



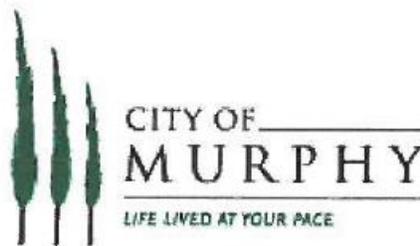
Comprehensive Annual Financial Report City of Murphy, Texas Fiscal Year Ended September 30, 2014

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

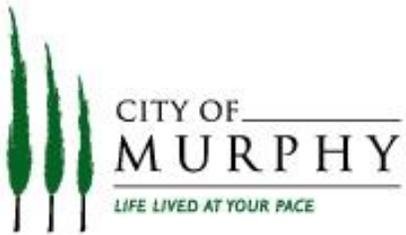


COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2014



James Fisher, City Manager
Linda Truitt, Finance Director
Steven Ventura, Assistant Finance Director



CITY OF MURPHY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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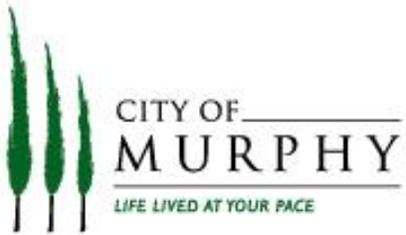
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INTRODUCTORY SECTION





March 3, 2015

Honorable Mayor Eric Barna and City Council
City of Murphy
Murphy, Texas

Dear Mayor Barna and Council Members:

The Comprehensive Annual Financial Report (“CAFR”) of the City of Murphy, Texas for the year ended September 30, 2014 is submitted herewith.

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

Pattillo, Brown, & Hill, L.L.P. has issued an unqualified (“clean”) opinion on the City of Murphy’s financial statements for the year ended September 30, 2014. The independent auditor’s report is located in the beginning of the financial section of the CAFR.

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

GENERAL INFORMATION – CITY OF MURPHY

The City of Murphy, Texas incorporated in 1958, is located in Collin County, the northeastern part of the Dallas-Fort Worth metroplex. It currently occupies 5.1 square miles and serves a population of approximately 19,500. The City of Murphy is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

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

James Fisher
City Manager

206 North Murphy Road
Murphy, TX 75094
www.murphytx.org

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

The local economy continued to improve during 2014. The City saw several new businesses come to town the past year after the big box retail store opened in last 2013 which in turn has generated additional growth. These businesses have contributed to an increase of sales tax and property values. The housing industry has continued to expand but the City will soon reach build out within the next three to five years. The new sales tax generated from new businesses should help offset the declining building and development fee revenues as the City reaches build out.

MAJOR INITIATIVES

For Fiscal Year 2014-2015, the top priority projects of the City of Murphy include:

Complete the design, Right of Way acquisition and construction of the South Maxwell Creek Parallel Trunk Sewer Line

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

Complete the construction of the Timber Nature Preserve and Trail

Purchase of new ambulance for Murphy Fire and Rescue

Replacement of 2,500 feet of water lines in south Murphy

Installation and implementation of video streaming of Council meetings

Purchase of vehicles for Police

Purchase of vehicles for Public Works

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

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

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

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

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

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

Relevant financial policies

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

General Governmental Functions

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

Tax Rate

2010-2011	.5650
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2011-2012	.5650
2012-2013	.5700
2013-2014	.5700
2014-2015	.5500

OTHER INFORMATION

Awards and Acknowledgments

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Murphy, Texas for its comprehensive annual report (“CAFR”) for the fiscal year ended September 30, 2013. This was the tenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

Respectfully submitted,

James Fisher
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

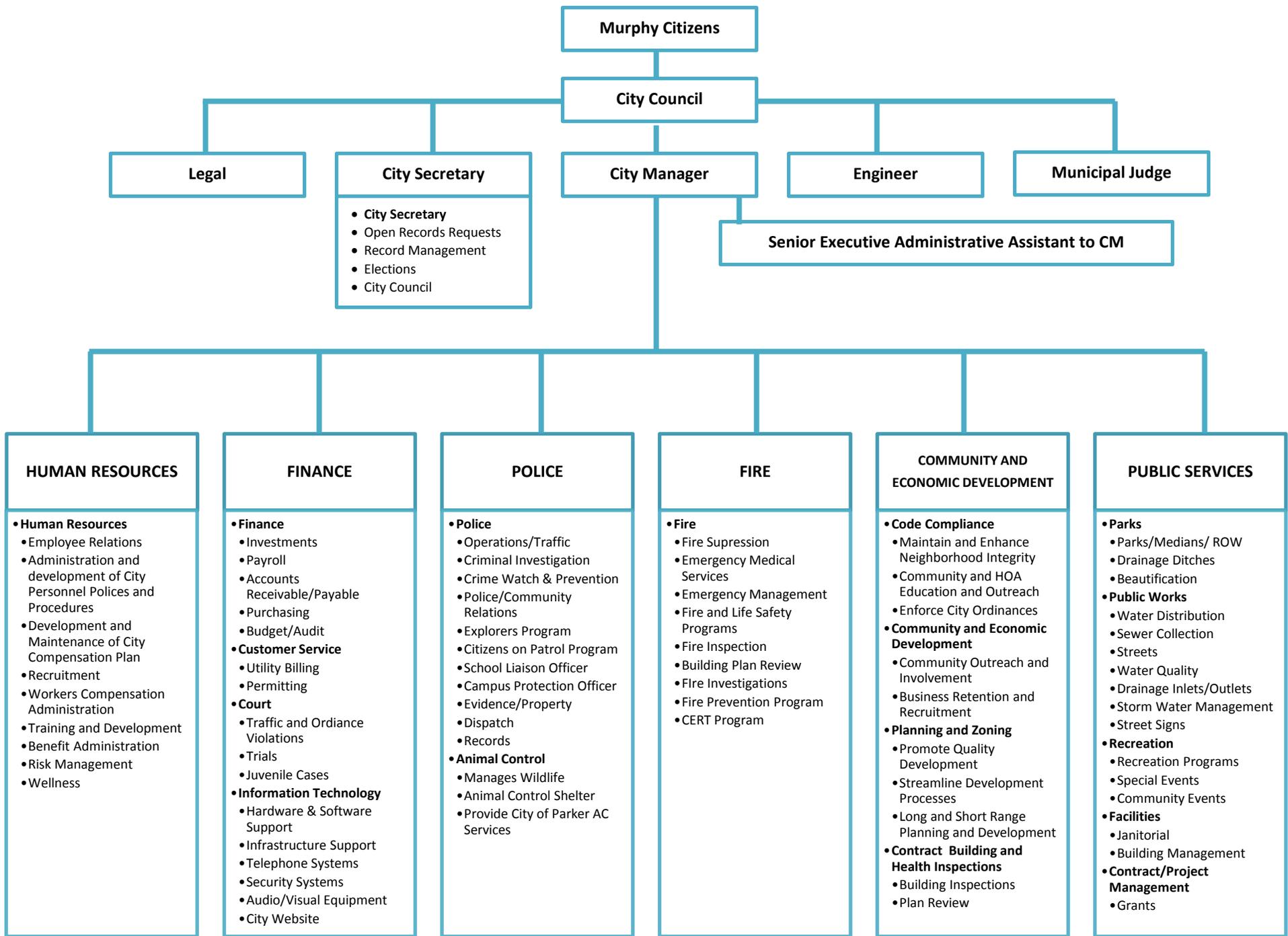
Presented to

**City of Murphy,
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



CITY OF MURPHY, TEXAS

**ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS
FOR THE YEAR ENDED
SEPTEMBER 30, 2014**

City Council

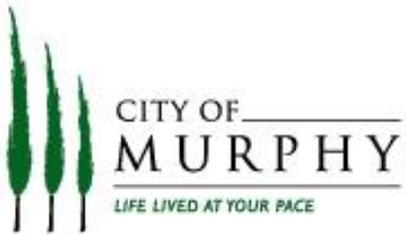
Eric Barna, Mayor
Scott Bradley, Mayor Pro-Tem
Owais Siddiqui, Deputy Mayor-Tem
Ben St. Clair
Betty Spraggins
Sarah Fincanon
Rob Thomas

City Manager

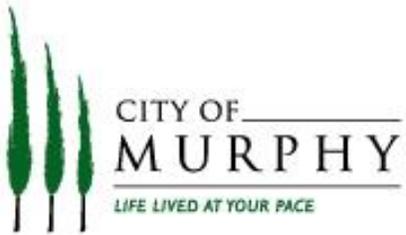
James Fisher

Leadership Team

G.M. Cox, Chief of Police
Bernie Parker, Director of Public Services
Kristen Roberts, Director of Community and Economic Development
Linda Truitt, Finance Director
Mark Lee, Fire Chief
Jana Traxler, Human Resources Manager
Susie Quinn, City Secretary



FINANCIAL SECTION





P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Murphy, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgeting comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of TMRS Funding Progress and Contributions, on pages 4-14 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

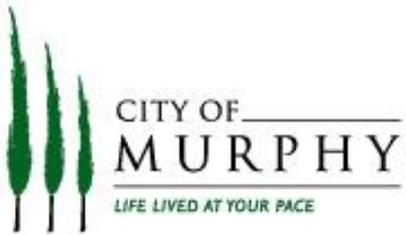
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, on our consideration of the City of Murphy, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Murphy, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
February 27, 2015



Management's Discussion and Analysis

As management of the City of Murphy ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Murphy for the fiscal year September 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Murphy exceeded its liabilities at the close of the fiscal year by \$82,820,101 (net position). Of this amount, \$72,275,193 or 87%, is net investment in capital assets. Net position restricted for a specific purpose is \$1,469,372. The remaining, \$9,119,088 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The government's total net position increased by \$2,967,194 mainly due to increased collections of property and sales taxes.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,037,163, a decrease of (\$277,158), in comparison with the prior year. The decrease in combined ending fund balances is attributable to the capital expenditures in the Capital Projects Fund for parks and recreation. Approximately 45% of this total amount, or \$3,635,402, is available for spending at the government's discretion (unassigned).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$3,635,402 was 30% percent of total general fund expenditures for the fiscal year. The increase in fund balance of the General Fund in the amount of \$75,320 was largely due to budgeted expenditures being in-line with expected revenues and increased collections of property and sales taxes.
- The City's total outstanding long-term debt decreased by (\$2,817,453), or (6%), during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the proprietary fund statements, and 3) component units.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

City of Murphy's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 13,425,504	\$ 11,666,982	\$ 4,853,615	\$ 4,812,980	\$ 18,279,119	\$ 16,479,962
Capital assets	<u>78,698,210</u>	<u>77,996,534</u>	<u>31,511,142</u>	<u>32,009,525</u>	<u>110,209,352</u>	<u>110,006,059</u>
Total assets	<u>92,123,714</u>	<u>89,663,516</u>	<u>36,364,757</u>	<u>36,822,505</u>	<u>128,488,471</u>	<u>126,486,021</u>
Total deferred outflows of resources	<u>374,360</u>	<u>411,796</u>	<u>-</u>	<u>-</u>	<u>374,360</u>	<u>411,796</u>
Long-term liabilities	35,388,130	37,800,158	6,615,155	7,003,396	42,003,285	44,803,554
Other liabilities	<u>3,310,674</u>	<u>1,582,600</u>	<u>728,771</u>	<u>658,756</u>	<u>4,039,445</u>	<u>2,241,356</u>
Total liabilities	<u>38,698,804</u>	<u>39,382,758</u>	<u>7,343,926</u>	<u>7,662,152</u>	<u>46,042,730</u>	<u>47,044,910</u>
Net position:						
Net investment in capital assets	47,365,297	44,573,482	24,909,896	25,025,529	72,275,193	69,599,011
Restricted	817,741	886,767	647,149	651,923	1,464,890	1,538,690
Unrestricted	<u>5,616,232</u>	<u>5,232,305</u>	<u>3,463,786</u>	<u>3,482,901</u>	<u>9,080,018</u>	<u>8,715,206</u>
Total net position	<u>\$ 53,799,270</u>	<u>\$ 50,692,554</u>	<u>\$ 29,020,831</u>	<u>\$ 29,160,353</u>	<u>\$ 82,820,101</u>	<u>\$ 79,852,907</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources exceed liabilities by \$82,820,101 as of September 30, 2014.

