



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2010

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

City of Murphy, Texas

Council/Manager Form of Government

City Manager

James Fisher

Director of Finance

Linda Truitt



**CITY OF MURPHY, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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CITY OF
MURPHY
LIFE LIVED AT YOUR PACE

INTRODUCTORY SECTION



CITY OF
MURPHY
LIFE LIVED AT YOUR PACE



James Fisher
City Manager

February 8, 2011

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, 2010, is submitted herewith.

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

Conway Company CPAs, P.C. have issued an unqualified ("clean") opinion on the City of Murphy's financial statements for the year ended September 30, 2010. 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 14,350. The City of Murphy, Texas is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Murphy, Texas has operated under the council-manager form of government since February 7, 2004. Policy-making and legislative authority are vested in a governing council ("Council") consisting of the mayor and six other members, all elected on a non-partisan basis. The Council appoints the city manager, who in turn appoints the heads of the various departments. Council members serve three-year terms. The Mayor and Council members are elected at large.

The City of Murphy, Texas provides a full range of service, including police and fire protection; emergency medical services; water, sewer and solid waste collection and disposal; community development (planning and zoning); the construction and maintenance of roadways, streets and other infrastructure; public improvements; and parks, recreational and community activities.

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

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

ECONOMIC CONDITIONS AND OUTLOOK

In 2010, although retailers generally took a slower and cautions 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 2011.

MAJOR INITIATIVES

For Fiscal Year 2010-2011, the top priority projects for the City of Murphy include:

Issue third and final series of bonds approved in November, 2008 with 82% of registered voters turning out. Approximately 65% of the voters supported the three propositions for remodeling and equipping the community center, construction of parks and street improvements.

Complete the remodeling and furniture, fixtures and equipment for the community center.

Complete and put into service the one million gallon elevated storage tank.

Complete the street rehabilitation program.

Complete the upgrade of the Windy Hills lift station.

Complete construction of the streetscape median beautification of S. Murphy Road, Heritage Parkway and West Betsy Lane.

Purchase and equip a Fire Engine for the Fire Department.

Purchase and equip an Ambulance for the Fire Department.

Begin the design and construction of the water and sewer replacement lines in North Murphy Road.

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. To further enhance cash management and improve investment income the City requested proposals from banking institutions and contracted with Wells Fargo Bank in April 2010. 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>
2006-2007	.4683
2007-2008	.4683
2008-2009	.5183
2009-2010	.5384
2010-2011	.5650

OTHER INFORMATION

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Murphy, Texas for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. This was the sixth 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, 2009

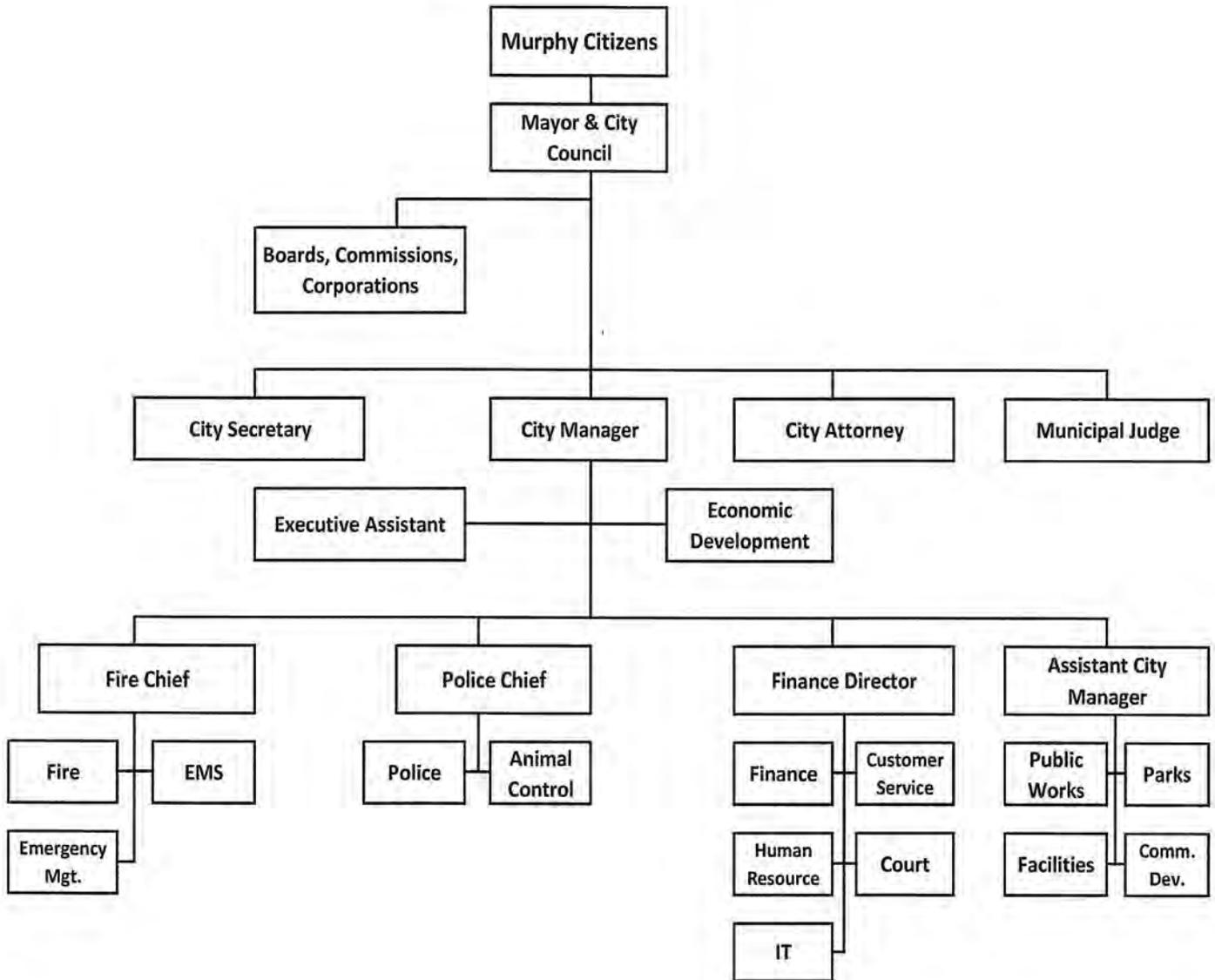
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Murphy Organizational Chart



City Council:

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

Administrative Officers:

James Fisher	City Manager
Jeff Bickerstaff	Assistant City Manager/ Director of Community Development
Linda Truitt	Director of Finance
Aimee Nemer	City Secretary
Mark Lee	Fire Chief
G. M. Cox	Police Chief



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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CONWAY COMPANY CPAs PC

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Member
American Institute of CPAs
Texas Society of CPAs

January 14, 2011

Independent Auditor's Report on Financial Statements

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

Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy ("City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Murphy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated January 14, 2011, on our consideration of the City of Murphy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Pension Trust – TMRS Funding Progress and Contributions, and the budgetary comparison information on pages 5 to 15 and pages 53 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murphy, Texas' basic financial statements. The introductory section, schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, supplementary information and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

Conway Company CPAs, P.C.

Conway Company CPAs, P.C.

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CITY OF MURPHY, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2010

As management of the City of Murphy, we offer readers of the City of Murphy's financial statements this narrative overview and analysis of the financial activities of the City of Murphy for the fiscal year ended September 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Murphy exceeded its liabilities at the close of the fiscal year by \$74,599,829 (net assets). Of this amount, \$4,479,683 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. A total of \$68,348,943, or 92%, are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net assets restricted for specific purposes total \$1,771,203, or 2%.
- The government's total net assets increased by \$34,377, (excluding prior period adjustments) due to an increase in the governmental activities' net assets.
- As of the close of the current fiscal year, the City of Murphy's governmental funds reported combined ending fund balances of \$12,694,719, an increase of \$2,413,530 in comparison with the prior year. Approximately 20% of this total amount, or \$2,584,627, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the General Fund of \$2,584,627 was 29% percent of total general fund expenditures for the fiscal year.
- The City of Murphy's total bonded debt increased by \$4,050,000, or 10%, during the current fiscal year. The key factors in this increase were the issuance of \$4,800,000 in general obligation bonds and \$1,075,000 in tax notes.

Overview of the Financial Statements

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

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Basic Financial Statements

The first two statements (pages 19-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22-28) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting methods.

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

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

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Fund Financial Statements

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

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

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

The City of Murphy adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 22-25 of this report.

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

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 32 – 50 of this report.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

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.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended September 30, 2010 continue the implementation of a new standard of financial reporting for the City of Murphy, and many other units of government across the United States. Prior to fiscal year 2004, the City of Murphy maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Murphy. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Murphy's financial reports as well as those of many other units of government. While the City of Murphy was required to implement these changes for the fiscal year ended September 30, 2004, other units were required to implement Statement 34 in 2002 and 2003.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

The City of Murphy's Net Assets

Figure 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 14,289,384	\$ 11,329,118	\$ 9,448,758	\$ 11,263,269	\$ 23,738,142	\$ 22,592,387
Capital assets	68,768,221	67,363,996	29,361,441	29,037,558	98,129,662	96,401,554
Total assets	<u>83,057,605</u>	<u>78,693,114</u>	<u>38,810,199</u>	<u>40,300,827</u>	<u>121,867,804</u>	<u>118,993,941</u>
Long-term liabilities outstanding	37,237,897	32,979,667	8,039,082	8,312,794	45,276,979	41,292,461
Other Liabilities	1,447,840	971,131	543,156	663,545	1,990,996	1,634,676
Total liabilities	<u>38,685,737</u>	<u>33,950,798</u>	<u>8,582,238</u>	<u>8,976,339</u>	<u>47,267,975</u>	<u>42,927,137</u>
Net assets:						
Invested in capital assets, net of related debt	40,526,417	41,606,563	27,822,526	28,568,383	68,348,943	70,174,946
Restricted	1,134,412	1,033,590	636,791	921,219	1,771,203	1,954,809
Unrestricted	2,711,039	2,102,163	1,768,644	1,834,886	4,479,683	3,937,049
Total net assets	<u>\$ 44,371,868</u>	<u>\$ 44,742,316</u>	<u>\$ 30,227,961</u>	<u>\$ 31,324,488</u>	<u>\$ 74,599,829</u>	<u>\$ 76,066,804</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the City of Murphy exceeded liabilities by \$74,599,829 as of September 30, 2010. The City's net assets increased by \$34,377, excluding prior period adjustments, for the fiscal year ended September 30, 2010. However, a large portion, 92%, reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Murphy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Murphy's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Murphy's net assets, 2.37%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,479,683 is unrestricted.

CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010

The City of Murphy's Changes in Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUE:						
Program Revenues:						
Charge for Services	\$ 2,388,379	\$ 3,085,270	\$ 4,770,998	\$ 4,751,524	\$ 7,159,377	\$ 7,836,794
Grants and contributions	21,573	163,728	-	-	21,573	163,728
General Revenues:						
Property Taxes including P&I	7,936,243	7,413,773	-	-	7,936,243	7,413,773
Franchise Taxes	702,436	809,385	-	-	702,436	809,385
Sales Tax Collected	873,012	795,139	-	-	873,012	795,139
Investment Income	26,621	115,096	25,191	32,901	51,812	147,997
Donations	17,060	236,933	-	25,547	17,060	262,480
Impact Fees	-	-	401,981	548,680	401,981	548,680
Miscellaneous	109,115	50,380	11,224	56,309	120,339	106,689
Total Revenues	12,074,439	12,669,704	5,209,394	5,414,961	17,283,833	18,084,665
EXPENDITURES:						
Program Expenses:						
General Government	2,971,283	2,168,636	-	-	2,971,283	2,168,636
Public Safety	4,655,966	4,678,452	-	-	4,655,966	4,678,452
Public Works	1,164,048	560,445	-	-	1,164,048	560,445
Public Services and Operations	484,030	535,605	-	-	484,030	535,605
Parks and Recreation	933,716	768,086	-	-	933,716	768,086
Interest and Fiscal Agent Fees	1,416,827	1,300,118	-	-	1,416,827	1,300,118
Environmental Waste Services	624,281	608,010	-	-	624,281	608,010
Water and Sewer	-	-	4,999,305	4,189,856	4,999,305	4,189,856
Total Expenditures	12,250,151	10,619,352	4,999,305	4,189,856	17,249,456	14,809,208
Increase in Net Assets before Transfers	(175,712)	2,050,352	210,089	1,225,105	34,377	3,275,457
Transfers	850,000	853,543	(850,000)	(853,543)	-	-
Increase in Net Assets	674,288	2,903,895	(639,911)	371,562	34,377	3,275,457
Net Assets, October 1	44,742,316	40,569,211	31,324,487	31,276,518	76,066,803	71,845,729
Prior Period Adjustments	(1,044,736)	1,269,210	(456,615)	(323,593)	(1,501,351)	945,617
Net Assets, September 30	\$44,371,868	\$44,742,316	\$30,227,961	\$31,324,487	\$74,599,829	\$76,066,803

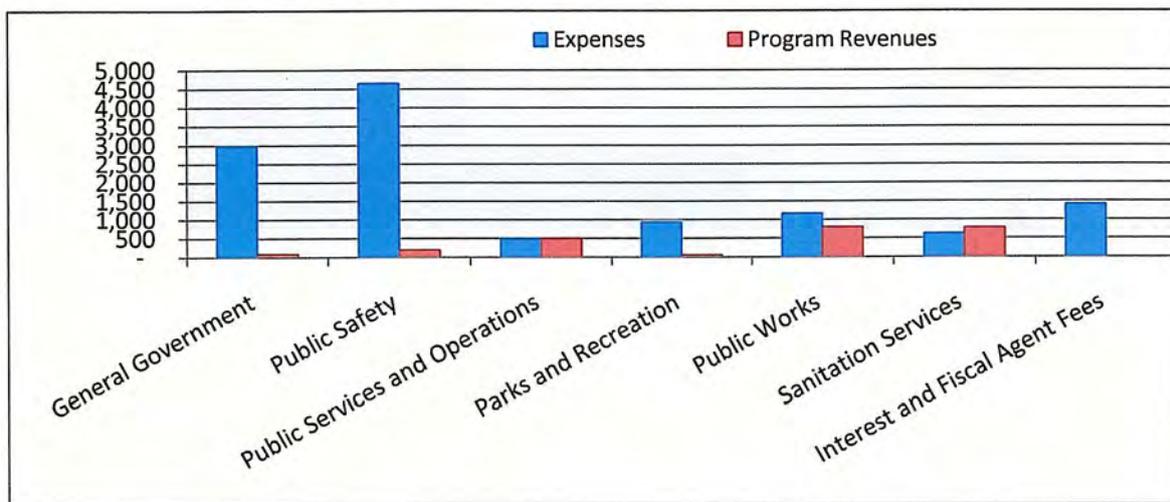
**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Governmental-type activities - The general revenues increased the City's net assets by \$674,288, excluding prior period adjustments. Key elements of this increase are as follows:

