.

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



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,060,756. 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 29% of total General Fund expenditures. The \$13,017 increase in fund balance in the General Fund is largely due to the increase in revenues in comparison to the previous year.

At September 30, 2012, the governmental funds of the City of Murphy reported a combined fund balance of \$11,774,857, an (11%) decrease from last year. The City restricted \$8,260,808 during the year ended September 30, 2012, of which \$7,358,042 is for capital improvements. Assigned fund balances of \$453,293 in special revenues represents 3.86% of the total fund balance.

At September 30, 2012, the debt service fund, a major governmental fund, had a total fund balance of \$755,542 which is restricted for the payment of debt. A decrease of (\$146,773) in fund balance during the current year was due to the financing costs associated with the issuance of the 2012 General Obligation Refunding Bonds.

At September 30, 2012, the capital projects fund, a major fund, had a decrease in fund balance of (\$1,298,516). The decrease is due to the spending of resources obtained through the issuance of long-term debt in the prior period on capital acquisitions and construction in the current fiscal year.

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 sales tax and charges for services. Expenditures were slightly more than the budgeted amounts in large part due to the reclassification of the Economic Development Corporations reclassification from a discretely presented component unit to a department of the City and transferring all of its assets to the newly formed Murphy Development District.

Proprietary Funds - The City of Murphy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,933,554 and \$27,030,887 invested in net capital assets less related debt. Other factors concerning the finances of these funds have already been addressed in the discussion of the City business-type activities.

CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012

Capital assets - The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2012, totals \$106,984,813 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, park facilities, machinery and equipment.

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

- Completion of the Murphy Community Center
- Several ongoing major street infrastructure improvements: N Murphy Rd, McCreary Rd with a cost of \$1,190,775
- Ongoing project of the purchase and installation of radio read meters in the Utility Fund with a cost of \$1,062,826
- Construction of the public safety radio system cost the City \$1,245,995.

City of Murphy
Capital Assets
As of September 30, 2012
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 12,301,789	\$ 10,430,780	\$ -	\$ -	\$ 12,301,789	\$ 10,430,780
Buildings	20,136,701	17,655,997	-	-	20,136,701	17,655,997
Infrastructure	37,274,978	37,834,967	30,816,695	28,816,459	68,091,673	66,651,426
Machinery & Equipment	1,463,371	1,529,543	119,584	132,937	1,582,955	1,662,480
Construction in progress	3,291,843	4,469,504	1,579,852	1,269,118	4,871,695	5,738,622
Total	\$ 74,468,682	\$ 71,920,791	\$ 32,516,131	\$ 30,218,514	\$ 106,984,813	\$ 102,139,305

More detailed information about the City's capital assets is presented in Note F to the financial statements on pages 47 and 48.

Long-Term Debt

As of September 30, 2012, total long-term debt for the City was \$48,190,909. This debt represents bonds secured by specified revenue sources.

City of Murphy
Outstanding Debt
As of September 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds and Certificates of Obligation (backed by tax revenues and net Water/Sewer revenues)	\$ 24,159,392	\$ 38,360,000	\$ 7,202,031	\$ 7,495,000	\$ 31,361,423	\$ 45,855,000
Refunding Bonds (backed by tax revenues)	12,933,680	100,000	-	-	12,933,680	100,000
Tax Note (backed by tax revenues)	2,908,447	1,685,000	-	-	2,908,447	1,685,000
Revenue Bonds (backed by Water/Sewer revenues)	-	-	120,000	175,000	120,000	175,000
Note Payable	839,627	1,339,627	-	-	839,627	1,339,627
Capital Lease	27,732	41,484	-	-	27,732	41,484
Total	\$ 40,868,878	\$ 41,526,111	\$ 7,322,031	\$ 7,670,000	\$ 48,190,909	\$ 49,196,111

The City of Murphy's long-term debt decreased by (\$1,005,202), or (2%) during the past fiscal year. There were two new debts issued during the fiscal year. A General Obligation Refunding bond of \$11,695,000 and a 2012 Tax Note was issued in the amount of \$1,500,000.

More detailed information about the City's long-term liabilities is presented in Note G to the financial statements on pages 49 - 52.

Texas statutes limits the amount of bonds a governmental entity may issue to 10% of the assessed valuation of taxable property to the most recent ad valorem tax roll. The current debt limitation for the City is \$156,814,000, which is significantly in excess of the outstanding general obligation debt.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2012**

Economic Factors and Next Year's Budgets and Rates

The FY 2013 budget reflects a 6.3% increase in the M&O tax rate from \$0.309993 to \$0.329495 per \$100 valuation. The tax rate for the debt service fund decreased by \$0.0145 to \$0.240505 the result of refinancing of bonds and reducing the interest rate creating a major savings over the life of the outstanding bonds.

The FY 2013 budget will raise more total property taxes than last year's budget by \$328,121 or 3.87%, and of that amount \$131,795 is tax revenue to be raised from new property added to the roll this year.

The City continues to see growth in sales tax collection as the retail and commercial 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 \$4,950,000, a 1% decrease from the FY 2012 budget while sewer sales are budgeted at \$1,330,000, the same as FY 2012.

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 POSITION
SEPTEMBER 30, 2012**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,222,024	\$ 2,050,867	\$ 5,272,891	\$ 1,724,516
Receivables (net of allowance for uncollectible)	427,119	824,449	1,251,568	176,288
Internal Balances	280,586	(280,586)	-	-
Notes receivable from component unit	2,223,059	-	2,223,059	-
Note receivable	-	-	-	80,000
Restricted assets:				
Cash and cash equivalents	9,060,181	2,697,506	11,757,687	-
Capital assets not being depreciated:				
Land	12,301,789	-	12,301,789	-
Construction in progress	3,291,843	1,579,852	4,871,695	-
Capital assets net of accumulated depreciation:				
Infrastructure	37,274,978	30,816,695	68,091,673	-
Buildings and improvements	20,136,701	-	20,136,701	-
Machinery and equipment	1,463,371	119,584	1,582,955	-
Total Assets	89,681,651	37,808,367	127,490,018	1,980,804
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	449,232	-	449,232	-
Total Deferred Outflows of Resources	449,232	-	449,232	-
LIABILITIES				
Accounts payable	959,238	377,672	1,336,910	12,185
Accrued expenses	138,386	20,807	159,193	-
Other liabilities	71,964	3,742	75,706	-
Unearned revenues	-	33,147	33,147	-
Customer deposits	1,909	346,847	348,756	-
Accrued interest payable	220,565	36,683	257,248	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	20,341	3,912	24,253	130
Capital lease payable	13,828	-	13,828	-
Note payable to primary government	-	-	-	485,651
Note payable	500,000	-	500,000	-
Bonds payable	2,860,000	370,000	3,230,000	-
Due in more than one year:				
Compensated absences	159,437	13,181	172,618	2,324
Capital lease payable	13,904	-	13,904	-
Note payable to primary government	-	-	-	1,737,409
Note payable	339,627	-	339,627	-
Bonds payable	37,141,519	6,952,031	44,093,550	-
Total Liabilities	42,440,718	8,158,022	50,598,740	2,237,699
NET POSITION				
Net investment in capital assets	42,864,733	27,030,887	69,895,620	-
Restricted for:				
Debt service	755,542	160,000	915,542	-
Use of impact fees	-	525,904	525,904	-
Capital Projects				
Court use	147,224	-	147,224	-
Unrestricted	3,922,666	1,933,554	5,856,220	(256,895)
Total Net Position	\$ 47,690,165	\$ 29,650,345	\$ 77,340,510	\$ (256,895)

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

CITY OF MURPHY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General government	\$ 3,705,261	\$ 94,813	\$ 185,802	\$ -
Public safety	5,061,637	172,106	6,333	-
Public services and operations	704,278	535,663	25,496	-
Parks and recreation	1,471,993	62,497	-	2,539,487
Public works	1,475,871	1,006,839	-	-
Sanitation services	675,918	823,392	-	-
Interest on Long-Term Debt	1,583,332	-	-	-
Total governmental activities	14,678,290	2,695,310	217,631	2,539,487
Business-type Activities:				
Water and sewer	5,739,544	6,276,046	-	-
Total business-type activities	5,739,544	6,276,046	-	-
Total primary government	20,417,834	8,971,356	217,631	2,539,487
Component units:				
Governmental Activities:				
Economic Development Corporation	79,651	-	-	-
Community Development Corporation	1,987,308	-	-	-
Murphy Development District	149,008	-	-	-
Total component units	\$ 2,215,967	\$ -	\$ -	\$ -

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

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

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

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,424,646)	\$ -	\$ (3,424,646)	\$ -
(4,883,198)	-	(4,883,198)	-
(143,119)	-	(143,119)	-
1,129,991	-	1,129,991	-
(469,032)	-	(469,032)	-
147,474	-	147,474	-
(1,583,332)	-	(1,583,332)	-
(9,225,862)	-	(9,225,862)	-
-	536,502	536,502	-
-	536,502	536,502	-
(9,225,862)	536,502	(8,689,360)	-
-	-	-	(79,651)
-	-	-	(1,987,308)
-	-	-	(149,008)
\$ -	\$ -	\$ -	\$ (2,215,967)
\$ 8,476,687	\$ -	\$ 8,476,687	\$ -
1,048,827	-	1,048,827	1,015,637
924,686	-	924,686	-
20,487	8,876	29,363	4,501
42,043	30,515	72,558	-
850,000	(850,000)	-	-
11,362,730	(810,609)	10,552,121	1,020,138
2,136,868	(274,107)	1,862,761	(1,195,829)
45,505,293	30,093,886	75,599,179	1,044,066
48,004	(169,434)	(121,430)	(105,132)
\$ 47,690,165	\$ 29,650,345	\$ 77,340,510	\$ (256,895)

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

**CITY OF MURPHY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 3,222,024	\$ -	\$ -	\$ 3,222,024
Receivables (net of allowances for uncollectibles)	409,833	17,286	-	427,119
Due from utility fund	280,586	-	-	280,586
Notes receivable from component unit	2,223,059	-	-	2,223,059
Restricted-cash and cash equivalents	169,506	756,250	8,134,425	9,060,181
Total Assets	<u>6,305,008</u>	<u>773,536</u>	<u>8,134,425</u>	<u>15,212,969</u>
LIABILITIES				
Accounts payable	618,336	-	340,902	959,238
Accrued liabilities	138,386	-	-	138,386
Customer deposits	1,909	-	-	1,909
Other liabilities	71,964	-	-	71,964
Total Liabilities	<u>830,595</u>	<u>-</u>	<u>340,902</u>	<u>1,171,497</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	25,562	17,994	-	43,556
Unavailable revenue-notes receivable from component unit	2,223,059	-	-	2,223,059
Total deferred inflows of resources	<u>2,248,621</u>	<u>17,994</u>	<u>-</u>	<u>2,266,615</u>
FUND BALANCES				
Restricted for:				
Debt service	-	755,542	-	755,542
Court use	147,224	-	-	147,224
Capital improvements	-	-	7,358,042	7,358,042
Assigned for:				
Police	17,812	-	-	17,812
Capital improvements	-	-	435,481	435,481
Unassigned	3,060,756	-	-	3,060,756
Total Fund Balances	<u>3,225,792</u>	<u>755,542</u>	<u>7,793,523</u>	<u>11,774,857</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,305,008</u>	<u>\$ 773,536</u>	<u>\$ 8,134,425</u>	<u>\$ 15,212,969</u>