Net investment in capital assets:

The City's net position increased by \$2,967,194, excluding prior period adjustments, for the fiscal year ended September 30, 2014. However, a large portion, 87%, reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Murphy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Murphy's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position represents 2% that are subject to external restrictions on how they may be used, or by enabling legislation. The restricted net positions are comprised of (a) \$697,549 for debt service and, (b) \$767,341 for state imposed and other restrictions.

Unrestricted net position:

Unrestricted net position in the amount of \$9,080,018 is available to fund the City programs to citizens and creditors.

City of Murphy's Changes in Net Position

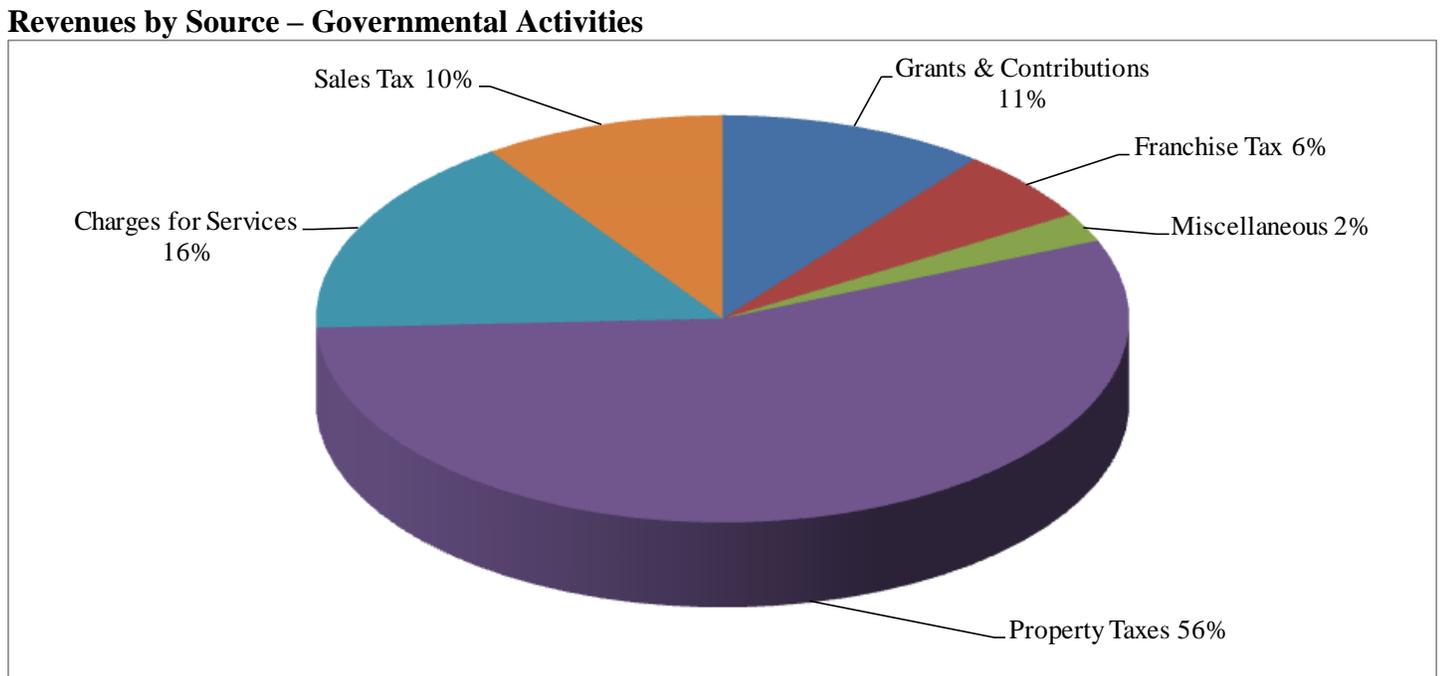
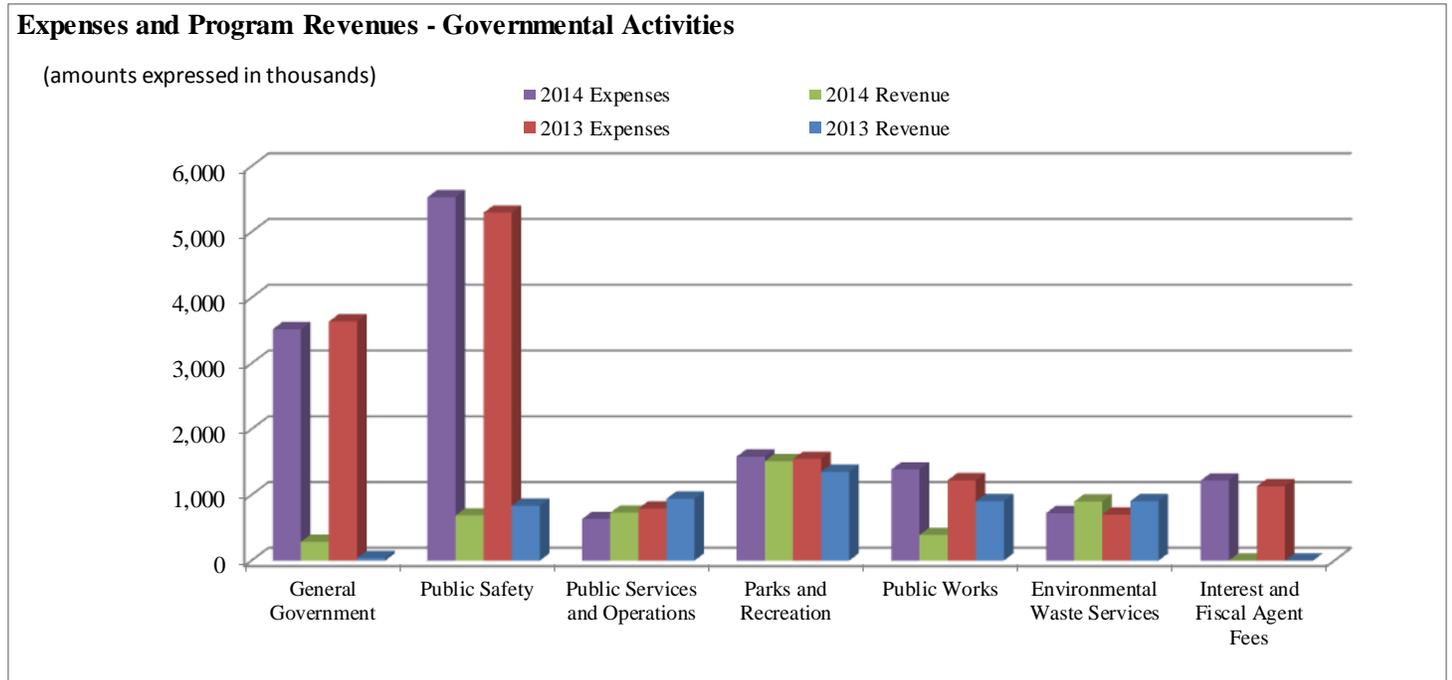
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,699,927	\$ 3,046,940	\$ 7,188,404	\$ 7,058,856	\$ 9,888,331	\$ 10,105,796
Operating grants and contributions	244,810	369,220	-	-	244,810	369,220
Capital grants and contributions	1,545,763	1,975,563	-	-	1,545,763	1,975,563
General revenues:						
Property taxes	9,347,644	8,962,163	-	-	9,347,644	8,962,163
Franchise taxes	970,136	855,550	-	-	970,136	855,550
Sales and use tax taxes	1,624,731	1,299,239	-	-	1,624,731	1,299,239
Investment income	12,353	17,244	4,085	5,968	16,438	23,212
Miscellaneous	389,249	280,643	25,280	9,882	414,529	290,525
Total revenues	<u>16,834,613</u>	<u>16,806,562</u>	<u>7,217,769</u>	<u>7,074,706</u>	<u>24,052,382</u>	<u>23,881,268</u>
Expenses:						
General government	3,517,089	3,635,933	-	-	3,517,089	3,635,933
Public safety	5,524,728	5,290,825	-	-	5,524,728	5,290,825
Public works	1,275,322	1,219,764	-	-	1,275,322	1,219,764
Public services and operations	629,618	789,277	-	-	629,618	789,277
Parks and recreation	1,582,108	1,545,567	-	-	1,582,108	1,545,567
Development	109,839	131,050	-	-	109,839	131,050
Sanitation services	721,110	697,425	-	-	721,110	697,425
Interest on long-term debt	1,218,083	1,128,746	-	-	1,218,083	1,128,746
Water and sewer	-	-	6,507,291	6,460,558	6,507,291	6,460,558
Total expenses	<u>14,577,897</u>	<u>14,438,587</u>	<u>6,507,291</u>	<u>6,460,558</u>	<u>21,085,188</u>	<u>20,899,145</u>
Increases in net position before transfers	2,256,716	2,367,964	710,478	614,148	2,967,194	2,982,112
Transfers	<u>850,000</u>	<u>850,000</u>	<u>(850,000)</u>	<u>(850,000)</u>	<u>-</u>	<u>-</u>
Change in net position	3,106,716	3,217,965	(139,522)	(235,852)	2,967,194	2,982,113
Net position, beginning	<u>50,692,554</u>	<u>47,690,174</u>	<u>29,160,353</u>	<u>29,650,345</u>	<u>79,852,907</u>	<u>77,340,519</u>
Prior period adjustment	<u>-</u>	<u>(215,585)</u>	<u>-</u>	<u>(254,140)</u>	<u>-</u>	<u>(469,725)</u>
Net position, ending	<u>\$ 53,799,270</u>	<u>\$ 50,692,554</u>	<u>\$ 29,020,831</u>	<u>\$ 29,160,353</u>	<u>\$ 82,820,101</u>	<u>\$ 79,852,907</u>

The Governmental Activities have increased net position, excluding prior period adjustments, in the amount of \$2,993,860. This is due in large part to greater revenues from property and sales taxes as well as charges for services.

The Business-type Activities have a decrease in net position of (\$139,522) due in large part to an increase in cost of contractual services provided for water purchases in the amount of \$324,136.

