

CITY OF MURPHY, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2004

Prepared by:

Department of Finance

CITY OF MURPHY
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2004

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INTRODUCTORY SECTION

March 10, 2005

To the Citizens of the City of Murphy:

The comprehensive annual financial report of the City of Murphy, Texas (government) for the fiscal year ended September 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the basic financial statements and the individual fund financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The government's MD&A can be found immediately following the report of the independent auditors.

The financial reporting entity (the government) includes all the funds of the primary government (City of Murphy, Texas). The government provides a full range of services. These services include police and fire protection, sanitation services, and the construction and maintenance of streets and infrastructure.

ECONOMIC CONDITION AND OUTLOOK

The City of Murphy continues to progress towards its goals for economic development through maximizing the potential of its available land and resources. The rapid growth it has experienced over the last decade has made it mandatory to take an aggressive attitude towards expanding its ad valorem and sales tax bases. This year Murphy has developed its 4A and 4B programs and hired its first full time executive director. The new Starbucks Coffee Company that will be opening in May, the new Goodyear store currently under construction on FM544 and the new Montessori school opening on Heritage Parkway are all positive indicators of a solid development trend. Along with Murphy's rapid residential growth, Tibbals Elementary and Martha Hunt Elementary Schools will be adding new jobs to our local economy this year. Located in one of the hottest business expansion areas in the Dallas Metroplex coupled with a progressive local attitude towards bringing business to the City, Murphy should have a productive year ahead.

MAJOR INITIATIVES

The City of Murphy has continued working on Capital Improvement projects to support the rapid growth by making improvements in the water and sewer infrastructure. The Muddy Creek wastewater system is a joint project with North Texas Municipal Water District to expand the capacity of the wastewater system and is near completion. The City acquired park property and constructed neighborhood park improvements during the year.

FINANCIAL INFORMATION

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. The government maintains budgetary controls, the object of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the government's governing body. Activities of the general fund and water and sewer fund are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the total expenditure level within an individual fund. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management. All amounts presented in the remainder of this letter are expressed in thousands.

General Governmental Functions. The following schedule presents a summary of general fund revenues for the fiscal year ended September 30, 2004, and the amounts and percentage of increases and decreases in relation to prior year revenues.

<u>Revenues</u>	<u>Amount (Thousands)</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2003 (Thousands)</u>	<u>Percent of Increase (Decrease)</u>
Taxes	\$ 1,797	44.4%	\$ 267	17.5%
Licenses and permits	1,463	36.2	530	56.8
Charges for services	31	.8	13	72.2
Fines and forfeitures	150	3.7	(29)	(16.3)
Sanitation collections	418	10.3	75	21.9
Drainage fees	131	3.3	26	24.8
Grants	4	0.1	(41)	(91.1)
Interest	8	0.2	(2)	(20.0)
Miscellaneous	41	1.0	(41)	(50.0)%
Total	<u>\$ 4,043</u>	<u>100.0%</u>	<u>\$ 798</u>	

Citizens of the City of Murphy
 March 10, 2005

The most significant increase in actual continued revenue sources was derived from taxes. Tax revenues are comprised of property, sales, and franchise taxes. The largest actual revenue increase came from licenses and permits.

The following schedule presents a summary of general fund expenditures for the fiscal year ended September 30, 2004 and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount (Thousands)</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2003 (Thousands)</u>	<u>Percent of Increase (Decrease)</u>
Current:				
General government	\$1,311	23.7%	\$ 107	8.9%
Public safety	2,391	43.1	456	23.6
Public works	1,490	26.9	392	35.7
Sanitation services	<u>350</u>	<u>6.3</u>	<u>40</u>	12.9%
Total	<u>\$ 5,542</u>	<u>100.0%</u>	<u>\$ 995</u>	

The most significant increase was in expenditures for public works. This was due to parks expenditures.

General Fund Balance. The fund balance of the general fund increased significantly due to a transfer from the Water and Sewer Fund. The \$ 796 balance provides the government with a fund balance that is the equivalent of one and a half months of expenditures.

Enterprise Operations. The government's enterprise operation is comprised of the Water and Sewer Fund. Several of the government's major initiatives directly relate to the Water and Sewer Fund. The \$963 increase in operating revenues is due to an increase in usage caused by growth.

Debt Administration. At September 30, 2004, the primary government had a number of debt issues outstanding. These issues included \$1,245 of general obligation bonds, \$30,010 of certificates of obligation, and \$ 940 of revenue bonds.

Cash Management and Investments. The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in U.S. government security money market funds. These funds are accessible with a twenty-four hour notice.

The government's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or fully collateralized. All collateral on deposits was held by the pledging financial institution's trust department or agent in the government's name.

Risk Management. The government is insured for liability, fire, lightning and extended coverage, workers' compensation, police and public officials liability through the Texas Municipal League.

Citizens of the City of Murphy
March 10, 2005

OTHER INFORMATION

Independent Audit. The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Pingleton, Howard & Company, P.C., CPAs, was selected by the City. The auditor's report on the basic financial statements and individual fund statements and schedules is included in the financial section of this report.

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City of Murphy, preparation of this report would not have been possible.

Sincerely,

City Manager

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Murphy. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, at September 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the government implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB No. 34, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which changes note disclosure requirements for governmental entities.

To the Honorable Mayor
and Members of the City Council
Page Two

Management's discussion and analysis on pages 11 through 15 and budgetary comparison information on page 56, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, capital assets used in the operation of governmental funds, and statistical section, 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 capital assets used in the operation of governmental funds and the statistical section, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Pingleton, Howard & Company, P.C.

December 20, 2004

Management's Discussion and Analysis

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Murphy exceeded its liabilities at the close of the most recent fiscal year by \$56,110,201 (net assets). Of this amount, \$10,558,447, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$32,862. This increase is due to normal growth in the community.
- As of the close of the current fiscal year, the City of Murphy governmental funds reported combined ending fund balances of \$9,389,677, a decrease of \$3,686,492 in comparison with the prior year. Most of the decrease is due to a capital outlay for the municipal complex. Approximately \$1,103,746 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$796,407 or 14 percent of total general fund expenditures.
- The City of Murphy's total debt increased by \$9,213,202 during the current fiscal year. The key factor in this increase was the issuance of new Certificate of Obligation Series 2004 for \$10,000,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Murphy's basic financial statements. The City of Murphy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Murphy's finances, in a manner similar to a private-sector business.

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 of Murphy 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 this statement 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 of the government-wide financial statements distinguish functions of the City of Murphy that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Murphy include general government, public safety, public works, and sanitation services. The business-type activities of the City of Murphy include the water treatment plant and distribution system, and wastewater treatment plant and collection system.

The government-wide financial statements can be found on pages 19-21 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Murphy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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 the 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 maintains four governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, all of which are considered to be major funds. The non-major governmental fund is a special revenue fund used to account for economic and community development.

The City of Murphy adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

Proprietary funds. The City of Murphy maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Murphy uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations, which is considered to be a major fund of the City of Murphy.

The basic proprietary fund financial statements can be found on pages 30-33 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 can be found on pages 35-52 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Murphy, assets exceed liabilities by \$56,110,201 at the close of the most recent fiscal year.

A portion of the City of Murphy's net assets (80 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Murphy's net assets (.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,558,477) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Murphy is able to report positive balances in all three categories of net assets for the government as a whole.

The following key elements influenced the changes in net assets from the prior year:

Governmental Activities:

- Property taxes increased by \$570,703 (24 percent) during the year. Most of this increase is the product of appreciation in property values as well as an increase in the tax rate from .4200 per \$100 to .4304 per \$100.
- Sales tax increased by \$484,129 during the year due to the creation of an economic development and community development corporation.

Business-type Activities

Business-type activities decreased the City of Murphy's net assets by \$1,093,983.

- Water sales increased by \$137,617, partially from a 3% rate increase as well as the rapid growth of the City.
- Sewer charges were up by \$312,198 as a result of the City's growth.
- Transfers out to the General Fund were \$2,200,000 compared to \$250,000 for the previous fiscal year.
- Operating expenses increased by \$833,323 over the previous year, with the largest increase being in the cost of sales and services.