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

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2012**

Total fund balances - governmental funds	\$ 11,774,857
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	92,409,430
Accumulated depreciation is not included in the governmental fund financial statements.	(17,940,748)
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	(39,332,359)
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	(1,536,519)
For debt refunding, the difference between the acquisition price and the net carrying value amount of the debt has been deferred and amortized in the government-wide financial statements.	449,232
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.	(220,565)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(179,778)
Revenue reported as unearned revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	2,266,615
Net position of governmental activities	<u><u>\$ 47,690,165</u></u>

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

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUE				
Property taxes	\$ 4,646,021	\$ 3,819,840	\$ -	\$ 8,465,861
Franchise taxes	924,686	-	-	924,686
Fines and forfeitures	535,663	-	-	535,663
Sales tax	1,048,827	-	-	1,048,827
Charges for services	1,450,584	-	-	1,450,584
Licenses and permits	721,477	-	-	721,477
Grants	2,045	-	750,000	752,045
Intergovernmental	188,390	-	-	188,390
Donations	27,196	-	-	27,196
Investment income	6,800	2,189	11,498	20,487
Miscellaneous	44,559	3,036	1,250	48,845
Total Revenues	<u>9,596,248</u>	<u>3,825,065</u>	<u>762,748</u>	<u>14,184,061</u>
EXPENDITURES				
Current Operating:				
General government	2,615,190	-	-	2,615,190
Public safety	4,753,812	-	-	4,753,812
Public works	255,925	-	-	255,925
Public services and operations	698,267	-	-	698,267
Parks and recreation	1,084,287	-	4,263	1,088,550
Development	77,745	-	-	77,745
Sanitation services	675,918	-	-	675,918
Debt Service:				
Principal retirement	8,022	2,420,000	500,000	2,928,022
Interest and fiscal agent fees	2,349	1,586,286	-	1,588,635
Bond issuance costs	-	115,000	-	115,000
Capital Outlay:				
General government	25,304	-	-	25,304
Public safety	203,703	-	45,561	249,264
Public Works	5,130	-	576,672	581,802
Parks and recreation	27,579	-	2,434,768	2,462,347
Total Expenditures	<u>10,433,231</u>	<u>4,121,286</u>	<u>3,561,264</u>	<u>18,115,781</u>
Excess (deficiency) of revenues over (under) expenditures	(836,983)	(296,221)	(2,798,516)	(3,931,720)
Other Revenues and Financing Sources (Uses)				
Debt issuance	-	-	1,500,000	1,500,000
Payments to bond refunding escrow agent	-	(12,335,000)	-	(12,335,000)
Refunding bonds issued	-	11,695,000	-	11,695,000
Discount on bond issuance	-	(73,355)	-	(73,355)
Premium on bond issuance	-	862,803	-	862,803
Transfers	850,000	-	-	850,000
Total Other Financing Sources (Uses)	<u>850,000</u>	<u>149,448</u>	<u>1,500,000</u>	<u>2,499,448</u>
Net Change in Fund Balances	13,017	(146,773)	(1,298,516)	(1,432,272)
Fund Balances, beginning	3,212,775	902,315	9,092,039	13,207,129
Fund Balances, ending	<u>\$ 3,225,792</u>	<u>\$ 755,542</u>	<u>\$ 7,793,523</u>	<u>\$ 11,774,857</u>

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

**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, 2012**

Net change in fund balances - total governmental funds	\$ (1,432,272)
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 position.	3,318,717
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(2,823,266)
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as a reduction in long term debt in the government-wide financial statements.	15,263,022
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.	(13,195,000)
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.	(794,225)
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.	10,080
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position	8,716
In governmental fund financial statements, the proceeds from a sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain(loss) is calculated and reported.	(19,215)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	1,800,311
Change in net position of governmental activities	<u><u>\$ 2,136,868</u></u>

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

**CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 4,680,750	\$ 4,649,000	\$ 4,646,021	\$ (2,979)
Franchise taxes	949,500	924,400	924,686	286
Fines and forfeitures	616,200	507,800	535,663	27,863
Sales tax	1,000,000	1,048,800	1,048,827	27
Grants	-	-	2,045	2,045
Intergovernmental	50,000	185,800	188,390	2,590
Charge for services	1,400,100	1,454,600	1,450,585	(4,015)
Licenses and permits	491,400	721,200	721,477	277
Donations	-	23,900	27,196	3,296
Investment income	6,200	6,700	6,799	99
Miscellaneous	83,200	37,700	44,559	6,859
Total Revenues	\$ 9,277,350	\$ 9,559,900	\$ 9,596,248	\$ 36,348

(continued)

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

**CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
City Administration:				
Personnel services	\$ 238,000	\$ 225,000	\$ 229,602	\$ (4,602)
Materials and supplies	8,100	8,100	11,556	(3,456)
Other services	166,600	166,600	158,200	8,400
Total City Administration	412,700	399,700	399,358	342
Human Resources:				
Personnel services	86,500	84,500	83,418	1,082
Materials and supplies	45,300	43,300	43,123	177
Other services	18,000	13,000	10,603	2,397
Total Human Resources	149,800	140,800	137,144	3,656
Information Technology:				
Personnel services	249,240	223,940	220,371	3,569
Materials and supplies	13,200	13,200	17,081	(3,881)
Other services	27,790	27,790	194,822	(167,032)
Capital outlay	317,500	317,500	35,675	281,825
Total Information Technology	607,730	582,430	467,949	114,481
City Council:				
Personnel services	17,800	13,100	12,649	451
Materials and supplies	1,500	1,500	2,204	(704)
Other services	258,500	350,000	347,347	2,653
Total City Council	277,800	364,600	362,200	2,400
City Secretary:				
Personnel services	96,700	80,200	77,432	2,768
Materials and supplies	12,000	12,000	21,420	(9,420)
Other services	38,900	38,900	25,573	13,327
Total City Secretary	147,600	131,100	124,425	6,675
Finance:				
Personnel services	245,500	262,200	256,083	6,117
Materials and supplies	27,100	27,100	31,509	(4,409)
Other services	121,900	112,000	108,615	3,385
Total Finance	394,500	401,300	396,207	5,093
Fire Department:				
Personnel services	1,719,760	1,678,660	1,673,400	5,260
Materials and supplies	133,300	123,300	119,078	4,222
Other services	310,710	297,110	301,430	(4,320)
Capital Outlay	167,650	159,650	150,616	9,034
Total Fire Department	2,331,420	2,258,720	2,244,524	14,196
Public Works:				
Materials and supplies	41,300	22,100	21,545	555
Other services	205,100	237,200	234,379	2,821
Capital Outlay	-	5,500	5,130	370
Total Public Works	246,400	264,800	261,054	3,746

(continued)

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

**CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES (continued)				
Facilities:				
Materials and supplies	78,000	8,500	7,803	697
Other services	305,500	404,500	402,288	2,212
Total Facilities	<u>\$ 383,500</u>	<u>\$ 413,000</u>	<u>\$ 410,091</u>	<u>\$ 2,909</u>
Community Services:				
Personnel services	\$ 217,330	\$ 228,130	\$ 231,434	\$ (3,304)
Materials and supplies	11,400	11,400	7,449	3,951
Other services	192,300	401,000	397,194	3,806
Total Community Development	<u>421,030</u>	<u>640,530</u>	<u>636,077</u>	<u>4,453</u>
Police Department:				
Personnel services	2,421,800	2,307,400	2,293,678	13,722
Materials and supplies	118,400	109,100	101,810	7,290
Other services	333,140	292,140	264,416	27,724
Capital outlay	28,300	43,300	53,087	(9,787)
Total Police Department	<u>2,901,640</u>	<u>2,751,940</u>	<u>2,712,991</u>	<u>38,949</u>
Animal Control:				
Personnel services	49,000	49,000	50,251	(1,251)
Materials and supplies	10,100	7,800	5,858	1,942
Other services	8,200	7,700	6,079	1,621
Total Animal Control	<u>67,300</u>	<u>64,500</u>	<u>62,188</u>	<u>2,312</u>
Parks and Recreation:				
Personnel services	676,290	646,290	628,739	17,551
Materials and supplies	121,500	106,500	113,224	(6,724)
Other services	346,270	343,770	342,325	1,445
Capital outlay	30,000	30,000	27,579	2,421
Total Parks and Recreation	<u>1,174,060</u>	<u>1,126,560</u>	<u>1,111,867</u>	<u>14,693</u>
Municipal Court:				
Personnel services	184,030	184,030	180,668	3,362
Materials and supplies	3,000	3,000	4,319	(1,319)
Other services	192,640	192,640	168,505	24,135
Total Municipal Court	<u>379,670</u>	<u>379,670</u>	<u>353,492</u>	<u>26,178</u>
Economic Development:				
Personnel services	-	50,200	49,813	387
Materials and supplies	-	7,500	7,239	261
Other services	-	26,900	20,694	6,206
Total Economic Development	<u>-</u>	<u>84,600</u>	<u>77,746</u>	<u>6,854</u>

(continued)

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

**CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Waste Management:				
Other services	671,200	677,500	675,918	1,582
Total Waste Management	671,200	677,500	675,918	1,582
Total Expenditures	10,566,350	10,681,750	10,433,231	248,519
Excess of revenues over (under) expenditures	(1,289,000)	(1,121,850)	(836,983)	284,867
Other Financing Sources (Uses)				
Transfers	850,000	850,000	850,000	-
Total Other Financing Sources (Uses)	850,000	850,000	850,000	-
Net change in Fund Balances	(439,000)	(271,850)	13,017	284,867
Fund Balances, beginning of year	3,212,775	3,212,775	3,212,775	
Fund Balances, end of year	<u>\$ 2,773,775</u>	<u>\$ 2,940,925</u>	<u>\$ 3,225,792</u>	