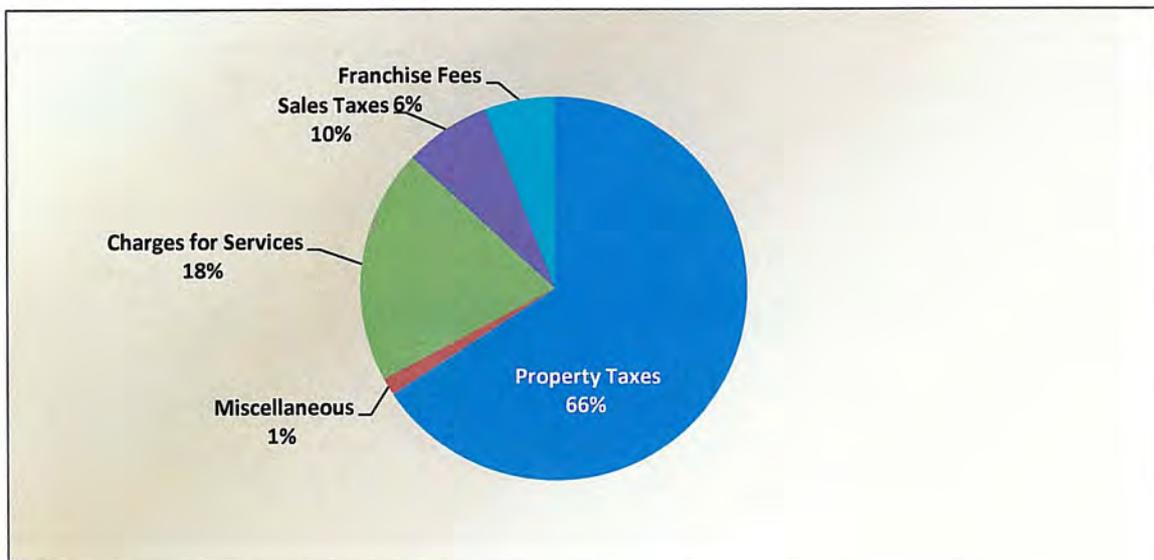
Property tax revenues increased by 7% in the amount of \$522,470.

Sales tax revenues increased by 10% in the amount of \$77,873.

**Expenses and Program Revenues - Governmental Activities
(amounts expressed in thousands)**



Revenues By Source - Governmental Activities

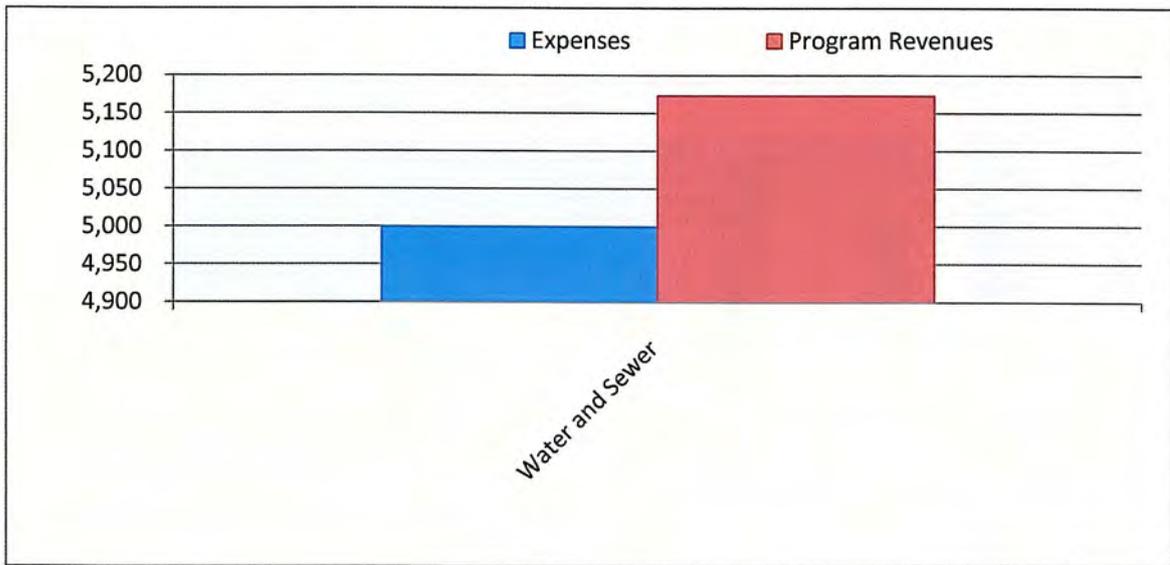


**CITY OF MURPHY, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2010**

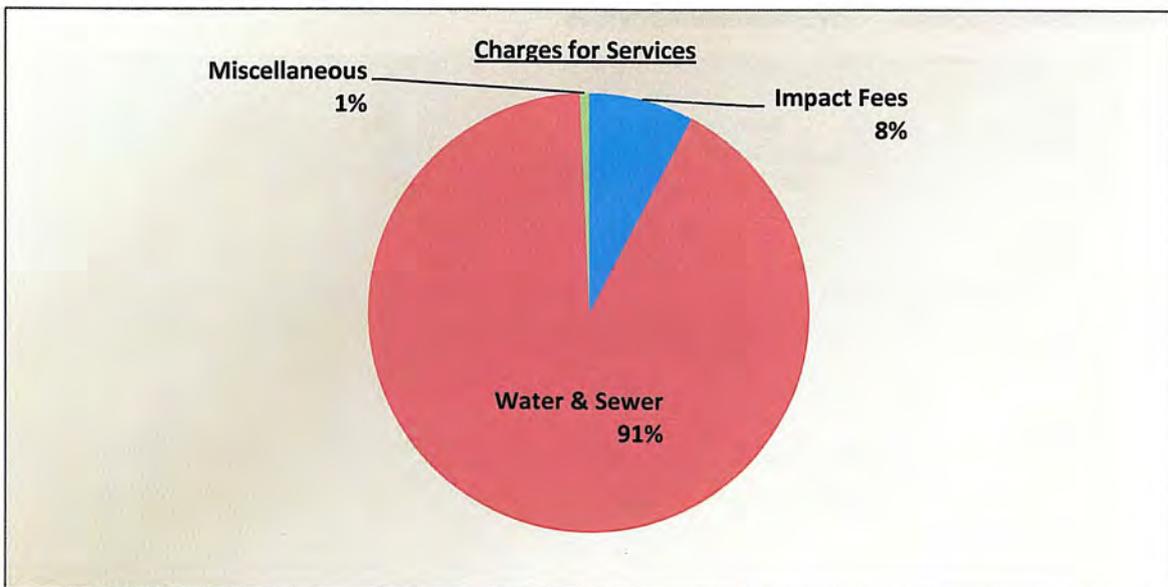
Business-type Activities - Proprietary fund activities decreased the City of Murphy's net assets by (\$639,911), excluding prior period adjustments. A key element of this decrease is as follows:

Transfers were made to the General fund in the amount of \$850,000 for the Proprietary funds portion of shared expenses.

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



Revenues By Source - Business Activities



**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City of Murphy's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Murphy's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was \$2,584,627. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved, undesignated fund balance to total fund expenditures. The unreserved, undesignated fund balance represents 29% of total General Fund expenditures.

At September 30, 2010, the governmental funds of the City of Murphy reported a combined fund balance of \$12,694,719, a 23% increase over last year. The City reserved \$10,098,146 during the year ended September 30, 2010, of which \$8,963,734 is for capital outlays. This affects the availability of fund resources for future use.

At September 30, 2010, the debt service fund had a total fund balance of \$1,007,592 which is reserved for the payment of debt. An increase of \$71,898 in fund balance during the current year was due to higher property tax revenue. The increase in the debt service fund balance was within the budget plan.

At September 30, 2010, the capital projects fund had a total fund balance of \$8,963,734. The issuance of new debt is the key factor of the increase in the fund balance. Most of the projects have a long duration due to construction phases. Major expenditures incurred during the current year include the completion of several parks, street beautification and N Murphy Road.

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

Revenues were slightly less than the budgeted amounts mainly in the areas of franchise fees and license and permit revenue. Property tax revenue collected was more than the budgeted amount. However, expenditures were generally in line with budgeted amounts.

Proprietary Funds - The City of Murphy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Utility Fund at the end of the fiscal year amounted to \$1,768,644 and \$27,822,526 invested in net assets less related debt. Other factors concerning the finances of these funds have already been addressed in the discussion of the City business-type activities.

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Capital assets - The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2010, totals \$98,129,662 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, machinery and equipment.

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

- Design, engineering & construction of the elevated storage tank represented \$1,610,640 of the construction in progress in the business-type funds.
- Design, engineering & construction of the community center and several parks increased the governmental construction in progress by \$893,815.
- Completed park improvements totaled \$981,156.
- Construction of the public safety radio system cost the City \$587,189.

Figure 3

**City of Murphy
Capital Assets
As of September 30, 2010
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 10,166,465	\$ 10,166,465	\$ -	\$ -	\$ 10,166,465	\$ 10,166,465
Buildings	17,654,974	19,202,486	-	-	17,654,974	19,202,486
Infrastructure	36,593,273	36,906,915	27,487,746	28,691,246	64,081,019	65,598,161
Machinery & Equipment	1,297,526	486,458	182,242	209,485	1,479,768	695,943
Construction in progress	3,055,983	601,672	1,691,453	136,827	4,747,436	738,499
Total	<u>\$ 68,768,221</u>	<u>\$ 67,363,996</u>	<u>\$ 29,361,441</u>	<u>\$ 29,037,558</u>	<u>\$ 98,129,662</u>	<u>\$ 96,401,554</u>

More detailed information about the City's capital assets is presented in Note E to the financial statements on pages 41 and 42.

Long-term Debt - As of September 30, 2010, the City of Murphy had total long-term debt outstanding of \$45,060,000. This debt represents bonds secured by specified revenue sources.

**City of Murphy
Outstanding Debt
As of September 30, 2010**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds and Certificates of Obligation (backed by tax revenues and net Water/Sewer revenues)	\$ 35,770,000	\$ 32,365,000	\$ 7,790,000	\$ 8,000,000	\$ 43,560,000	\$ 40,365,000
Refunding Bonds (backed by tax revenues)	200,000	370,000	-	-	200,000	370,000
Tax Note (backed by tax revenues)	1,075,000	-	-	-	1,075,000	-
Revenue Bonds (backed by Water/Sewer revenues)	-	-	225,000	275,000	225,000	275,000
Total	<u>\$ 37,045,000</u>	<u>\$ 32,735,000</u>	<u>\$ 8,015,000</u>	<u>\$ 8,275,000</u>	<u>\$ 45,060,000</u>	<u>\$ 41,010,000</u>

The City of Murphy's bonded debt increased by \$4,050,000 (10%) during the past fiscal year. There were two new debt issuances during September 30, 2010 totaling \$5,875,000 in the governmental funds.

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

**CITY OF MURPHY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Economic Factors and Next Year's Budgets and Rates

The FY 2011 budget reflects a five percent decrease in the M&O tax rate from \$0.334089 to \$0.317442 per \$100 valuation. The tax rate for the debt service fund increases by \$0.043242 to \$0.247558 due to the issuance of \$4.8M (second phases) of the \$16M bond package overwhelming approved by the voters in November 2008 and the issuance of tax notes to purchase a new ambulance and fire engine for public safety.

The FY 211 budget will raise more total property taxes than last year's budget by \$412,877 or 5.2%, and of that amount \$158,493 is tax revenue to be raised from new property added to the tax roll this year.

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 projected at \$3,700,000 for FY 2011, a 1.4% increase from the FY 2010 budget while sewer sales are projected at \$1,500,000, a 3.4% increase. The City's projected increase in revenues is due to the continuing growth and increase of water and sewer rates.

Requests 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 requests for additional financial information should be addressed to the City of Murphy, Finance Department, 206 N. Murphy Rd., Murphy, TX 75094.