Financial Analysis of the Government'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 *spendable* resources. Such information is useful in assessing the City of Murphy's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

As the end of the current fiscal year, the City of Murphy's governmental funds reported combined ending fund balance of \$9,389,677, a decrease of \$3,686,492 from the prior year. Most of the decrease is from the capital outlay of the municipal complex. Of the current combined ending fund balance, a total of \$7,876,876 is unreserved but designated for construction, while \$796,407 is unreserved and not designated, and \$307,339 is unreserved but with specific designated uses in special revenue. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, unreserved fund balance of the general fund was \$796,407. Total unreserved fund balance represents 14% of total general fund expenditures.

The debt service fund has a total fund balance of \$409,055, all of which is reserved for payment of debt service.

Proprietary funds. The City of Murphy's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Enterprise Fund at the end of the year amounted to \$1,760,649. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Murphy's business type activities.

General Fund Budgetary Highlights

During the year, revenues and expenditures exceeded budgetary estimates. Transfers from the Water and Sewer fund of \$2,200,000 and better than budgeted results in revenue funded the over-expenditures. The budget called for a \$629,909 increase in fund balance.

Capital Asset and Debt Administration

Capital assets. The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2004, amounts to \$77,540,669 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, systems, and improvements and equipment, and construction projects.

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

- Construction was performed for the new city municipal complex. The total costs incurred through September 30, 2004 was \$15,277,185.
- Replacement of major sections of both the water distribution and sewer collection systems continued with additions to the system of \$510,881.

Additional information on the City of Murphy's capital assets can be found in note 3C on pages 42-43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Murphy had bonded debt outstanding of \$32,195,000. Of this amount, \$31,255,000 comprises debt backed by the full faith and credit of the government and \$940,000 represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The City of Murphy's total debt increased by \$9,213,202 during the current fiscal year. The key factor was the new issuance of Certificates of Obligation to fund the municipal complex.

Additional information on the City of Murphy's long-term debt can be found in note 3H on pages 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates

- Ambulance service will be provided directly by the City of Murphy on a part-time basis. East Texas Medical Center will provide ambulance service when the City of Murphy's ambulance is not available. Currently, ambulance service is being provided by East Texas Medical Center.
- The City is working with the County and State to improve North Murphy Road (FM 2551) into a divided concrete roadway.
- The new Municipal Complex will open in the spring of 2005. The complex will include the City Hall, Fire Station, Police Department and Public Works facilities.
- The 2004-05 General Fund Revenues are estimated to increase by 20% while the General Fund operating expenses are estimated to reduce by 6%.
- Water volume rate increased by 3%.

All these factors were considered in preparing the City of Murphy's budget for the 2005 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Murphy's finances for all 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 Office of the City Manager, 205 North Murphy Road, City of Murphy, Texas 75094.

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BASIC FINANCIAL STATEMENTS

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CITY OF MURPHY
Statement of Net Assets
September 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,997,036	1,175,270	4,172,306
Investments	9,133,580	191,372	9,324,952
Receivables (net of allowance for uncollectibles):			
Utility bills		374,737	374,737
Property taxes	30,915		30,915
Sales taxes	125,679		125,679
Accounts	58,797		58,797
Due from other funds	9,240		9,240
Restricted cash and cash equivalents		330,961	330,961
Capital assets (net of accumulated depreciation):			
Land	6,474,683		6,474,683
Infrastructure	29,126,777		29,126,777
Buildings, systems and improvements	107,672	25,114,233	25,221,905
Equipment	368,924	58,626	427,550
Construction in progress	<u>16,079,365</u>	<u>210,389</u>	<u>16,289,754</u>
Total assets	<u>64,512,668</u>	<u>27,455,588</u>	<u>91,968,256</u>
LIABILITIES			
Accounts payable	154,884	76,490	231,374
Accrued expenses	2,056,730		2,056,730
Retainage payable	696,209		696,209
Accrued interest payable	200,256		200,256
Due to other funds		9,240	9,240
Liabilities payable from restricted assets		330,961	330,961
Noncurrent liabilities:			
Due within one year	1,088,072	12,939	1,101,011
Due in more than one year	<u>30,385,829</u>	<u>846,445</u>	<u>31,232,274</u>
Total liabilities	<u>34,581,980</u>	<u>1,276,075</u>	<u>35,858,055</u>
NET ASSETS			
Invested in capital assets, net of related debt	20,723,805	24,418,864	45,142,669
Restricted for debt service	409,055		409,055
Unrestricted	<u>8,797,828</u>	<u>1,760,649</u>	<u>10,558,477</u>
Total net assets	<u>\$ 29,930,688</u>	<u>26,179,513</u>	<u>56,110,201</u>

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

CITY OF MURPHY
Statement of Activities
For the Fiscal Year Ended September 30, 2004

Functions/Programs	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,388,896	1,476,934		
Public safety	2,419,731	191,191	4,356	
Public works	2,260,717			179,600
Sanitation services	349,779	549,062		
Economic development	66,974			
Interest and fiscal charges	<u>1,232,270</u>			
Total governmental activities	<u>7,718,367</u>	<u>2,217,187</u>	<u>4,356</u>	<u>179,600</u>
Business-type activities:				
Water and sewer	3,076,470	4,196,411		
Interest and fiscal charges	<u>60,657</u>			
Total business-type activities	<u>3,137,127</u>	<u>4,196,411</u>		
 Total primary government	 \$ <u>10,855,494</u>	 <u>6,413,598</u>	 <u>4,356</u>	 <u>179,600</u>

General revenues:

Property taxes
Sales taxes
Franchise taxes
Investment earnings
Miscellaneous revenue
Transfers
 Total general revenues and transfers

Change in net assets

Net assets - beginning (as restated)

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
88,038		88,038
(2,224,184)		(2,224,184)
(2,081,117)		(2,081,117)
199,283		199,283
(66,974)		(66,974)
<u>(1,232,270)</u>		<u>(1,232,270)</u>
<u>(5,317,224)</u>		<u>(5,317,224)</u>
	1,119,941	1,119,941
	<u>(60,657)</u>	<u>(60,657)</u>
	<u>1,059,284</u>	<u>1,059,284</u>
<u>(5,317,224)</u>	<u>1,059,284</u>	<u>(4,257,940)</u>
2,901,238		2,901,238
827,600		827,600
343,798		343,798
144,215	19,115	163,330
31,328	23,508	54,836
<u>2,195,890</u>	<u>(2,195,890)</u>	
<u>6,444,069</u>	<u>(2,153,267)</u>	<u>4,290,802</u>
1,126,845	(1,093,983)	32,862
<u>28,803,843</u>	<u>27,273,496</u>	<u>56,077,339</u>
<u>\$ 29,930,688</u>	<u>26,179,513</u>	<u>56,110,201</u>

CITY OF MURPHY
 Balance Sheet
 Governmental Funds
 September 30, 2004

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and cash equivalents	\$ 734,525	441,135
Investments	55,114	
Receivables (net of allowance for uncollectibles):		
Property taxes	10,595	20,320
Sales taxes	62,839	
Accounts	58,317	
Due from other funds	<u>9,240</u>	<u> </u>
Total assets	<u>\$ 930,630</u>	<u>461,455</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 128,876	
Accrued expenses		
Retainage payable		
Deferred tax and assessment revenue	5,347	9,065
Accrued interest payable		<u>43,335</u>
Total liabilities	<u>134,223</u>	<u>52,400</u>
Fund balances:		
Reserved for debt service		409,055
Designated for construction		
Unreserved and undesignated:		
Reported in the general fund	796,407	
Reported in the special revenue fund	<u> </u>	<u> </u>
Total fund balances	<u>796,407</u>	<u>409,055</u>
Total liabilities and fund balances	<u>\$ 930,630</u>	<u>461,455</u>

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
1,577,291	244,085	2,997,036
9,078,466		9,133,580
		30,915
	62,840	125,679
	480	58,797
		9,240
<u>10,655,757</u>	<u>307,405</u>	<u>12,355,247</u>

25,942	66	154,884
2,056,730		2,056,730
696,209		696,209
		14,412
		43,335
<u>2,778,881</u>	<u>66</u>	<u>2,965,570</u>