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

**CITY OF MURPHY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2012**

	<u>Water & Sewer</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,050,867
Receivables (net of allow for uncollectibles)	824,449
Restricted cash and cash equivalents	<u>2,697,506</u>
Total Current Assets	<u>5,572,822</u>
Noncurrent Assets:	
Capital Assets:	
Infrastructure	38,920,989
Machinery & equipment	483,253
Construction in progress	1,579,852
Less accumulated depreciation	<u>(8,467,963)</u>
Total noncurrent assets	<u>32,516,131</u>
Total Assets	<u><u>38,088,953</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	377,672
Other accrued liabilities	20,807
Other liabilities	3,742
Due to general fund	280,586
Unearned revenues	33,147
Payables from restricted assets:	
Customer deposits	346,847
Accrued interest payable	36,683
Compensated absences - current	3,912
Revenue bonds payable - current	<u>370,000</u>
Total Current Liabilities	<u>1,473,396</u>
Noncurrent Liabilities:	
Compensated absences	13,181
Revenue bonds payable	<u>6,952,031</u>
Total Noncurrent Liabilities	<u>6,965,212</u>
Total Liabilities	<u><u>8,438,608</u></u>
NET POSITION	
Net investment in capital assets	27,030,887
Restricted for:	
Debt service	160,000
Use of impact fees	525,904
Unrestricted	<u>1,933,554</u>
Total Net Position	<u><u>\$ 29,650,345</u></u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Water & Sewer</u>
OPERATING REVENUES:	
Charges for sales and services:	
Service charges	\$ 6,276,046
Miscellaneous	30,515
Total operating revenues	<u>6,306,561</u>
OPERATING EXPENSES:	
Personnel services	870,215
Supplies and materials	124,585
Maintenance and repair	256,101
Contractual services	3,438,046
Depreciation	781,378
Total operating expenses	<u>5,470,325</u>
Operating Income (Loss)	<u>836,236</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	8,876
Interest and fiscal charges	(269,219)
Total non-operating revenues (expenses)	<u>(260,343)</u>
Income before transfers	<u>575,893</u>
Transfers	<u>(850,000)</u>
Change in net position	(274,107)
Total net position, beginning	30,093,886
Prior period adjustment	(169,434)
Total net position, ending	<u>\$ 29,650,345</u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Water & Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 6,654,352
Cash received from other transactions	30,515
Cash paid to employees	(865,304)
Cash paid for goods and services	<u>(3,714,388)</u>
Net cash provided by (used in) operating activities	<u>2,105,175</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(850,000)</u>
Net cash provided by (used in) non-capital financing activities	<u>(850,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt issuance fees	12,032
Interest and fiscal charges	(271,091)
Principal payments on bonds payables	(372,738)
Acquisition or construction of capital assets	<u>(3,078,996)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,710,793)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>8,876</u>
Net cash provided by (used in) investing activities	<u>8,876</u>
Net increase (decrease) in cash and cash equivalents	(2,446,742)
Cash and cash equivalents, October 1	<u>7,195,115</u>
Cash and cash equivalents, September 30	<u>\$ 4,748,373</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 836,236</u>
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	781,378
Change in assets and liabilities	
(Increase) decrease in assets:	
Receivables	83,720
Due to general fund	280,586
Increase (decrease) in liabilities:	
Accounts payable	187,798
Accrued expenses	20,807
Customer deposits	14,000
Other liabilities	(104,261)
Compensated absences	4,911
Total adjustments	<u>1,268,939</u>
Net cash provided by (used in) operating activities	<u>\$ 2,105,175</u>

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

CITY OF MURPHY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2012

	<u>Governmental Activities</u>			<u>Total</u>
	<u>Murphy Community Development Corporation</u>	<u>Murphy Economic Development Corporation</u>	<u>Murphy Development District</u>	
ASSETS				
Cash and cash equivalents	\$ 774,644	\$ -	\$ 949,872	\$ 1,724,516
Receivables (net of allow for uncollectibles)	89,750	-	86,538	176,288
Note receivable	-	-	80,000	80,000
Total Assets	<u>864,394</u>	<u>-</u>	<u>1,116,410</u>	<u>1,980,804</u>
LIABILITIES				
Accounts payable	12,185	-	-	12,185
Noncurrent liabilities:				
Due within one year:				
Compensated absences	130	-	-	130
Note payable to primary government	485,651	-	-	485,651
Due in more than one year:				
Compensated absences	2,324	-	-	2,324
Note payable to primary government	1,737,409	-	-	1,737,409
Total Liabilities	<u>2,237,699</u>	<u>-</u>	<u>-</u>	<u>2,237,699</u>
NET POSITION				
Unrestricted	(1,373,305)	-	1,116,410	(256,895)
Total Net Position	<u>\$ (1,373,305)</u>	<u>\$ -</u>	<u>\$ 1,116,410</u>	<u>\$ (256,895)</u>

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

CITY OF MURPHY, TEXAS
 STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	
Governmental Activities				
Economic Development Corporation	\$ 79,651	\$ -	\$ -	-
Community Development Corporation	1,987,308	-		-
Murphy Development District	149,008	-		-
Total component unit	<u>\$ 2,136,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

General revenues:
 Sales taxes
 Investment income
 Transfers
 Total general revenues
 Change in net position
 Net position - beginning
 Prior Period Adjustment
 Net position - ending

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Total
	EDC	CDC	MDD	
	Governmental Activities			
\$ -	\$ (79,651)	\$ -	\$ -	\$ (79,651)
-	-	(1,987,308)	-	(1,987,308)
-	-	-	(149,008)	(149,008)
<u>\$ -</u>	<u>\$ (79,651)</u>	<u>\$ (1,987,308)</u>	<u>\$ (149,008)</u>	<u>\$ (2,215,967)</u>
	\$ 241,791	\$ 516,808	\$ 257,038	\$ 1,015,637
	2,456	1,303	742	4,501
	(1,007,638)	-	1,007,638	-
	<u>(763,391)</u>	<u>518,111</u>	<u>1,265,418</u>	<u>1,020,138</u>
	(843,042)	(1,469,197)	1,116,410	(1,195,829)
	843,042	201,024	-	1,044,066
	-	(105,132)	-	(105,132)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,373,305)</u>	<u>\$ 1,116,410</u>	<u>\$ (256,895)</u>

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

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

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

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 position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

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

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

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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

1. Reporting Entity (continued)

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.

Discretely presented component units. The City has two component units, the Murphy Community Development Corporation ("CDC") and the Murphy Municipal Development Districts ("MDD"). The CDC was incorporated July 28, 2003, and the MDD was incorporated April 16, 2012. The CDC is governed by a seven member board and the MDD is governed by a five member board, both appointed and serving at the pleasure of the City Council. The funding for the CDC and MDD occurs by the City transferring 1/4 of sales tax revenue collected by the City respectively to each corporation. Adding the creation of the CDC and MDD to the resources currently available will significantly increase the City's ability to assist community development and financing development projects beneficial to the City. All of the CDC and MDD funding can be used for direct assistance to prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separate financial statements are not issued for the CDC or the MDD.

In November, 2011, the City held a special election for the purpose of submitting to qualified voters to terminate the Murphy Economic Development Corporation (Type A) and the abolition of its sales tax for the promotion and development of new and expanded business enterprises at the rate of 1/4 of sales tax revenue collected by the City, and concurrently, authorize the creation of the City of Murphy Municipal Development District with the imposition of a sales and use tax at the rate of 1/4 of sales tax collected by the City for the purpose of financing development projects beneficial to the district.

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 position and the statement of activities) report information on all of the activities of the primary government and its component units. Governmental activities which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely on fees and charges for support.

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

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Fund Financial Statements: The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service, and capital projects fund. 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. With the adoption of GASB Statement No. 63, the presentation of deferred inflows/outflows is included in the calculation. The City does not have any non-major funds.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

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

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 sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and service administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year 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.

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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting

b. Measurement Focus, Basis of Accounting (continued)

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

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from 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. The 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.

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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

c. Property Taxes (continued)

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, 2012, the City had a tax rate of \$0.565 per \$100 assessed valuation based upon the maximum rates described above.

d. Prepaid Items

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

e. Restricted Assets

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

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

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

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. 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-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized during the current year was \$29,430.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

- 3. Financial Statement Amounts
 - f. Capital Assets (continued)

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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding debt reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Accordingly, the item unavailable *revenue* is reported in the governmental funds balance sheet. Deferred revenue from property taxes and revenue from the notes receivable from the Murphy Community Development Corporation are shown as deferred inflows of resources. The amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

- h. 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.

- i. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bond issuance costs are expensed during the year they are incurred. This is an accounting policy change according to GASB Statement No. 65 which has been implemented in the current year.

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, 2012**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

j. Net Position Flow Assumption

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

k. 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 resolution approved by 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 the City Manager, as authorized 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 unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

The City's 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.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

l. Fund Balance Flow Assumption

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

m. Federal and State Grants

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

n. 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.

o. 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.

p. Use of Estimates

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

q. Program Revenues

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

r. 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

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

B. Compliance and Accountability (continued)

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

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

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

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 26 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.

- 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.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

C. Deposits and Investments (continued)

Cash Deposits

At September 30, 2012, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$17,029,715 and the bank balance was \$18,228,847. The City's cash deposits at September 30, 2012 and during the year ended September 30, 2012, 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, 2012, the amount of deposits covered by collateralized securities was \$18,650,854. Cash and investments as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government	
Cash and cash equivalents	\$ 5,272,891
Restricted assets-cash and cash equivalents	<u>11,757,687</u>
Total cash and cash equivalents	<u>\$ 17,030,578</u>
Governmental - Unrestricted Cash	\$ 3,222,024
Business-type - Unrestricted Cash	<u>2,050,867</u>
	<u>\$ 5,272,891</u>
Governmental - Restricted Cash	
Municipal Court - technology, building security, juvenile mgr	\$ 148,407
Customer deposits-community center	1,909
Cable PEG	1,553
Police Seizure funds	17,637
Capital Improvements	8,134,425
Debt	<u>756,250</u>
Total	<u>9,060,181</u>
Business-type - Restricted Cash	
Customer Deposits	346,847
Impact fees	525,903
Capital Improvements	<u>1,824,756</u>
Total	<u>2,697,506</u>
Total Restricted Cash	<u>\$ 11,757,687</u>

Investments

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

Investment Accounting Policy

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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

C. Deposits and Investments

Disclosures relating to Interest Rate Risk (continued)

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, 2012 the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Receivables

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

	General	Debt Service	Proprietary	Total
Receivables:				
Taxes	\$ 164,165	\$ 19,077	\$ -	\$ 183,242
Fees and Charges	<u>1,044,277</u>	<u>117</u>	<u>839,050</u>	<u>1,883,444</u>
Gross Receivables	1,208,442	19,194	839,050	2,066,686
Less: allowance for uncollectible	<u>(841,481)</u>	<u>(1,908)</u>	<u>(14,601)</u>	<u>(857,990)</u>
Net Total Receivables	<u>\$ 366,961</u>	<u>\$ 17,286</u>	<u>\$ 824,449</u>	<u>\$ 1,208,696</u>

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. Below is the detail on this note receivable:

In August, 2012, the City issued tax notes for the purpose of paying contractual obligations to be incurred for the development of a City Central Park. The Board of Directors of the Murphy Community Development Corporation ("CDC") agreed to pay the costs of this project by remitting to the City from the receipts of sales and use taxes received by the CDC to pay the principal and interest on the tax notes. Below is the detail on this note receivable:

	Beginning Balance	Issued	Decreases	Ending Balance	Receive within one year
Note receivable - CDC	\$ 791,639	\$ -	\$ 132,167	\$ 659,472	\$ 130,058
Note receivable - CDC	-	1,563,587	-	1,563,587	355,593
Totals	<u>\$ 791,639</u>	<u>\$ 1,563,587</u>	<u>\$ 132,167</u>	<u>\$ 2,223,059</u>	<u>\$ 485,651</u>

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

E. Note Receivable (continued)

Note receivable requirements are as follows:

Year Ending September 30:	Payment
2013	\$ 485,651
2014	327,669
2015	328,147
2016	333,321
2017	338,168
2018-2019	410,103
Total	<u>\$ 2,223,059</u>