BASIC FINANCIAL STATEMENTS



**CITY OF MURPHY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 2,878,697	\$ 921,392	\$ 3,800,089	\$ 1,372,534
Receivables (net of allowance for uncollectibles)	510,668	627,618	1,138,286	140,219
Prepaid Items	18,446	286,119	304,565	-
Deferred Charges	310,048	178,846	488,894	-
Restricted Assets:				
Cash and Cash Equivalents	10,571,525	7,434,783	18,006,308	-
Capital Assets not being depreciated:				
Land	10,166,465	-	10,166,465	-
Construction in progress	3,055,983	1,691,453	4,747,436	-
Capital Assets net of accumulated depreciation:				
Infrastructure	36,593,273	27,487,746	64,081,019	-
Buildings and Improvements	17,654,974	-	17,654,974	-
Machinery and Equipment	1,297,526	182,242	1,479,768	-
Total Assets	83,057,605	38,810,199	121,867,804	1,512,753
LIABILITIES				
Accounts Payable	1,002,095	117,922	1,120,017	29,875
Accrued Expenses	240,246	25,936	266,182	4,265
Accrued Interest Payable	172,831	41,575	214,406	-
Customer Deposits	-	321,907	321,907	-
Unearned Revenues	-	32,003	32,003	-
Other Liabilities	32,668	3,813	36,481	-
Noncurrent Liabilities:				
Due within one year:				
Compensated Absences	42,011	2,211	44,222	-
Bonds Payable	2,270,000	345,000	2,615,000	-
Due in more than one year:				
Compensated Absences	130,165	8,425	138,590	387
Bonds Payable	34,795,721	7,683,446	42,479,167	-
Total Liabilities	38,685,737	8,582,238	47,267,975	34,527
NET ASSETS				
Investment in capital assets, net of related debt	40,526,417	27,822,526	68,348,943	-
Restricted for:				
Debt Service	1,007,592	-	1,007,592	-
Use of Impact fees	-	636,791	636,791	-
Court use	126,820	-	126,820	-
Unrestricted	2,711,039	1,768,644	4,479,683	1,478,226
Total Net Assets	\$ 44,371,868	\$ 30,227,961	\$ 74,599,829	\$ 1,478,226

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

CITY OF MURPHY, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General Government	\$ 2,971,283	\$ 78,934	\$ -	\$ -
Public Safety	4,655,966	194,352	21,573	-
Public services and operations	484,030	493,277	-	-
Parks and recreation	933,716	53,276	-	-
Public works	1,164,048	797,374	-	-
Sanitation Services	624,281	775,684	-	-
Interest on Long-Term Debt	1,416,827	-	-	-
Total governmental activities	12,250,151	2,392,897	21,573	-
Business-type Activities:				
Water and sewer	4,999,305	5,172,979	-	-
Total business-type activities	4,999,305	5,172,979	-	-
Total primary government	17,249,456	7,565,876	21,573	-
Component units:				
Community Development Corporation	202,499	-	-	-
Economic Development Corporation	160,701	-	-	-
Total component units	\$ 363,200	\$ -	\$ -	\$ -

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

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

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

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,892,349)	\$ -	\$ (2,892,349)	\$ -
(4,440,041)	-	(4,440,041)	-
9,247	-	9,247	-
(880,440)	-	(880,440)	-
(366,674)	-	(366,674)	-
151,403	-	151,403	-
(1,416,827)	-	(1,416,827)	-
<u>(9,835,681)</u>	<u>-</u>	<u>(9,835,681)</u>	<u>-</u>
-	173,674	173,674	-
-	173,674	173,674	-
<u>(9,835,681)</u>	<u>173,674</u>	<u>(9,662,007)</u>	<u>-</u>
-	-	-	(202,499)
-	-	-	(160,701)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (363,200)</u>
\$ 7,936,243	\$ -	\$ 7,936,243	\$ -
873,012	-	873,012	864,161
702,436	-	702,436	-
26,621	25,191	51,812	2,617
17,060	-	17,060	-
104,597	11,224	115,821	-
850,000	(850,000)	-	-
<u>10,509,969</u>	<u>(813,585)</u>	<u>9,696,384</u>	<u>866,778</u>
674,288	(639,911)	34,377	503,578
44,742,316	31,324,487	76,066,803	974,648
(1,044,736)	(456,615)	(1,501,351)	-
<u>\$ 44,371,868</u>	<u>\$ 30,227,961</u>	<u>\$ 74,599,829</u>	<u>\$ 1,478,226</u>

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

**CITY OF MURPHY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	General Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS				
Cash and Investments	\$ 2,878,697	\$ -	\$ -	\$ 2,878,697
Receivables (net of allowances for uncollectibles)	355,319	14,349	141,000	510,668
Prepaid Items	18,446	-	-	18,446
Cash - restricted	138,766	996,890	9,435,869	10,571,525
Total Assets	3,391,228	1,011,239	9,576,869	13,979,336
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	388,958	-	613,135	1,002,093
Accrued Expenditures	240,246	-	-	240,246
Deferred Revenues	5,963	3,647	-	9,610
Other Liabilities	32,668	-	-	32,668
Total Liabilities	667,835	3,647	613,135	1,284,617
 FUND BALANCES				
Reserved for:				
Debt Service	-	1,007,592	-	1,007,592
Court use	126,820	-	-	126,820
Capital Improvements	-	-	8,963,734	8,963,734
Unreserved, designated for:				
Police	11,946	-	-	11,946
Unreserved-Undesignated	2,584,627	-	-	2,584,627
Total Fund Balances	2,723,393	1,007,592	8,963,734	12,694,719
Total Liabilities and Fund Balances	\$ 3,391,228	\$ 1,011,239	\$ 9,576,869	\$ 13,979,336

The notes to the 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 ASSETS
SEPTEMBER 30, 2010**

Total fund balances - governmental funds	\$ 12,694,719
Amounts reported for governmental activities in the statement of net assets are different because:	
Costs associated with the issuance of governmental long term debt are expenses capitalized and amortized over the life of the debt.	310,048
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	81,227,274
Accumulated depreciation is not included in the governmental fund financial statements.	(12,459,055)
Bonds payable and contractual obligations are not included in the governmental fund financial statements.	(37,045,000)
Premiums on issuance of debt are not recognized on the balance sheet for governmental funds.	(20,721)
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(172,831)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(172,176)
Revenue reported as deferred revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	9,610
Net assets of governmental activities - statement of net assets	<u>\$ 44,371,868</u>

The notes to the 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, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUE				
Property Taxes, including P&I	\$4,980,612	\$3,039,679	\$ -	\$ 8,020,291
Franchise Taxes	702,436	-	-	702,436
Fines and Forfeitures	493,277	-	-	493,277
Sales Tax Collected	873,012	-	-	873,012
Charges for Services	1,402,656	-	-	1,402,656
Licenses and Permits	495,715	-	-	495,715
Grant Revenue	21,573	-	-	21,573
Donations	17,060	-	-	17,060
Investment Income	7,099	3,567	15,955	26,621
Miscellaneous	96,641	11,273	1,200	109,114
Total Revenues	<u>9,090,081</u>	<u>3,054,519</u>	<u>17,155</u>	<u>12,161,755</u>
EXPENDITURES				
Current Operating:				
General Government	2,060,414	-	-	2,060,414
Public Safety	4,427,428	-	1,500	4,428,928
Public Works	194,012	-	100,636	294,648
Public Services and Operations	480,768	-	-	480,768
Parks and Recreation	740,221	-	87,794	828,015
Sanitation Services	624,281	-	-	624,281
Debt Service:				
Principal Retirement	-	1,565,000	-	1,565,000
Interest and Fiscal Agent Fees	54,813	1,437,675	-	1,492,488
Bond Issuance Costs	-	-	90,000	90,000
Capital Outlay:				
Public Safety	231,956	-	1,123,844	1,355,800
Public Works	15,788	-	1,015,717	1,031,505
Public Services and Operations	32,149	-	-	32,149
Parks and Recreation	115,704	-	2,041,579	2,157,283
Total Expenditures	<u>8,977,534</u>	<u>3,002,675</u>	<u>4,461,070</u>	<u>16,441,279</u>
Excess (deficiency) of revenues over (under) expenditures	112,547	51,844	(4,443,915)	(4,279,524)
Other Revenues and Financing Sources (Uses)				
Debt Issuance	-	-	5,875,000	5,875,000
Discount on bond issuance	-	-	(107,579)	(107,579)
Premium on bond issuance	-	-	75,633	75,633
Transfers	850,000	20,054	(20,054)	850,000
Total Other Financing Sources (Uses)	<u>850,000</u>	<u>20,054</u>	<u>5,823,000</u>	<u>6,693,054</u>
Net Change in Fund Balances	962,547	71,898	1,379,085	2,413,530
Fund Balances/Equity, October 1	1,760,846	935,694	7,584,649	10,281,189
Fund Balances/Equity, September 30	<u>\$2,723,393</u>	<u>\$1,007,592</u>	<u>\$8,963,734</u>	<u>\$ 12,694,719</u>

The notes to the 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, 2010**

Net change in fund balances - total governmental funds	\$ 2,413,530
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 2010 capital outlays is to increase net assets.	4,576,737
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.	(2,124,590)
Current year long term debt principal payments on bonds payable are expenditures in the fund financial statements but are shown as a reduction in long term debt in the government-wide financial statements.	1,565,000
Current year bond proceeds are other finance sources in the fund financial statements but are shown as an increase in the liabilities in the government-wide financial statements.	(5,875,000)
The effect of a disposal of a capital asset is to decrease net assets.	(3,188)
Premium 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.	34,718
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.	154,077
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets.	17,052
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(84,048)
Change in net assets of governmental activities - statement of activities	<u>\$ 674,288</u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010**

	<u>Water & Sewer</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 921,392
Receivables (net of allow for uncollectibles)	627,618
Prepaid Expense	286,119
Total Current Assets	<u>1,835,129</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	7,434,783
Deferred Charges	178,846
Capital Assets:	
Infrastructure	33,828,412
Machinery & Equipment	460,498
Construction in Progress	1,691,453
Less Accumulated Depreciation	<u>(6,618,922)</u>
Total Capital Assets (net of accumulated depreciation)	<u>29,361,441</u>
Total noncurrent assets	<u>36,975,070</u>
Total Assets	<u><u>38,810,199</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities:	
Accounts Payable	117,922
Accrued Interest Payable	41,575
Other Accrued Liabilities	25,936
Compensated Absences	2,211
Customer Deposits	321,907
Other Liabilities	3,813
Deferred Revenues	32,003
Revenue Bonds Payable - current	345,000
Total Current Liabilities	<u>890,367</u>
Noncurrent Liabilities:	
Compensated Absences	8,425
Revenue Bonds Payable	<u>7,683,446</u>
Total Noncurrent Liabilities	<u>7,691,871</u>
Total Liabilities	<u><u>8,582,238</u></u>
NET ASSETS	
Investment in Capital Assets, net of related debt	27,822,526
Restricted for:	
Use of Impact fees	636,791
Unrestricted	<u>1,768,644</u>
Total Net Assets	<u><u>\$ 30,227,961</u></u>

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

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Water & Sewer</u>
OPERATING REVENUES:	
Charges for sales and services:	
Service charges	\$ 5,172,979
Miscellaneous	11,224
Total Operating Revenues	<u>5,184,203</u>
OPERATING EXPENSES:	
Personnel Services	700,448
Supplies and Materials	125,206
Maintenance and Repair	84,386
Contractual Services	3,139,636
Depreciation & Amortization	782,832
Total Operating Expenses	<u>4,832,508</u>
Operating Income (Loss)	<u>351,695</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment Income	25,191
Interest Expense	(166,797)
Total Non-Operating Revenues (Expenses)	<u>(141,606)</u>
Income before transfers	<u>210,089</u>
Transfers	<u>(850,000)</u>
Change in Net Assets	(639,911)
Net Assets - beginning of period	31,324,487
Prior Period Adjustment	(456,615)
Net Assets - ending of period	<u>\$ 30,227,961</u>

The notes to the 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, 2010**

	<u>Business-Type Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 5,101,904
Cash Received from Other Sources	11,224
Cash Paid to Employees	(713,452)
Cash Paid to Suppliers	(4,179,151)
Net Cash Provided by Operating Activities	<u>220,525</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Debt Issuance Fees	8,705
Transfers from Primary Government	(850,000)
Cash Used in Noncapital Financing Activities	<u>(841,295)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Prior Period Adjustment to Fixed Assets	284,037
Interest Expense	(214,540)
Principal Payments	(260,000)
Acquisition or Construction of Capital Assets	(1,390,755)
Cash Provided by (Used in) Capital & Related Financing Activities	<u>(1,581,258)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	25,191
Cash Provided by (Used in) Investing Activities	<u>25,191</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,176,837)
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>10,533,012</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 8,356,175</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	<u>\$ 351,695</u>
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	782,832
Prior period adjustment	(456,615)
Change in Assets and Liabilities	
(Increase) Decrease in Assets:	
Receivables	(85,616)
Prepaid Expense	(286,119)
Increase (Decrease) in Liabilities:	
Accounts Payable	(89,517)
Accrued Expenses	1,830
Customer Deposits	14,544
Other Liabilities	495
Compensated Absences	(13,004)
Total Adjustments	<u>(131,170)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 220,525</u>

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

CITY OF MURPHY, TEXAS
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2010

	<u>Governmental Activities</u>		<u>Total</u>
	<u>Murphy Community Development Corporation</u>	<u>Murphy Economic Development Corporation</u>	
ASSETS			
Cash and Cash Equivalents	\$ 751,480	\$ 621,054	\$ 1,372,534
Receivables (net of allow for uncollectibles)	70,265	69,954	140,219
Total Assets	<u>821,745</u>	<u>691,008</u>	<u>1,512,753</u>
LIABILITIES			
Accounts Payable	19,003	10,872	29,875
Accrued Expenditures	1,935	2,330	4,265
Compensated Absences	-	387	387
Total Liabilities	<u>20,938</u>	<u>13,589</u>	<u>34,527</u>
NET ASSETS			
Unrestricted	800,807	677,419	1,478,226
Total Net Assets	<u>\$ 800,807</u>	<u>\$ 677,419</u>	<u>\$ 1,478,226</u>

The notes to the 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, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Community Development Corporation	\$ 202,499	\$ -	\$ -	\$ -
Economic Development Corporation	160,701	-	-	-
Total component units	<u>\$ 363,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Sales taxes
Investment income
Total general revenues and transf
Change in net assets
Net assets - beginning
Net assets - ending

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

**Net (Expense) Revenue
and Changes in Net Assets**
Primary Government
Governmental
Activities

\$			(202,499)
			(160,701)
\$			(363,200)

\$			864,161
			2,617
			866,778
			503,578
			974,648
\$			1,478,226

The notes to the 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, 2010**

A. Summary of Significant Accounting Policies

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

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant account principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2010.

1. Reporting Entity

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

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

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

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

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

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

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

1. Reporting Entity (continued)

Discretely presented component units. The City has two component units, the Murphy Community Development Corporation ("CDC") and the Murphy Economic Development Corporation ("EDC"). The CDC was incorporated July 28, 2003, and the EDC was incorporated July 17, 2003. The CDC is governed by a seven member board and the EDC is governed by a five member board, both appointed and serving at the pleasure of the City Council. The funding for the CDC and EDC occurs by the City transferring 1/4 of sales tax revenue collected by the City respectively to each corporation. Adding the creation of the CDC and EDC to the resources currently available will more than double the current ability to assist economic and community development in the community. All of the CDC and EDC funding can be used for direct assistance to prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organizations is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separate financial statements are not issued for the CDC or the EDC.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service, and capital improvements funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater funds are charges to customers for sales and services. The water and wastewater 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.

CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting (continued)

b. Measurement Focus, Basis of Accounting

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 Accounting Standards Board issued on or before November 30, 1989.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from the General Fund.

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

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

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

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
b. Measurement Focus, Basis of Accounting (continued)

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB statements.

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 uncollectibles.

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 taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2010, the City had a tax rate of \$0.5384 per \$100 assessed valuation based upon the maximum rates described above.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

d. Prepaid Items and Deferred Charges

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

Deferred charges reported at the government-wide level and in proprietary funds are comprised of the balance of unamortized debt issuance costs. Such issuance costs are amortized over the life of the related debt using a straight-line method.

e. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the 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 wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Sewer Fund.

f. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized during the current year was \$183,182.

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

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

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

g. Compensated absences

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

h. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

h. Long-term Obligations (continued)

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.

i. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balances represent management plans that are subject to change and are approved on an annual basis by the City Council.

j. 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.

k. 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. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

l. Use of Estimates

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

m. Program Revenues

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

n. 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, 2010**

B. Compliance and Accountability (continued)

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

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

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

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 26 and other informational budgets are presented in the combining and individual fund statements.

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, 2010**

C. Deposits and Investments (continued)

Cash Deposits

At September 30, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$21,804,403 and the bank balance was \$22,140,342. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010, 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, 2010, the amount of deposits covered by collateralized securities was \$23,802,384. Cash and investments as of September 30, 2010 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and cash equivalents	\$ 3,800,089
Restricted assets-cash and cash equivalents	<u>18,006,308</u>
Total cash and cash equivalents	<u>\$ 21,806,397</u>
Governmental - Unrestricted Cash	\$ 2,878,697
Business-type - Unrestricted Cash	<u>921,392</u>
Total Unrestricted Cash	<u>\$ 3,800,089</u>
Governmental - Restricted Cash	
Municipal Court - technology, building security, juvenile mgr	\$ 126,820
Capital Improvements	9,435,869
Police Seizure Funds	11,946
Debt	<u>996,890</u>
	<u>\$ 10,571,525</u>
Business-type - Restricted Cash	
Customer Deposits	\$ 321,907
Impact fees	636,791
Capital Improvements	<u>6,476,085</u>
	<u>\$ 7,434,783</u>
Total Restricted Cash	<u>\$ 18,006,308</u>

Investments

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

Investment Accounting Policy

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

Disclosures relating to Interest Rate Risk

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

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

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

C. Deposits and Investments (continued)

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, 2010 the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized. In August 2008, the City's credit rating was upgraded from an A- to A+ by Standard and Poor.

D. Receivables

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

	General	Proprietary	Debt Service	Capital	Total
Receivables:					
Taxes	\$ 164,551	\$ -	\$ 15,930	\$ -	\$ 180,481
Fees and Charges	789,079	639,803	-	141,000	1,569,882
Gross Receivables	953,630	639,803	15,930	141,000	1,750,363
Less: allowance for uncollectibles	(598,311)	(12,185)	(1,581)	-	(612,077)
Net Total Receivables	\$ 355,319	\$ 627,618	\$ 14,349	\$ 141,000	\$ 1,138,286

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

E. Capital Assets

Capital asset activity for the period ended September 30, 2010 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 10,166,465	\$ -	\$ -	\$ -	\$ 10,166,465
Construction in progress	601,672	-	3,435,467	(981,156)	3,055,983
Total capital assets, not being depreciated:	10,768,137	-	3,435,467	(981,156)	13,222,448
Capital assets being depreciated:					
Buildings & Improvements	21,591,167	-	-	-	21,591,167
Infrastructure	42,629,656	-	981,156	-	43,610,812
Vehicles & Equipment	1,897,356	-	1,141,271	(235,778)	2,802,849
Total capital assets being depreciated	66,118,179	-	2,122,427	(235,778)	68,004,828
Less accumulated depreciation for:					
Buildings & Improvements	(2,388,681)	(687,314)	(860,198)	-	(3,936,193)
Infrastructure	(5,722,741)	(326,688)	(968,111)	-	(7,017,540)
Vehicles & Equipment	(1,410,898)	(30,734)	(296,281)	232,591	(1,505,322)
Total accumulated depreciation	(9,522,320)	(1,044,736)	(2,124,590)	232,591	(12,459,055)
Total capital assets being depreciated, net	56,595,859	(1,044,736)	(2,163)	(3,187)	55,545,773
Governmental activities capital assets, net	\$ 67,363,996	\$ (1,044,736)	\$ 3,433,304	\$ (984,343)	\$ 68,768,221
Business-type Activities					
Capital assets not being depreciated:					
Construction in progress	\$ 136,827	\$ -	\$ 1,554,626	\$ -	\$ 1,691,453
Total capital assets, not being depreciated:	136,827	-	1,554,626	-	1,691,453
Capital assets being depreciated:					
Buildings and Systems	33,992,282	(151,095)	-	(12,775)	33,828,412
Vehicles and Equipment	460,498	-	-	-	460,498
Total capital assets being depreciated	34,452,780	(151,095)	-	(12,775)	34,288,910
Less accumulated depreciation for:					
Buildings and Systems	(5,301,037)	(304,160)	(722,694)	-	(6,327,891)
Vehicles and Equipment	(251,013)	(1,360)	(51,433)	12,775	(291,031)
Total accumulated depreciation	(5,552,050)	(305,520)	(774,127)	12,775	(6,618,922)
Total capital assets being depreciated, net	28,900,730	(456,615)	(774,127)	-	27,669,988
Business-type activities capital assets, net	\$ 29,037,557	\$ (456,615)	\$ 780,499	\$ -	\$ 29,361,441

CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

E. Capital Assets (continued)

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

Governmental activities:	
General Government	\$ 903,909
Public Safety	238,336
Public Works, including depreciation of general infrastructure assets	869,396
Public Service	7,187
Culture and Recreation	<u>105,762</u>
Total depreciation expense - governmental activities	<u>\$ 2,124,590</u>
Business-type activities:	
Water Sewer	<u>\$ 774,127</u>
Total depreciation expense - business-type activities	<u>\$ 774,127</u>

F. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2010, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds & certificates of obligation	\$ 32,365,000	\$ 4,800,000	\$ (1,395,000)	\$35,770,000	\$ 2,030,000
Refunding bonds	370,000	-	(170,000)	200,000	100,000
Tax notes	-	1,075,000	-	1,075,000	140,000
	<u>32,735,000</u>	<u>5,875,000</u>	<u>(1,565,000)</u>	<u>37,045,000</u>	<u>2,270,000</u>
Plus deferred amounts:					
For issuance premium	84,504	75,633	(4,225)	155,912	8,915
For issuance discounts	(29,066)	(107,579)	1,454	(135,191)	15,425
Total bonds payable	<u>32,790,438</u>	<u>5,843,054</u>	<u>(1,567,771)</u>	<u>37,065,721</u>	<u>2,294,340</u>
Compensated absences	189,229	170,274	(187,327)	172,176	42,011
Governmental activity					
Long-term debt	<u>\$ 32,979,667</u>	<u>\$ 6,013,328</u>	<u>\$ (1,755,098)</u>	<u>\$37,237,897</u>	<u>\$ 2,336,351</u>
Business-type Activities					
Water & Sewer					
Revenue bonds	\$ 275,000	\$ -	\$ (50,000)	\$ 225,000	\$ 50,000
Certificates of obligation	8,000,000	-	(210,000)	7,790,000	295,000
	<u>8,275,000</u>	<u>-</u>	<u>(260,000)</u>	<u>8,015,000</u>	<u>345,000</u>
Plus deferred amounts:					
For insurance premium	54,995	-	(2,750)	52,245	2,750
For issuance discounts	(40,841)	-	2,042	(38,799)	2,042
Total bonds payable	<u>8,289,154</u>	<u>-</u>	<u>(260,708)</u>	<u>8,028,446</u>	<u>349,792</u>
Compensated absences	23,640	18,563	(31,567)	10,636	2,211
Business-type activity					
Long-term debt	<u>\$ 8,312,794</u>	<u>\$ 18,563</u>	<u>\$ (292,275)</u>	<u>\$ 8,039,082</u>	<u>\$ 352,003</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, 2010

F. Long-Term Obligations (continued)

Changes in Governmental Bonded Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding 2009	Issued	Retired	Amounts Outstanding 2010	Due Within One Year
2001 Series CO	4.75%-5.75%	\$ 3,500,000	\$ 2,615,000	\$ -	\$ (160,000)	\$ 2,455,000	\$ 170,000
2001 GO Refund	4.5%-5.75%	1,155,000	370,000	-	(170,000)	200,000	100,000
2002 Series CO	4.5%-5.75%	3,500,000	2,690,000	-	(150,000)	2,540,000	160,000
2002A Series CO	3.5%-4.75%	5,000,000	3,750,000	-	(215,000)	3,535,000	225,000
2003 Series CO	3.5% - 5%	6,700,000	5,370,000	-	(285,000)	5,085,000	295,000
2004 Series CO	4.125%-4.875%	10,000,000	8,525,000	-	(410,000)	8,115,000	430,000
2009 Series CO	2.5%-4.625%	1,500,000	1,500,000	-	-	1,500,000	230,000
2009 Series GO	2.5%-4.725%	7,915,000	7,915,000	-	(175,000)	7,740,000	390,000
2010 Series GO	2%-3.75%	4,800,000	-	4,800,000	-	4,800,000	130,000
2010 Tax Note	2%-2.5%	1,075,000	-	1,075,000	-	1,075,000	140,000
Total Debt Payable		\$ 45,145,000	\$ 32,735,000	\$ 5,875,000	\$ (1,565,000)	\$ 37,045,000	\$ 2,270,000

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2011	2,270,000	1,523,551	3,793,551
2012	2,420,000	1,390,307	3,810,307
2013	2,405,000	1,303,045	3,708,045
2014	2,500,000	1,213,414	3,713,414
2015	2,585,000	1,119,641	3,704,641
2016 - 2020	12,545,000	4,073,551	16,618,551
2021 - 2025	8,975,000	1,516,403	10,491,403
2026 - 2030	3,345,000	340,341	3,685,341
Totals	\$ 37,045,000	\$ 12,480,253	\$ 49,525,253

A description of the purpose for each bond issuance follows:

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

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

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

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

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

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

CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

F. Long-Term Obligations (continued)

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

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

Changes in Business-type Bonded Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts			Amounts Outstanding September 30 2010	Due Within One Year
			Outstanding September 30 2009	Issued	Retired		
1994 Revenue	5.7%-6.25%	\$ 700,000	\$ 275,000	\$ -	\$ (50,000)	\$ 225,000	\$ 50,000
2009 Series CO	2.5%-4.625%	8,000,000	8,000,000	-	(210,000)	7,790,000	295,000
Total Bonds Payable		\$ 8,700,000	\$ 8,275,000	\$ -	\$ (260,000)	\$ 8,015,000	\$ 345,000

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2011	\$ 345,000	\$ 312,516	\$ 657,516
2012	360,000	301,129	661,129
2013	370,000	288,466	658,466
2014	380,000	275,266	655,266
2015	330,000	261,766	591,766
2016-2020	1,830,000	1,135,731	2,965,731
2021-2025	2,230,000	736,460	2,966,460
2026-2029	2,170,000	204,598	2,374,598
Totals	\$ 8,015,000	\$ 3,515,932	\$ 11,530,932

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.

G. Bond Issuance Costs

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

General Fund	Fees	Prior Years	Current Year	Balance	Due Within One Year
		Amortization Expense	Amortization Expense		
2009 GO bond issue fees	\$ 200,580	\$ -	\$ 10,029	\$ 190,551	\$ 10,029
2009 CO bond issue fees	31,050	-	1,553	29,497	1,553
2010 GO bond issue fees	73,532	-	-	73,532	3,677
2010 tax notes bond issue fees	16,468	-	-	16,468	2,353
Totals	\$ 321,630	\$ -	\$ 11,582	\$ 310,048	\$ 17,612

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

G. Bond Issuance Costs (continued)

<u>Proprietary Fund</u>	Fees	Prior Years Amortization Expense	Current Year Amortization Expense	Balance	Due Within One Year
2009 CO bond issue fees	\$ 188,259	\$ -	\$ (9,413)	\$ 178,846	\$ 9,413
Totals	<u>\$ 188,259</u>	<u>\$ -</u>	<u>\$ (9,413)</u>	<u>\$ 178,846</u>	<u>\$ 9,413</u>

H. Pension Plan

1. Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin TX 78714-9153 or by calling 800.924.8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

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

2. Contributions

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

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

CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

H. Pension Plan

2. Contributions (continued)

		City of Murphy		
		Schedule of Actuarial Liabilities and Funding Progress		
		12/31/07	12/31/08	12/31/09
Actuarial Valuation Date				
Actuarial Value of Assets		\$ 3,227,636	\$ 4,051,192	\$ 4,660,163
Actuarial Accrued Liability		5,519,638	6,679,956	7,485,416
Percentage Funded		58.5%	60.6%	62.3%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)		2,292,002	2,628,764	2,825,253
Annual Covered Payroll		4,464,231	5,071,787	4,966,291
UAAL as a Percentage of Covered Payroll		51.3%	51.8%	56.9%
Net Pension Obligation (NPO) at the Beginning of Period		\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual required contribution (ARC)	Plus	440,620	503,187	505,869
Contributions Made	Less	(440,620)	(503,187)	(505,869)
NPO at the end of the period		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		Projected	Projected	Projected
Actuarial cost method		Unit Credit	Unit Credit	Unit Credit
Amortization method		Level %	Level %	Level %
Asset Valuation method		Amortized	Amortized	10-year Smoothed
		Cost	Cost	Market
Amortization period		25 years -	25 years -	25 years -
		closed	closed	closed
Actuarial assumptions:				
Investment rate of return		7%	7.50%	7.50%
Inflation rate		3.00%	3.00%	3.00%
Projected salary increase		Varies by age	Varies by age	Varies by age
		and service	and service	and service

3. Group-term Life Insurance

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2010, 2009 and 2008 were \$8,208, \$7,007 and \$5,820, respectively, which equaled the required contributions each year.