Governmental-type Activities – Governmental-type activities increased the City’s net position by \$3,106,716, excluding prior period adjustments. A key element of this increase is as follows:

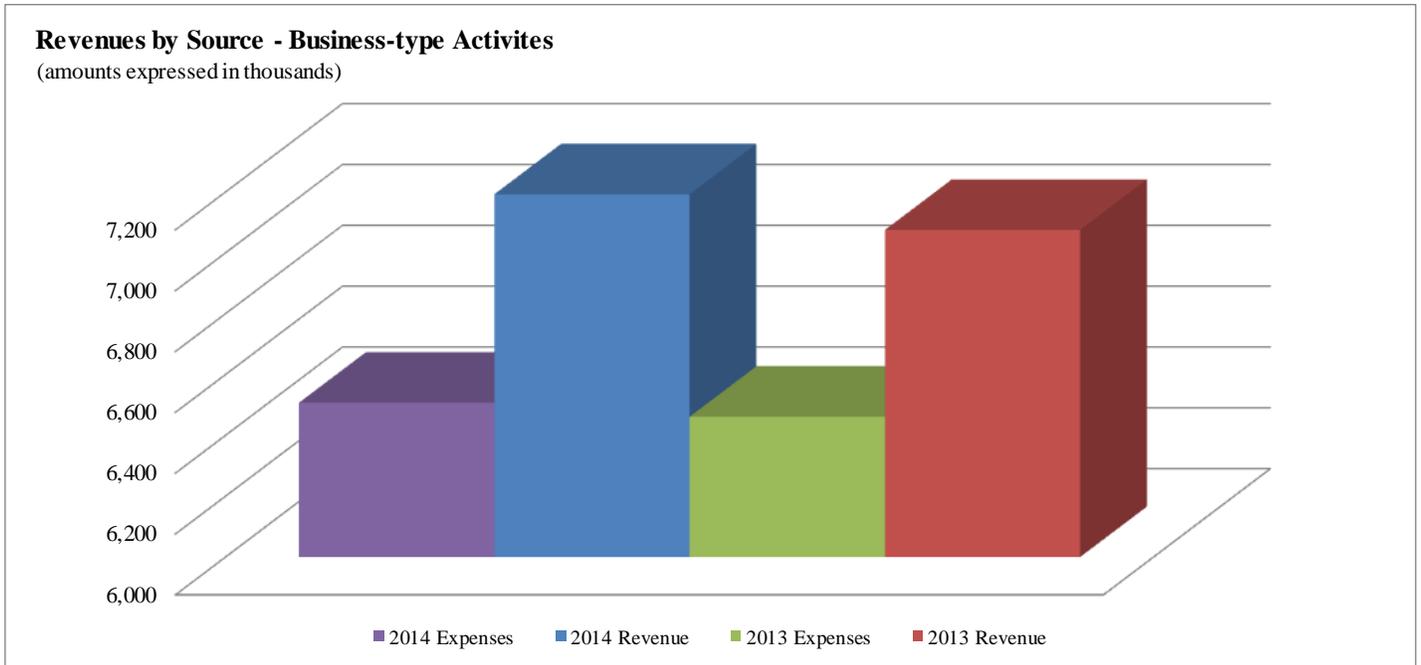
The City received greater revenues from property and sales taxes as well as charges for services.



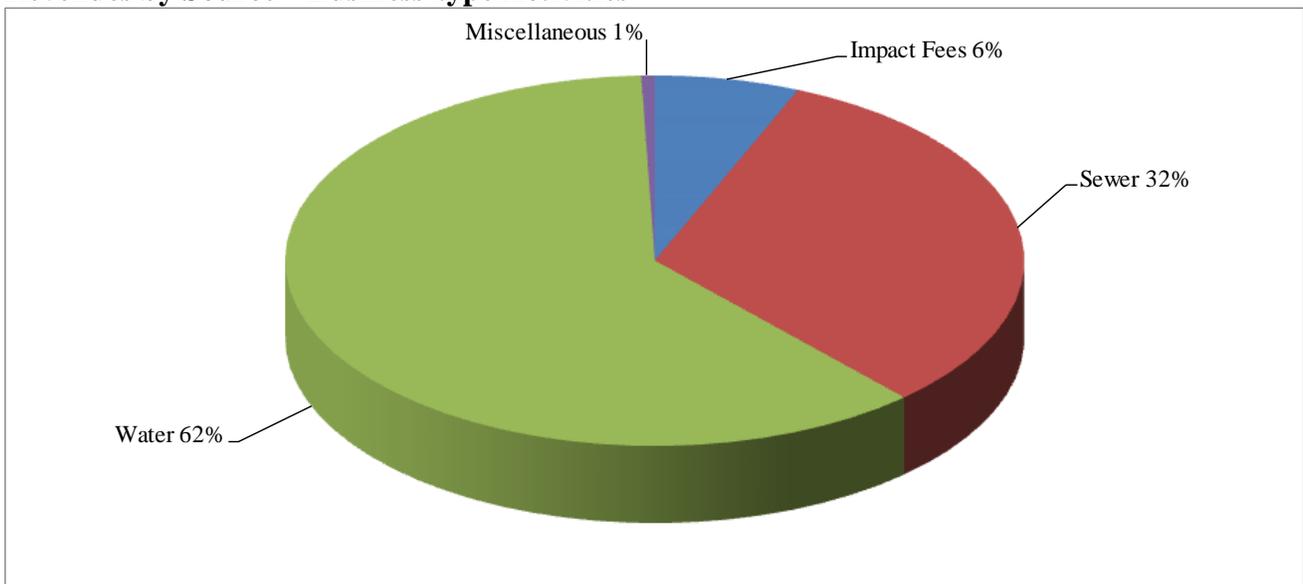
Business-type Activities – Business-type activities decreased the City’s net position by (\$139,522), excluding prior period adjustments. Key elements for this decrease are as follows:

Contractual services expenses increased \$324,136, or 9%.

Interest and fiscal charges decreased \$106,177, or 21%.



Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,635,402. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 30% of total General Fund expenditures. The \$75,320 increase in fund balance in the General Fund is largely due to the increase in property and sales taxes and charges for services in comparison to the previous year.

At September 30, 2014, the governmental funds of the City of Murphy reported a combined fund balance of \$8,037,163, a (3%) decrease from last year. The City restricted \$4,383,087 during the year ended September 30, 2014, of which \$3,426,774 is for capital improvements.

At September 30, 2014, the debt service fund, a major governmental fund, had a total fund balance of \$836,121 which is restricted for the payment of debt. A decrease of \$7,913 in fund balance during the current year was due to collecting less revenue than budgeted during the year.

At September 30, 2014, the capital projects fund, a major fund, had a decrease in fund balance of (\$344,565). The decrease is due to the spending of resources obtained through the issuance of long-term debt in the prior period on capital acquisitions and construction in the current fiscal year.

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

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

Proprietary Funds – The City of Murphy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,463,786 and \$24,909,896 invested in net capital assets less related debt. Other factors concerning the finances of these funds have already been addressed in the discussion of the City business-type activities.

Capital assets – The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2014, totals \$110,209,352 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, park facilities, machinery and equipment and water infrastructure.

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

- Several ongoing major street infrastructure improvements: N Murphy Rd, McCreary Rd and Betsy Lane.
- Continued progress on Murphy Municipal Park.
- Construction of the City animal shelter.

More detailed information about the City’s capital assets is presented in Note D to the financial statements on page 45-46.

**City of Murphy
Capital Assets
September 30, 2014**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 12,301,789	\$ 12,301,789	\$ -	\$ -	\$ 12,301,789	\$ 12,301,789
Construction in progress	11,866,297	9,077,437	2,131,216	1,962,187	13,997,513	11,039,624
Buildings and improvements	25,632,155	25,632,155	-	-	25,632,155	25,632,155
Machinery and equipment	4,453,510	3,960,654	719,333	506,839	5,172,843	4,467,493
Infrastructure	47,404,580	47,404,580	38,920,989	38,920,989	86,325,569	86,325,569
Accumulated depreciation	(22,960,121)	(20,380,081)	(10,260,396)	(9,380,490)	(33,220,517)	(29,760,571)
Total	\$ 78,698,210	\$ 77,996,534	\$ 31,511,142	\$ 32,009,525	\$ 110,209,352	\$ 110,006,059

Long-Term Debt

As of September 30, 2014, total long-term debt for the City was \$41,772,730. This debt represents bonds secured by specified revenue sources.

**City of Murphy
Outstanding Debt
September 30, 2014**

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation and certificates of obligation	\$ 21,360,000	\$ 22,630,000	\$ 6,560,000	\$ 6,880,000	\$ 27,920,000	\$ 29,510,000
Refunding bonds	9,595,000	10,670,000	-	-	9,595,000	10,670,000
Revenue bonds	-	-	-	60,000	-	60,000
Tax notes	2,705,000	2,305,000	-	-	2,705,000	2,305,000
Capital lease	-	14,303	-	-	-	14,303
Notes payable	-	339,627	-	-	-	339,627
Premium on bonds issued	1,511,484	1,647,257	41,246	43,996	1,552,730	1,691,253
	\$ 35,171,484	\$ 37,606,187	\$ 6,601,246	\$ 6,983,996	\$ 41,772,730	\$ 44,590,183

The City of Murphy’s long-term debt decreased by (\$2,817,453), or (6%) during the past fiscal year.

More detailed information about the City’s long-term liabilities is presented in Note E to the financial statements on 47 -49.

Texas statutes limit the amount of bonds a governmental entity may issue to 10% of the assessed calculation of taxable property to the most recent ad valorem tax roll. The current debt limitation for the City is \$168,806,000, which is significantly in excess of the outstanding general obligation debt.

Economic Factors and Net Year's Budgets and Rates

The FY2015 budget reflects a 1.5% decrease in the M&O tax rate from \$0.341521 to \$0.336270 per \$100 valuation. The tax rate for the debt service fund decreased by \$0.014749 to \$0.213730 the result of refinancing of bonds and reducing the interest rate creating a major savings over the life of the outstanding bonds.

The FY 2015 budget will raise more total property taxes than last year's budget by \$547,752 or 5.86% and of that amount, \$252,218 is tax revenue to be raised from new property added to the roll this year.

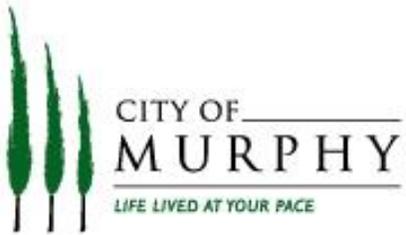
The City continues to see growth in sales tax collection as the retail and commercial areas continues to develop. Sales tax revenues are projected to generate approximately 14% of the FY 2015 General Fund revenues. This number should continue to increase as new businesses open.

The main source of revenues for the Utility Fund is water and sewer fees for both residential and commercial customers. Revenues from the sale of water are budgeted at \$5,255,000 for FY 2015, a 4.31% increase from the FY 2014 budget while sewer sales are projected at \$2,715,000 an increase of 8.51%. Water and sewer rates were adjusted in October, 2014 which resulted in the projected increase of revenues.