F. Capital Assets

Capital asset activity for the period ended September 30, 2012 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 10,430,780	\$ 1,800,000	\$ 71,009	\$ -	\$ 12,301,789
Construction in progress	4,469,503	-	2,990,006	(4,167,666)	3,291,843
Total capital assets, not being depreciated:	<u>14,900,283</u>	<u>1,800,000</u>	<u>3,061,015</u>	<u>(4,167,666)</u>	<u>15,593,632</u>
Capital assets being depreciated:					
Buildings & Improvements	22,317,583	-	3,314,572	-	25,632,155
Infrastructure	46,425,125	-	979,455	-	47,404,580
Vehicles & Equipment	3,415,822	-	402,996	(39,755)	3,779,063
Total capital assets being depreciated	<u>72,158,530</u>	<u>-</u>	<u>4,697,023</u>	<u>(39,755)</u>	<u>76,815,798</u>
Less accumulated depreciation for:					
Buildings & Improvements	(4,685,170)	-	(810,284)	-	(5,495,454)
Infrastructure	(8,566,572)	-	(1,563,030)	-	(10,129,602)
Vehicles & Equipment	(1,886,280)	-	(449,952)	20,540	(2,315,692)
Total accumulated depreciation	<u>(15,138,022)</u>	<u>-</u>	<u>(2,823,266)</u>	<u>20,540</u>	<u>(17,940,748)</u>
Total capital assets being depreciated, net	<u>57,020,508</u>	<u>-</u>	<u>1,873,757</u>	<u>(19,215)</u>	<u>58,875,050</u>
Governmental activities capital assets, net	<u>\$ 71,920,791</u>	<u>\$ 1,800,000</u>	<u>\$ 4,934,772</u>	<u>\$ (4,186,881)</u>	<u>\$ 74,468,682</u>

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

F. Capital Assets (continued)

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Business-type Activities					
Capital assets not being depreciated:					
Construction in progress	\$ 1,298,549	\$ -	\$ 2,914,507	\$ (2,633,204)	\$ 1,579,852
Total capital assets, not being depreciated:	<u>1,298,549</u>	<u>-</u>	<u>2,914,507</u>	<u>(2,633,204)</u>	<u>1,579,852</u>
Capital assets being depreciated:					
Buildings and Systems	36,164,033	-	2,756,957	-	38,920,990
Vehicles and Equipment	471,950	-	11,304	-	483,254
Total capital assets being depreciated	<u>36,635,983</u>	<u>-</u>	<u>2,768,261</u>	<u>-</u>	<u>39,404,244</u>
Less accumulated depreciation for:					
Buildings and Systems	(7,360,349)	-	(743,946)	-	(8,104,295)
Vehicles and Equipment	(326,238)	-	(37,432)	-	(363,670)
Total accumulated depreciation	<u>(7,686,587)</u>	<u>-</u>	<u>(781,378)</u>	<u>-</u>	<u>(8,467,965)</u>
Total capital assets being depreciated, net	<u>28,949,396</u>	<u>-</u>	<u>1,986,883</u>	<u>-</u>	<u>30,936,279</u>
Business-type activities capital assets, net	<u>\$ 30,247,945</u>	<u>\$ -</u>	<u>\$ 4,901,390</u>	<u>\$ (2,633,204)</u>	<u>\$ 32,516,131</u>

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

Governmental activities:	
General Government	\$ 895,684
Public Safety	316,326
Public Works, including depreciation of general infrastructure assets	1,219,946
Public Service	6,816
Culture and Recreation	384,494
Total depreciation expense - governmental activities	<u>\$ 2,823,266</u>
Business-type activities:	
Water Sewer	\$ 37,432
Total depreciation expense - business-type activities	<u>\$ 37,432</u>

CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds & certificates of obligation	\$ 38,360,000	\$ -	\$ (14,505,000)	\$ 23,855,000	\$ 1,225,000
Refunding bonds	100,000	11,695,000	(100,000)	11,695,000	1,025,000
Tax notes	1,685,000	1,500,000	(270,000)	2,915,000	610,000
	<u>40,145,000</u>	<u>13,195,000</u>	<u>(14,875,000)</u>	<u>38,465,000</u>	<u>2,860,000</u>
Plus deferred amounts:					
For issuance premium	497,432	1,312,035	(26,437)	1,783,030	(26,438)
For issuance discounts	(192,202)	(73,355)	19,046	(246,511)	19,046
For Total bonds payable	<u>40,450,230</u>	<u>14,433,680</u>	<u>(14,882,391)</u>	<u>40,001,519</u>	<u>2,852,608</u>
Capital lease-ticket writers	35,754	-	(8,022)	27,732	13,828
Note Payable-PLSD	1,339,627	-	(500,000)	839,627	500,000
Compensated absences	188,495	12,147	(20,864)	179,778	20,341
Governmental activity					
Long-term debt	<u>\$ 42,014,106</u>	<u>\$ 14,445,827</u>	<u>\$ (15,411,277)</u>	<u>\$ 41,048,656</u>	<u>\$ 3,386,777</u>
Business-type Activities					
Water & Sewer					
Revenue bonds	\$ 175,000	\$ -	\$ (55,000)	\$ 120,000	\$ 60,000
Certificates of obligation	7,495,000	-	(305,000)	7,190,000	310,000
	<u>7,670,000</u>	<u>-</u>	<u>(360,000)</u>	<u>7,310,000</u>	<u>370,000</u>
Plus deferred amounts:					
For insurance premium	49,495	-	(2,750)	46,745	(2,750)
For insurance discounts	(36,757)	-	2,042	(34,715)	2,042
For Total bonds payable	<u>7,682,738</u>	<u>-</u>	<u>(360,708)</u>	<u>7,322,030</u>	<u>369,292</u>
Compensated absences	12,183	6,007	(1,096)	17,094	3,912
Business-type activity					
Long-term debt	<u>\$ 7,694,921</u>	<u>\$ 6,007</u>	<u>\$ (361,804)</u>	<u>\$ 7,339,124</u>	<u>\$ 373,204</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.

CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

G. Long-Term Obligations (continued)

Changes in Governmental Bonded Debt

Description	Interest	Amounts Issue	Amounts Outstanding 2011	Issued	Retired	Amounts Outstanding 2012	Due Within One Year
	Rate Payable						
2001 Series CO	4.75%-5.75%	\$ 3,500,000	\$ 370,000	\$ -	\$ 370,000	\$ -	\$ -
2001 GO Refund	4.5%-5.75%	1,155,000	100,000	-	100,000	-	-
2002 Series CO	4.5%-5.75%	3,500,000	930,000	-	930,000	-	-
2002A Series CO	3.5%-4.75%	5,000,000	2,570,000	-	2,570,000	-	-
2003 Series CO	3.5% - 5%	6,700,000	4,790,000	-	4,130,000	660,000	325,000
2004 Series CO	4.125%-4.875%	10,000,000	7,685,000	-	5,680,000	2,005,000	470,000
2009 Series CO	2.5%-4.625%	1,527,508	1,110,000	-	240,000	870,000	245,000
2009 Series GO	2.5%-4.725%	7,942,931	7,510,000	-	405,000	7,105,000	415,000
2010 Series GO	2%-3.75%	4,773,315	4,670,000	-	180,000	4,490,000	185,000
2010 Tax Note	2%-2.5%	1,069,739	935,000	-	150,000	785,000	150,000
2011 Tax Note	1.35%-2.05%	750,000	750,000	-	120,000	630,000	120,000
2011 Series GO	2% - 4%	9,003,000	8,725,000	-	-	8,725,000	-
2012 GO Refund	2% - 5%	11,695,000	-	11,695,000	-	11,695,000	610,000
2012 Tax Note	2% - 4%	1,500,000	-	1,500,000	-	1,500,000	340,000
Total Debt Payable		<u>\$ 68,116,493</u>	<u>\$ 40,145,000</u>	<u>\$ 13,195,000</u>	<u>\$ 14,875,000</u>	<u>\$ 38,465,000</u>	<u>\$ 2,860,000</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2013	\$ 2,860,000	\$ 1,742,157	\$ 4,602,157
2014	2,805,000	1,665,049	4,470,049
2015	2,960,000	1,420,058	4,380,058
2016	3,090,000	1,331,417	4,421,417
2017	3,025,000	996,368	4,021,368
2018 - 2022	13,500,000	3,473,152	16,973,152
2023 - 2027	6,805,000	1,323,195	8,128,195
2028 - 2031	3,420,000	227,981	3,647,981
Totals	<u>\$ 38,465,000</u>	<u>\$ 12,179,377</u>	<u>\$ 50,644,377</u>

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.

CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

G. Long-Term Obligations (continued)

\$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 systems.

\$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 infrastructure improvements and 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.

\$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

\$11,695,000 Series 2012, general obligation refunding bonds, issued for the purpose of the City's general obligation debt and costs associated with the issuance of the bonds.

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

<u>Changes in Business-type Bonded Debt</u>		Amounts			Amounts		Due Within One Year
Description	Interest Rate Payable	Amounts Original Issue	Outstanding September 30 2011	Issued	Retired	Outstanding September 30 2012	
1994 Revenue	5.7%-6.25%	\$ 700,000	\$ 175,000	\$ -	\$ (55,000)	\$ 120,000	\$ 60,000
2009 Series CO	2.5%-4.625%	8,000,000	7,495,000	-	(305,000)	7,190,000	310,000
Total Bonds Payable		<u>\$ 8,700,000</u>	<u>\$ 7,670,000</u>	<u>\$ -</u>	<u>\$ (360,000)</u>	<u>\$ 7,310,000</u>	<u>\$ 370,000</u>

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

G. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
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	350,000	240,929	590,929
2018-2022	1,975,000	992,706	2,967,706
2023-2027	2,430,000	538,436	2,968,436
2028-2029	1,135,000	53,003	1,188,003
Totals	<u>\$ 7,310,000</u>	<u>\$ 2,902,288</u>	<u>\$ 10,212,288</u>

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.

The City incurred a note payable with Plano Independent School District ("PISD") in the amount of \$1,800,000 interest free for the purchase of 44.767 acres of land. The City agreed to grant PISD a credit of \$460,373 against permit and inspection fees due to the City for McMillan High School upon closing the sale. The remainder will be repaid over a period of three years.

Debt service requirements for this note payable are as follows:

Year Ending September 30:	Annual Payment
2013	\$ 500,000
2014	339,627
Totals	<u>\$ 839,627</u>

H. Capital Lease

The City entered into a lease agreement with Tyler Technologies for ticket writers hardware and software valued at \$45,754. The equipment has a five year estimated useful life. This year, \$691 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

This lease will be paid over a four year period at an interest rate of 9.458 %. Capital lease expenditures for 2012 were \$10,371. The lease matures in 2015.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012 were as follows:

Year End Sept 30	Annual Lease Payment
2013	\$ 13,828
2014	13,828
2015	3,457
	<u>31,113</u>
Less amount representing interest at 9.458%	(3,381)
Present value of minimum lease payments	<u>\$ 27,732</u>

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

I. Operating Leases

The City has twelve operating leases for various machines and equipment in the General Fund and one operating lease in the Water and Sewer Fund with DART for the leasing of ROW. All but one of the leases is renewed on an annual basis. The lease with CivicPlus for lease of a website will expire in July 2014.