I. Health Care Coverage

During the year ended September 30, 2010, employees of the City were covered by a health insurance plan (the "Plan"). The City contributed \$401 per month per employee and 60% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay additional contributions for dependents. All contributions were paid to AETNA. The Plan was authorized by article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

J. Insurance Coverage

Below is a schedule of insurance in force.

Company	Entity Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
Liability Coverage:						
TX Municipal League Joint Self Ins Fund	00903	General	1,000,000 per occurrence	10/01/09 to 10/01/10	\$ 10,685	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Automotive	1,000,000 per occurrence	10/01/09 to 10/01/10	\$ 16,390	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Law Enforcement	1,000,000 per claim	10/01/09 to 10/01/10	\$ 13,065	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Public Employee Dishonesty	250,000	10/01/09 to 10/01/10	\$ 523	-
TX Municipal League Joint Self Ins Fund	00903	Errors & Omissions	1,000,000 per claim	10/01/09 to 10/01/10	\$ 17,156	\$ 1,000
Property Coverage:						
TX Municipal League Joint Self Ins Fund	00903	Real and Personal	Replacement Cost	10/01/09 to 10/01/10	\$ 18,202	\$ 2,500
TX Municipal League Joint Self Ins Fund	00903	Mobile Equipment	Replacement Cost	10/01/09 to 10/01/10	\$ 1,434	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Automobile- Phys. Damage	Comprehensive Scheduled	10/01/09 to 10/01/10	\$ 7,877	\$ 1,000
TX Municipal League Joint Self Ins Fund	00903	Boiler and Machinery	Comprehensive Scheduled	10/01/09 to 10/01/10	included	\$ 2,500

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2009, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

K. 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.

L. Litigation

There were four 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.

M. Additional Water and Sewer Information

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

Gallons Pumped	1,133,421,000
Gallons Billed	1,062,254,100

**CITY OF MURPHY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

M. Additional Water and Sewer Information (continued)

The City purchases all of its water from the North Texas Municipal Water District. The cost for water purchases is calculated based upon the previous year's usage. The City currently pays \$1.30 per thousand gallons for water for this fiscal year. There was a slight increase in the amount spent purchasing water, \$65,953 (4%) over the previous year.

N. Restricted Assets

The balances of the restricted asset accounts in the Water Sewer Fund at September 30, 2010 are as follows:

Customer deposits	\$ 321,907
Impact fees	636,791
Capital Improvement	6,476,085
Total Restricted Assets	<u>\$ 7,434,783</u>

O. Construction Commitments

The City has active construction projects as of September 30, 2010. 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>
Murphy Road	\$ 620,494	\$ 504,160
Park Development	654,589	104,498
Public Safety Radio System	587,189	857,825
Street Infrastructure	954,485	997,876
Community Center	239,226	222,236
Lift Station	80,813	543,129
Elevated Storage Tank	1,610,640	868,505
	<u>\$ 4,747,436</u>	<u>\$ 4,098,229</u>

P. Interfund Transactions

	<u>Transfers Out</u>	<u>Transfers In</u>
<u>Major Funds</u>		
General Fund	\$ -	\$ 5,031,140
Debt Fund	5,733,000	-
Capital Projects Fund	-	1,551,860
Water Sewer Fund	850,000	-
Total Major Funds	<u>\$ 6,583,000</u>	<u>\$ 6,583,000</u>

Transfers are used to 1) reclassify projects from the capital fund to the general fund 2) 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 and 3) reclassify debt payments from the debt fund to the General Fund.

Q. Prior Period Adjustment

The City of Murphy had a prior period adjustment in the General Fund of \$1,044,736 which was an adjustment to correct prior years' depreciation expense. The Water Sewer fund also had a prior period adjustment to correct prior years depreciation in the amount of \$456,615.

R. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2010 up through January 14, 2011, the date the financial statements were issued. During the month of December 2010 the City issued tax notes in the amount of \$750,000 to purchase a building for the purpose of a community center. The Murphy Community Development Corporation has committed to repay the debt. There were no other subsequent events requiring disclosure.

**CITY OF MURPHY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

S. Murphy Community Development Corporation

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

a. Deposits and Investments

Cash and investments as of September 30, 2010 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Unrestricted cash	<u>\$ 751,480</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, 2010 CDC deposits with financial institutions were covered by FDIC and fully collateralized.

b. Receivables

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

Receivables	
Sales tax	\$ 69,954
Miscellaneous	311
Total Receivables	<u>\$ 70,265</u>

T. Murphy Economic Development Corporation

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

a. Deposits and Investments

Cash and investments as of September 30, 2010 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Unrestricted cash	<u>\$ 621,054</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, 2010 EDC 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, 2010

T. Murphy Economic Development Corporation (continued)

b. Receivables

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

Receivables - sales tax	<u>\$ 69,954</u>
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REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MURPHY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Credit	Actuarial Accrued Liability 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%

**CITY OF MURPHY, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes, including P&I	\$ 4,857,000	\$ 4,961,000	\$ 4,980,612	\$ 19,612
Franchise Taxes	760,000	739,800	702,436	(37,364)
Fines and Forfeitures	444,300	444,300	493,277	48,977
Sales Tax Collected	750,000	850,000	873,012	23,012
Grant Revenue	26,800	12,000	21,573	9,573
Charge for Services	1,212,950	1,378,100	1,402,656	24,556
Licenses and Permits	308,000	536,000	495,715	(40,285)
Donations	-	-	17,060	17,060
Investment Income	15,000	7,000	7,099	99
Miscellaneous	12,250	40,300	96,641	56,341
Total Revenues	<u>8,386,300</u>	<u>8,968,500</u>	<u>9,090,081</u>	<u>121,581</u>

(continued)

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
City Administration:				
Personnel Services	255,100	255,100	238,402	16,698
Materials and Supplies	16,800	16,800	17,762	(962)
Other Services	127,800	127,800	116,454	11,346
Total City Administration	399,700	399,700	372,618	27,082
Human Resources:				
Personnel Services	81,900	81,900	81,014	886
Materials and Supplies	36,500	36,500	34,035	2,465
Other Services	10,600	10,600	9,463	1,137
Total Human Resources	129,000	129,000	124,512	4,488
Information Technology:				
Personnel Services	154,100	154,100	146,150	7,950
Materials and Supplies	31,400	31,400	18,908	12,492
Other Services	30,200	30,200	26,338	3,862
Total Information Technology	215,700	215,700	191,396	24,304
City Council:				
Materials and Supplies	300	300	2,260	(1,960)
Other Services	295,700	295,700	282,058	13,642
Total City Council	296,000	296,000	284,318	11,682
City Secretary:				
Personnel Services	94,500	94,500	93,964	536
Materials and Supplies	10,900	30,900	9,146	21,754
Other Services	58,100	58,100	38,305	19,795
Total City Secretary	163,500	183,500	141,415	42,085
Finance:				
Personnel Services	260,900	260,900	242,086	18,814
Materials and Supplies	38,900	38,900	40,491	(1,591)
Other Services	94,500	94,500	89,955	4,545
Total Finance	394,300	394,300	372,532	21,768
Fire Department:				
Personnel Services	1,534,700	1,534,700	1,504,283	30,417
Materials and Supplies	129,200	119,200	115,741	3,459
Other Services	276,700	252,200	264,477	(12,277)
Capital Outlay	50,500	75,500	23,487	52,013
Total Fire Department	1,991,100	1,981,600	1,907,988	73,612
Public Works:				
Materials and Supplies	33,100	33,100	16,831	16,269
Other Services	192,000	192,000	177,179	14,821
Capital Outlay	19,200	19,200	15,788	3,412
Total Public Works	244,300	244,300	209,798	34,502

(continued)

**CITY OF MURPHY, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Facilities:				
Materials and Supplies	17,000	15,500	13,649	1,851
Other Services	305,100	341,100	333,688	7,412
Total Facilities	<u>322,100</u>	<u>356,600</u>	<u>347,337</u>	<u>9,263</u>
Community Development:				
Personnel Services	362,000	362,000	323,629	38,371
Materials and Supplies	16,300	16,300	5,115	11,185
Other Services	83,600	83,600	90,611	(7,011)
Capital Outlay	21,000	21,000	21,000	-
Total Community Development	<u>482,900</u>	<u>482,900</u>	<u>440,355</u>	<u>42,545</u>
Police Department:				
Personnel Services	2,126,900	2,163,900	2,151,844	12,056
Materials and Supplies	132,700	134,450	107,802	26,648
Other Services	354,500	355,500	338,095	17,405
Capital Outlay	7,500	226,500	208,469	18,031
Total Police Department	<u>2,621,600</u>	<u>2,880,350</u>	<u>2,806,210</u>	<u>74,140</u>
Animal Control:				
Personnel Services	56,300	56,300	47,869	8,431
Materials and Supplies	11,600	11,600	7,989	3,611
Other Services	7,500	57,500	5,554	51,946
Capital Outlay	-	-	11,150	(11,150)
Total Animal Control	<u>75,400</u>	<u>125,400</u>	<u>72,562</u>	<u>52,838</u>
Parks and Recreation:				
Personnel Services	537,200	537,200	522,633	14,567
Materials and Supplies	83,800	83,800	71,824	11,976
Other Services	195,800	195,800	145,764	50,036
Capital Outlay	-	107,500	115,704	(8,204)
Total Parks and Recreation	<u>816,800</u>	<u>924,300</u>	<u>855,925</u>	<u>68,375</u>
Municipal Court:				
Personnel Services	136,100	136,100	118,586	17,514
Materials and Supplies	2,400	2,400	1,802	598
Other Services	95,085	95,085	105,899	(10,814)
Total Municipal Court	<u>233,585</u>	<u>233,585</u>	<u>226,287</u>	<u>7,298</u>
Waste Management:				
Other Services	642,000	642,000	624,281	17,719
Total Waste Management	<u>642,000</u>	<u>642,000</u>	<u>624,281</u>	<u>17,719</u>
Total Expenditures	<u>9,027,985</u>	<u>9,489,235</u>	<u>8,977,534</u>	<u>511,701</u>
Excess of revenues over (under) expenditures	<u>(641,685)</u>	<u>(520,735)</u>	<u>112,547</u>	<u>633,282</u>
Other Financing Sources (Uses)				
Transfers	850,000	850,000	850,000	-
Total Other Financing Sources (Uses)	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>-</u>
Net change in Fund Balances	<u>208,315</u>	<u>329,265</u>	<u>962,547</u>	<u>633,282</u>
Fund Balances/Equity, October 1	<u>1,760,846</u>	<u>1,760,846</u>	<u>1,760,846</u>	
Fund Balances/Equity, September 30	<u>\$ 1,969,161</u>	<u>\$ 2,090,111</u>	<u>\$ 2,723,393</u>	

SUPPLEMENTARY INFORMATION



**CITY OF MURPHY, TEXAS
DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes including P&I	\$ 3,059,850	\$ 3,059,850	\$ 3,039,679	\$ (20,171)
Investment Income	12,000	12,000	3,567	(8,433)
Miscellaneous Revenues	-	-	11,273	11,273
Total Revenues	<u>3,071,850</u>	<u>3,071,850</u>	<u>3,054,519</u>	<u>(17,331)</u>
EXPENDITURES				
Debt Service:				
Principal Payments	1,565,000	1,565,000	1,565,000	-
Interest Expense	1,438,400	1,438,400	1,437,675	725
Total Expenditures	<u>3,003,400</u>	<u>3,003,400</u>	<u>3,002,675</u>	<u>725</u>
Excess (deficiency) of revenues over (under) expenditures	68,450	68,450	51,844	(16,606)
Other Revenues and Financing Sources (uses)				
Transfers	-	-	20,054	20,054
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>20,054</u>	<u>20,054</u>
Net Change in Fund Balances	68,450	68,450	71,898	3,448
Fund Balances/Equity, October 1	935,694	935,694	935,694	
Fund Balances/Equity, September 30	<u>\$ 1,004,144</u>	<u>\$ 1,004,144</u>	<u>\$ 1,007,592</u>	

**CITY OF MURPHY, TEXAS
 CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Miscellaneous Revenue	\$ -	\$ -	\$ 1,200	\$ 1,200
Investment Income	26,700	26,700	15,955	(10,745)
Total Revenues	<u>26,700</u>	<u>26,700</u>	<u>17,155</u>	<u>(9,545)</u>
EXPENDITURES				
Public Safety	-	-	1,500	(1,500)
Public Works	1,450,000	1,450,000	100,636	1,349,364
Park and Recreation	154,000	154,000	87,794	66,206
Capital Outlays:				
Public Safety	-	1,048,000	1,123,844	(75,844)
Public Works	1,633,000	1,633,000	1,015,717	617,283
Park Improvements	2,822,000	2,822,000	2,041,579	780,421
Total Expenditures	<u>6,059,000</u>	<u>7,107,000</u>	<u>4,371,070</u>	<u>2,735,930</u>
Excess (deficiency) of revenues over (under) expenditures	(6,032,300)	(7,080,300)	(4,353,915)	2,726,385
Other Revenues and Financing Sources (uses)				
Debt Issuance	-	5,875,000	5,875,000	-
Bond Issuance Costs	-	(142,000)	(121,946)	20,054
Transfers	-	-	(20,054)	(20,054)
Total Other Financing Sources (uses)	<u>-</u>	<u>5,733,000</u>	<u>5,733,000</u>	<u>-</u>
Net change in Fund Balances	(6,032,300)	(1,347,300)	1,379,085	2,726,385
Fund Balances/Equity, October 1	<u>7,584,649</u>	<u>7,584,649</u>	<u>7,584,649</u>	
Fund Balances/Equity, September 30	<u>\$ 1,552,349</u>	<u>\$ 6,237,349</u>	<u>\$ 8,963,734</u>	

**CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2010**

	Community Development Corporation
ASSETS	
Cash and Investments	\$ 751,480
Receivables (net of allowance for uncollectibles)	70,265
Total Assets	<u>821,745</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	19,003
Accrued Expenditures	1,935
Total Liabilities	<u>20,938</u>
FUND BALANCES	
Unreserved-Undesignated	800,807
Total Fund Balances	<u>800,807</u>
Total Liabilities and Fund Balances	<u>\$ 821,745</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS - COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2010**

Total fund balances - governmental funds \$ 800,807

There are no reconciling items.