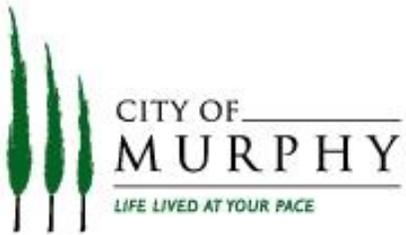
While the City supports water conservation in general and especially during the drought that the North Texas area is experiencing, this will have a negative impact on the water sales while the operational costs remain constant. Revenues from water and sewer sales will be monitored closely throughout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

Request for Information

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



BASIC FINANCIAL STATEMENTS



CITY OF MURPHY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 10,322,418	\$ 2,428,995	\$ 12,751,413	\$ 1,432,372
Receivables (net of allowance for uncollectible)	733,597	817,518	1,551,115	283,239
Internal Balances	108,679	(108,679)	-	-
Notes receivable from component unit	2,139,739	-	2,139,739	-
Note receivable	-	-	-	38,400
Restricted assets:				
Cash and cash equivalents	121,071	1,715,781	1,836,852	-
Capital assets not being depreciated:			-	-
Land	12,301,789	-	12,301,789	-
Construction in progress	11,866,297	2,131,216	13,997,513	-
Capital assets net of accumulated depreciation:				
Infrastructure	47,404,580	38,920,989	86,325,569	-
Buildings and improvements	25,632,155	-	25,632,155	-
Machinery and equipment	4,453,510	719,333	5,172,843	-
Accumulated depreciation	(22,960,121)	(10,260,396)	(33,220,517)	-
Total assets	<u>92,123,714</u>	<u>36,364,757</u>	<u>128,488,471</u>	<u>1,754,011</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	374,360	-	374,360	-
Total Deferred Outflow of Resources	<u>374,360</u>	<u>-</u>	<u>374,360</u>	<u>-</u>
LIABILITIES				
Accounts payable	502,430	267,834	770,264	24,077
Accrued liabilities	233,210	27,581	260,791	1,185
Due to other governments	74,654	-	74,654	-
Other liabilities	15,415	4,115	19,530	-
Unearned revenues	2,328,043	33,147	2,361,190	-
Customer deposits	2,409	363,373	365,782	-
Accrued interest payable	154,513	32,721	187,234	-
Noncurrent liabilities:				
Due within one year				
Compensated absences	21,665	3,199	24,864	-
Note payable to primary government	-	-	-	483,111
Note payable	605,000	-	605,000	-
Bond payable	2,635,774	332,750	2,968,524	-
Due in more than one year:				
Compensated absences	194,982	10,710	205,692	-
Note payable to primary government	-	-	-	1,657,027
Note payable	2,100,000	-	2,100,000	-
Bonds payable	29,830,709	6,268,496	36,099,205	-
Total liabilities	<u>38,698,804</u>	<u>7,343,926</u>	<u>46,042,730</u>	<u>2,165,400</u>
NET POSITION				
Net investment in capital assets	47,365,297	24,909,896	72,275,193	-
Restricted for:				
Debt service	697,549	-	697,549	-
Use of impact fees	-	647,149	647,149	-
Court Use	101,373	-	101,373	-
Animal shelter	6,054	-	6,054	-
PEG fees	12,765	-	12,765	-
Unrestricted	<u>5,616,232</u>	<u>3,463,786</u>	<u>9,080,018</u>	<u>(411,389)</u>
Total net position	<u>\$ 53,799,270</u>	<u>\$ 29,020,831</u>	<u>\$ 82,820,101</u>	<u>\$ (411,389)</u>

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

CITY OF MURPHY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,517,089	\$ 40,293	\$ 242,809	\$ -
Public safety	5,524,728	682,357	2,001	-
Public services and operations	629,618	727,089	-	-
Parks and recreation	1,582,108	136,529	-	1,374,238
Public works	1,275,322	216,895	-	171,525
Development	109,839	-	-	-
Sanitation services	721,110	896,764	-	-
Interest on long-term debt	1,218,083	-	-	-
Total governmental activities	<u>14,577,897</u>	<u>2,699,927</u>	<u>244,810</u>	<u>1,545,763</u>
Business-type activities:				
Water and sewer	6,507,291	7,188,404	-	-
Total business-type activities	<u>6,507,291</u>	<u>7,188,404</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>21,085,188</u></u>	<u><u>9,888,331</u></u>	<u><u>244,810</u></u>	<u><u>1,545,763</u></u>
Component units:				
Governmental Activities:				
Community Development Corporation	370,896	-	-	-
Murphy Development District	1,175,539	-	-	-
Total component units:	<u><u>\$ 1,546,435</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

General revenues:

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

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$(3,233,987)	\$ -	\$(3,233,987)	\$ -
(4,840,370)	-	(4,840,370)	-
97,471	-	97,471	-
(71,341)	-	(71,341)	-
(886,902)	-	(886,902)	-
(109,839)	-	(109,839)	-
175,654	-	175,654	-
(1,218,083)	-	(1,218,083)	-
(10,087,397)	-	(10,087,397)	-
-	681,113	681,113	-
-	681,113	681,113	-
(10,087,397)	681,113	(9,406,284)	-
-	-	-	(370,896)
-	-	-	(1,175,539)
\$ -	\$ -	\$ -	\$(1,546,435)
9,347,644	-	9,347,644	-
970,136	-	970,136	-
1,624,731	-	1,624,731	1,587,635
12,353	4,085	16,438	2,131
389,249	25,280	414,529	-
850,000	(850,000)	-	-
13,194,113	(820,635)	12,373,478	1,589,766
3,106,716	(139,522)	2,967,194	43,331
50,692,554	29,160,353	79,852,907	(454,720)
\$ 53,799,270	\$ 29,020,831	\$ 82,820,101	\$(411,389)

CITY OF MURPHY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General	Debt Service	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 3,814,754	\$ 825,368	\$ 5,682,296	\$ 10,322,418
Receivables (net of allowances for uncollectibles)	550,495	26,694	156,408	733,597
Due from utility fund	108,679	-	-	108,679
Notes receivable from component unit	2,139,739	-	-	2,139,739
Restricted-cash and cash equivalents	121,071	-	-	121,071
Total assets	6,734,738	852,062	5,838,704	13,425,504
LIABILITIES:				
Accounts payable	418,543	-	83,887	\$ 502,430
Accrued liabilities	233,210	-	-	233,210
Due to other governments	74,654	-	-	74,654
Customer deposits	2,409	-	-	2,409
Unearned revenue	-	-	2,328,043	2,328,043
Other liabilities	15,415	-	-	15,415
Total liabilities	744,231	-	2,411,930	3,156,161
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	22,166	15,941	-	38,107
Unavailable revenue-notes receivable from component unit	2,139,739	-	-	2,139,739
Unavailable revenue - ambulance fees	44,280	-	-	44,280
Unavailable revenue - municipal fines	10,054	-	-	10,054
Total deferred inflows of resources	2,216,239	15,941	-	2,232,180
FUND BALANCES				
Restricted for:				
Debt service	-	836,121	-	836,121
Animal shelter	6,054	-	-	6,054
Municipal court	101,373	-	-	101,373
PEG fees	12,765	-	-	12,765
Capital improvements	-	-	3,426,774	3,426,774
Assigned for:				
Police	18,674	-	-	18,674
Unassigned	3,635,402	-	-	3,635,402
Total Fund Balances	3,774,268	836,121	3,426,774	8,037,163
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,734,738	\$ 852,062	\$ 5,838,704	\$ 13,425,504

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

CITY OF MURPHY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds	\$ 8,037,163
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	78,698,210
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	(33,660,000)
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	(1,511,483)
For debt refunding, the difference between the acquisition price and the net carrying value amount of the debt has been deferred and amortized in the government-wide financial statements.	374,360
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	(154,513)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(216,647)
Revenue reported as unearned revenue in the governmental fund financial statements are recorded as revenue in the government-wide financial statements.	<u>2,232,180</u>
Net position of governmental activities	<u>\$ 53,799,270</u>

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

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

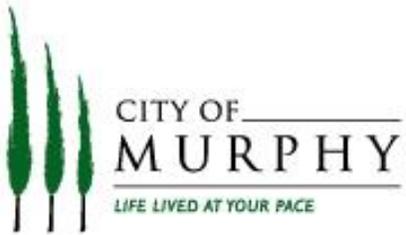
	General	Debt Service	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property tax	\$ 5,610,786	\$ 3,754,575	\$ -	\$ 9,365,361
Franchise taxes	970,136	-	-	970,136
Fines and forfeitures	366,630	-	-	366,630
Sales tax	1,624,731	-	-	1,624,731
Charges for services	1,633,091	-	-	1,633,091
Licenses and permits	688,687	-	-	688,687
Grants	-	-	640,254	640,254
Intergovernmental	244,810	-	850,000	1,094,810
Donations	28,000	-	55,509	83,509
Investment income	5,617	1,521	5,215	12,353
Miscellaneous	30,429	-	369,604	400,033
Total revenues	11,202,917	3,756,096	1,920,582	16,879,595
EXPENDITURES				
Current Operating:				
General government	2,552,368	-	-	2,552,368
Public safety	5,266,608	-	-	5,266,608
Public works	307,111	-	-	307,111
Public services and operations	624,004	-	-	624,004
Parks and recreation	1,127,913	-	-	1,127,913
Development	109,839	-	-	109,839
Sanitation services	721,110	-	-	721,110
Debt service:				
Principal retirement	14,303	2,520,000	339,627	2,873,930
Interest and fiscal agent fees	-	1,244,009	-	1,244,009
Bond issuance costs	-	-	-	-
Capital outlay	1,404,341	-	1,925,520	3,329,861
Total expenditures	12,127,597	3,764,009	2,265,147	18,156,753
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(924,680)	(7,913)	(344,565)	(1,277,158)
OTHER FINANCING SOURCES (USES)				
Debt Issuance	150,000	-	-	150,000
Transfers in	850,000	-	-	850,000
Total other financing sources (uses)	1,000,000	-	-	1,000,000
NET CHANGE IN FUND BALANCES	75,320	(7,913)	(344,565)	(277,158)
FUND BALANCES, BEGINNING	3,698,948	844,034	3,771,339	8,314,321
FUND BALANCES, ENDING	\$ 3,774,268	\$ 836,121	\$ 3,426,774	\$ 8,037,163

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

CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds	\$(277,158)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2014 capital outlays is to increase net position.	3,281,716
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(2,580,040)
Current year long-term debt principal payments are expenditures in the fund financial statements and are shown as a reduction in long term debt in the government-wide financial statements.	3,298,930
The issuance of long-term debt provides current financial resources to governmental funds but are treated as liabilities in the government-wide statements.	(1,000,000)
Premiums and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in the government-wide financial statements.	98,338
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as revenue in the governmental funds.	(49,344)
Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(22,676)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	<u>356,950</u>
Change in net position of governmental activities	<u>\$ 3,106,716</u>