	Year End Sept 30	Annual Lease Payment
	2013	\$ 55,023
	2014	6,666
Total		<u>\$ 61,689</u>

J. Pension Plan

1. Plan Description

The City provides pension benefits for all of its eligible 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:

	<i>Plan Year</i>	
	<i>2011</i>	<i>2012</i>
Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2-1	2-1
Years required for vesting	5	5
Service retirement eligibility (expressed as of age/years of service)	60-5, 0/20	60-5, 0/20
Updated Service Credit	100%	100%
	Repeating, Transfers	Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Reporting	70% of CPI Reporting

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, 2012**

J. Pension Plan

2. Contributions (continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date		<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>
Actuarial Value of Assets		\$ 4,660,163	\$ 6,521,264	\$ 7,553,720
Actuarial Accrued Liability		7,485,416	9,965,682	10,938,584
Percentage Funded		62.3%	65.4%	69.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)		2,825,253	3,444,418	3,384,864
Annual Covered Payroll		4,966,291	4,823,373	5,110,695
UAAL as a Percentage of Covered Payroll		56.9%	71.4%	66.2%
Net Pension Obligation (NPO) at the Beginning of Period		\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual required contribution (ARC)	Plus	505,869	573,711	567,869
Contributions Made	Less	(505,869)	(573,711)	(567,869)
NPO at the end of the period		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Actuarial cost method		Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method		Level % of PR	Level % of PR	Level % of PR
GASB25 Equivalent Single		23.2 years	22.2 years;	21.2 years;
Amortization period		closed period	closed period	closed period
Amortization period for new Gains/Losses		25 years	25 years	25 years
Asset Valuation Method		10-yr smoothed market	10-yr smoothed market	10-yr smoothed market

		<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>
Actuarial assumptions:				
Investment rate of return *		7.50%	7.00%	7.00%
Projected salary increase *		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%
Cost-of-living Adjustments		2.10%	2.10%	2.10%

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.

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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

J. Pension Plan

3. Group-term Life Insurance (continued)

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 2012, 2011 and 2010 were \$5,888, \$8,823 and \$8,208, respectively, which equaled the required contributions each year.

K. Health Care Coverage

During the year ended September 30, 2012, employees of the City were covered by a health insurance plan ("Plan"). The City contributed \$386 per month per employee and 58% 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.

L. Insurance Coverage

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2011, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

M. 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.

N. 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.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

O. 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	1,140,386,000
Gallons Billed	1,021,137,825

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 \$1.54 per thousand gallons of water for this fiscal year. There was an increase in the amount spent purchasing water, \$291,175 (16%) 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, 2012 was \$510,673, net of payments to the City for facilities usage.

P. Construction Commitments

The City has active construction projects as of September 30, 2012. 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>
Park Development	\$ 809,511	\$ 3,573,182
Street Infrastructure	1,190,775	1,519,028
Public Safety Radio System	1,291,557	-
Utilities	1,579,852	187,770
Totals	<u>\$ 4,871,695</u>	<u>\$ 5,279,980</u>

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Q. 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	2,834,150
Debt Service	Capital Projects Fund	1,500,000
Total		<u>\$ 5,184,150</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,

R. Prior Period Adjustment

The City of Murphy had several prior period adjustments. The following are the explanations for these adjustments.

<u>General Fund</u>		
To record down payment on cap lease	\$ 10,000	City did not record in FA list
To record credit to PISD	460,373	City did not record in FA list
Expense of bond issuance costs	<u>(422,369)</u>	Per GASB65 - change in accounting policy
Total	<u>\$ 48,004</u>	
<u>Water/Sewer Fund</u>		
Expense of bond issuance costs	<u>\$ (169,434)</u>	Per GASB65 - change in accounting policy

S. Subsequent Events

The City has evaluated all events of transactions that occurred after September 30, 2012 up through March 8, 2013 the date the financial statements were available to be issued. During this period, management noted no subsequent events requiring disclosure.

T. 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, 2012 consist of and are classified in the accompanying financial statements as follows: Statement of net position:

Unrestricted cash	<u>\$ 774,644</u>
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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, 2012, CDC deposits with financial institutions were covered by FDIC and fully collateralized.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

T. Murphy Community Development Corporation (continued)

b. Receivables

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

Receivables	
Sales tax	\$ 89,750

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	\$ 6,582	\$ 151	\$ (4,279)	\$ 2,454	\$ 130

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.

In August, 2012, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of the City Central Park involving the acquisition of real property, construction, equipping, improving 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 local sales and use taxes received to pay the principal and interest on this tax note. The payments to the City will begin in FY2013 and final payment is due in FY2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note Payable-City	\$ 791,639	\$ -	\$ (132,168)	\$ 659,471	\$ 130,058
Note Payable-City	-	1,563,588	-	1,563,588	355,593
Totals	\$ 791,639	\$ 1,563,588	\$ (132,168)	\$ 2,223,059	\$ 485,651

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements
2013	\$ 485,651
2014	327,669
2015	328,147
2016	333,321
2017	338,168
2018-2019	410,103
Total	\$ 2,223,059

e. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2012 up through March 8, 2013, 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.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

U. Murphy Development District

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

a. Deposits and Investments

Cash and investments as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows: Statement of net position:

Unrestricted cash	<u>\$ 949,872</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, 2012 MDD deposits with financial institutions were covered by FDIC and fully collateralized.

b. Receivables

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

Receivables - sales tax	<u>\$ 86,538</u>
-------------------------	------------------

c. Note Receivable

In January, 2011, the EDC Board of Directors authorized a business incentive loan to Boomerjack's for building improvements. This loan was transferred to the MDD upon its creation in April 2012. The loan was issued in the amount of \$100,000 to be paid back to the MDD 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	<u>\$ 100,000</u>	<u>\$ -</u>	<u>(20,000.00)</u>	<u>\$ 80,000</u>	<u>\$ 20,000</u>

Requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Due
2013	\$ 20,000	\$ 2,000	\$ 22,000
2014	20,000	1,600	21,600
2015	20,000	1,200	21,200
2016	20,000	800	20,800
Totals	<u>\$ 80,000</u>	<u>\$ 5,600</u>	<u>\$ 85,600</u>

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

U. Murphy Development District (continued)

d. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The MDD does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The MDD has one item that qualifies for reporting in this category. The unavailable revenue reported in the governmental funds balance sheet from the notes receivable is shown as deferred inflows of resources. The amount is deferred and recognized as inflows of resources in the period that the amounts become available.

e. Subsequent Events

The MDD has evaluated all events or transactions that occurred after September 30, 2012 up through March 8 2013, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events regarding the MDD requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MURPHY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) -Unit Credit	Actuarial Accrued Liability UAAAL	Funded Percent	Annual Covered Payroll	UAAAL as Percent of Covered Payroll	Annual Required Contributions	Actual Contributions	Percent Contributed
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	6,521,264	9,965,682	3,444,418	65.44%	4,823,373	71.41%	573,711	573,711	100.00%
2012	12/31/2011	7,553,720	10,938,584	3,384,864	69.06%	5,110,695	66.23%	567,869	567,869	100.00%



SUPPLEMENTARY INFORMATION



CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 3,846,000	\$ 3,846,000	\$ 3,819,840	\$ (26,160)
Investment income	2,500	2,500	2,189	(311)
Miscellaneous	-	-	3,036	3,036
Total Revenues	<u>3,848,500</u>	<u>3,848,500</u>	<u>3,825,065</u>	<u>(23,435)</u>
EXPENDITURES				
Debt Service:				
Principal payments	2,420,000	2,420,000	2,420,000	-
Interest expense	1,554,600	1,589,600	1,586,286	3,314
Bond issuance costs	-	-	115,000	(115,000)
Total Expenditures	<u>3,974,600</u>	<u>4,009,600</u>	<u>4,121,286</u>	<u>(111,686)</u>
Excess (deficiency) of revenues over (under) expenditures	(126,100)	(161,100)	(296,221)	(135,121)
Other Revenues and Financing Sources (uses)				
Refunding bond issued	-	-	(12,335,000)	(12,335,000)
Payments to bond refunding escrow agent	-	-	11,695,000	11,695,000
Discount on bond issuance	-	-	(73,355)	(73,355)
Premium on bond issuance	-	-	862,803	862,803
Transfers	-	-	-	-
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>149,448</u>	<u>149,448</u>
Net Change in Fund Balance	(126,100)	(161,100)	(146,773)	14,327
Fund Balance/Equity, October 1	902,315	902,315	902,315	
Fund Balance/Equity, September 30	<u>\$ 776,215</u>	<u>\$ 741,215</u>	<u>\$ 755,542</u>	

CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Miscellaneous	\$ -	\$ -	\$ 1,250	\$ 1,250
Grant	-	-	750,000	750,000
Investment income	10,500	10,500	11,498	998
Total Revenues	<u>10,500</u>	<u>10,500</u>	<u>762,748</u>	<u>752,248</u>
EXPENDITURES				
Park and recreation	-	-	4,263	(4,263)
Principal payment	500,000	500,000	500,000	-
Capital outlays:				
Public safety	-	-	45,561	(45,561)
Public works	1,951,800	1,951,800	576,672	1,375,128
Park and recreation	6,225,700	6,225,700	2,434,768	3,790,932
Total Expenditures	<u>8,677,500</u>	<u>8,677,500</u>	<u>3,561,264</u>	<u>5,116,236</u>
Excess (deficiency) of revenues over (under) expenditures	(8,667,000)	(8,667,000)	(2,798,516)	5,868,484
Other Revenues and Financing Sources (uses)				
Debt issuance	-	-	1,500,000	1,500,000
Transfers	25,000	25,000	-	(25,000)
Total Other Financing Sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>1,500,000</u>	<u>1,475,000</u>
Net change in Fund Balance	(8,642,000)	(8,642,000)	(1,298,516)	7,343,484
Fund Balance/Equity, October 1	<u>9,092,039</u>	<u>9,092,039</u>	<u>9,092,039</u>	
Fund Balance/Equity, September 30	<u>\$ 450,039</u>	<u>\$ 450,039</u>	<u>\$ 7,793,523</u>	

**CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012**

	<u>Community Development Corporation</u>
ASSETS	
Cash and cash equivalents	\$ 774,644
Receivables (net of allowance for uncollectibles)	<u>89,750</u>
Total Assets	<u><u>864,394</u></u>
LIABILITIES	
Accounts payable	<u>12,185</u>
Total Liabilities	<u>12,185</u>
FUND BALANCE	
Unassigned	<u>852,209</u>
Total Fund Balance	<u>852,209</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 864,394</u></u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION-COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2012**

Total fund balance - governmental funds	\$ 852,209
Amounts reported for governmental activities in the statements of net position are different for the following reason:	
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(2,454)
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	(2,223,060)
Net position of governmental activities - statement of net position	<u><u>\$ (1,373,305)</u></u>

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Community Development Corporation</u>
REVENUE	
Sales tax	\$ 516,809
Investment income	1,146
Miscellaneous	156
Total Revenues	<u>518,111</u>
EXPENDITURES	
Personal services	51,516
Administration	75,435
Contractual services	57
Supplies	57,941
Intergovernmental	132,168
Miscellaneous	1,136
Debt Service:	
Interest	15,863
Capital outlay	225,900
Total Expenditures	<u>560,016</u>
Excess (deficiency) of revenues over (under) expenditures	(41,905)
Fund Balance/Equity, October 1	999,246
Prior Period Adjustment	(105,132)
Fund Balance/Equity, September 30	<u>\$ 852,209</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balance - total governmental funds	\$ (41,905)
Amounts reported for governmental activities in the statement of activities are different for the following:	
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 position.	225,900
Changes to vacation and sick liabilities are not shown in the fund financial statements.	4,129
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.	(1,657,321)
Change in net position of governmental activities - statement of activities	<u>\$ (1,469,197)</u>

**CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
MURPHY DEVELOPMENT DISTRICT
SEPTEMBER 30, 2012**

	Murphy Development District
ASSETS	
Cash and cash equivalents	\$ 949,872
Receivables (net of allowance for uncollectibles)	86,538
Note receivable	80,000
Total Assets	<u>1,116,410</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-note receivable	80,000
Total deferred inflows of resources	<u>80,000</u>
 FUND BALANCE	
Unassigned	1,036,410
Total Fund Balance	<u>1,036,410</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,116,410</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MURPHY DEVELOPMENT DISTRICT
SEPTEMBER 30, 2012**