Net assets of governmental activities - statement of net assets \$ 800,807

**CITY OF MURPHY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - COMPONENT UNIT
 COMMUNITY DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Community Development Corporation</u>
REVENUE	
Sales Tax	\$ 432,080
Investment Income	1,510
Total Revenues	<u>433,590</u>
EXPENDITURES	
Administration	<u>202,581</u>
Total Expenditures	<u>202,581</u>
Excess (deficiency) of revenues over (under) expenditures	231,009
Fund Balances/Equity, October 1	569,798
Fund Balances/Equity, September 30	<u>\$ 800,807</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds \$ 231,009

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

Changes to vacation and sick liabilities are not shown in the fund financial statements. 82

Change in net assets of governmental activities - statement of activities \$ 231,091

**CITY OF MURPHY, TEXAS
 BALANCE SHEET - COMPONENT UNIT
 ECONOMIC DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2010**

	<u>Economic Development Corporation</u>
ASSETS	
Cash and Investments	\$ 621,054
Receivables (net of allowance for uncollectibles)	69,954
Total Assets	<u>691,008</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	10,872
Accrued Expenditures	2,330
Total Liabilities	<u>13,202</u>
FUND BALANCES	
Unreserved-Undesignated	677,806
Total Fund Balances	<u>677,806</u>
Total Liabilities and Fund Balances	<u>\$ 691,008</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2010**

Total fund balances - governmental funds \$ 677,806

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

Accrued liabilities for compensated absences have not been reflected in the fund financial statements (387)

Net assets of governmental activities - statement of net assets \$ 677,419

**CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Economic Development Corporation</u>
REVENUE	
Sales Tax	\$ 432,081
Investment Income	1,107
Total Revenues	<u>433,188</u>
EXPENDITURES	
Administration	<u>160,395</u>
Total Expenditures	<u>160,395</u>
Excess (deficiency) of revenues over (under) expenditures	272,793
Fund Balances/Equity, October 1	<u>405,013</u>
Fund Balances/Equity, September 30	<u>\$ 677,806</u>

**CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds	\$ 272,793
Amounts reported for governmental activities in the statement of activities are different because:	
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets	(306)
Change in net assets of governmental activities - statement of activities	<u>\$ 272,487</u>

**CITY OF MURPHY, TEXAS
COMMUNITY DEVELOPMENT FUND - SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Tax	\$ 375,000	\$ 375,000	\$ 432,080	\$ 57,080
Investment Income	5,000	5,000	1,509	(3,491)
Total Revenues	<u>380,000</u>	<u>380,000</u>	<u>433,589</u>	<u>53,589</u>
EXPENDITURES				
Administration	145,200	261,439	202,580	58,859
Total Expenditures	<u>145,200</u>	<u>261,439</u>	<u>202,580</u>	<u>58,859</u>
Excess (deficiency) of revenues over (under) expenditures	234,800	118,561	231,009	112,448
Fund Balances/Equity, October 1	<u>569,798</u>	<u>569,798</u>	<u>569,798</u>	
Fund Balances/Equity, September 30	<u>\$ 804,598</u>	<u>\$ 688,359</u>	<u>\$ 800,807</u>	

**CITY OF MURPHY, TEXAS
 ECONOMIC DEVELOPMENT FUND - SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Tax	\$ 375,000	\$ 425,000	\$ 432,081	\$ 7,081
Investment Income	5,000	1,000	1,107	107
Total Revenues	<u>380,000</u>	<u>426,000</u>	<u>433,188</u>	<u>7,188</u>
EXPENDITURES				
Administration	244,300	237,984	160,395	77,589
Total Expenditures	<u>244,300</u>	<u>237,984</u>	<u>160,395</u>	<u>77,589</u>
Excess (deficiency) of revenues over (under) expenditures	135,700	188,016	272,793	84,777
Fund Balances/Equity, October 1	405,013	405,013	405,013	
Fund Balances/Equity, September 30	<u>\$ 540,713</u>	<u>\$ 593,029</u>	<u>\$ 677,806</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.



Table 1

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

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
Governmental activities							
Invested in capital assets, net of related debt	\$ 20,724	\$ 31,431	\$ 35,636	\$ 35,217	\$ 37,750	\$ 41,606	\$ 40,527
Restricted	409	488	564	737	1,884	1,034	1,134
Unrestricted	8,798	5,442	5,080	4,633	2,334	2,102	2,711
Total governmental activities net assets	29,931	37,361	41,280	40,587	41,968	44,742	44,372
Business-type activities							
Invested in capital assets, net of related debt	24,419	26,921	29,992	29,979	28,918	28,568	27,822
Restricted	-	361	-	-	2,280	921	637
Unrestricted	1,761	2,472	2,867	2,640	79	1,835	1,769
Total business-type activities net assets	26,180	29,754	32,859	32,619	31,277	31,324	30,228
Primary government							
Invested in capital assets, net of related debt	45,143	58,352	65,628	65,196	66,668	70,174	68,349
Restricted	409	849	564	737	4,164	1,955	1,771
Unrestricted	10,559	7,914	7,947	7,273	2,413	3,937	4,480
Total primary government net assets	\$ 56,111	\$ 67,115	\$ 74,139	\$ 73,206	\$ 73,245	\$ 76,066	\$ 74,600

Note: Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented. Additional amounts will be added each year until ten years are reported

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

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
EXPENSES							
Government activities:							
General government	\$ 1,389	\$ 1,074	\$ 1,995	\$ 3,372	\$ 2,832	\$ 2,169	\$ 2,971
Public Safety	2,420	2,386	3,132	4,275	4,324	4,678	4,656
Public Service	-	-	-	-	-	536	484
Public Works	2,260	2,152	2,191	3,049	1,708	560	1,164
Sanitation Services	350	490	565	629	604	608	624
Parks and recreation	67	110	227	256	917	768	934
Development *	-	-	-	-	711	-	-
Interest Expense	1,232	1,522	1,331	1,260	1,282	1,300	1,417
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>	<u>12,250</u>
Business-type activities:							
Water and Sewer	3,137	3,314	3,944	4,860	5,035	4,190	4,999
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>	<u>4,999</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>	<u>17,249</u>
PROGRAM REVENUES							
Governmental activities:							
Charge for services:							
General government	1,477	1,574	2,226	1,629	600	1,386	79
Public Safety	191	245	661	702	16	165	194
Public Works	-	80	-	31	1,316	764	797
Public Services **	-	-	-	-	-	-	493
Parks and recreation	-	-	-	-	-	40	53
Sanitation Services	549	624	728	724	704	730	776
Operating grants and contributions	4	-	49	87	34	20	22
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>	<u>2,414</u>
Business-type activities:							
Charge for services:							
Water and Sewer	4,196	5,077	6,221	5,240	5,884	5,301	5,173
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>	<u>5,173</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>	<u>7,587</u>
NET (EXPENSE) REVENUES							
Governmental activities	(5,317)	1,101	(2,863)	(9,298)	(9,428)	(7,370)	(9,836)
Business-type activities	1,059	4,378	3,303	464	849	1,111	174
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>	<u>\$ (9,662)</u>

(continued)

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

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

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

Table 2
 (continued)

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS							
Government activities:							
Taxes:							
Property	\$ 2,901	\$ 3,765	\$ 4,580	\$ 5,487	\$ 6,229	\$ 7,414	\$ 7,936
Sales ***	828	1,173	1,016	1,170	1,238	795	873
Franchise	344	388	503	801	667	809	702
Investment Income	144	150	312	342	173	115	27
Donations	-	-	-	-	-	237	17
Extraordinary Revenue	-	-	-	-	713	-	-
Miscellaneous	31	41	15	155	155	50	105
Transfers	2,196	850	356	850	1,289	854	850
Total governmental activities	6,444	6,367	6,782	8,605	10,464	10,274	10,510
Business-type activities:							
Investment Income	19	37	149	145	69	33	25
Donations	-	-	-	-	-	25	-
Extraordinary Revenue	-	-	-	-	198	-	-
Miscellaneous	24	18	9	-	13	57	11
Transfers	(2,196)	(850)	(356)	(850)	(1,289)	(854)	(850)
Total business-type activities	(2,153)	(795)	(198)	(705)	(1,009)	(739)	(814)
Total primary government revenues	4,291	5,572	6,584	7,900	9,455	9,535	9,696
CHANGE IN NET ASSETS							
Governmental activities	1,127	7,468	3,919	(693)	1,036	2,904	674
Business-type activities	(1,094)	3,583	3,105	(241)	(160)	372	(640)
Total primary government program net expenses	\$ 33	\$ 11,051	\$ 7,024	\$ (934)	\$ 876	\$ 3,276	\$ 34

Note: Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented. Additional amounts will be added each year until ten years are reported

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



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

(Accrual basis of accounting)

(Amounts expressed in thousands)

Table 3

Fiscal Year	Property Tax	Sales Tax*	Franchise Tax	Total
2001	\$ 1,140	\$ 345	\$ 126	\$ 1,611
2002	\$ 1,478	\$ 395	\$ 231	\$ 2,104
2003	\$ 2,336	\$ 343	\$ 300	\$ 2,979
2004	\$ 2,901	\$ 828	\$ 344	\$ 4,073
2005	\$ 3,765	\$ 1,173	\$ 388	\$ 5,326
2006	\$ 4,580	\$ 1,016	\$ 503	\$ 6,099
2007	\$ 5,487	\$ 1,171	\$ 601	\$ 7,259
2008	\$ 6,229	\$ 1,238	\$ 667	\$ 8,134
2009	\$ 7,414	\$ 795	\$ 809	\$ 9,018
2010	\$ 7,936	\$ 873	\$ 702	\$ 9,511

Note: Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented.

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

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

	FISCAL YEAR				
	2001	2002	2003	2004	2005
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,192	1,066	16	796	1,145
Total General Fund	<u>1,192</u>	<u>1,066</u>	<u>16</u>	<u>796</u>	<u>1,145</u>
All Other Government Funds					
Reserved	196	276	380	716	1,360
Unreserved, reported in:					
Capital Projects Fund	2,051	8,638	12,680	7,877	3,639
Total all other governmental funds	<u>\$ 2,247</u>	<u>\$ 8,914</u>	<u>\$ 13,060</u>	<u>\$ 8,593</u>	<u>\$ 4,999</u>

(continued)

Table 4
(continued)

FISCAL YEAR				
2006	2007	2008	2009	2010
\$ -	\$ -	\$ 93	\$ 103	\$ 127
2,183	1,696	941	1,658	2,596
2,183	1,696	1,034	1,761	2,723
2,034	2,187	2,614	8,044	9,971
1,620	713	547	477	-
\$ 3,654	\$ 2,900	\$ 3,161	\$ 8,521	\$ 9,971

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

	FISCAL YEAR					
	2001	2002	2003	2004	2005	2006
REVENUES						
Property Taxes*	\$ 1,604	\$ 2,104	\$ 2,979	\$ 2,901	\$ 3,765	\$ 4,580
Sales Taxes**	-	-	-	828	1,173	1,016
Franchise Taxes	-	-	-	344	388	503
Charges for Services	350	489	823	1,463	1,545	2,207
License and permits	846	912	934	450	656	587
Fines/Court	100	120	178	150	187	585
Investment Income	175	90	154	144	150	312
Grant revenue	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-
Donations	131	164	205	4	6,393	2,981
Miscellaneous	35	27	82	366	95	232
Total Revenues	<u>3,241</u>	<u>3,906</u>	<u>5,355</u>	<u>6,650</u>	<u>14,352</u>	<u>13,003</u>
EXPENDITURES						
General government	372	2,468	2,480	1,311	963	1,268
Public Safety	1,073	1,290	1,936	2,391	2,320	3,162
Public Works	520	608	1,553	1,490	1,301	1,330
Public Services	-	-	-	-	-	-
Sanitation	200	255	310	350	490	565
Cultural and Recreation	-	-	-	67	109	280
Capital Outlay	3,816	384	1,528	15,026	10,667	4,250
Debt Service						
Principal	330	375	632	880	996	1,422
Interest and other charges	238	445	786	1,351	1,507	1,340
Total Expenditures	<u>6,549</u>	<u>5,825</u>	<u>9,225</u>	<u>22,866</u>	<u>18,353</u>	<u>13,617</u>
OTHER FINANCING SOURCES (USES):						
Note/Bond Proceeds	3,531	8,460	6,716	10,257	-	-
Bond Issuance Costs	-	-	-	-	-	-
Extraordinary Revenue (Expense)	-	-	-	72	-	-
Capital Leases	-	-	-	-	-	-
Transfers	-	-	250	2,196	850	356
Total other financing sources (uses)	<u>3,531</u>	<u>8,460</u>	<u>6,966</u>	<u>12,525</u>	<u>850</u>	<u>356</u>
NET CHANGE IN FUND BALANCES	<u>\$ 223</u>	<u>\$ 6,541</u>	<u>\$ 3,096</u>	<u>\$ (3,691)</u>	<u>\$ (3,151)</u>	<u>\$ (258)</u>
Debt service as a percentage of noncapital expenditures	20.78%	15.07%	18.42%	28.46%	32.57%	29.49%

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

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

(continued)

Table 5
(continued)

FISCALYEAR				
	2007	2008	2009	2010
\$	5,487	\$ 6,229	\$ 7,427	\$ 8,020
	1,171	1,238	795	873
	601	667	809	703
	1,432	1,210	1,311	1,403
	952	848	440	496
	703	576	479	493
	342	173	115	26
	-	314	164	22
	-	-	301	-
	457	22	10	17
	155	157	50	109
	<u>11,300</u>	<u>11,434</u>	<u>11,901</u>	<u>12,162</u>
	2,650	2,668	2,070	2,060
	4,426	4,135	4,607	4,429
	2,789	917	554	295
	-	-	555	481
	630	604	609	624
	255	892	1,416	828
	-	756	453	4,577
	1,360	1,370	2,965	1,565
	1,269	1,210	1,150	1,582
	<u>13,379</u>	<u>12,552</u>	<u>14,379</u>	<u>16,441</u>
	-	-	9,415	5,875
	-	-	(176)	(32)
	-	(590)	-	-
	-	-	-	-
	850	1,289	854	850
	<u>850</u>	<u>699</u>	<u>10,093</u>	<u>6,693</u>
\$	<u>(1,229)</u>	<u>\$ (419)</u>	<u>\$ 7,615</u>	<u>\$ 2,414</u>
	19.65%	21.87%	29.55%	26.53%