		409,055
7,876,876		7,876,876
		796,407
	<u>307,339</u>	<u>307,339</u>
<u>7,876,876</u>	<u>307,339</u>	<u>9,389,677</u>
<u>10,655,757</u>	<u>307,405</u>	<u>12,355,247</u>

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CITY OF MURPHY
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2004

Total Fund Balances - Governmental Funds \$ 9,389,677

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$40,307,137 and the accumulated depreciation was \$2,302,941. In addition, long-term liabilities, including bonds payable of \$21,995,000, loans payable of \$89,310, and capital leases payable of \$26,416, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. 15,893,470

Current year capital outlays of \$14,898,657 and long-term debt principal payments of \$879,784 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 15,778,441

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets. (156,921)

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (745,432)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$14,412 of deferred revenue as revenue, reclassifying the proceeds of long-term debt as an increase in long-term debt payable (\$10,202,674), and recognizing the liabilities associated with maturing of long-term debt and interest (\$40,285). The net effect of these reclassifications is to decrease net assets. (10,228,547)

Net Assets of Governmental Activities \$ 29,930,688

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

CITY OF MURPHY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2004

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Taxes:		
Property	\$ 1,000,003	1,906,504
Sales	453,312	
Franchise	343,798	
Licenses and permits	1,463,238	
Charges for services	30,899	
Fines and forfeitures	149,558	
Sanitation collections	418,035	
Drainage fees	131,026	
Grants	4,356	
Interest	8,148	701
Miscellaneous	<u>41,117</u>	<u>6,444</u>
Total revenues	<u>4,043,490</u>	<u>1,913,649</u>
EXPENDITURES		
Current:		
General government	1,310,731	
Public safety	2,391,327	
Public works	1,489,997	
Sanitation services	349,779	
Economic and community development		
Capital outlay		
Debt service:		
Principal	112,551	767,233
Interest and fiscal charges	6,911	1,117,708
Bond issuance costs		
Total expenditures	<u>5,661,296</u>	<u>1,884,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,617,806)</u>	<u>28,708</u>
OTHER FINANCING SOURCES (USES)		
Bonds issued		
Loans issued	130,691	
Capital leases	71,983	
Transfers in	2,200,000	
Transfers out	<u>(4,110)</u>	
Total other financing sources (uses)	<u>2,398,564</u>	
Net change in fund balances	780,758	28,708
Fund balances, beginning	<u>15,649</u>	<u>380,347</u>
Fund balances, ending	<u>\$ 796,407</u>	<u>409,055</u>

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

<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		2,906,507
	374,288	827,600
		343,798
		1,463,238
		30,899
		149,558
		418,035
		131,026
		4,356
135,341	25	144,215
<u>187,798</u>		<u>235,359</u>
<u>323,139</u>	<u>374,313</u>	<u>6,654,591</u>
		1,310,731
		2,391,327
		1,489,997
		349,779
	66,974	66,974
15,026,436		15,026,436
		879,784
		1,124,619
<u>226,646</u>		<u>226,646</u>
<u>15,253,082</u>	<u>66,974</u>	<u>22,866,293</u>
(14,929,943)	<u>307,339</u>	(16,211,702)
10,126,646		10,126,646
		130,691
		71,983
		2,200,000
		(4,110)
<u>10,126,646</u>		<u>12,525,210</u>
(4,803,297)	307,339	(3,686,492)
<u>12,680,173</u>		<u>13,076,169</u>
<u>7,876,876</u>	<u>307,339</u>	<u>9,389,677</u>

CITY OF MURPHY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2004

Total Net Change in Fund Balances - Governmental Funds \$ (3,686,492)

Current year capital outlays of \$14,898,657 and long-term debt principal payments of \$879,784 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 15,778,441

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets. (7,651)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net assets. (745,432)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of (\$5,269) as revenue, reclassifying the proceeds of long-term debt as an increase in long-term debt payable (\$10,202,674), and recognizing the liabilities associated with maturing of long-term debt and interest (\$4,078). The net effect of these reclassifications is to decrease net assets. (10,212,021)

Change in Net Assets of Governmental Activities \$ 1,126,845

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

CITY OF MURPHY

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

For the Fiscal Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Taxes:				
Property	\$ 965,740	990,473	1,000,003	9,530
Sales	362,250	443,385	453,312	9,927
Franchise	334,486	343,559	343,798	239
Licenses and permits	1,138,860	1,459,201	1,463,238	4,037
Charges for services	15,000	31,000	30,899	(101)
Fines and forfeitures	225,000	178,172	149,558	(28,614)
Sanitation collections	372,600	407,600	418,035	10,435
Drainage fees		115,000	131,026	16,026
Grants		4,356	4,356	
Interest	25,000	6,577	8,148	1,571
Miscellaneous	<u>8,000</u>	<u>12,869</u>	<u>41,117</u>	<u>28,248</u>
Total revenues	<u>3,446,936</u>	<u>3,992,192</u>	<u>4,043,490</u>	<u>51,298</u>
EXPENDITURES				
Current:				
General government	920,880	1,190,466	1,310,731	(120,265)
Public safety	2,739,253	2,382,613	2,391,327	(8,714)
Public works	2,027,221	1,535,679	1,489,997	45,682
Sanitation services	372,600	350,758	349,779	979
Debt service:				
Principal	70,254	95,856	112,551	(16,695)
Interest	<u>6,700</u>	<u>6,911</u>	<u>6,911</u>	
Total expenditures	<u>6,136,908</u>	<u>5,562,283</u>	<u>5,661,296</u>	<u>(99,013)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,689,972)</u>	<u>(1,570,091)</u>	<u>(1,617,806)</u>	<u>(47,715)</u>
OTHER FINANCING SOURCES (USES)				
Loans issued			130,691	130,691
Capital leases			71,983	71,983
Transfers in	335,000	2,200,000	2,200,000	
Transfers out			<u>(4,110)</u>	<u>(4,110)</u>
Total other financing sources (uses)	<u>335,000</u>	<u>2,200,000</u>	<u>2,398,564</u>	<u>198,564</u>
Net change in fund balances	(2,354,972)	629,909	780,758	150,849
Fund balances, beginning	<u>15,649</u>	<u>15,649</u>	<u>15,649</u>	
Fund balances, ending	<u>(2,339,323)</u>	<u>645,558</u>	<u>796,407</u>	<u>150,849</u>

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

CITY OF MURPHY
Statement of Net Assets
Proprietary Funds
September 30, 2004

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,175,270
Investments	191,372
Utility bills receivable (net of allowance for uncollectibles)	<u>374,737</u>
Total current assets	<u>1,741,379</u>
Current restricted assets:	
Restricted cash and cash equivalents	<u>330,961</u>
Noncurrent assets:	
Capital Assets:	
Systems and improvements	27,902,853
Equipment	149,980
Construction in progress	210,389
Less: accumulated depreciation	<u>(2,879,974)</u>
Total capital assets (net of depreciation)	<u>25,383,248</u>
Total noncurrent assets	<u>25,383,248</u>
Total assets	<u>27,455,588</u>

LIABILITIES

Current liabilities:	
Accounts payable	76,490
Capital leases payable - current portion	5,188
Notes payable - current portion	7,751
Due to other funds	<u>9,240</u>
Total current liabilities	<u>98,669</u>
Current liabilities payable from restricted assets:	
Deposits	210,905
Accrued interest	15,056
Current portion of revenue bonds payable	<u>105,000</u>
Total current liabilities payable from restricted assets	<u>330,961</u>
Noncurrent liabilities:	
Capital leases payable	5,435
Notes payable	6,010
Revenue bonds payable	<u>835,000</u>
Total noncurrent liabilities	<u>846,445</u>
Total liabilities	<u>1,276,075</u>

NET ASSETS

Invested in capital assets, net of related debt	24,418,864
Unrestricted	<u>1,760,649</u>
Total net assets	<u>\$ 26,179,513</u>

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

CITY OF MURPHY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2004

OPERATING REVENUES

Charges for sales and services:	
Water sales	\$ 1,675,697
Sewer sales	1,436,693
Impact fees	732,117
Meter fees	106,963
Penalties and interest	19,897
Miscellaneous	<u>248,552</u>
Total operating revenues	<u>4,219,919</u>