Total fund balances - governmental funds	\$ 1,036,410
Revenue reported as unearned revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	80,000
Net position of governmental activities - statement of net position	<u><u>\$ 1,116,410</u></u>

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
MURPHY DEVELOPMENT DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Murphy Development District
REVENUE	
Sales tax	\$ 257,038
Intergovernmental revenues	20,000
Investment income	742
Total Revenues	<u>277,780</u>
EXPENDITURES	
Administration	149,008
Total Expenditures	<u>149,008</u>
Excess (deficiency) of revenues over (under) expenditures	128,772
Other Revenues and Financing Sources (Uses)	
Transfers	907,638
Total Other Financing Sources (Uses)	<u>907,638</u>
Net Change in Fund Balance	1,036,410
Fund Balance/Equity, October 1	-
Fund Balance/Equity, September 30	<u>\$ 1,036,410</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - MURPHY DEVELOPMENT DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balance - total governmental funds	\$ 1,036,410
Revenues in the statement of activities that do not provide current financial are not reported as revenue in the fund financial statements.	80,000
Change in net position of governmental activities - statement of activities	<u><u>\$ 1,116,410</u></u>

**CITY OF MURPHY, TEXAS
 BALANCE SHEET - COMPONENT UNIT
 ECONOMIC DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2012**

	<u>Economic Development Corporation</u>
ASSETS	
Cash and cash equivalents	\$ -
Receivables (net of allowance for uncollectibles)	-
Note receivable	-
Total Assets	<u>-</u>
LIABILITIES	
Accounts payable	-
Total Liabilities	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-note receivable	-
Total deferred inflows of resources	<u>-</u>
FUND BALANCE	
Unassigned	-
Total Fund Balance	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ -</u>

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Economic Development Corporation</u>
REVENUE	
Sales tax	\$ 241,791
Intergovernmental revenues	-
Investment income	<u>2,456</u>
Total Revenues	<u>244,247</u>
EXPENDITURES	
Personal services	45,162
Administration	20,434
Contractual services	8,806
Supplies	379
Miscellaneous	<u>6,097</u>
Total Expenditures	<u>80,878</u>
Excess (deficiency) of revenues over (under) expenditures	163,369
Other Revenues and Financing Sources (Uses)	
Transfers	<u>(907,638)</u>
Total Other Financing Sources (Uses)	<u>(907,638)</u>
Net Change in Fund Balance	(744,269)
Fund Balance/Equity, October 1	<u>744,269</u>
Fund Balance/Equity, September 30	<u><u>\$ -</u></u>

CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - ~~MURPHY DEVELOPMENT DISTRICT~~
FOR THE YEAR ENDED SEPTEMBER 30, 2012 *EDC*

Net change in fund balance - total governmental funds	\$ (744,269)
Adjustment to the beginning fund balance due to the reclassification of the EDC	<u>(98,773)</u>
Change in net position of governmental activities - statement of activities	<u><u>\$ (843,042)</u></u>

CITY OF MURPHY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - COMMUNITY DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales tax	\$ 500,000	\$ 500,000	\$ 516,809	\$ 16,809
Miscellaneous	-	-	156	156
Investment income	1,000	1,000	1,146	146
Total Revenues	<u>501,000</u>	<u>501,000</u>	<u>518,111</u>	<u>17,111</u>
EXPENDITURES				
Personal services	58,400	58,400	51,516	6,884
Administration	76,700	76,700	75,435	1,265
Contractual services	1,000	1,000	57	943
Supplies	175,100	175,100	57,941	117,159
Intergovernmental	-	-	132,168	(132,168)
Miscellaneous	6,200	6,200	1,136	5,064
Debt Service:				
Interest	12,200	12,200	15,863	(3,663)
Capital outlay	550,000	610,000	225,900	384,100
Total Expenditures	<u>879,600</u>	<u>939,600</u>	<u>560,016</u>	<u>379,584</u>
Excess (deficiency) of revenues over (under) expenditures	(378,600)	(438,600)	(41,905)	396,695
Fund Balance/Equity, October 1	999,246	999,246	999,246	
Prior Period Adjustment	-	-	(105,132)	
Fund Balance/Equity, September 30	<u>\$ 620,646</u>	<u>\$ 560,646</u>	<u>\$ 852,209</u>	

CITY OF MURPHY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - MURPHY DEVELOPMENT DISTRICT
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales tax	\$ -	\$ 257,000	\$ 257,038	\$ 38
Intergovernmental revenues	-	-	20,000	20,000
Miscellaneous	-	-	-	-
Investment income	-	740	742	2
Total Revenues	<u>-</u>	<u>257,740</u>	<u>277,780</u>	<u>20,040</u>
EXPENDITURES				
Administration	-	149,500	149,008	492
Total Expenditures	<u>-</u>	<u>149,500</u>	<u>149,008</u>	<u>492</u>
Excess (deficiency) of revenues over (under) expenditures	-	108,240	128,772	20,532
Other Revenues and Financing Sources (uses)				
Transfers	-	1,008,000	907,638	(100,362)
Total Other Financing Sources (uses)	<u>-</u>	<u>1,008,000</u>	<u>907,638</u>	<u>(100,362)</u>
Net change in Fund Balances	-	1,116,240	1,036,410	(79,830)
Fund Balance/Equity, October 1	-	-	-	
Fund Balance/Equity, September 30	<u>\$ -</u>	<u>\$ 1,116,240</u>	<u>\$ 1,036,410</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.

<u>Contents</u>	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.	16,17
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 POSITION BY COMPONENT - UNAUDITED
LAST NINE FISCAL YEARS
(Accrual basis of accounting)
(Amounts expressed in thousands)

	FISCAL YEAR				
	2004	2005	2006	2007	2008
Governmental activities					
Net investment in capital assets	\$ 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 position	<u>29,931</u>	<u>37,361</u>	<u>41,280</u>	<u>40,587</u>	<u>41,968</u>
Business-type activities					
Net investment in capital assets	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 position	<u>26,180</u>	<u>29,754</u>	<u>32,859</u>	<u>32,619</u>	<u>31,277</u>
Primary government					
Net investment in capital assets	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 position	<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	2012
\$ 41,606	\$ 40,527	\$ 41,513	\$ 42,865
1,034	1,134	1,049	903
2,102	2,711	2,943	3,922
44,742	44,372	45,505	47,690
28,568	27,822	27,325	27,031
921	637	606	686
1,835	1,769	2,163	1,933
31,324	30,228	30,094	29,650
70,174	68,349	68,838	69,896
1,955	1,771	1,655	1,589
3,937	4,480	5,106	5,855
\$ 76,066	\$ 74,600	\$ 75,599	\$ 77,340

CITY OF MURPHY, TEXAS
CHANGES IN NET POSITION - UNAUDITED
LAST NINE 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	3,137	3,314	3,944	4,860	5,035	4,190
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>

* In November, 2011, the Economic Development Corporation was dissolved by special election.

It is no longer a discretely presented component unit but a department of the Governmental funds.

** 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	2012
\$ 2,971	\$ 3,210	\$ 3,705
4,656	4,859	5,062
484	596	704
1,164	1,114	1,476
624	647	676
934	1,051	1,472
-	-	-
1,417	1,605	1,584
<u>12,250</u>	<u>13,082</u>	<u>14,679</u>
4,999	5,194	5,739
<u>4,999</u>	<u>5,194</u>	<u>5,739</u>
17,249	18,276	20,418
79	85	95
194	164	172
797	840	1,007
493	571	536
53	55	62
776	810	823
22	56	218
-	879	2,540
<u>2,414</u>	<u>3,460</u>	<u>5,453</u>
5,173	6,188	6,276
-	-	-
<u>5,173</u>	<u>6,188</u>	<u>6,276</u>
7,587	9,648	11,729
(9,836)	(9,622)	(9,226)
174	994	537
<u>\$ (9,662)</u>	<u>\$ (8,628)</u>	<u>\$ (8,689)</u>

(continued)

CITY OF MURPHY, TEXAS
CHANGES IN NET POSITION - UNAUDITED
LAST NINE 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	6,444	6,367	6,782	8,605	10,464	10,274
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	(2,153)	(795)	(198)	(705)	(1,009)	(739)
Total primary government revenues	4,291	5,572	6,584	7,900	9,455	9,535
CHANGE IN NET POSITION						
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	\$ 33	\$ 11,051	\$ 7,024	\$ (934)	\$ 876	\$ 3,276

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

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

Table 2
(continued)

FISCAL YEAR		
2010	2011	2012
\$ 7,936	\$ 8,347	\$ 8,477
873	952	1,049
702	820	925
27	76	20
17	-	-
-	-	-
105	81	42
850	850	850
<u>10,510</u>	<u>11,126</u>	<u>11,363</u>
25	14	9
-	-	-
-	-	-
11	5	30
<u>(850)</u>	<u>(850)</u>	<u>(850)</u>
<u>(814)</u>	<u>(831)</u>	<u>(811)</u>
<u>9,696</u>	<u>10,295</u>	<u>10,552</u>
674	1,504	2,137
<u>(640)</u>	<u>163</u>	<u>(274)</u>
<u>\$ 34</u>	<u>\$ 1,667</u>	<u>\$ 1,863</u>



**CITY OF MURPHY, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE - UNAUDITED
LAST TEN FISCAL YEARS**

Table 3

(Accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax*	Franchise Tax	Total
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
2012	8,477	1,049	925	10,451

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

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

	FISCAL YEAR				
	2003	2004	2005	2006	2007
General Fund					
Nonspendable - prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Court use	-	-	-	-	-
Assigned for:					
Police	-	-	-	-	-
Unassigned	16	796	1,145	2,183	1,696
Total General Fund	<u>16</u>	<u>796</u>	<u>1,145</u>	<u>2,183</u>	<u>1,696</u>
All Other Government Funds					
Restricted for:					
Debt service	380	716	1,360	2,034	737
Capital improvements	-	-	-	-	-
Assigned for:					
Capital improvements	12,680	7,877	3,639	1,620	713
Special revenues	-	-	-	-	1,450
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 13,060</u>	<u>\$ 8,593</u>	<u>\$ 4,999</u>	<u>\$ 3,654</u>	<u>\$ 2,900</u>