Table 6

CITY OF MURPHY, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (In thousands of dollars)
 (Unaudited)

Fiscal Year Ended Sept. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Gross Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2001	\$ 121,546	\$ 14,397	\$ 7,670	\$ 238,028	\$ 0.4140	\$ 98,544	100.00%
2002	\$ 281,512	\$ 25,869	\$ 9,912	\$ 374,545	\$ 0.3764	\$ 140,979	100.00%
2003	\$ 400,224	\$ 27,692	\$ 14,564	\$ 526,038	\$ 0.4200	\$ 220,936	100.00%
2004	\$ 525,384	\$ 33,577	\$ 17,238	\$ 652,682	\$ 0.4304	\$ 280,914	100.00%
2005	\$ 652,089	\$ 43,097	\$ 17,038	\$ 779,231	\$ 0.4683	\$ 364,914	100.00%
2006	\$ 793,662	\$ 52,038	\$ 19,023	\$ 939,593	\$ 0.4683	\$ 440,011	100.00%
2007	\$ 1,079,141	\$ 72,523	\$ 18,942	\$ 1,108,984	\$ 0.4683	\$ 519,337	100.00%
2008	\$ 1,243,105	\$ 78,719	\$ 29,409	\$ 1,292,415	\$ 0.4683	\$ 605,238	100.00%
2009	\$ 1,313,839	\$ 76,480	\$ 20,106	\$ 1,370,213	\$ 0.5183	\$ 710,181	100.00%
2010	\$ 1,335,852	\$ 168,299	\$ 20,102	\$ 1,484,049	\$ 0.5384	\$ 799,019	100.00%

Source: Collin County Appraisal District

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

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

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates*			Collin County Community College
	General Fund	General Obligation Debt Service	Total Direct	Plano Independent School District	Wylie Independent School District	Collin County	
2001	\$ 0.1846	\$ 0.2294	\$ 0.4140	\$ 1.5531	\$ 1.5700	\$ 0.2500	\$ 0.0940
2002	\$ 0.1615	\$ 0.2149	\$ 0.3764	\$ 1.6285	\$ 1.5609	\$ 0.2500	\$ 0.0928
2003	\$ 0.1558	\$ 0.2642	\$ 0.4200	\$ 1.7034	\$ 1.6100	\$ 0.2500	\$ 0.0919
2004	\$ 0.1459	\$ 0.2845	\$ 0.4304	\$ 1.7334	\$ 1.7200	\$ 0.2500	\$ 0.0919
2005	\$ 0.1492	\$ 0.3191	\$ 0.4683	\$ 1.7334	\$ 1.8000	\$ 0.2500	\$ 0.0906
2006	\$ 0.1839	\$ 0.2844	\$ 0.4683	\$ 1.7334	\$ 1.8170	\$ 0.2500	\$ 0.0894
2007	\$ 0.2345	\$ 0.2338	\$ 0.4683	\$ 1.2684	\$ 1.3900	\$ 0.2450	\$ 0.0870
2008	\$ 0.2688	\$ 0.1945	\$ 0.4633	\$ 1.2684	\$ 1.3900	\$ 0.2450	\$ 0.0870
2009	\$ 0.3341	\$ 0.1842	\$ 0.5183	\$ 1.3034	\$ 1.5100	\$ 0.2450	\$ 0.0865
2010	\$ 0.3341	\$ 0.2043	\$ 0.5384	\$ 1.3284	\$ 1.5900	\$ 0.2400	\$ 0.0863

Source: websites for 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.

Table 8

CITY OF MURPHY, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 SEPTEMBER 30, 2010
 (Amounts expressed in thousands)
 (Unaudited)

Taxpayer	2010			2000		
	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value
Allen & Loucks Venture LP	\$ 23,075	1	1.55%			
Lowe's Home Centers Inc	17,856	2	1.20%			
Allen & Loucks Ventures LP	10,576	3	0.71%			
Murphy Crossing Shopping Center Dallas TX LP	8,454	4	0.57%			
Champion Langford Partners	6,348	5	0.43%			
Forestar (USA) Real Estate Group Inc	5,703	6	0.38%			
McBirney #544 JV	5,106	7	0.34%			
Murphy Storage Partners LLC	5,057	8	0.34%			
Walmart Texas LP	5,013	9	0.34%			
ABS TX Investor LP	4,993	10	0.34%			
Lumbermens Investment Corp				\$ 8,376	1	3.52%
Weingarten-Murphy LTD				5,046	2	2.12%
Albertsons Inc				4,477	3	1.88%
Walmart Stores East Inc				4,134	4	1.74%
Horton D R Texas LTD				3,899	5	1.64%
Horton D R - Texas LTD				3,556	6	1.49%
US Homes Corp				3,451	7	1.45%
DR Horton - Texas LTD				1,964	8	0.83%
Texas Utilities Electric Co				1,960	9	0.82%
Shaddock Developers LTD				1,828	10	0.77%
Totals	\$ 92,181		6.21%	\$ 38,691		16.25%

SOURCE: Collin County Appraisal District

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

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
2001	\$ 985,436	\$ 976,074	99.05%	\$ 9,187	\$ 985,261	99.98%
2002	\$ 1,409,789	\$ 1,393,294	98.83%	\$ 16,341	\$ 1,409,635	99.99%
2003	\$ 2,209,361	\$ 2,127,488	99.01%	\$ 21,157	\$ 2,208,645	99.97%
2004	\$ 2,809,142	\$ 2,778,140	98.90%	\$ 29,554	\$ 2,807,694	99.95%
2005	\$ 3,649,295	\$ 3,614,262	99.04%	\$ 30,297	\$ 3,644,559	99.87%
2006	\$ 4,410,232	\$ 4,341,691	98.45%	\$ 68,541	\$ 4,370,737	99.10%
2007	\$ 5,309,158	\$ 5,200,795	97.83%	\$ 11,562	\$ 5,212,357	98.18%
2008	\$ 6,056,231	\$ 5,917,192	97.70%	\$ 105,054	\$ 6,022,246	99.44%
2009	\$ 7,314,637	\$ 7,285,649	99.60%	\$ 14,539	\$ 7,300,188	99.80%
2010	\$ 7,891,458	\$ 7,865,901	99.68%	\$ 9,609	\$ 7,875,510	99.80%

Sources: Collin County Appraisal District

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

Table 10

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2001	\$ 743	\$ 695	\$ 1,438
2002	\$ 925	\$ 880	\$ 1,805
2003	\$ 1,538	\$ 1,124	\$ 2,662
2004	\$ 1,676	\$ 1,437	\$ 3,113
2005	\$ 2,234	\$ 1,573	\$ 3,807
2006	\$ 2,720	\$ 1,820	\$ 4,540
2007	\$ 2,239	\$ 2,027	\$ 4,266
2008	\$ 2,496	\$ 2,103	\$ 4,599
2009	\$ 3,123	\$ 2,177	\$ 5,300
2010	\$ 3,529	\$ 1,644	\$ 5,173

CITY OF MURPHY, TEXAS
 RATIO OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS
 (Amounts expressed in thousands, except per capita amount)
 (Unaudited)

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			
2001	\$ 7,695	\$ 85	\$ -	\$ -	\$ -	\$ 1,130	\$ -	\$ 7	\$ 8,917	3.70%	\$ 1,589
2002	\$ 15,865	\$ 90	\$ -	\$ -	\$ -	\$ 1,040	\$ -	\$ 17	\$ 17,012	6.23%	\$ 2,539
2003	\$ 21,995	\$ 99	\$ -	\$ -	\$ -	\$ 940	\$ -	\$ 17	\$ 23,051	7.22%	\$ 2,885
2004	\$ 30,010	\$ 147	\$ 1,245	\$ 31	\$ -	\$ 940	\$ -	\$ 11	\$ 32,384	9.39%	\$ 3,949
2005	\$ 29,270	\$ 112	\$ 1,040	\$ 16	\$ -	\$ 835	\$ -	\$ 5	\$ 31,278	9.82%	\$ 3,475
2006	\$ 28,150	\$ 36	\$ 825	\$ 5	\$ -	\$ 725	\$ -	\$ -	\$ 29,741	9.25%	\$ 3,141
2007	\$ 26,975	\$ -	\$ 680	\$ -	\$ -	\$ 610	\$ -	\$ -	\$ 28,265	8.26%	\$ 2,754
2008	\$ 25,750	\$ -	\$ 535	\$ -	\$ -	\$ 490	\$ -	\$ -	\$ 26,775	5.94%	\$ 1,927
2009	\$ 24,450	\$ -	\$ 8,285	\$ -	\$ -	\$ 275	\$ 8,000	\$ -	\$ 41,010	8.69%	\$ 2,868
2010	\$ 23,230	\$ -	\$ 12,740	\$ -	\$ 1,075	\$ 225	\$ 7,790	\$ -	\$ 45,060	9.52%	\$ 3,140

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
LAST TEN FISCAL YEARS
(Amounts expressed in thousands, except per capita amount)
(Unaudited)

Table 12

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2001	\$ 1,155	\$ 6,540	\$ -	\$ 7,695	3.23%	\$ 1,371
2002	\$ 1,080	\$ 14,785	\$ -	\$ 15,865	4.24%	\$ 2,368
2003	\$ 1,000	\$ 20,995	\$ -	\$ 21,995	4.18%	\$ 2,747
2004	\$ 915	\$ 30,340	\$ -	\$ 31,255	4.79%	\$ 3,812
2005	\$ 830	\$ 29,480	\$ -	\$ 30,310	3.89%	\$ 3,368
2006	\$ 740	\$ 28,235	\$ -	\$ 28,975	3.08%	\$ 3,060
2007	\$ 680	\$ 26,975	\$ -	\$ 27,655	2.49%	\$ 2,695
2008	\$ 535	\$ 25,750	\$ -	\$ 26,285	2.03%	\$ 1,892
2009	\$ 8,285	\$ 24,450	\$ -	\$ 32,735	2.39%	\$ 2,289
2010	\$ 12,740	\$ 23,230	\$ 1,075	\$ 37,045	2.49%	\$ 2,579

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 7
Population data can be found in the Table 17

Table 13

CITY OF MURPHY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2010
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Collin County	\$ 383,805,000	2.03%	\$ 7,791,242
Collin County Community College District	45,669,255	2.10%	959,054
Plano Independent School District	1,042,987,382	2.94%	30,663,829
Wylie Independent School District	<u>241,205,713</u>	10.65%	<u>25,688,408</u>
	<u>\$ 1,713,667,350</u>		65,102,533
City of Murphy		100.00%	<u>45,060,000</u>
			<u>\$ 110,162,533</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>7.42%</u>
Per capita overlapping bonded debt			<u>\$ 7,677</u>

Source: Municipal Advisory Council of Texas

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

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

CITY OF MURPHY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Amount expressed in thousands)
(Unaudited)

	FISCAL YEAR				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 23,803	\$ 37,455	\$ 52,604	\$ 65,268	\$ 77,923
Total net obligation debt applicable to limit	<u>7,695</u>	<u>15,865</u>	<u>21,995</u>	<u>31,255</u>	<u>30,310</u>
Legal debt margin	<u>\$ 16,108</u>	<u>\$ 21,590</u>	<u>\$ 30,609</u>	<u>\$ 34,013</u>	<u>\$ 47,613</u>
Total net obligations debt applicable to the limit as a percentage of debt limit	32.33%	42.36%	41.81%	47.89%	38.90%

(continued)

Table 14
(continued)

FISCAL YEAR				
2006	2007	2008	2009	2010
\$ 93,959	\$ 131,205	\$ 132,643	\$ 145,064	\$ 150,415
28,975	26,918	24,295	29,267	44,052
<u>\$ 64,984</u>	<u>\$ 104,287</u>	<u>\$ 108,348</u>	<u>\$ 115,797</u>	<u>\$ 106,363</u>
30.84%	20.52%	18.32%	20.18%	29.29%

Legal Debt Margin Calculation of Fiscal Year 2010

Assessed Value	\$ 1,484,049
Add back: exempt real property	20,102
Total assessed value	<u>\$ 1,504,151</u>
Debt limit (10% of total assessed value)	\$ 150,415
Debt applicable to limit:	
Long term bonds	\$ 45,060
Loss: Amount set aside for repayment of long term bonds	1,008
Total net debt applicable to limit	<u>\$ 44,052</u>
Legal debt margin	<u>\$ 106,363</u>
	41.42%

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

Table 15

Water and Sewer Revenue Bonds							
Fiscal Year	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2001	\$ 2,763	\$ 788	\$ 1,975	\$ 80	\$ 81	12	
2002	\$ 2,157	\$ 1,367	\$ 790	\$ 90	\$ 71	5	
2003	\$ 3,305	\$ 2,013	\$ 1,292	\$ 90	\$ 70	8	
2004	\$ 4,239	\$ 2,484	\$ 1,755	\$ 100	\$ 61	11	
2005	\$ 7,747	\$ 2,720	\$ 5,027	\$ 105	\$ 56	31	
2006	\$ 7,405	\$ 3,239	\$ 4,166	\$ 110	\$ 51	26	
2007	\$ 5,469	\$ 3,951	\$ 1,518	\$ 115	\$ 40	10	
2008	\$ 5,966	\$ 4,592	\$ 1,374	\$ 120	\$ 36	9	
2009	\$ 5,357	\$ 4,174	\$ 1,183	\$ 215	\$ 29	5	
2010	\$ 5,209	\$ 4,050	\$ 1,159	\$ 345	\$ 313	2	