OPERATING EXPENSES

Cost of sales and services	2,240,420
Administration	243,679
Depreciation	<u>592,371</u>
Total operating expenses	<u>3,076,470</u>

Operating income (loss)	<u>1,143,449</u>
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NONOPERATING REVENUES (EXPENSES)

Interest revenue	19,115
Interest expense and fiscal charges	<u>(60,657)</u>
Total nonoperating revenues (expenses)	<u>(41,542)</u>

Net income (loss) before transfers	1,101,907
------------------------------------	-----------

Transfers in	4,110
Transfers out	<u>(2,200,000)</u>

Change in net assets	(1,093,983)
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Net assets, beginning (as restated)	<u>27,273,496</u>
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Net assets, ending	\$ <u><u>26,179,513</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF MURPHY
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2004

Cash flows from operating activities:	
Cash received from customers and users	\$ 4,375,014
Cash payments to suppliers and employees	<u>(2,734,022)</u>
Net cash provided by operating activities	<u>1,640,992</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	(2,200,000)
Transfers from other funds	4,110
Advances to other funds	<u>644,244</u>
Net cash used for noncapital financing activities	<u>(1,551,646)</u>
Cash flows from capital and related financing activities:	
Proceeds from capital leases	16,315
Acquisition and construction of capital assets	(527,196)
Principal paid on long-term debt	(126,002)
Interest paid on debt	<u>(62,600)</u>
Net cash used for capital and related financing activities	<u>(699,483)</u>
Cash flows from investing activities:	
Redemptions of investments (net)	558,472
Interest on deposits and investments	<u>19,115</u>
Net cash provided by investing activities	<u>577,587</u>
Net decrease in cash and cash equivalents	(32,550)
Cash and cash equivalents, beginning	<u>1,538,781</u>
Cash and cash equivalents, ending	\$ <u><u>1,506,231</u></u>

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

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	\$ <u>1,143,449</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	592,371
Decrease in accounts receivable	93,365
Decrease in accounts payable	(249,923)
Net increase in customer deposits	<u>61,730</u>
Total adjustments	<u>497,543</u>
Net cash provided by operating activities	\$ <u><u>1,640,992</u></u>

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CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Murphy, Texas, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In 2004, the government implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City of Murphy does not have any component units.

B. Government-wide 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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

-continued-

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation
(continued)

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *special revenue fund* accounts for revenues that are legally restricted for particular purposes. The government's special revenue funds are used to account for activity related to economic and community development.

The government reports the following proprietary funds:

The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The enterprise 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 enterprise funds and internal service funds

-continued-

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation
(continued)

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.

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at cost.

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

3. Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

4. Capital Assets (continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	10-30
Infrastructure	50
Equipment	5-10
Vehicles	5

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government except upon retirement. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. 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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In 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.

7. 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. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On the first Tuesday in September, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting is scheduled before October 1 to finalize the adoption of the new budget.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. Two supplemental appropriations were made during the fiscal year.
6. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

B. Excess of Expenditures/Expenses Over Appropriations

For the year ended September 30, 2004, expenditures exceeded appropriations in the General Fund (the legal level of budgetary control) by \$99,013. These over expenditures were funded by greater than anticipated revenues and a transfer from the water and sewer fund.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2004, the government's carrying amount of deposits was \$4,172,306 and the bank balance of the government's deposits was \$4,468,418. Of the bank balance, \$200,000 was covered by federal depository insurance and \$4,268,418 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

Investments are categorized into three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

At year end, the government's investment balances were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
TexStar	\$ 8,995,839			8,995,839	8,995,839
Certificates of deposit	<u>329,113</u>			<u>329,113</u>	<u>329,113</u>
Total investments	<u>\$ 9,324,952</u>			<u>9,324,952</u>	<u>9,324,952</u>

B. Receivables

Receivables at September 30, 2004 consist of the following:

	General	Debt Service	Special Revenue	Water & Sewer	Total
Receivables:					
Utility bills	\$			376,845	376,845
Delinquent taxes	10,595	20,320			30,915
Sales taxes	62,839		62,840		125,679
Other	<u>58,317</u>		<u>480</u>		<u>58,797</u>
Gross receivables	131,751	20,320	63,320	376,845	592,236
Less: allowance for uncollectibles				<u>(2,108)</u>	<u>(2,108)</u>
Net total receivables	<u>\$ 131,751</u>	<u>20,320</u>	<u>63,320</u>	<u>374,737</u>	<u>590,128</u>

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty is calculated after February 1 up to the date collected by the

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 up to the date collected by the government at the rate of 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write-off uncollectible personal property taxes after four years.

C. Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	Primary Government			Ending Balance
	Beginning Balance (as restated)	Additions	Retirements	
Governmental activities:				
Land	\$ 6,334,683	140,000		6,474,683
Buildings and improvements		109,852		109,852
Infrastructure	30,783,721	691,242		31,474,963
Equipment	994,948	71,983		1,066,931
Construction in progress	<u>2,193,785</u>	<u>14,686,674</u>	(801,094)	<u>16,079,365</u>
Totals at historical cost	<u>40,307,137</u>	<u>15,699,751</u>	(801,094)	<u>55,205,794</u>
Less accumulated depreciation for:				
Buildings and improvements		(2,180)		(2,180)
Infrastructure	(1,715,612)	(632,574)		(2,348,186)
Equipment	<u>(587,329)</u>	<u>(110,678)</u>		<u>(698,007)</u>
Total accumulated depreciation	<u>(2,302,941)</u>	<u>(745,432)</u>		<u>(3,048,373)</u>
Governmental activities capital assets, net	<u>\$ 38,004,196</u>	<u>14,954,319</u>	(801,094)	<u>52,157,421</u>

A summary of changes in Water and Sewer Fund capital assets follows:

	Primary Government			Ending Balance
	Beginning Balance (as restated)	Additions	Retirements	
Business-type activities:				
Buildings, systems & improvements	\$ 27,602,361	300,492		27,902,853
Equipment	133,665	16,315		149,980
Construction in progress		<u>510,881</u>	(300,492)	<u>210,389</u>
Totals at historical cost	<u>27,736,026</u>	<u>827,688</u>	(300,492)	<u>28,263,222</u>
Less accumulated depreciation for:				
Buildings, systems & improvements	(2,215,848)	(572,772)		(2,788,620)
Equipment	<u>(71,755)</u>	<u>(19,599)</u>		<u>(91,354)</u>
Total accumulated depreciation	<u>(2,287,603)</u>	<u>(592,371)</u>		<u>(2,879,974)</u>
Business-type activities capital assets, net	<u>\$ 25,448,423</u>	<u>235,317</u>	(300,492)	<u>25,383,248</u>

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 4,596
Public safety	80,347
Public works	<u>660,489</u>
Total depreciation expense - governmental activities	<u>745,432</u>
Business-type activities:	
Water and sewer	<u>592,371</u>
Total depreciation expense - business-type activities	\$ <u>592,371</u>

D. Construction Commitments

The government has active construction projects as of September 30, 2004. These projects include street constructions, wastewater treatment system improvements, and the construction of a new municipal complex. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Costs Through</u> <u>09/30/04</u>	<u>Contract</u> <u>Amount</u>
Municipal complex	\$ 15,277,185	16,087,815
Waterline improvements	210,389	854,541
Various projects	\$ 802,180	Various

E. Interfund Receivables, Payables, and Transfers

Interfund activity for the year ended September 30, 2004, was as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$9,240

	<u>Transfers in:</u>		
	<u>General</u> <u>Fund</u>	<u>Water & Sewer</u> <u>Fund</u>	<u>Total</u>
Transfers out:			
General fund	\$	4,110	4,110
Water & Sewer Fund	<u>2,200,000</u>	<u> </u>	<u>2,200,000</u>
Total	<u>\$ 2,200,000</u>	<u>4,110</u>	<u>2,204,110</u>

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

F. Leases

Capital Leases The government has entered into various lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. As of September 30, 2004, the equipment leased under capital leases had a carrying value of \$121,457 which is included in the governmental activities on the Statement of Net Assets and \$34,051 which is included in the water and sewer fund.