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



CITY OF MURPHY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property tax	\$ 5,614,000	\$ 5,614,000	\$ 5,610,786	\$(3,214)
Franchise taxes	882,200	895,000	970,136	75,136
Fines and forfeitures	413,700	413,700	366,630	(47,070)
Sales tax	1,724,000	1,724,000	1,624,731	(99,269)
Charges for services	1,530,600	1,530,600	1,633,091	102,491
Licenses and permits	670,000	670,000	688,687	18,687
Intergovernmental	276,400	276,400	244,810	(31,590)
Donations	-	-	28,000	28,000
Investment income	6,500	6,500	5,617	(883)
Miscellaneous	35,100	35,100	30,429	(4,671)
	<u>11,152,500</u>	<u>11,165,300</u>	<u>11,202,917</u>	<u>37,617</u>
EXPENDITURES				
General Government:				
City Administration:				
Personnel services	255,000	255,000	189,874	65,126
Materials and supplies	5,700	5,700	4,253	1,447
Other services	162,500	162,500	160,678	1,822
Total City Administration	<u>423,200</u>	<u>423,200</u>	<u>354,805</u>	<u>68,395</u>
Human Resources:				
Personnel services	91,200	91,200	79,095	12,105
Materials and supplies	400	400	1,115	(715)
Other services	47,800	47,800	50,942	(3,142)
Total Human Resources	<u>139,400</u>	<u>139,400</u>	<u>132,025</u>	<u>7,375</u>
Information Technology:				
Personnel services	251,000	251,000	253,836	(2,836)
Materials and supplies	18,100	18,100	13,257	4,843
Other services	314,100	314,100	309,181	4,919
Capital outlay	216,400	216,400	215,919	481
Total Information Technology	<u>799,600</u>	<u>799,600</u>	<u>792,193</u>	<u>7,407</u>
City Council:				
Personnel services	14,600	14,600	19,565	(4,965)
Materials and supplies	3,500	3,500	2,234	1,266
Other services	286,100	286,100	200,784	85,316
Total City Council	<u>304,200</u>	<u>304,200</u>	<u>222,583</u>	<u>81,617</u>
City Secretary:				
Personnel services	99,400	99,400	85,728	13,672
Materials and supplies	26,900	26,900	44,979	(18,079)
Other services	22,200	44,200	38,767	5,433
Total City Secretary	<u>148,500</u>	<u>170,500</u>	<u>169,474</u>	<u>1,026</u>

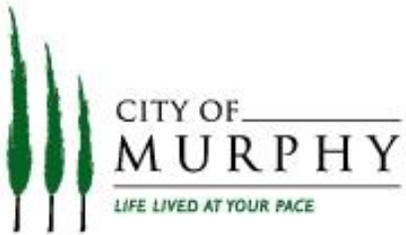
The accompanying notes are an integral part of these financial statements.

CITY OF MURPHY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES (continued)				
Finance:				
Personnel services	278,100	258,100	236,596	21,504
Materials and supplies	1,500	1,500	1,715	(215)
Other services	132,500	132,500	120,386	12,114
Total Finance	<u>412,100</u>	<u>392,100</u>	<u>358,697</u>	<u>33,403</u>
Facilities:				
Personnel Services	106,800	106,800	90,876	15,924
Materials and supplies	58,300	58,300	50,744	7,556
Other services	305,900	305,900	245,099	60,801
Capital outlay	25,000	25,000	-	25,000
Total Facilities	<u>496,000</u>	<u>496,000</u>	<u>386,719</u>	<u>109,281</u>
Municipal Court:				
Personnel services	190,300	190,300	285,115	(94,815)
Materials and supplies	3,100	3,100	3,563	(463)
Other services	166,900	166,900	63,986	102,914
Total Municipal Court	<u>360,300</u>	<u>360,300</u>	<u>352,664</u>	<u>7,636</u>
Total General Government	<u>3,083,300</u>	<u>3,085,300</u>	<u>2,769,160</u>	<u>316,140</u>
Public Safety:				
Fire Department:				
Personnel services	2,030,700	2,030,700	1,922,402	108,298
Materials and supplies	163,400	153,400	133,472	19,928
Other services	283,900	283,900	271,151	12,749
Capital outlay	155,500	155,500	144,788	10,712
Total Fire Department	<u>2,633,500</u>	<u>2,623,500</u>	<u>2,471,813</u>	<u>151,687</u>
Police Department:				
Personnel services	2,696,100	2,696,100	2,590,719	105,381
Materials and supplies	147,100	135,100	115,288	19,812
Other services	256,800	256,800	233,576	23,224
Capital outlay	134,000	134,000	123,368	10,632
Total Police Department	<u>3,234,000</u>	<u>3,222,000</u>	<u>3,062,951</u>	<u>159,049</u>
Total Public Safety	<u>5,867,500</u>	<u>5,845,500</u>	<u>5,534,764</u>	<u>310,736</u>
Public Works:				
Public works department				
Materials and supplies	46,400	46,400	21,169	25,231
Other services	256,900	276,900	285,942	(9,042)
Capital outlay	95,000	95,000	66,439	28,561
Total Public Works	<u>398,300</u>	<u>418,300</u>	<u>373,550</u>	<u>44,750</u>
Public Services and Operations:				
Community Services:				
Personnel services	232,400	232,400	223,188	9,212
Materials and supplies	17,050	17,050	9,244	7,806
Other services	305,200	305,200	271,288	33,912
Total Community Services	<u>575,350</u>	<u>575,350</u>	<u>523,590</u>	<u>51,760</u>

CITY OF MURPHY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES (continued)				
Animal Control:				
Personnel services	103,500	103,500	102,110	1,390
Materials and supplies	12,000	12,900	10,062	2,838
Other services	12,300	12,300	8,112	4,188
Capital outlay	-	816,000	820,843	(4,843)
Total Animal Control	<u>127,800</u>	<u>944,700</u>	<u>941,127</u>	<u>3,573</u>
Total Public Services and Operations	<u>703,150</u>	<u>1,520,050</u>	<u>1,464,717</u>	<u>55,333</u>
Parks and Recreation:				
Parks:				
Personnel services	562,000	562,000	521,883	40,117
Materials and supplies	128,000	128,000	134,803	(6,803)
Other services	215,600	215,600	170,802	44,798
Capital outlay	7,000	7,000	10,862	(3,862)
Total Parks	<u>912,600</u>	<u>912,600</u>	<u>838,350</u>	<u>74,250</u>
Recreation:				
Personnel services	182,900	182,900	169,426	13,474
Materials and supplies	20,900	20,900	9,359	11,541
Other services	106,800	106,800	121,640	(14,840)
Total Recreation	<u>310,600</u>	<u>310,600</u>	<u>300,425</u>	<u>10,175</u>
Total Parks and Recreation	<u>1,223,200</u>	<u>1,223,200</u>	<u>1,138,775</u>	<u>84,425</u>
Economic Development:				
Personnel services	115,800	115,800	77,475	38,325
Materials and supplies	700	700	780	(80)
Other services	28,300	28,300	31,584	(3,284)
Total Economic Development	<u>144,800</u>	<u>144,800</u>	<u>111,218</u>	<u>33,582</u>
Solid Waste Management:				
Other services	708,500	723,500	721,110	2,390
Total Waste Management	<u>708,500</u>	<u>723,500</u>	<u>721,110</u>	<u>2,390</u>
Debt Service:				
Principal	12,300	12,300	14,303	(2,003)
Total Debt Service	<u>12,300</u>	<u>12,300</u>	<u>14,303</u>	<u>(2,003)</u>
Total expenditures	<u>12,141,050</u>	<u>12,972,950</u>	<u>12,127,597</u>	<u>845,353</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(988,550)	(1,807,650)	(924,680)	882,970
OTHER FINANCING SOURCES (USES)				
Debt Issuance	-	150,000	150,000	-
Transfers	850,000	850,000	850,000	-
Total other financing sources (uses)	<u>850,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(138,550)	(807,650)	75,320	882,970
FUND BALANCES, BEGINNING	<u>3,698,948</u>	<u>3,698,948</u>	<u>3,698,948</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 3,560,398</u>	<u>\$ 2,891,298</u>	<u>\$ 3,774,268</u>	<u>\$ 882,970</u>



CITY OF MURPHY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,428,995
Receivables, net	817,518
Restricted cash and investments	1,715,781
Total current assets	4,962,294
Noncurrent assets:	
Capital assets:	
Infrastructure	38,920,989
Vehicles, machinery and equipment	719,333
Construction in progress	2,131,216
Less: accumulated depreciation	(10,260,396)
Total noncurrent assets	31,511,142
Total assets	\$ 36,473,436
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 267,834
Accrued liabilities	27,581
Other liabilities	4,115
Due to general fund	108,679
Unearned revenues	33,147
Payables from restricted assets:	
Customer deposits	363,373
Accrued interest payable	32,721
Compensated absences - current	3,199
Revenue bonds payable - current	332,750
Total current liabilities	1,173,399
Noncurrent liabilities:	
Compensated absences	10,710
Revenue bonds payable	6,268,496
Total noncurrent liabilities	6,279,206
Total liabilities	7,452,605
NET POSITION	
Net investment in capital assets	24,909,896
Restricted for:	
Impact fees	647,149
Unrestricted	3,463,786
Total net position	\$ 29,020,831

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

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for sales and services:	
Service charges	\$ 7,188,404
Miscellaneous	<u>25,280</u>
Total operating revenues	<u><u>7,213,684</u></u>
OPERATING EXPENSES	
Personnel services	860,489
Supplies and material	141,963
Maintenance and repair	87,566
Contractual services	4,125,966
Depreciation	<u>879,906</u>
Total operating expenses	<u><u>6,095,890</u></u>
Operating Income (Loss)	<u><u>1,117,794</u></u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	4,085
Interest and fiscal charges	<u>(411,401)</u>
Total nonoperating revenues (expenses)	<u><u>(407,316)</u></u>
Income before transfers	710,478
Transfers Out	(850,000)
Change in net position	(139,522)
TOTAL NET POSITION, BEGINNING	<u>29,160,353</u>
TOTAL NET POSITION, ENDING	<u><u>\$ 29,020,831</u></u>

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

CITY OF MURPHY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 7,273,206
Cash paid to employees	(868,524)
Cash paid for goods and services	(4,516,989)
Net cash provided by (used in) operating activities	1,887,693
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(850,000)
Net cash provided by (used in) non-capital financing activities	(850,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest and fiscal charges	(424,151)
Principal payments on bonds payables	(370,000)
Acquisition or construction of capital assets	(381,523)
Net cash provided by (used in) capital and related financing activities	(1,175,674)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	4,085
Net cash provided by (used in) investing activities	4,085
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(133,896)
CASH AND CASH EQUIVALENTS, BEGINNING	4,278,672
CASH AND CASH EQUIVALENTS, ENDING	\$ 4,144,776
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,117,794
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	879,906
Change in assets and liabilities	
(Increase) decrease in assets:	
Receivables	51,682
Increase (decrease) in liabilities:	
Accounts payable	61,685
Accrued expenses	2,544
Due to other funds	(226,213)
Customer deposits	7,840
Compensated absences	(5,491)
Accrued interest payable	(2,054)
Total adjustments	769,899
Net cash provided by (used in) operating activities	\$ 1,887,693

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

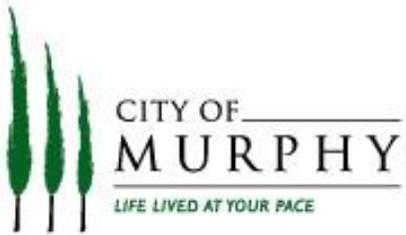
CITY OF MURPHY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2014