Table 4

FISCAL YEAR				
2008	2009	2010	2011	2012
\$ -	\$ -	\$ 18	\$ 10	\$ -
93	103	127	147	147
-	10	12	12	18
942	1,648	2,567	3,044	3,060
<u>1,035</u>	<u>1,761</u>	<u>2,724</u>	<u>3,213</u>	<u>3,225</u>
876	935	1,008	902	756
337	7,108	8,964	8,657	7,358
547	477	-	435	435
1,400	-	-	-	-
-	-	-	-	-
<u>\$ 3,160</u>	<u>\$ 8,520</u>	<u>\$ 9,972</u>	<u>\$ 9,994</u>	<u>\$ 8,549</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					
	2003	2004	2005	2006	2007	2008
REVENUES						
Property Taxes*	\$ 2,979	\$ 2,901	\$ 3,765	\$ 4,580	\$ 5,487	\$ 6,229
Sales Taxes**	-	828	1,173	1,016	1,171	1,238
Franchise Taxes	-	344	388	503	601	667
Charges for Services	823	1,463	1,545	2,207	1,432	1,210
License and permits	934	450	656	587	952	848
Fines/Court	178	150	187	585	703	576
Investment Income	154	144	150	312	342	173
Grant revenue	-	-	-	-	-	314
Intergovernmental Revenue	-	-	-	-	-	-
Donations	205	4	6,393	2,981	457	22
Miscellaneous	82	366	95	232	155	157
Total Revenues	<u>5,355</u>	<u>6,650</u>	<u>14,352</u>	<u>13,003</u>	<u>11,300</u>	<u>11,434</u>
EXPENDITURES						
General government	2,480	1,311	963	1,268	2,650	2,668
Public Safety	1,936	2,391	2,320	3,162	4,426	4,135
Public Works	1,553	1,490	1,301	1,330	2,789	917
Public Services and operations	-	-	-	-	-	-
Sanitation	310	350	490	565	630	604
Development **	-	-	-	-	-	-
Parks and Recreation	-	67	109	280	255	892
Capital Outlay	1,528	15,026	10,667	4,250	-	756
Debt Service						
Principal	632	880	996	1,422	1,360	1,370
Interest and other charges	786	1,351	1,507	1,340	1,269	1,210
Bond Issuance costs	-	-	-	-	-	-
Total Expenditures	<u>9,225</u>	<u>22,866</u>	<u>18,353</u>	<u>13,617</u>	<u>13,379</u>	<u>12,552</u>
OTHER FINANCING SOURCES (USES):						
Note/Bond Proceeds	6,716	10,257	-	-	-	-
Premium (Discount) on bond issuance	-	-	-	-	-	-
Payments to bond refunding escrow agent	-	-	-	-	-	-
Extraordinary Revenue (Expense)	-	-	-	-	-	(590)
Capital Leases	-	72	-	-	-	-
Transfers	250	2,196	850	356	850	1,289
Total other financing sources (uses)	<u>6,966</u>	<u>12,525</u>	<u>850</u>	<u>356</u>	<u>850</u>	<u>699</u>
NET CHANGE IN FUND BALANCES	<u>\$ 3,096</u>	<u>\$ (3,691)</u>	<u>\$ (3,151)</u>	<u>\$ (258)</u>	<u>\$ (1,229)</u>	<u>\$ (419)</u>
Debt service as a percentage of noncapital expenditures	18.42%	28.46%	32.57%	29.49%	19.65%	21.87%

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

** In November, 2011, the Economic Development Corporation was dissolved by special election.

It is no longer a discretely presented component unit but a department of the Governmental funds.

Table 5

FISCALYEAR			
2009	2010	2011	2012
\$ 7,427	\$ 8,020	\$ 8,324	\$ 8,466
795	873	953	1,049
809	703	820	925
1,311	1,403	1,405	1,451
440	496	548	721
479	493	570	536
115	26	76	20
164	22	33	752
301	-	-	188
10	17	23	27
50	109	82	49
<u>11,901</u>	<u>12,162</u>	<u>12,834</u>	<u>14,184</u>
2,070	2,060	2,292	2,615
4,607	4,429	4,523	4,754
554	295	233	256
555	481	595	698
609	624	648	676
-	-	-	78
1,416	828	845	1,089
453	4,577	5,776	3,319
2,965	1,565	2,270	2,928
1,150	1,582	1,540	1,588
176	-	130	115
<u>14,555</u>	<u>16,441</u>	<u>18,852</u>	<u>18,116</u>
9,415	5,875	9,655	13,195
-	(32)	278	789
-	-	(4,253)	(12,335)
-	-	-	-
-	-	-	-
854	850	850	850
<u>10,269</u>	<u>6,693</u>	<u>6,530</u>	<u>2,499</u>
<u>\$ 7,615</u>	<u>\$ 2,414</u>	<u>\$ 512</u>	<u>\$ (1,433)</u>
29.18%	26.53%	29.14%	30.52%

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					
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%
2012	1,344,417	200,050	44,852	1,499,615	0.5650	847,282	97.10%

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		
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	1.5784	1.7025	0.2450	0.0871
2008	0.2688	0.1945	0.4633	1.2684	1.3900	0.2450	0.0870
2009	0.3341	0.1842	0.5183	1.3034	1.5100	0.2425	0.0865
2010	0.3341	0.2043	0.5384	1.3284	1.5900	0.2425	0.0863
2011	0.3174	0.2476	0.5650	1.3534	1.6400	0.2400	0.0863
2012	0.3174	0.2476	0.5650	1.3734	1.6400	0.2400	0.0863

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, 2012
 (Amounts expressed in thousands)

Table 8

Taxpayer	2012			2003		
	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value
Allen & Loucks Venture LP	\$ 26,213	1	1.75%			
Lowe's Home Centers Inc.	16,279	2	1.09%			
Murphy Crossing Shopping Center LP	9,946	3	0.66%			
Allen & Loucks Venture LP	9,794	4	0.65%			
Wal-Mart Real Estate Business Trust	6,298	5	0.42%			
Forestar (USA) Real Estate Group Inc.	5,664	6	0.38%			
Murphy Storage Partners LLC	5,365	7	0.36%			
Champion Langford Partners	5,308	8	0.35%			
Wal-Mart Texas LP	4,857	9	0.32%			
ABS TX Investor LP	4,700	10	0.31%			
D R Horton - Texas LTD				\$ 8,212	1	1.99%
Albertsons Inc				5,802	2	1.40%
Lumbermen's Investment Corp				5,762	3	1.39%
Walmart Real Estate Business Trust				5,582	4	1.35%
Weingarten-Murphy LTD				5,340	5	1.29%
Shaddock Developers LTD				4,715	6	1.14%
RR Murphy Development CO LTD				4,218	7	1.02%
Horton D R Texas LTD				3,710	8	0.90%
Oncor Electric Delivery Company				3,528	9	0.85%
Lumbermen's Investment Corp				3,208	10	0.01
Totals	<u>\$ 94,424</u>		<u>6.31%</u>	<u>\$ 50,077</u>		<u>10.13%</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		Amount	% of Levy
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%
2012	8,455		8,432	99.73%	18	8,450	99.94%

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
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
2012	4,357	1,329	5,686

**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	Notes	Gen Oblig & Refunding Bonds	Capital Leases	Tax Note	Revenue Bonds	Certificates of Obligation	Capital Leases					
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	
2012	3,535	839	32,015	28	2,915	120	7,190	-	-	46,642	7.07%	2,634	

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

Table 12

(Amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2012	32,015	3,535	2,915	38,465	2.56%	2,172

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, 2012
(Unaudited)

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Collin County	\$ 393,210,000	2.07%	\$ 8,139,447
Collin County Community College District	40,210,000	2.07%	832,347
Plano Independent School District	998,966,946	3.02%	30,168,802
Wylie Independent School District	<u>242,140,341</u>	10.85%	<u>26,272,227</u>
	<u>\$ 1,674,527,287</u>		65,412,823
City of Murphy		100.00%	<u>38,465,000</u>
			<u>\$ 103,877,823</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>6.94%</u>
Per capita overlapping bonded debt			<u>\$ 5,866</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 52,604	\$ 65,268	\$ 77,923	\$ 93,959	\$ 131,205
Total net obligation debt applicable to limit	<u>21,995</u>	<u>31,255</u>	<u>30,310</u>	<u>28,975</u>	<u>26,918</u>
Legal debt margin	<u>\$ 30,609</u>	<u>\$ 34,013</u>	<u>\$ 47,613</u>	<u>\$ 64,984</u>	<u>\$ 104,287</u>
Total net obligations debt applicable to the limit as a percentage of debt limit	41.81%	47.89%	38.90%	30.84%	20.52%

Table 14

FISCAL YEAR				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 132,643	\$ 145,064	\$ 150,415	\$ 151,469	\$ 156,500
<u>24,295</u>	<u>29,267</u>	<u>44,052</u>	<u>39,243</u>	<u>37,709</u>
<u>\$ 108,348</u>	<u>\$ 115,797</u>	<u>\$ 106,363</u>	<u>\$ 112,226</u>	<u>\$ 118,791</u>
18.32%	20.18%	29.29%	25.91%	24.10%

Legal Debt Margin Calculation of Fiscal Year 2012

Assessed Value	\$ 1,499,615
Add back: exempt real property	68,526
Total assessed value	<u>\$ 1,568,141</u>
Debt limit (10% of total assessed value)	\$ 156,814
Debt applicable to limit:	
Long term bonds	\$ 38,465
Loss: Amount set aside for repayment of long term bonds	<u>756</u>
Total net debt applicable to limit	<u>\$ 37,709</u>
Legal debt margin	<u>\$ 119,105</u>

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

Table 15

Fiscal Year	Water and Sewer Revenue Bonds						
	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
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	
2012	6,315	4,689	1,626	370	288	2	

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> ¹
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%
2012	17,708	659,268,840	37,230	34.9	14.0	68,109	5.4%

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	2012			2003		
	No. of Employees	Rank	Percentage of Total City Employment	No. of Employees	Rank	Percentage of Total City Employment
Lowe's	113	1	1.61%			
Neighborhood Walmart	104	2	1.48%			
City of Murphy	102	3	1.46%			
24 Hour Fitness	100	4	1.43%			
McMillen High School	98	5	1.40%			
Murphy Middle School	79	6	1.13%			
Bogges Elementary	73	7	1.04%			
Tibbels Elementary School	60	8	0.86%			
Hunt Elementary	55	9	0.78%			
Chick-fil-A	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					
	2003	2004	2005	2006	2007	2008
General Government	18	9	17	22	18	27
Public Safety						
Police						
Officers	17	19	20	19	25	24
Civilians	2	3	2	6	6	8
Fire						
Firefighters and officers	3	5	5	7	14	18
Civilians	-	-	1	2	2	2
Animal Control	-	-	-	-	1	-
Public Services						
Municipal Court	-	-	-	-	2.5	-
Cultural and Recreation	6	7	7	8	11	12
Water/Wastewater						
Administration	-	-	-	-	6.5	-
Water	12	11	10	10	12	9
Wastewater	-	-	-	-	1	-
Total	<u>58</u>	<u>54</u>	<u>62</u>	<u>74</u>	<u>99</u>	<u>100</u>

Source: Government Human Resource Department

Note: In prior years, some department information not available

Table 18

FISCAL YEAR			
2009	2010	2011	2012
24	14.3	16	13
22	21	22	21
9	9	9	11
18	19	20	21
2	1	1	1
-	1	1	1
-	2	2	3
12	10.5	10	15
-	4	4	4
9	8	7	11
-	1	1	1
96	90.8	93	102

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

Function/Program	FISCAL YEAR					
	2003	2004	2005	2006	2007	2008
Police						
Physical Arrests	124	134	130	183	237	247
Traffic Violations	1,733	2,530	3,139	9,147	9,158	5,552
Fire						
Number of calls answered	392	449	556	568	745	943
Inspections	-	-	-	121	108	156
Water						
New Connections	532	443	534	407	308	206
Avg Daily Consumption (thousands of gallons)	2,003	2,162	2,971	3,384	4,036	3,393
Wastewater						
Avg daily sewage treatments (thousands of gallons)	795	1,113	1,114	1,246	1,614	1,668