Capital lease expenditures for 2004 were \$79,978 of which \$2,604 represented interest. Effective interest rates range from 3.63% to 6.55%. Pursuant to the terms of the capital lease agreements, the government will be required to make future minimum payments as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2005	\$ 17,090	5,693
2006	11,782	5,693
2007	<u>4,854</u>	<u> </u>
Total minimum lease payments	33,726	11,386
Less: amount representing interest	<u>(2,504)</u>	<u>(763)</u>
Present value of future minimum lease payments	<u>\$ 31,222</u>	<u>10,623</u>

G. Notes Payable

The government has various notes payable to financial institutions for the purchase of vehicles, equipment, and software. Interest rates range from 3.3% to 12.75%.

The annual debt service requirements on the notes in governmental activities is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 127,518	1,664	129,182
2006	<u>19,875</u>	<u>553</u>	<u>20,428</u>
Total	<u>\$ 147,393</u>	<u>2,217</u>	<u>149,610</u>

The annual debt service requirements on the notes in business-type activities are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,751	495	8,246
2006	<u>6,010</u>	<u>174</u>	<u>6,184</u>
Total	<u>\$ 13,761</u>	<u>669</u>	<u>14,430</u>

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

H. Long-Term Debt

Long-term liability activity for the year ended September 30, 2004 was as follows:

	Beginning Balance (as restated)	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 26,416	71,983	(67,177)	31,222	15,554
Notes payable	89,310	130,691	(72,608)	147,393	127,518
Bonds payable	21,995,000	10,000,000	(740,000)	31,255,000	945,000
Compensated absences	36,207	4,078		40,285	
Totals	<u>\$ 22,146,933</u>	<u>10,206,752</u>	<u>(879,785)</u>	<u>31,473,900</u>	<u>1,088,072</u>

The capital leases will be repaid by the general fund. The bonds will be repaid by the debt service fund. The notes payable will be repaid by the general and debt service fund.

Bonds payable at September 30, 2004 are comprised of the following issues for the debt service fund:

1993 General Obligation Refunding Bonds. Interest payable February 15 and August 15 at rates ranging from 6.0% to 6.5%.	\$ 225,000
1998 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 4.4% to 5.25%.	2,075,000
2001 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 4.75% to 5.75%.	3,285,000
2001 General Obligation Refunding Bonds. Interest payable February 15 and August 15 at rates ranging from 4.0% to 4.375%.	1,020,000
2002 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 4.5% to 5.75%.	3,345,000
2002A Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 3.5% to 4.75%.	4,685,000

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

H. Long-Term Debt (continued)

2003 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 3.5% to 5.0%.	6,620,000
2004 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 4.125% to 4.875%.	<u>10,000,000</u>
Combined Debt	<u>\$ 31,255,000</u>

The annual requirements to amortize the bonded debt outstanding for the debt service fund as of September 30, 2004 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 945,000	1,536,127	2,481,127
2006	1,335,000	1,332,837	2,667,837
2007	1,320,000	1,270,669	2,590,669
2008	1,370,000	1,207,986	2,577,986
2009	1,455,000	1,143,164	2,598,164
2010	1,525,000	1,077,171	2,602,171
2011	1,520,000	1,010,981	2,530,981
2012	1,595,000	943,094	2,538,094
2013	1,570,000	874,776	2,444,776
2014	1,635,000	805,657	2,440,657
2015	1,710,000	733,844	2,443,844
2016	1,795,000	658,661	2,453,661
2017	1,875,000	578,390	2,453,390
2018	1,965,000	493,176	2,458,176
2019	1,840,000	407,671	2,247,671
2020	1,930,000	321,683	2,251,683
2021	2,035,000	229,798	2,264,798
2022	1,830,000	138,977	1,968,977
2023	1,240,000	66,471	1,306,471
2024	<u>765,000</u>	<u>18,647</u>	<u>783,647</u>
Totals	<u>\$ 31,255,000</u>	<u>14,849,780</u>	<u>46,104,780</u>

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

H. Long-Term Debt (continued)

During the year ended September 30, 2004, the following changes occurred in liabilities reported in the Water and Sewer Fund.

	Beginning Balance (as restated)	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
Capital leases	\$ 4,504	16,315	(10,197)	10,623	5,188
Notes payable	29,567		(15,805)	13,761	7,751
Bonds payable	<u>1,040,000</u>		<u>(100,000)</u>	<u>940,000</u>	<u>105,000</u>
Totals	<u>\$ 1,074,071</u>	<u>16,315</u>	<u>(126,002)</u>	<u>964,384</u>	<u>117,939</u>

Bonds payable at September 30, 2004 are comprised of the following issues for the Water and Sewer fund:

1976A Revenue Bonds. Interest payable on January 10 and July 10 at 5.6%.	\$ 190,000
1976B Revenue Bonds. Interest payable on January 10 and July 10 at 5.6%.	280,000
1994 Revenue Bonds. Interest payable on January 10 and July 10 at rates ranging from 5.7% to 6.25%.	<u>470,000</u>
Combined Debt	<u>\$ 940,000</u>

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2004 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 105,000	55,232	160,232
2006	110,000	49,283	159,283
2007	115,000	43,017	158,017
2008	120,000	36,418	156,418
2009	215,000	29,497	244,497
2010	50,000	17,188	67,188
2011	50,000	14,062	64,062
2012	55,000	10,938	65,938
2013	60,000	7,500	67,500
2014	<u>60,000</u>	<u>3,750</u>	<u>63,750</u>
Totals	<u>\$ 940,000</u>	<u>266,885</u>	<u>1,206,885</u>

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

I. Restricted assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 210,905
Accrued interest payable	15,056
Current revenue bonds payable	<u>105,000</u>
Total restricted assets	<u>\$ 330,961</u>

J. Restatement of Beginning Net Assets - Fund Statements

As of September 30, 2003, net assets have been restated as follows:

	Water & Sewer <u>Fund</u>
Net assets as previously reported	\$ 10,157,684
Restate fixed assets	17,112,108
Restate notes payable	<u>3,704</u>
Net assets as restated	<u>\$ 27,273,496</u>

K. Restatement of Beginning Net Assets - Government-wide Statements

As of September 30, 2003, net assets of the governmental activities have been restated as follows to reflect the changes required by GASB Statement Number 34:

Net assets as previously reported	\$ 0
Restate to comply with GASB34	<u>28,803,843</u>
Net assets as restated	<u>\$ 28,803,843</u>

NOTE 4. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,821 individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System

Plan Description

The government provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 794 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2003 valuations are contained in the 2003 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the government-financed monetary credits, with interest. At the date the plan began, the government granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the government can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the government matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the government, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 7%, and the government matching ratio is currently 2 to 1, both as adopted by the governing body of the government. Under the state law governing TMRS, the government contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to government matching percent, which are the obligation of the government as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the government to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period, using the level percent of payroll amortization method. When the government periodically adopts updated service credits and increases its annuities in effect, the increased unfunded (overfunded) actuarial liability (asset) is to be amortized over a new 25-year period. Currently, the unfunded actuarial

-continued-

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Contributions (continued)

liability is being amortized over the 25-year period which began January, 2003. The unit credit actuarial cost method is used for determining the government contribution rate. Contributions are made monthly by both the employees and the government. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Annual Pension Cost

For the year ended September 30, 2004, the government's annual pension cost of \$290,218 for TMRS was equal to the government's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) no projected salary increases, and (c) no cost-of-living adjustments. No inflation amount was used in computing (a) and (b). The actuarial value of TMRS assets was determined using amortized cost.

Three-Year Trend Information for TMRS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/02	\$ 150,383	100%	0
09/30/03	\$ 272,689	100%	0
09/30/04	\$ 290,218	100%	0

Schedule of Funding Progress for TMRS
(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</u>
12/31/01	\$ 622	1,113	491	55.9%	938	52.4%
12/31/02	\$ 897	1,455	558	61.6%	1,549	36.1%
12/31/03	\$ 1,208	1,810	602	66.7%	2,679	22.5%

Volunteer Firemen

The government elected to participate in the Texas Statewide Emergency Services Personnel Retirement Fund (Fund). The Fund currently requires monthly contributions of \$12 on behalf of each member. No contributions are required by members. Significant actuarial assumptions used include (i) an annual rate of return on investments of 8.00% and (ii) the future contribution level will increase at the same rate as the average increases in dues over the last five years for the plan in total.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund (Fund), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The Fund does not issue a stand-alone financial report but is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. A report may be obtained by contacting the Texas Comptroller (Post Office Box 13528, Capitol Station, Austin, Texas 78711-3528). At August 31, 2004, there were 177 member fire or emergency services departments participating in the Fund. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2004, the Fund membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	1,557
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	1,827
Active Participants (Vested and Nonvested)	<u>4,610</u>
	<u>7,994</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created the Fund, and established the applicable benefit provisions. These benefit provisions include retirement benefits as well as death and disability benefits. Members are vested beginning with the fifth year of service, at 5% per year of service for the first ten years and 10% for each of the next five years of service. Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times and governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 7% compounded annually. On and off duty death benefits and on duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children. The Texas Legislature has authority to amend the benefit provisions.