	Governmental Activities		Total
	Murphy CDC	Murphy MDD	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 335,333	\$ 1,097,039	\$ 1,432,372
Receivables, net	144,638	138,601	283,239
Note receivable	-	38,400	38,400
Total assets	\$ 479,971	\$ 1,274,040	\$ 1,754,011
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 24,077	\$ -	\$ 24,077
Accrued Liabilities	1,185	-	1,185
Noncurrent liabilities			
Due within one year:			
Note payable to primary government	328,147	154,964	483,111
Due in more than one year:			
Note payable to primary government	1,081,991	575,036	1,657,027
Total liabilities	1,435,400	730,000	2,165,400
NET POSITION			
Unrestricted	(955,429)	544,040	(411,389)
Total net position	\$(955,429)	\$ 544,040	\$(411,389)

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

CITY OF MURPHY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	CDC		MDD
					Governmental Activities		
Governmental Activities							
Community Development Corporation	\$ 370,896	\$ -	\$ -	\$ -	\$ (370,896)	\$ -	\$ (370,896)
Municipal Development District	<u>1,175,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,175,539)</u>	<u>(1,175,539)</u>
Total component unit	<u>\$ 1,546,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (370,896)</u>	<u>\$ (1,175,539)</u>	<u>\$ (1,546,435)</u>
			General revenues:				
			Sales taxes	\$ 800,092	\$ 787,543	\$ 1,587,635	
			Investment income	<u>262</u>	<u>1,869</u>	<u>2,131</u>	
			Total general revenues	<u>800,354</u>	<u>789,412</u>	<u>1,589,766</u>	
			Change in net position	429,458	(386,127)	43,331	
			Net position - beginning	(1,384,887)	930,167	(454,720)	
			Net position - ending	<u>\$ (955,429)</u>	<u>\$ 544,040</u>	<u>\$ (411,389)</u>	



CITY OF MURPHY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

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

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise fund:

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Receivable and Payable Balances

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

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

c. Property Taxes

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

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

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities with a population greater than 5,000 limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2014, the City had a tax rate of \$0.57 per \$100 assessed valuation based upon the maximum rates described above.

d. Prepaid Items

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

e. Restricted Assets

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

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

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

f. Capital Assets

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

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

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

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

g. Deferred outflows/inflows of resources

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

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

h. Compensated absences

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

i. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bond issuance costs are expensed during the year they are incurred.

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.

j. Net Position Flow Assumption

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

k. Fund Equity

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

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

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

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

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

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

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

l. Fund Balance Flow Assumption

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

m. Federal and State Grants

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

n. Comparative Data/Reclassification

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

o. Interfund Activity

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

p. Use of Estimates

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

q. Program Revenues

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

r. Program Expenses

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

2. COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

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

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

Deficit Fund Balance or Fund Net Position of Individual Funds

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

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

Budgets and Budgetary Accounting

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

The following procedures are followed in establishing the budgetary data:

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

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

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

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

Cash Deposits

At September 30, 2014, the carrying amount of the City's deposits (cash, money markets, and interest-bearing savings accounts included in temporary investments) was \$14,594,625 and the bank balance was \$15,170,698. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. As of September 30, 2014, the amount of deposits covered by collateralized securities was \$14,920,698. Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position

Primary Government	
Cash and cash equivalents	\$ 12,769,270
Restricted assets-cash and cash equivalents	<u>1,836,852</u>
Total cash and cash equivalents	<u>\$ 14,606,122</u>
Governmental - Unrestricted Cash	\$ 10,340,275
Business-type - Unrestricted Cash	<u>2,428,995</u>
	<u>\$ 12,769,270</u>
Governmental - Restricted Cash	
Municipal Court (technology, building security, juvenile mgr.)	\$ 102,397
Police Seizure funds	<u>18,674</u>
Total	<u>121,071</u>
Business-type - Restricted Cash	
Impact fees	647,149
Capital Improvements	<u>1,068,632</u>
Total	<u>1,715,781</u>
Total Restricted Cash	<u>\$ 1,836,852</u>

Investments

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

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investments

value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

Disclosure relating to Interest Rate Risk

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

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

Custodial Credit Risk

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

As of September 30, 2014 the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. RECEIVABLES

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

	General	Debt Service	Capital Projects	Proprietary	Total
Receivables					
Taxes	\$ 323,395	\$ 29,530	\$ -	\$ -	\$ 352,925
Ambulance fees	263,327	-	-	-	263,327
Municipal court fee	201,072	-	-	-	201,072
Intergovernmental	-	-	156,408	-	156,408
Fees and Charges	<u>176,996</u>	<u>117</u>	<u>-</u>	<u>846,177</u>	<u>1,023,290</u>
Gross Receivables	964,790	29,647	156,408	846,177	1,997,022
Less: allowance for uncollectible	<u>(414,295)</u>	<u>(2,953)</u>	<u>-</u>	<u>(28,659)</u>	<u>(445,907)</u>
Net Total Receivables	<u>\$ 550,495</u>	<u>\$ 26,694</u>	<u>\$ 156,408</u>	<u>\$ 817,518</u>	<u>\$ 1,551,115</u>

C. NOTE RECEIVABLE

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

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

In December, 2013, the City issued tax notes for the purpose of paying contractual obligations to be incurred for the development of city parks facilities, the renovation of the City Recreational and Community Center, providing signage for a municipal complex, and the construction of an animal shelter. The Board of Directors of Murphy Municipal Development District ("MDD") agreed to pay the costs of this project by remitting to the City from the receipts of sales and use taxes received by the MDD to pay the principal and interest on the tax notes. Below is the detail on this note receivable:

	Beginning Balance	Issued	Decreases	Ending Balance	Receive within one year
Note receivable - CDC	\$ 529,414	\$ -	\$ 128,258	\$ 401,156	\$ 131,233
Note receivable - CDC	1,208,393		199,411	1,008,982	196,914
Note receivable - MDD	<u>-</u>	<u>850,000</u>	<u>120,000</u>	<u>730,000</u>	<u>154,964</u>
Total	<u>\$ 1,737,807</u>	<u>\$ 850,000</u>	<u>\$ 447,669</u>	<u>\$ 2,140,138</u>	<u>\$ 483,111</u>

Note receivable requirements are as follows:

<u>Year Ending September 30:</u>	<u>Payment</u>
2015	\$ 448,147
2016	453,321
2017	458,168
2018	329,118
2019	331,384
2020-2024	<u>120,000</u>
Total	<u>\$ 2,140,138</u>

D. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,301,789	\$ -	\$ -	\$ 12,301,789
Construction in progress	<u>9,077,437</u>	<u>2,788,860</u>	<u>-</u>	<u>11,866,297</u>
Total capital assets, not being depreciated:	<u>21,379,226</u>	<u>2,788,860</u>	<u>-</u>	<u>24,168,086</u>
Capital assets, being depreciated:				
Buildings & improvements	25,632,155	-	-	25,632,155
Infrastructure	47,404,580	-	-	47,404,580
Vehicles & equipment	<u>3,960,654</u>	<u>492,856</u>	<u>-</u>	<u>4,453,510</u>
Total capital assets being depreciated	<u>76,997,389</u>	<u>492,856</u>	<u>-</u>	<u>77,490,245</u>
Less accumulated depreciation for:				
Buildings & improvements	(6,321,504)	(827,553)	-	(7,149,057)
Infrastructure	(11,514,252)	(1,348,521)	-	(12,862,773)
Vehicles & equipment	(2,544,325)	(403,966)	-	(2,948,291)
Total accumulated depreciation	<u>(20,380,081)</u>	<u>(2,580,040)</u>	<u>-</u>	<u>(22,960,121)</u>
Total capital assets being depreciated, net:	<u>56,617,308</u>	<u>(2,087,184)</u>	<u>-</u>	<u>54,530,124</u>
Governmental activities capital assets, net:	<u>\$ 77,996,534</u>	<u>\$ 701,676</u>	<u>\$ -</u>	<u>\$ 78,698,210</u>

	Beginning Balance	Additions	Decreases	Ending Balances
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,962,187	\$ 169,029	\$ -	\$ 2,131,216
Total capital assets not being depreciated:	<u>1,962,187</u>	<u>169,029</u>	<u>-</u>	<u>2,131,216</u>
Capital assets, being depreciated:				
Buildings and improvements	38,920,990	-	-	38,920,990
Vehicles and equipment	<u>506,839</u>	<u>212,496</u>	<u>-</u>	<u>719,335</u>
Total capital assets being depreciated:	<u>39,427,829</u>	<u>212,496</u>	<u>-</u>	<u>39,640,325</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,995,217)	(860,485)	-	(860,485)
Vehicles and equipment	<u>(385,276)</u>	<u>(19,421)</u>	<u>-</u>	<u>(19,421)</u>
Total accumulated depreciation:	<u>(9,380,493)</u>	<u>(879,906)</u>	<u>-</u>	<u>(10,260,399)</u>
Total capital assets being depreciated, net:	<u>30,047,336</u>	<u>(667,410)</u>	<u>-</u>	<u>29,379,926</u>
Business-type activities capital assets, net:	<u>\$ 32,009,523</u>	<u>\$ (498,381)</u>	<u>\$ -</u>	<u>\$ 31,511,142</u>

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

Governmental activities:	
General Government	\$ 909,017
Public Safety	250,561
Public Works, including depreciation of general infrastructure assets	968,211
Public Service	5,614
Culture and Recreation	<u>446,637</u>
Total depreciation expense - governmental activities	<u>\$ 2,580,040</u>
Business-type activities: Water Sewer	<u>\$ 879,906</u>
Total depreciation expense - business-type activities	<u>\$ 879,906</u>

E. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one Year
Governmental Activities:					
General obligation bonds & certificates of obligations	\$ 22,630,000	\$ -	\$(1,270,000)	\$ 21,360,000	\$ 965,000
Refunding bonds	10,670,000	-	(1,075,000)	9,595,000	1,535,000
Tax notes	<u>2,305,000</u>	<u>1,000,000</u>	<u>(600,000)</u>	<u>2,705,000</u>	<u>605,000</u>
Total bonds payable:	35,605,000	1,000,000	(2,945,000)	33,660,000	3,105,000
Plus deferred amounts:					
For issuance premium	<u>1,647,257</u>	<u>-</u>	<u>(135,774)</u>	<u>1,511,483</u>	<u>135,774</u>
For total bonds payable, net:	37,252,257	1,000,000	(3,080,774)	35,171,483	3,240,774
Capital lease-ticket writers	14,303	-	(14,303)	-	-
Note payable-PISD	339,627	-	(339,627)	-	-
Compensated absences	<u>193,971</u>	<u>360,785</u>	<u>(338,109)</u>	<u>216,647</u>	<u>21,665</u>
Governmental activity Long-term debt:	<u>\$ 37,800,158</u>	<u>\$ 1,360,785</u>	<u>\$(3,772,813)</u>	<u>\$ 35,388,130</u>	<u>\$ 3,262,439</u>
Business-type Activities:					
Water & Sewer					
Revenue bonds	\$ 60,000	\$ -	\$(60,000)	\$ -	\$ -
Certificates of obligation	<u>6,880,000</u>	<u>-</u>	<u>(320,000)</u>	<u>6,560,000</u>	<u>330,000</u>
Total bonds payable:	6,940,000	-	(380,000)	6,560,000	330,000
Plus deferred amounts:					
For insurance premium	<u>43,996</u>	<u>-</u>	<u>(2,750)</u>	<u>41,246</u>	<u>2,750</u>
For total bonds payable, net:	6,983,996	-	(382,750)	6,601,246	332,750
Compensated absences	<u>19,400</u>	<u>27,826</u>	<u>(33,317)</u>	<u>13,909</u>	<u>3,199</u>
Business-type activity Long-term debt:	<u>\$ 7,003,396</u>	<u>\$ 27,826</u>	<u>\$(416,067)</u>	<u>\$ 6,615,155</u>	<u>\$ 335,949</u>