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			
2009	2010	2011	2012
183	367	490	489
4,976	5,156	7,796	3,589
987	950	1,124	1,079
128	173	192	129
157	166	146	217
3,500	3,353	3,496	2,794
2,100	1,770	1,633	1,670

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

Function/Program	FISCAL YEAR						
	2003	2004	2005	2006	2007	2008	2009
Public Safety							
Police							
Stations	1	1	1	1	1	1	1
Patrol Units/CID Vehicles	n/a	n/a	12	9	12	12	9
Motorcycles	-	-	-	-	3	3	-
Fire Stations	1	1	1	1	1	1	1
Streets (miles)	n/a	72.3	73.2	73.2	78	80	82.5
Culture and Recreation							
Parks (acreage)	17.5	142	142	150	180	235	280
Parks	2	5	5	6	6	6	8
Water							
Water Mains (miles)	n/a	74.8	80.4	86.1	90	92	92.5
Fire Hydrants	n/a	646	791	857	900	920	950
Maximum Daily Capacity (thousands of gallons)	n/a	3,000	2,376	3,300	5,000	6,200	6,500
Sewer							
Sanitary Sewer (miles)	62.9	74	74	81.6	90	92	92.5

Sources:

City departments, North Texas Water Municipal District

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

Table 20

FISCAL YEAR		
2010	2011	2012
1	1	1
12	12	15
-	-	-
1	1	1
82.5	82.5	82.5
280	284	297
11	14	14
92.5	90.6	92.6
950	950	911
6,500	6,212	6,216
92.5	81.0	82.8



CONTINUING DISCLOSURE SECTION
(Unaudited)



**CITY OF MURPHY, TEXAS
VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT - UNAUDITED
SEPTEMBER 30, 2012**

Table 1CD

2011-12 Market Valuation Established by Collin County Appraisal District (excluding totally exempt property & Homestead Cap. Adj.)		\$ 1,544,466,801 **
Less Exemptions/Reductions at 100% Market Value:		
Agricultural/Open Space Land Use	\$ 14,796,412	
Homestead Cap	583,788	
Over 65 and Disabled	22,671,707	
Disabled Veterans	3,737,425	
Disabled Persons	3,062,500	44,851,832
		<u>44,851,832</u>
2011-2012 Taxable Assessed Valuation		<u>\$ 1,499,614,969 **</u>
General Debt Payable from Ad Valorem Taxes		<u>\$ 38,465,000</u>
General Interest and Sinking Fund as of September 30, 2012		<u>\$ 755,542</u>
Ratio General Tax Debt to Taxable Assessed Valuation		2.56%
2012 Estimated Population	17,708	
Per Capita Taxable Assessed Valuation	\$ 84,686	
Per Capita Net Funded Debt Payable from Ad Valorem Taxes	\$ 2,172	

****NOTE:** Collin County Appraisal District - 2011 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
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%
2012	0.5650	0.317442	0.247558	8,455,059	8,432,643	99.73%	99.94%

**CITY OF MURPHY, TEXAS
GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS - UNAUDITED
SEPTEMBER 30, 2012**

Table 3CD

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2013	\$ 2,860,000	\$ 1,742,157	\$ 4,602,157	
2014	2,805,000	1,665,049	4,470,049	1.72%
2015	2,960,000	1,420,058	4,380,058	
2016	3,090,000	1,331,417	4,421,417	9.61%
2017	3,025,000	996,368	4,021,368	13.28%
2018	2,820,000	898,339	3,718,339	
2019	2,730,000	799,440	3,529,440	17.18%
2020	2,595,000	698,174	3,293,174	
2021	2,770,000	591,556	3,361,556	
2022	2,585,000	485,643	3,070,643	
2023	2,070,000	387,177	2,457,177	
2024	1,670,000	306,359	1,976,359	47.59%
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	1,150,000	119,636	1,269,636	
2029	1,165,000	70,305	1,235,305	65.64%
2030	715,000	30,240	745,240	
2031	390,000	7,800	397,800	100.00%
	<u>\$ 38,465,000</u>	<u>\$ 12,179,377</u>	<u>\$ 50,644,377</u>	

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

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Revenues					
Taxes*	\$ 2,979	\$ 4,078	\$ 5,269	\$ 6,050	\$ 7,249
Permits and Licenses	934	1,463	1,545	2,207	1,432
Charge for Services	823	450	656	587	952
Fines and Forfeitures	178	150	187	585	703
Investment Income	154	144	150	312	342
Grants	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-
Donations	205	4	6,393	2,981	457
Miscellaneous	82	366	95	232	155
Total Revenues	<u>5,355</u>	<u>6,655</u>	<u>14,295</u>	<u>12,954</u>	<u>11,290</u>
Expenditures					
General Government	2,480	1,311	963	1,268	2,650
Public Safety	1,936	2,391	2,320	3,162	4,426
Public Works	1,553	1,490	1,301	1,330	2,789
Sanitation	310	350	490	565	630
Public Service and Operations	-	-	-	-	-
Cultural and Recreation	-	67	109	280	257
Development **	-	-	-	-	-
Capital Outlay	1,528	15,026	10,667	4,250	-
Debt Service	1,418	2,231	2,503	2,762	2,629
Total Expenditures	<u>9,225</u>	<u>22,866</u>	<u>18,353</u>	<u>13,617</u>	<u>13,381</u>
Excess (Deficiency) of revenues over Expenditures	<u>(3,870)</u>	<u>(16,211)</u>	<u>(4,058)</u>	<u>(663)</u>	<u>(2,091)</u>
Other Financing Sources (Uses)					
Bond Proceeds	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	850
Total Other Sources (Uses)	<u>6,966</u>	<u>12,525</u>	<u>356</u>	<u>356</u>	<u>850</u>
Beginning Fund Balance	9,980	13,076	9,390	6,144	5,837
Prior Period Adjustment	-	-	456	-	-
Ending Fund Balance	<u>\$ 13,076</u>	<u>\$ 9,390</u>	<u>\$ 6,144</u>	<u>\$ 5,837</u>	<u>\$ 4,596</u>

*Note: Prior to the year 2009, the discretely presented component units were included

** Murphy Economic Development Corporation was reclassified from a discretely presented component unit to a department of the City in the year 2012.

Table 4CD

FISCAL YEAR					
	2008	2009	2010	2011	2012
\$	8,133	\$ 9,031	\$ 9,596	\$ 10,097	\$ 10,439
	848	440	496	548	721
	1,210	1,311	1,403	1,405	1,451
	576	479	493	570	536
	173	115	27	76	23
	314	164	21	33	752
	-	301	-	-	188
	21	10	17	23	27
	157	50	109	82	48
	<u>11,432</u>	<u>11,901</u>	<u>12,162</u>	<u>12,834</u>	<u>14,185</u>
	2,668	2,070	2,060	2,292	2,615
	4,190	4,607	4,429	4,523	4,754
	226	554	295	233	256
	603	609	624	648	676
	774	555	481	595	698
	1,508	1,416	828	845	1,089
	-	-	-	-	77
	-	453	4,577	5,776	3,319
	<u>2,580</u>	<u>4,291</u>	<u>3,147</u>	<u>3,940</u>	<u>4,631</u>
	<u>12,549</u>	<u>14,555</u>	<u>16,441</u>	<u>18,852</u>	<u>18,115</u>
	<u>(1,117)</u>	<u>(2,654)</u>	<u>(4,279)</u>	<u>(6,018)</u>	<u>(3,930)</u>
	-	9,415	5,875	9,655	11,695
	-	-	-	-	1,500
	-	-	-	-	-
	-	-	-	(4,253)	(12,335)
	-	-	(32)	278	789
	(590)	-	-	-	-
	<u>1,289</u>	<u>854</u>	<u>850</u>	<u>850</u>	<u>850</u>
	<u>699</u>	<u>10,269</u>	<u>6,693</u>	<u>6,530</u>	<u>2,499</u>
	4,596	4,195	10,282	12,696	13,208
	17	(1,528)	-	-	-
\$	<u>4,195</u>	<u>\$ 10,282</u>	<u>\$ 12,696</u>	<u>\$ 13,208</u>	<u>\$ 11,777</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
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
2012	2,064,464	24.42%	0.1380	117

* These sales tax amounts include the amounts transferred to discretely presented component units.

CITY OF MURPHY, TEXAS
 CASH AND INVESTMENTS FOR PRIMARY GOVERNMENT
 SEPTEMBER 30, 2012
 UNAUDITED

Table 6CD

<u>Type of Investment</u>		
Cash on hand	1.95%	\$ 331,532
Money Markets	<u>98.05%</u>	<u>16,699,046</u>
	<u>100.00%</u>	<u>\$ 17,030,578</u>

**CITY OF MURPHY, TEXAS
 PROPRIETARY FUNDS DEBT SERVICE REQUIREMENTS
 SEPTEMBER 30, 2012
 UNAUDITED**

Table 7CD

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2013	370,000	288,466	\$ 658,466	
2014	380,000	275,266	655,266	
2015	330,000	261,766	591,766	1.64%
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>\$ 7,310,000</u>	<u>\$ 2,902,288</u>	<u>\$ 10,212,288</u>	

City of Murphy, Texas

Single Audit Reports Under
OMB Circular A-133

For the year ended September 30, 2012





Michael Conway, CPA
Neil Conway, CPA

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March 8, 2013

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas as of September 30, 2012, in accordance with auditing standards generally accepted in the United State of America, we considered the City of Murphy's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Murphy's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Murphy's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the City of Murphy's internal control to be a significant deficiency.

We noted the City continues to issue 1099's for the Municipal Judge for the wages paid to them. The Internal Revenue Service considers them employees of the City and as such, they should be issued W-2's.

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

We noted certain matters that we reported to the management of the City of Murphy, Texas in a separate letter dated March 8, 2013. This report is intended solely for the information and use of the City's management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,
CONWAY COMPANY CPAs, PC

Conway Company CPAs, P.C.



Michael Conway, CPA
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March 8, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
Murphy, Texas

Compliance

We have audited the City of Murphy's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Murphy's major federal programs for the year ended September 30, 2012. The City of Murphy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Murphy's management. Our responsibility is to express an opinion on the City of Murphy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Murphy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Murphy's compliance with those requirements.

In our opinion, the City of Murphy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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Internal Control Over Compliance

Management of the City of Murphy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Murphy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Murphy's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Mayor, the City Council, and others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



CITY OF MURPHY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Section I. Summary of Auditors' Results:

Financial Statements

1. Type of auditors' report issued on the financial statements Unqualified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes x No
- Reportable condition(s) identified that are not considered to be material weakness(es)? X Yes _____ No
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

4. Internal controls over major program:
- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X No
5. Type of auditors' report compliance for major program Unqualified
6. Did the audit disclose findings that are required to be reported under Sec. 501(a)? _____ Yes X No

7. Major programs include:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Texas Parks and Wildlife	N/A

8. Dollar Threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee: _____ Yes X No

Section II. Financial Statement Findings

None

Section III. Federal Award Findings and Questioned Costs:

None



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CITY OF MURPHY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	ARRA	Federal CFDA Number	Pass-Through Grantor's Number	Program Expenditures
FEDERAL AWARDS:				
STATE AWARDS:				
<u>TEXAS PARKS & WILDLIFE</u> Community Center		N/A	N/A	\$ 750,000
TOTAL TEXAS PARKS & WILDLIFE				<u>750,000</u>
TOTAL STATE AWARDS				\$ 750,000
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS				\$ 750,000