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977). No contributions are required by volunteer emergency services personnel. The governing bodies of participating departments are required to contribute at least \$12 per month for each active member and can elect to increase the monthly amount. Additional contributions may be required by a governing body to pay for unfunded prior service costs from a prior plan or to establish credit in the Fund for service prior to entry in the Fund. The State may also be required to make annual contributions up a limited amount to make the fund actuarially sound. The costs of administering the Fund are paid from the Fund.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2004
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Annual Required Contributions

For the fiscal year ending August 31, 2004, the required contributions of \$2,896,557 exceeded the total contributions (dues and prior service) of \$1,891,243 paid into the Fund, according to the funding policy, by the political subdivisions served by the member volunteer emergency services personnel.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
August 31, 2002	\$ 1,768,059	100%
August 31, 2003	\$ 2,896,557	63%
August 31, 2004	\$ 2,896,557	65%

The required contributions for the fiscal year ending August 31, 2004 were actuarially determined based on the August 31, 2002 actuarial valuation with a 30-year amortization of the unfunded actuarial accrued liability. The purpose of the biennial actuarial valuation is to test the adequacy of the contributions to determine if they are adequate to fund the benefits that are promised.

REQUIRED SUPPLEMENTARY INFORMATION

Emergency Services Personnel Retirement Fund

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Total Members Covered (c)</u>	<u>UAAL Per Member Covered [(b)-(a)]/(c)</u>
08/31/2000	\$ 36,767,553	\$ 36,048,771	\$ (718,782)	102.0%	7,114	\$ (101)
08/31/2002	\$ 32,797,262	\$ 45,976,387	\$ 13,179,125	71.3%	7,669	\$ 1,718
08/31/2004	\$ 38,140,501	\$ 51,567,426	\$ 13,426,925	74.0%	7,994	\$ 1,680

INDIVIDUAL FUND STATEMENT

CITY OF MURPHY
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual
Enterprise Fund
For the Fiscal Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
OPERATING REVENUES				
Charges for sales and services				
Water sales	\$ 1,460,200	1,514,100	1,675,697	161,597
Sewer sales	1,306,008	1,314,600	1,436,693	122,093
Impact fees	653,000	693,445	732,117	38,672
Meter fees	93,000	100,900	106,963	6,063
Penalties and interest	26,000	20,000	19,897	(103)
Miscellaneous	<u>5,000</u>	<u>246,900</u>	<u>248,552</u>	<u>1,652</u>
Total operating revenues	<u>3,543,208</u>	<u>3,889,945</u>	<u>4,219,919</u>	<u>329,974</u>
OPERATING EXPENSES				
Cost of sales and services	4,555,256	3,025,461	2,240,420	785,041
Administration	346,037	260,238	243,679	16,559
Depreciation	<u>200,000</u>	<u>200,000</u>	<u>592,371</u>	<u>(392,371)</u>
Total operating expenses	<u>5,101,293</u>	<u>3,485,699</u>	<u>3,076,470</u>	<u>409,229</u>
Operating income (loss)	<u>(1,558,085)</u>	<u>404,246</u>	<u>1,143,449</u>	<u>739,203</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	28,500	17,036	19,115	2,079
Interest expense and fiscal charges	<u>(62,785)</u>	<u>(62,785)</u>	<u>(60,657)</u>	<u>2,128</u>
Total nonoperating revenues (expenses)	<u>(34,285)</u>	<u>(45,749)</u>	<u>(41,542)</u>	<u>4,207</u>
Net income (loss) before transfers	(1,592,370)	358,497	1,101,907	743,410
Transfers in			4,110	4,110
Transfer out	<u>(3,674,708)</u>	<u>(2,200,000)</u>	<u>(2,200,000)</u>	<u> </u>
Changes in net assets	(5,267,078)	(1,841,503)	(1,093,983)	747,520
Net assets, beginning (as restated)	<u>27,273,496</u>	<u>27,273,496</u>	<u>27,273,496</u>	<u> </u>
Net assets, ending	\$ <u>22,006,418</u>	<u>25,431,993</u>	<u>26,179,513</u>	<u>747,520</u>

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

CITY OF MURPHY
 Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedule By Source
 September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u> (as restated)
Governmental funds capital assets:		
Land	\$ 6,474,683	6,334,683
Buildings and improvements	109,852	
Infrastructure	31,474,963	30,783,721
Equipment	1,066,931	994,948
Construction in progress	<u>16,079,365</u>	<u>2,193,785</u>
Total governmental fund capital assets	\$ <u>55,205,794</u>	<u>40,307,137</u>
 Investment in governmental fund capital assets by source:		
Capital project funds - general obligation bonds	\$ 47,554,328	32,977,506
Donations	140,000	
General fund revenues	<u>7,511,466</u>	<u>7,329,631</u>
Total investment in governmental fund capital assets	\$ <u>55,205,794</u>	<u>40,307,137</u>

CITY OF MURPHY
 Capital Assets Used in the Operating of Governmental Funds
 Schedule By Function and Activity
 September 30, 2004

<u>Function and Activity</u>	<u>Land</u>	<u>Infra- structure</u>	<u>Buildings and Improve- ments</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:						
Administration	\$ <u>6,474,683</u>			<u>22,980</u>	<u>15,277,185</u>	<u>21,774,848</u>
Total general government	<u>6,474,683</u>			<u>22,980</u>	<u>15,277,185</u>	<u>21,774,848</u>
Public safety:						
Police				269,587		269,587
Fire				<u>582,915</u>		<u>582,915</u>
Total public safety				<u>852,502</u>		<u>852,502</u>
Public works:						
Parks			109,852	126,757		236,609
Public works		<u>31,474,963</u>		<u>64,692</u>	<u>802,180</u>	<u>32,341,835</u>
Total public works		<u>31,474,963</u>	<u>109,852</u>	<u>191,449</u>	<u>802,180</u>	<u>32,578,444</u>
 Total governmental funds capital assets	 \$ <u>6,474,683</u>	 <u>31,474,963</u>	 <u>109,852</u>	 <u>1,066,931</u>	 <u>16,079,365</u>	 <u>55,205,794</u>

CITY OF MURPHY
 Capital Assets Used in the Operation of Governmental funds
 Schedule of Changes By Function and Activity
 For the fiscal year ended September 30, 2004

	Governmental Funds Capital Assets October 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Governmental Funds Capital Assets September 30, <u>2004</u>
General government:				
Administration	\$ <u>8,042,682</u>	<u>13,732,166</u>		<u>21,774,848</u>
Total general government	<u>8,042,682</u>	<u>13,732,166</u>		<u>21,774,848</u>
Public safety:				
Police	232,133	37,454		269,587
Fire	<u>582,915</u>			<u>582,915</u>
Total public safety	<u>815,048</u>	<u>37,454</u>		<u>852,502</u>
Public works:				
Parks	92,228	144,381		236,609
Public works	<u>31,357,179</u>	<u>1,785,750</u>	(801,094)	<u>32,341,835</u>
Total public works	<u>31,449,407</u>	<u>1,930,131</u>	(801,094)	<u>32,578,444</u>
 Total governmental funds capital assets	 \$ <u>40,307,137</u>	 <u>15,699,751</u>	 (801,094)	 <u>55,205,794</u>

STATISTICAL SECTION

CITY OF MURPHY
Government-wide Expenses by Function
Current Fiscal Year (1)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Sanitation Services</u>
2004	\$ 1,388,896	2,419,731	2,260,717	349,779

NOTES: The City of Murphy implemented Governmental Accounting Standards Board Statement Number 34 for the fiscal year ended September 30, 2004. Additional amounts will be added each year until ten years are reported.