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

Table 16

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

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Personal Income (Amounts expressed in thousands)</u>	<u>Per Capita Income ¹</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate ¹</u>
2001	5,613	\$ 241,280	\$ 42,986	32.5	13.9	52,332	3.3%
2002	6,699	\$ 272,917	\$ 40,740	33.9	13.8	56,227	5.5%
2003	7,991	\$ 319,169	\$ 39,941	33.7	14.0	58,322	5.3%
2004	8,200	\$ 345,031	\$ 42,077	33.2	14.0	59,931	4.2%
2005	9,000	\$ 318,429	\$ 35,381	33.0	14.0	60,139	4.4%
2006	9,469	\$ 321,510	\$ 33,954	34.6	14.0	62,694	4.2%
2007	10,263	\$ 342,353	\$ 33,358	35.5	14.0	64,478	2.3%
2008	13,896	\$ 451,106	\$ 32,463	34.4	14.0	64,220	2.3%
2009	14,300	\$ 471,900	\$ 33,000	35.8	14.0	65,552	6.0%
2010	14,350	\$ 473,550	\$ 33,000	35.8	14.0	67,355	6.0%

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

Table 17

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

Name of Employer	2010			2000		
	No. of Employees	Rank	Percentage of Total City Employment	No. of Employees	Rank	Percentage of Total City Employment
Albertson's Food Center	130	1	1.88%			
Lowe's	109	2	1.58%			
Walmart Neighborhood Market Store	95	3	1.38%			
City of Murphy	92	4	1.33%			
Murphy Middle School	83	5	1.20%			
Bogges Elementary School	74	6	1.07%			
Tibbels Elementary	60	7	0.87%			
Chick-Fil-A	55	8	0.80%			
What-A-Burger	55	9	0.80%			
Hunt Elementary	54	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: Census Bureau; City economic development records



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

Function / Program	FISCAL YEAR					
	2001	2002	2003	2004	2005	2006
General Government	5	8	8.5	15.5	15.5	17.5
Public Safety						
Police						
Officers	10	14	17	19	18	21
Civilians	-	-	1	3	2	7
Fire						
Firefighters and officers	-	-	4.5	4.5	4	7
Civilians	-	-	-	-	-	1
Animal Control	-	-	1	1	1	1
Public Services						
Municipal Court	-	-	-	1.5	1.5	2.5
Cultural and Recreation	-	4	6	9	8	8
Water/Wastewater						
Administration	-	-	4	5	6	6
Water	5	7	6	6	7	7
Wastewater	-	-	-	1	1	1
Total	20	33	48	65.5	64	79

(continued)

Source: Government Human Resource Department

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

Table 18
(continued)

FISCAL YEAR			
2007	2008	2009	2010
19	20	15.5	14.3
24	22	22	21
7	10	10	9
14	20	19	19
2	2	2	1
1	1	1	1
2.5	2.5	2.5	2
11	11	11.75	10.5
6.5	5.5	4	4
9	10	8	8
1	2	1	1
<u>97</u>	<u>106</u>	<u>96.75</u>	<u>90.8</u>

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

Function/Program	FISCAL YEAR					
	2001	2002	2003	2004	2005	2006
Police						
Physical Arrests	116	94	124	134	130	183
Traffic Violations	957	1,141	1,733	2,530	3,139	9,147
Fire						
Number of calls answered	318	353	392	449	556	568
Inspections	-	-	-	-	-	121
Water						
New Connections	-	379	532	443	534	407
Avg Daily Consumption (thousands of gallons)	1,200	1,800	2,003	2,162	2,971	3,384
Wastewater						
Avg daily sewage treatments (thousands of gallons)	1,174	1,313	795	1,113	1,114	1,246

(continued)

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
(continued)

FISCAL YEAR			
2007	2008	2009	2010
237	247	183	367
9,158	5,552	4,976	5,156
745	943	987	950
108	156	128	173
308	206	157	166
4,036	3,393	3,500	3,353
1,614	1,668	2,100	1,770

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

Function/Program	FISCAL YEAR					
	2001	2002	2003	2004	2005	2006
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units/CID Vehicles	n/a	n/a	n/a	n/a	12	9
Motorcycles	-	-	-	-	-	-
Fire Stations	1	1	1	1	1	1
Streets (miles)	n/a	n/a	n/a	72.3	73.2	73.2
Culture and Recreation						
Parks (acreage)	12.5	12.5	17.5	142	142	150
Parks	1	1	2	5	5	6
Water						
Water Mains (miles)	n/a	n/a	n/a	74.8	80.4	86.1
Fire Hydrants	n/a	n/a	n/a	646	791	857
Maximum Daily Capacity (thousands of gallons)	1,800	n/a	n/a	3,000	2,376	3,300
Sewer						
Sanitary Sewer (miles)	n/a	n/a	62.9	74	74	81.6

(continued)

Sources:

City departments, North Texas Water Municipal District

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

Table 20
(continued)

FISCAL YEAR			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1	1
12	12	9	12
3	3	-	-
1	1	1	1
78	80	82.5	82.5
180	235	280	280
6	6	8	11
90	92	92.5	92.5
900	920	950	950
5,000	6,200	6,500	6,500
90	92	92.5	92.5



CONTINUING DISCLOSURE SECTION
(Unaudited)



Table 1CD

**CITY OF MURPHY, TEXAS
VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2010
(Unaudited)**

2009-10 Market Valuation Established by Collin County Appraisal District (excluding totally exempt property & Homestead Cap. Adj.)		\$ 1,525,845,223 **
Less Exemptions/Reductions at 100% Market Value:		
Agricultural/Open Space Land Use	\$ 14,004,225	
Homestead Cap	\$ 1,024,627	
Over 65 and Disabled	37,821,749	
Disabled Veterans	1,162,214	
Disabled Persons	<u>2,687,500</u>	<u>56,700,315</u>
2009-2010 Taxable Assessed Valuation		<u>\$ 1,469,144,908 **</u>
General Debt Payable from Ad Valorem Taxes		<u>\$ 1,598,180</u>
General Interest and Sinking Fund as of September 30, 2010		<u>\$ 1,007,592</u>
Ratio General Tax Debt to Taxable Assessed Valuation		0.11%
2010 Estimated Population	14,350	
Per Capita Taxable Assessed Valuation	\$ 102,379	
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes	\$ 111	

**NOTE: Collin County Appraisal District - 2009 Certified Roll - dated 9/1/09

**CITY OF MURPHY, TEXAS
TAX RATE LEVY AND COLLECTION HISTORY
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
2001	\$ 0.4140	\$ 0.1846	\$ 0.2294	\$ 985,440	\$ 876,074	88.90%	99.98%
2002	\$ 0.3764	\$ 0.1615	\$ 0.2149	\$ 1,409,790	\$ 1,393,294	98.83%	99.99%
2003	\$ 0.4200	\$ 0.1558	\$ 0.2642	\$ 2,209,360	\$ 2,127,488	96.29%	99.97%
2004	\$ 0.4304	\$ 0.1459	\$ 0.2845	\$ 2,809,140	\$ 2,778,140	98.90%	99.95%
2005	\$ 0.4683	\$ 0.1492	\$ 0.3191	\$ 3,649,140	\$ 3,614,262	99.04%	99.87%
2006	\$ 0.4683	\$ 0.1839	\$ 0.2844	\$ 4,400,120	\$ 4,341,691	98.67%	99.10%
2007	\$ 0.4683	\$ 0.2345	\$ 0.2338	\$ 6,052,380	\$ 5,308,795	87.71%	97.83%
2008	\$ 0.4682	\$ 0.2688	\$ 0.1994	\$ 6,056,231	\$ 5,917,192	97.70%	99.44%
2009	\$ 0.5183	\$ 0.3341	\$ 0.1842	\$ 7,314,636	\$ 7,285,649	99.60%	99.80%
2010	\$ 0.5384	\$ 0.3341	\$ 0.2043	\$ 7,891,458	\$ 7,865,901	99.68%	99.80%

CITY OF MURPHY, TEXAS **Table 3CD**
GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2010
(Unaudited)

Fiscal Year	Outstanding Debt		
	Principal	Interest	Total
2011	\$ 2,270,000	\$ 1,523,551	\$ 3,793,551
2012	2,420,000	1,390,307	3,810,307
2013	2,405,000	1,303,045	3,708,045
2014	2,500,000	1,213,414	3,713,414
2015	2,585,000	1,119,641	3,704,641
2016	2,695,000	1,021,555	3,716,555
2017	2,530,000	918,133	3,448,133
2018	2,465,000	817,204	3,282,204
2019	2,375,000	711,452	3,086,452
2020	2,480,000	605,207	3,085,207
2021	2,610,000	490,004	3,100,004
2022	2,425,000	376,971	2,801,971
2023	1,860,000	280,623	2,140,623
2024	1,410,000	207,306	1,617,306
2025	670,000	161,499	831,499
2026	700,000	132,158	832,158
2027	735,000	100,802	835,802
2028	765,000	67,736	832,736
2029	805,000	32,505	837,505
2030	340,000	7,140	347,140
	<u>\$ 37,045,000</u>	<u>\$ 12,480,253</u>	<u>\$ 49,525,253</u>

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

	FISCAL YEAR				
	2001	2002	2003	2004	2005
Revenues					
Taxes*	\$ 1,604	\$ 2,104	\$ 2,979	\$ 4,078	\$ 5,269
Permits and Licenses	846	912	934	1,463	1,545
Charge for Services	350	489	823	450	656
Fines and Forfeitures	100	120	178	150	187
Investment Income	175	90	154	144	150
Grants	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-
Contributions	131	164	205	4	6,393
Miscellaneous	35	27	82	366	95
Total Revenues	<u>3,241</u>	<u>3,906</u>	<u>5,355</u>	<u>6,655</u>	<u>14,295</u>
Expenditures					
General Government	372	2,468	2,480	1,311	963
Public Safety	1,073	1,290	1,936	2,391	2,320
Public Works	520	608	1,553	1,490	1,301
Sanitation	200	255	310	350	490
Public Service and Operations	-	-	-	-	-
Cultural and Recreation	-	-	-	67	109
Capital Outlay	3,816	384	1,528	15,026	10,667
Debt Service	568	820	1,418	2,231	2,503
Total Expenditures	<u>6,549</u>	<u>5,825</u>	<u>9,225</u>	<u>22,866</u>	<u>18,353</u>
Excess (Deficiency) of revenues over Expenditures	<u>(3,308)</u>	<u>(1,919)</u>	<u>(3,870)</u>	<u>(16,211)</u>	<u>(4,058)</u>
Other Financing Sources (Uses)					
Bond Proceeds	3,531	8,460	6,716	10,127	-
Note Proceeds	-	-	-	130	-
Capital Leases	-	-	-	72	-
Debt Issuance Cost	-	-	-	-	-
Extraordinary Revenue(Expense)	-	-	-	-	-
Transfers	-	-	250	2,196	356
Total Other Sources (Uses)	<u>3,531</u>	<u>8,460</u>	<u>6,966</u>	<u>12,525</u>	<u>356</u>
Beginning Fund Balance	3,216	3,439	9,980	13,076	9,390
Prior Period Adjustment	-	-	-	-	456
Ending Fund Balance	<u>\$ 3,439</u>	<u>\$ 9,980</u>	<u>\$ 13,076</u>	<u>\$ 9,390</u>	<u>\$ 6,144</u>

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

(continued)

Table 4CD
(continued)

FISCAL YEAR					
2006	2007	2008	2009	2010	
\$ 6,050	\$ 7,249	\$ 8,133	\$ 9,031	\$ 9,596	
2,207	1,432	848	440	496	
587	952	1,210	1,311	1,403	
585	703	576	479	493	
312	342	173	115	27	
-	-	314	164	21	
-	-	-	301	-	
2,981	457	21	10	17	
232	155	157	50	109	
<u>12,954</u>	<u>11,290</u>	<u>11,432</u>	<u>11,901</u>	<u>12,162</u>	
1,268	2,650	2,668	2,070	2,060	
3,162	4,426	4,190	4,607	4,429	
1,330	2,789	226	554	295	
565	630	603	609	624	
-	-	774	555	481	
280	257	1,508	1,416	828	
4,250	-	-	453	4,577	
2,762	2,629	2,580	4,115	3,147	
<u>13,617</u>	<u>13,381</u>	<u>12,549</u>	<u>14,379</u>	<u>16,441</u>	
(663)	(2,091)	(1,117)	(2,478)	(4,279)	
-	-	-	-	5,875	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	9,415	(32)	
-	-	(590)	(176)	-	
356	850	1,289	853	850	
<u>356</u>	<u>850</u>	<u>699</u>	<u>10,092</u>	<u>6,693</u>	
6,144	5,837	4,596	4,195	10,281	
-	-	17	(1,528)	-	
<u>\$ 5,837</u>	<u>\$ 4,596</u>	<u>\$ 4,195</u>	<u>\$ 10,281</u>	<u>\$ 12,695</u>	

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

Table 5CD

Fiscal Year	City of Murphy*	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2001	\$ 344,756	34.98%	\$ 0.1448	\$ 69
2002	\$ 394,606	27.99%	\$ 0.1054	\$ 59
2003	\$ 343,471	15.55%	\$ 0.0653	\$ 43
2004	\$ 724,370	25.79%	\$ 0.1110	\$ 66
2005	\$ 1,149,662	31.51%	\$ 0.1476	\$ 96
2006	\$ 1,014,410	23.05%	\$ 0.1079	\$ 72
2007	\$ 1,160,260	19.17%	\$ 0.0898	\$ 80
2008	\$ 1,185,721	19.58%	\$ 0.0917	\$ 79
2009	\$ 1,586,211	21.40%	\$ 0.1109	\$ 111
2010	\$ 1,737,173	22.01%	\$ 0.1185	\$ 121

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

**CITY OF MURPHY, TEXAS
 CASH AND INVESTMENTS FOR PRIMARY GOVERNMENT
 SEPTEMBER 30, 2010
 (Unaudited)**

Table 6CD

<u>Type of Investment</u>		
Cash on hand	0.00%	\$ 950
Money Markets	<u>100.00%</u>	<u>21,805,447</u>
	<u>100.00%</u>	<u>\$ 21,806,397</u>

CITY OF MURPHY, TEXAS **Table 7CD**
PROPRIETARY FUNDS DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2010
(Unaudited)

<u>Fiscal Year</u>	<u>Outstanding Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 345,000	\$ 312,516	\$ 657,516
2012	360,000	301,129	661,129
2013	370,000	288,466	658,466
2014	380,000	275,266	655,266
2015	330,000	261,766	591,766
2016	340,000	251,716	591,716
2017	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	13,412	593,412
	<u>\$ 8,015,000</u>	<u>\$ 3,515,932</u>	<u>\$ 11,530,932</u>