Compensated Absences

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

Governmental activities bonds payable at September 30, 2014, includes the following individual issues:

Description	Interest Rate Payable	Original Issue	Amounts			Outstanding 09/30/14	Due Within One Year
			Outstanding 10/1/2013	Issued	Retired		
2003 Series CO	3.5% - 5.0%	\$ 6,700,000	\$ 335,000	\$ -	\$ 335,000	\$ -	\$ -
2004 Series CO	4.125% - 4.875%	10,000,000	1,535,000	-	490,000	1,045,000	510,000
2009 Series CO	2.5% - 4.625%	1,500,000	785,000	-	255,000	530,000	260,000
2009 Series GO	2.5% - 5.0%	7,915,000	6,530,000	-	430,000	6,100,000	440,000
2010 Series GO	2.0% - 4.02%	4,800,000	4,305,000	-	190,000	4,115,000	195,000
2010 Tax Note	2.0% - 2.5%	1,075,000	635,000	-	155,000	480,000	155,000
2011 Series GO	2.0% - 4.0%	750,000	510,000	-	120,000	390,000	125,000
2011 Tax Note	1.35% - 2.05%	8,725,000	8,725,000	-	215,000	8,510,000	320,000
2012 GO Refund	2.0% - 5.0%	11,695,000	11,085,000	-	430,000	10,655,000	775,000
2012 Tax Note	1.35%	1,500,000	1,160,000	-	185,000	975,000	185,000
2014 Tax Note	1.74%	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>140,000</u>	<u>860,000</u>	<u>140,000</u>
Total Debt Payable		<u>\$ 55,660,000</u>	<u>\$ 35,605,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,945,000</u>	<u>\$ 33,660,000</u>	<u>\$ 3,105,000</u>

Governmental activities debt service requirements are as follows:

Year Ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 3,105,000	\$ 1,179,702	\$ 4,284,702
2016	3,235,000	1,091,060	4,326,060
2017	3,170,000	996,367	4,166,367
2018	2,965,000	898,339	3,863,339
2019	2,875,000	799,439	3,674,439
2020-2024	11,865,000	2,468,906	14,333,906
2025-2029	5,340,000	819,600	6,159,600
2030-2031	<u>1,105,000</u>	<u>38,040</u>	<u>1,143,040</u>
Total	<u>\$ 33,660,000</u>	<u>\$ 8,291,453</u>	<u>\$ 41,951,453</u>

A description of the purpose for each bond issuance follows:

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

\$10,000,000, Series 2004, certificates of obligation, issued for the purpose of constructing a new municipal complex including a fire station, police and courts building, city hall and a public works maintenance building, street improvements, the acquisition of land for parks improvements, and improvements to the City's waterworks and sewer system.

\$1,500,000, Series 2009, certificates of obligation, issued for the purpose of street improvements, emergency service equipment, supplies and radio communication systems.

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

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

\$1,750,000, Series 2010, tax notes, issued for the purpose of purchasing a new fire truck and ambulance for the Fire Department.

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

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

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

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

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

Business-type activities bonds payable at September 30, 2014, includes the following individual issues:

Description	Interest Rate Payable	Original Issue	Outstanding 10/1/2013	Issued	Retired	Outstanding 09/30/14	Due Within One Year
1994 Revenue	5.7% - 6.25%	\$ 700,000	\$ 60,000	\$ -	\$ 60,000	\$ -	\$ -
2009 Series CO	2.5% - 4.625%	8,000,000	6,880,000	-	320,000	6,560,000	330,000
Total Bonds Payable		<u>\$ 8,700,000</u>	<u>\$ 6,940,000</u>	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$ 6,560,000</u>	<u>\$ 330,000</u>

Business-type activities debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2015	\$ 330,000	\$ 261,766	\$ 591,766
2016	340,000	251,716	591,716
2017	350,000	240,929	590,929
2018	365,000	228,854	593,854
2019	380,000	214,867	594,867
2020-2024	2,140,000	826,853	2,966,853
2025-2029	<u>2,655,000</u>	<u>313,571</u>	<u>2,968,571</u>
Total	<u>\$ 6,560,000</u>	<u>\$ 2,338,556</u>	<u>\$ 8,898,556</u>

A description of the purpose for each bond issuance follows:

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

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

G. OPERATING LEASES

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

<u>Year Ending September 30:</u>	<u>Annual Payment</u>
2015	\$ 3,465
2016	9,109
2017	14,293
2018	17,877
2019	<u>21,016</u>
Total	<u>\$ 65,760</u>

H. PENSION PLAN

Plan Description

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

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

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

	<u>Plan Year</u>	
	<u>2013</u>	<u>2014</u>
Deposit Rate:	7%	7%
Matching Ratio (City of Employee):	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as of age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method has been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member’s compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

Schedule of Actuarial Liabilities and Funding Progress:

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/31/12	\$ 567,869	100%	-
09/31/13	612,202	100%	-
09/30/14	636,261	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Assets valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions			
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%
GASB 25 Equivalent Single amortization period	21.2 years; closed period	20.2 years; closed period	30.0 years; closed period
Amortization period for new gains/losses	25 years	25 years	19 years

Funded Status and Fund Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial accrued liability (AAL)	\$ 12,765,099
Actuarial value of plan assets	<u>10,176,416</u>
Unfunded (overfunded) actuarial liability (UAAL)	<u><u>2,588,683</u></u>
Funded ratio (actuarial value of plan assets/AAL)	79.7%
Covered payroll (annual payroll of active employees covered plan)	<u>5,808,611</u>
UAAL as a percentage of covered payroll	44.6%

Actuarial valuation involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Group-term Life Insurance

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$7,117, \$6,759 and \$8,823, respectively, which equaled the required contributions each year.

I. HEALTH CARE COVERAGE

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan ("Plan"). The City contributed \$430 per month per employee and 60% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay additional contributions for dependents. All contributions were paid to Blue Cross Blue Shield. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

J. INSURANCE COVERAGE

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

K. RISK MANAGEMENT

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

L. LITIGATION

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

M. ADDITIONAL WATER AND SEWER INFORMATION

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

Gallons Pumped	1,055,182,000
Gallons Billed	818,568,727

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

The City purchases all of its water from the North Texas Municipal Water District. The cost for water purchases is calculated based upon the maximum or peak usage of prior years. The City currently pays \$1.92 per thousand gallons of water for this fiscal year. There was an increase in the amount spent purchasing water, \$130,558 (5%) over the previous year.

The City is also contracted for wastewater treatment services with the District. The District has been designated by the Texas Water Quality Board as the regional agency to provide and develop a Regional System for Wastewater Treatment in the general area of the East Fork of the Trinity River, which includes the City of Murphy and other cities located in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Relative thereto, the City and other cities have entered into wastewater system contracts with the District, which provide for the establishment, operation, and maintenance of a Regional Wastewater System for the purpose of providing facilities to adequately receive, transport, treat, and dispose of wastewater for the cities. In order to provide said services, the contract provides that (a) the District will acquire, design, construct, and complete the system, repair, replace and/or extend the system to provide service to the cities; (b) in consideration of payments to be made under the contract, each of the cities shall have the right to discharge all of its wastewater from its sewage system into the District's system, subject to certain quality requirements set forth in the contract; (c) the District will issue its bonds, in amounts and at times determined by the District, to provide for the wastewater treatment facilities; (d) each city agrees to pay its proportionate share of the annual requirement sufficient to pay or provide for the payment of an "Operation and Maintenance Component" and a "Bond Service Component"; (e) each city's proportionate share of the annual requirement shall be a percentage obtained by dividing such city's estimated contributing flow to the system by the total estimated contributing flow to the system by all cities during such fiscal year. No city will exercise oversight responsibility of the District and no city is liable for the District's debt. The City of Murphy's payment for the year ended September 30, 2014 was \$293,312, net of payments to the City for facilities usage.

N. CONSTRUCTION COMMITMENTS

The City has active construction projects as of September 30, 2014. The projects include park infrastructure and improvements, street infrastructure, community center improvements, and water/wastewater infrastructure improvements. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Park Development	\$ 405,708	\$ 59,737
Street Infrastructure	365,411	107,482
Utilities	260,490	-
Totals	<u>\$ 1,031,609</u>	<u>\$ 167,219</u>

O. INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year were as follows:

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

P. MURPHY COMMUNITY DEVELOPMENT CORPORATION

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

1. Deposits and Investments

Cash and investment as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Unrestricted cash	<u>\$335,333</u>

Custodial credit risk

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

As of September 30, 2014, CDC deposits with financial institutions were covered by FDIC and fully collateralized.

2. Receivables

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

<u>Receivables:</u>	
Sales tax	<u>\$ 144,638</u>

3. Notes Payable

In December, 2010, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of the community recreation center involving the acquisition of real property, construction, renovation, equipping, improving, and operations and maintenance of the center and related infrastructure. The Board of Directors of the CDC agreed to pay the cost of this project by remitting to the City from receipts of the local sales and use taxes received to pay the principal and interest on this anticipation note. The payments to the City began in FY 2012 and final payment is due in FY2017.

In August, 2012, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of the City Central Park involving the acquisition of real property, construction equipping, improving and related infrastructure. The Board of Directors of the CDC agreed to pay the costs of this project by remitting to the City from receipts of local sales and use taxes received to pay the principal and interest on this tax note. The payments to the City began in FY2013 and final payment is due in FY2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one Year</u>
Note Payable-City	\$ 529,414	\$ -	\$(128,258)	\$ 401,156	\$131,233
Note Payable-City	<u>1,208,393</u>	<u>-</u>	<u>(199,411)</u>	<u>1,008,982</u>	<u>196,914</u>
Totals	<u>\$1,737,807</u>	<u>\$ -</u>	<u>\$(327,669)</u>	<u>\$1,410,138</u>	<u>\$328,147</u>

Debt service requirements are as follows:

Year Ending September 30:	Total <u>Requirements</u>
2015	328,147
2016	333,321
2017	338,168
2018	204,118
2019	206,384
2020	<u>-</u>
Total	<u>\$1,410,138</u>

Q. MURPHY MUNICIPAL DEVELOPMENT DISTRICT

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

1. Deposits and Investments

Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Unrestricted cash	<u>\$ 1,097,039</u>

Custodial credit risk

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

As of September 30, 2014 MDD deposits with financial institutions were covered by FDIC and fully collateralized.