<u>Economic Development</u>	<u>Interest & Fiscal Charges</u>	<u>Water & Sewer</u>	<u>Total</u>
66,974	1,292,927	3,076,470	10,855,494

CITY OF MURPHY
 Government-wide Revenues
 Current Fiscal Year (1)

<u>Fiscal Year</u>	<u>Program Revenues</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
2004	\$ 6,413,598	4,356	179,600

NOTES: The City of Murphy implemented Governmental Accounting Standards Board Statement Number 34 for the fiscal year ended September 30, 2004. Additional amounts will be added each year until ten years are reported.

<u>General Revenues</u>			
<u>Taxes</u>	Unrestricted Investment <u>Earnings</u>	<u>Miscellaneous</u>	<u>Total</u>
4,072,636	163,330	54,836	10,888,356

CITY OF MURPHY
 General Governmental Expenditures by Function
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Sanitation</u>	<u>Capital Outlay</u>
1995	\$ 138,794	250,206	21,514	78,613	28,029
1996	176,188	246,781	22,720	84,321	7,030
1997	379,289	254,421	24,920	100,186	12,355
1998	201,474	353,254	37,783	105,500	63,690
1999	305,667	444,058	63,411	110,077	167,297
2000	311,653	643,525	560,022	136,784	416,325
2001	371,679	1,073,356	519,579	200,105	3,816,048
2002	556,162	1,289,900	607,845	254,823	2,296,087
2003	1,203,684	1,935,733	1,097,603	309,647	3,259,971
2004	\$ 1,310,731	2,391,327	1,489,997	349,779	15,026,436

NOTES: Includes all governmental funds.

<u>Debt Service</u>	<u>Economic Development</u>	<u>Total</u>
404,392		921,548
407,653		944,693
402,929		1,174,100
408,248		1,169,949
556,112		1,646,622
573,938		2,642,247
568,205		6,548,972
819,849		5,824,666
1,418,601		9,225,239
2,231,049	66,974	22,866,293

CITY OF MURPHY
 General Governmental Revenues by Source
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Sanitation Collections</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Park Impact Fees</u>	<u>Drainage Fees</u>
1995	\$ 333,543	24,063	81,053	1,615	32,074		
1996	347,294	52,851	89,353	4,587	41,145		
1997	372,281	57,042	100,570	4,326	52,271		
1998	487,131	127,881	108,713	13,093	70,182		
1999	560,828	308,260	130,692	27,620	80,953		
2000	812,341	671,327	162,586	38,398	105,160	175,800	
2001	958,901	846,787	218,036	31,069	100,223	53,400	
2002	1,259,305	911,947	257,103	39,277	119,532	96,000	
2003	1,530,445	933,570	342,815	17,818	178,443		104,730
2004	\$ 1,797,113	1,463,238	418,035	30,899	149,558		131,026

NOTES: Includes only general fund revenues.

<u>Grants</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
	2,985	3,109	478,442
	4,308	2,954	542,492
9,000	7,010	13,699	616,199
33,913	7,606	27,311	875,830
56,526	16,632	19,117	1,200,628
245,047	32,311	22,589	2,265,559
77,513	37,069	34,929	2,357,927
67,743	26,518	27,098	2,804,523
44,922	10,553	81,789	3,245,085
4,356	8,148	41,117	4,043,490

CITY OF MURPHY
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
1995	\$ 472,429	475,440	100.64%	\$ 3,994	479,434
1996	534,195	529,369	99.10	2,057	531,426
1997	555,215	552,348	99.48	1,690	554,038
1998	635,035	639,733	100.74	6,870	646,603
1999	787,378	812,471	103.19	2,360	814,831
2000	835,899	989,975	118.43	2,512	992,487
2001	985,436	1,131,928	114.87	985	1,132,913
2002	1,409,789	1,475,062	104.63	4,131	1,479,193
2003	2,209,361	2,321,210	105.06	14,594	2,335,804
2004	\$ 2,809,142	2,833,008	100.85%	\$ 86,345	2,919,353

SOURCES: Collin County and City tax collection reports
Annual audits for city
Collin county Appraisal District

<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Tax Levy</u>
4,686	0.99%
5,517	1.03
8,930	1.61
5,930	0.93
1,266	0.16
7,866	0.94
12,346	1.25
19,860	1.41
89,786	4.06
30,916	1.10%

CITY OF MURPHY
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Estimated Market Value</u>	<u>Ratio of Total Assessed Value to Market Value</u>
1995	\$ 65,843,759	65,843,759	100
1996	74,317,566	74,317,566	100
1997	80,465,915	80,465,915	100
1998	96,275,820	96,275,820	100
1999	114,594,378	114,594,378	100
2000	153,545,094	153,545,094	100
2001	238,027,958	238,027,958	100
2002	374,545,496	374,545,496	100
2003	526,038,434	526,038,434	100
2004	\$ 652,681,704	652,681,704	100

SOURCE: Collin County Appraisal District

CITY OF MURPHY
 Assessed Values, Levies and Tax Distribution
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>General Fund</u>	<u>Debt Service</u>
1995	\$ 65,843,759	.7175	472,429	.2275	.4900
1996	74,317,566	.7188	534,195	.2148	.5040
1997	80,465,915	.6900	555,215	.2225	.4675
1998	96,275,820	.6596	635,035	.2704	.3892
1999	114,594,378	.6871	787,378	.2574	.4297
2000	153,454,094	.5444	835,899	.2296	.3148
2001	238,027,958	.4140	985,436	.1846	.2294
2002	374,545,496	.3764	1,409,789	.1615	.2149
2003	526,038,434	.4200	2,209,361	.1558	.2642
2004	\$ 652,681,704	.4304	2,809,142	.1459	.2845

SOURCE: Collin County Appraisal District and City tax records.

CITY OF MURPHY
Property Tax Rates/Assessment Ratios
All Direct and Overlapping Governments
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City of Murphy</u>		<u>Plano School District</u>		<u>Wylie School District</u>	
	<u>Rate</u>	<u>Assessment Ratio</u>	<u>Rate</u>	<u>Assessment Ratio</u>	<u>Rate</u>	<u>Assessment Ratio</u>
1995	0.7175	100%	1.4770	100%	1.5500	100%
1996	0.7188	100%	1.4894	100%	1.5500	100%
1997	0.6900	100%	1.4997	100%	1.5500	100%
1998	0.6596	100%	1.5193	100%	1.5500	100%
1999	0.6871	100%	1.5395	100%	1.6000	100%
2000	0.5444	100%	1.5792	100%	1.5700	100%
2001	0.4140	100%	1.5531	100%	1.5700	100%
2002	0.3764	100%	1.6285	100%	1.5600	100%
2003	0.4200	100%	1.4700	100%	1.4300	100%
2004	0.4304	100%	1.7334	100%	1.7200	100%

CITY TAX DISTRIBUTION: 2003-04 LEVY

General Fund	0.1459
Debt Service Fund	<u>0.2845</u>
General Obligations	<u>0.4304</u>

SOURCES: Collin County Appraisal District and Collin County

NOTES: Property tax rates are levied per \$100 assessed valuation.

<u>Collin County</u>		<u>Collin County</u>	
Assessment		Community College	
<u>Rate</u>	<u>Ratio</u>	<u>Rate</u>	<u>Ratio</u>
0.2600	100%	0.9855	100%
0.2600	100%	0.0986	100%
0.2600	100%	0.0986	100%
0.2600	100%	0.0986	100%
0.2500	100%	0.0986	100%
0.2500	100%	0.0967	100%
0.2500	100%	0.0940	100%
0.2500	100%	0.0928	100%
0.2500	100%	0.0919	100%
0.2500	100%	0.0919	100%

CITY OF MURPHY
Principal Taxpayers
September 30, 2004

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>2004 Taxable Assessed Valuation</u>	<u>Percentage of Total Taxable Assessed Valuation</u>
Lumbermens Investment Corp	Development	\$ 3,675,917	0.47
Dublin Murphy Estates LTD	Development	5,160,068	0.66
Shaddock Developers	Development	6,540,224	0.83
Weingerten-Murphy LTD	Retail	6,336,414	0.81
Wal-Mart Texas LP	Retail	6,026,101	0.77
Albertsons Inc.	Retail	5,505,989	0.70
Intervest-Murphy LTD	Development	4,044,900	0.51
Horton DR Texas LTD	Development	3,732,117	0.47
Oncor Electric Delivery Co	Utility	3,528,224	0.45
Belgravia Group LLC	Retail	\$ 2,994,832	0.38

SOURCE: Collin County Appraisal District

CITY OF MURPHY
Computation of Legal Debt Margin
September 30, 2004

As a home rule city, the City of Murphy is not limited by the law in the amount of debt it may issue. The City's Charter (Section 7.19) states:

The City shall have the power to levy, assess and collect taxes of every character and type for any municipal purpose not prohibited by the Constitution and laws of the State of Texas.

Article II, Section 5 of the State of Texas Constitution states in part:

...but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city.

The tax rate at October 1, 2003 is \$0.4304 per \$100.00 with an assessed valuation at 100% of market value.

CITY OF MURPHY
Ratio of Net General Bonded Debt
To Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Assessed Value</u>	<u>Gross General Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net General Bonded Debt to Assessed Value</u>	<u>Net General Bonded Debt Per Capita</u>
1995	1,808	\$ 65,843,759	3,050,000	9,827	3,040,173	4.62%	1,682
1996	1,916	74,317,566	2,865,000	18,991	2,846,009	3.83	1,485
1997	2,123	80,465,915	2,665,000	21,037	2,643,963	3.29	1,245
1998	2,331	96,275,820	4,955,000	41,693	4,913,307	5.10	2,108
1999	2,675	114,594,378	4,725,000	45,576	4,679,424	4.08	1,749
2000	3,469	153,545,094	4,435,000	89,723	4,345,277	2.83	1,253
2001	5,013	238,027,958	7,695,000	195,544	7,499,456	3.15	1,496
2002	6,699	374,545,496	15,865,000	276,254	15,588,746	4.16	2,327
2003	7,991	526,038,434	21,995,000	380,347	21,614,653	4.11	2,705
2004	11,000	\$ 652,681,704	31,255,000	409,055	30,845,945	4.73%	2,802

NOTES: Estimated population is U.S. Census Bureau Count;
Assessed values provided by Collin County Appraisal District.

CITY OF MURPHY
Ratio of General Obligation Debt Service
To Total Governmental Expenditures
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Debt Service as a Percent of Total Governmental Expenditures</u>
1995	\$ 185,000	204,188	389,188	893,519	43.56%
1996	185,000	190,762	375,762	937,663	40.07
1997	200,000	178,217	378,217	1,161,945	32.55
1998	210,000	164,779	374,779	1,106,259	33.88
1999	230,000	282,685	512,685	1,479,325	34.66
2000	290,000	254,222	544,222	2,225,922	24.45
2001	310,000	235,888	545,888	2,732,924	19.97
2002	330,000	438,078	768,078	3,528,579	21.77
2003	570,000	778,470	1,348,470	5,965,268	22.61
2004	\$ 740,000	1,112,317	1,852,317	7,513,613	24.65%

NOTES: Total Governmental Expenditures includes total general fund expenditures plus total general obligation debt service.

CITY OF MURPHY
 Computation of Direct and Overlapping Debt
 September 30, 2004

<u>Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct:			
City of Murphy, Texas	\$ <u>31,255,000</u>	100.00%	<u>31,255,000</u>
Total direct	<u>31,255,000</u>		<u>31,255,000</u>
Overlapping:			
Plano Independent School District	773,988,536	0.59%	4,566,532
Wylie Independent School District	138,371,436	4.90%	6,780,200
Collin County	237,619,844	1.49%	3,540,536
Collin County Community College District	<u>41,578,607</u>	1.49%	<u>619,521</u>
Total indirect	<u>1,191,558,423</u>		<u>15,506,789</u>
Total direct and overlapping debt	\$ <u><u>1,222,813,423</u></u>		\$ <u><u>46,761,789</u></u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u><u>6.05%</u></u>
Per capita overlapping bonded debt			\$ <u><u>4,487</u></u>

SOURCES: For net bonded debt and percentage of debt applicable to City, the Municipal Advisory Council of Texas and City financial records.

CITY OF MURPHY
Revenue Bond Coverage
Water and Sewer Bonds
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Average Annual Debt Service Requirement</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1995	\$ 478,881	281,166	197,715	85,000	21,607	106,607	1.85
1996	641,302	307,014	334,288	65,000	22,131	87,131	3.84
1997	641,101	377,516	263,585	70,000	22,053	92,053	2.86
1998	1,273,611	667,638	605,973	75,000	23,895	98,895	6.13
1999	2,298,142	469,297	1,828,845	80,000	22,178	102,178	17.90
2000	3,419,064	561,483	2,857,581	80,000	21,020	101,020	28.29
2001	2,516,497	787,590	1,728,907	80,000	14,888	94,888	18.22
2002	2,078,284	1,366,576	711,708	90,000	10,490	100,490	7.08
2003	3,256,764	2,013,049	1,243,715	90,000	18,458	108,458	11.47
2004	\$ 4,219,919	2,484,099	1,735,820	100,000	60,868	160,868	10.79

NOTES: Direct operating expense excludes depreciation and charges in lieu of taxes.

CITY OF MURPHY
Demographic Statistics
Last Ten Fiscal Years

<u>DEMOGRAPHICS</u>				
<u>Fiscal Year</u>	<u>Population</u>	<u>PISD School Enrollment</u>	<u>WISD School Enrollment</u>	<u>Unemployment Rate %</u>
1995	1,808	36,664	3,398	2.8
1996	1,916	40,548	3,634	2.2
1997	2,123	43,325	3,866	2.0
1998	2,331	43,460	3,977	1.7
1999	2,675	43,514	4,307	1.7
2000	3,469	46,115	4,573	1.4
2001	5,013	47,364	4,968	3.3
2002	6,699	50,632	5,595	5.5
2003	7,991	51,800	6,522	5.3
2004	11,000	52,150	7,781	4.2

SOURCES: Official U.S. Census Bureau count for 1995-2003.
School enrollment figures were provided by school districts and websites.
Unemployment rates provided by the Texas Workforce Commission.

CITY OF MURPHY
Construction Activity and Property Value
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Property Value</u>	<u>Construction Activity</u>			
		<u>Residential</u>		<u>Commercial/Industrial</u>	
		<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
1995	\$ 65,843,759	N/A	N/A	N/A	N/A
1996	74,317,566	N/A	N/A	N/A	N/A
1997	80,465,915	N/A	N/A	N/A	N/A
1998	96,275,820	378	19,998,011	N/A	N/A
1999	114,594,378	655	36,472,168	8	4,209,600
2000	153,545,094	494	51,472,033	13	5,515,900
2001	238,027,958	605	77,040,521	7	27,855,000
2002	374,545,496	514	67,900,279	11	17,687,000
2003	526,038,434	508	72,592,308	5	4,420,428
2004	\$ 652,681,704	547	117,969,993	14	9,500,000

SOURCE: City of Murphy Building Inspection Department

NOTES: No figures available for some years.

Fiscal years 1995-1997 figures not available.

CITY OF MURPHY
Miscellaneous Statistical Data
September 30, 2004

Date of incorporation	December, 1958
Date of City Charter Adoption:	February 7, 2004
Form of government	Council-Manager
Number of employees:	
Full time	59
Part time	12
Area in square miles	5.71
City of Murphy facilities and services:	
Miles of streets	72.3
Building permits:	
Permits issued	561
Value	\$127,469,993
Fire protection:	
Number of stations	1
Number of uniformed employees	17
Police protection:	
Number of uniformed employees	13
Recreation:	
Park sites	9
Parks - number of acres	142
Number of playgrounds	5
Miles of sewers:	
Sanitary	62.9
Municipal water system:	
Number of customers	3,325
Daily average consumption (gallons)	2,007,000
Miles of water mains	74.8
Number of fire hydrants	646
Registered voters	6,032
Population	11,000

SOURCE: City of Murphy 2004 records.