2. Receivables

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

<u>Receivables:</u>	
Sales tax	<u>\$ 138,601</u>

3. Note Receivable

In January, 2011, the EDC Board of Directors authorized a business incentive loan to Boomerjack's for building improvements. This loan was transferred to the MDD upon its creation in April 2012. The loan was issued in the amount of \$100,000 to be paid back to the MDD annually beginning in FY2012 at 2% interest. The following is the detail of the note receivable:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one Year</u>
Note Receivable	\$ 58,400	\$ -	\$(20,000)	\$38,400	\$ 20,000

Receivables in future years are as follows:

Year Ending Septemer 30:	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2015	\$ 20,000	\$ 1,600	\$ 21,600
2016	<u>18,400</u>	<u>800</u>	<u>19,200</u>
Total	<u>\$ 38,400</u>	<u>\$ 2,400</u>	<u>\$ 40,800</u>

4. Note Payable

In December 2013, the City issued tax notes for the purpose of paying contractual obligations to be incurred for the development of city parks facilities, the renovation of the City Recreational and Community Center, providing signage for a municipal complex, and the construction of an animal shelter. The Board of Directors of Murphy Municipal Development District (“MDD”) agreed to pay the costs of the project by remitting to the City from the receipts of sales and use taxes received by MDD to pay the principal interest on the tax notes.

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one Year
Note Payable-City	\$ -	\$ 850,000	\$ 120,000	\$ 730,000	\$ 120,000

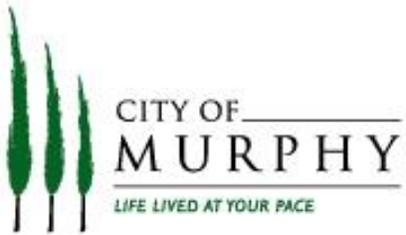
Debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Total Requirements</u>
2015	\$ 120,000
2016	120,000
2017	120,000
2018	125,000
2019	125,000
2020	120,000
Total	<u>\$ 730,000</u>

R. Subsequent Event

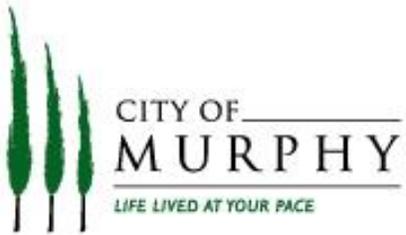
On November 18, 2014, the City approved an ordinance authorizing the issuance of Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014, in the maximum par amount of \$3,000,000. The proceeds will be used to make various improvements to the City’s water and sewer system.

**REQUIRED
SUPPLEMENTARY INFORMATION**



CITY OF MURPHY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF
TMRS FUNDING PROGRESS AND CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Over-funded) Actuarial Accrued Liability (AAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	7,553,720	10,938,584	3,384,864	69.1%	5,110,695	66.2%
12/31/2013	8,743,711	11,934,471	3,190,760	73.3%	5,433,721	58.7%
12/31/2014	\$ 10,176,416	\$ 12,765,099	\$ 2,588,683	79.7%	\$ 5,808,611	44.6%



**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

CITY OF MURPHY, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,765,200	\$ 3,765,200	\$ 3,754,575	\$(10,625)
Investment income	<u>2,500</u>	<u>2,500</u>	<u>1,521</u>	<u>(979)</u>
Total revenues	<u>3,767,700</u>	<u>3,767,700</u>	<u>3,756,096</u>	<u>(11,604)</u>
EXPENDITURES				
Debt service:				
Principal payments	2,500,000	2,520,000	2,520,000	-
Interest and fiscal charges	<u>1,243,200</u>	<u>1,244,800</u>	<u>1,244,009</u>	<u>791</u>
Total expenditures	<u>3,743,200</u>	<u>3,764,800</u>	<u>3,764,009</u>	<u>791</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>24,500</u>	<u>2,900</u>	<u>(7,913)</u>	<u>(10,813)</u>
FUND BALANCE, BEGINNING	<u>844,034</u>	<u>844,034</u>	<u>844,034</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 868,534</u>	<u>\$ 846,934</u>	<u>\$ 836,121</u>	<u>\$(10,813)</u>

CITY OF MURPHY, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Grant	\$ 3,274,620	\$ 3,274,620	\$ 640,254	\$ 2,634,366
Intergovernmental	-	-	850,000	(850,000)
Investment income	8,400	8,400	5,215	3,185
Donations	-	-	55,509	
Miscellaneous	<u>500,000</u>	<u>500,000</u>	<u>369,604</u>	<u>130,396</u>
Total revenues	<u>3,783,020</u>	<u>3,783,020</u>	<u>1,920,582</u>	<u>(1,862,438)</u>
EXPENDITURES				
Capital outlays:				
Park and recreation	<u>5,220,800</u>	<u>5,435,800</u>	<u>1,925,520</u>	<u>3,510,280</u>
Total expenditures	<u>5,315,800</u>	<u>5,530,800</u>	<u>2,265,147</u>	<u>3,265,653</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,532,780)</u>	<u>(1,747,780)</u>	<u>(344,565)</u>	<u>1,403,215</u>
NET CHANGE IN FUND BALANCE	<u>(1,532,780)</u>	<u>(1,747,780)</u>	<u>(344,565)</u>	<u>1,403,215</u>
FUND BALANCE, BEGINNING	<u>3,771,339</u>	<u>3,771,339</u>	<u>3,771,339</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,238,559</u>	<u>\$ 2,023,559</u>	<u>\$ 3,426,774</u>	<u>\$ 1,403,215</u>

CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014

	<u>Community Development Corporation</u>
ASSETS	
Cash and equivalents	335,333
Receivables (net of allowances for uncollectibles)	<u>144,638</u>
Total assets	<u><u>\$ 479,971</u></u>
LIABILITIES:	
Accounts payable	24,077
Accrued Liabilities	<u>1,185</u>
Total liabilities	<u>25,262</u>
FUND BALANCE	
Unassigned	<u>454,709</u>
Total Fund Balance	<u><u>\$ 454,709</u></u>
Total liabilities and fund balance	<u><u>\$ 479,971</u></u>

CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Total fund balance - governmental funds \$ 454,709

Amounts reported for governmental activities in the statements of net position are different for the following reason:

Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the find financial statements. (1,410,138)

Net position of governmental activities - statement of net position \$ (955,429)

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Community Development Corporation</u>
REVENUE	
Sales tax	\$ 800,092
Investment income	262
Total revenues	<u>800,354</u>
 EXPENDITURES	
Personnel services	2,215
Administration	150,816
Contractual services	2,000
Supplies	215,165
Debt Service:	
Principal	305,000
Interest	23,369
Total expenditures	<u>698,565</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	 <u>101,789</u>
 FUND BALANCE/EQUITY, OCTOBER 1	 <u>352,920</u>
 FUND BALANCE/EQUITY, SEPTEMBER 30	 \$ <u><u>454,709</u></u>

CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balance - total governmental funds \$ 101,789

Amounts reported for governmental activities in the statements of activities are different for the following reason:

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

327,669

Change in net position of governmental activities - statement of activities \$ 429,458

CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
MURPHY MUNICIPAL DEVELOPMENT DISTRICT
SEPTEMBER 30, 2014

	<u>Murphy Municipal Development District</u>
ASSETS	
Cash and equivalents	\$ 1,097,039
Receivables (net of allowances for uncollectibles)	138,601
Note receivable	<u>38,400</u>
Total assets	<u><u>1,274,040</u></u>
LIABILITIES	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-note receivable	<u>38,400</u>
Total deferred inflows of resources	<u>38,400</u>
FUND BALANCE	
Unassigned	<u>1,235,640</u>
Total Fund Balance	<u>1,235,640</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 1,274,040</u></u>

CITY OF MURPHY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - COMPONENT UNIT
MURPHY MUNICIPAL DEVELOPMENT DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Total fund balances - governmental funds	\$ 1,235,640
Revenue reported as unearned revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	38,400
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the find financial statements.	<u>(730,000)</u>
Net position of governmental activities - statement of net position	<u><u>\$ 544,040</u></u>

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
MURPHY MUNICIPAL DEVELOPMENT DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Murphy Municipal Development District
REVENUE	
Sales tax	\$ 787,543
Miscellaneous	20,000
Investment income	1,869
Total revenues	809,412
EXPENDITURES	
Administration	257,098
Contractual Services	59,772
Parks and recreation	850,000
Debt Service:	
Principal	120,000
Interest	8,669
Total expenditures	1,295,539
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(486,127)
OTHER FINANCING SOURCES (USES)	
Debt Issuance	850,000
Total other financing sources (uses)	850,000
NET CHANGE IN FUND BALANCE	363,873
FUND BALANCE/EQUITY, OCTOBER 1	871,767
FUND BALANCE/EQUITY, SEPTEMBER 30	\$ 1,235,640

CITY OF MURPHY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MURPHY MUNICIPAL DEVELOPMENT DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

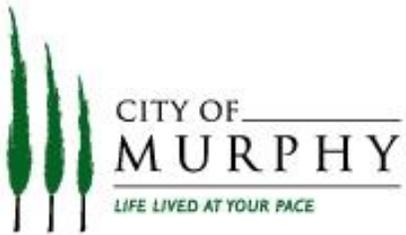
Net change in fund balance - total governmental funds	\$	363,873
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	 (20,000)
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	 (<u>730,000)</u>
 Change in net position of governmental activities - statement of activities	 \$	 <u>(386,127)</u>

CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

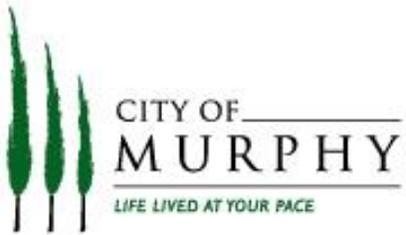
	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Sales tax	\$ 862,000	\$ 862,000	\$ 800,092	\$(61,908)
Investment income	<u>1,000</u>	<u>1,000</u>	<u>262</u>	<u>(738)</u>
Total revenues	<u>863,000</u>	<u>863,000</u>	<u>800,354</u>	<u>(62,646)</u>
EXPENDITURES				
Personal services	-	-	2,215	(2,215)
Administration	178,200	178,200	150,816	27,384
Contractual services	3,200	18,636	2,000	16,636
Supplies	265,400	265,400	215,165	50,235
Debt Service:				
Principal	305,000	305,000	305,000	-
Interest	23,500	23,500	23,369	131
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>795,300</u>	<u>810,736</u>	<u>698,565</u>	<u>112,171</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>67,700</u>	<u>52,264</u>	<u>101,789</u>	<u>49,525</u>
NET CHANGE IN FUND BALANCES	67,700	52,264	101,789	49,525
FUND BALANCE/EQUITY, OCTOBER 1	<u>352,920</u>	<u>352,920</u>	<u>352,920</u>	<u>-</u>
FUND BALANCE/EQUITY, SEPTEMBER 30	<u>\$ 420,620</u>	<u>\$ 405,184</u>	<u>\$ 454,709</u>	<u>\$ 49,525</u>

CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MURPHY MUNICIPAL DEVELOPMENT DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Sales tax	\$ 862,000	862,000	\$ 787,543	\$(74,457)
Miscellaneous	-	-	20,000	20,000
Investment income	<u>500</u>	<u>500</u>	<u>1,869</u>	<u>1,369</u>
Total revenues	<u>862,000</u>	<u>862,000</u>	<u>809,412</u>	<u>(52,588)</u>
EXPENDITURES				
Administration	214,800	335,346	257,098	78,248
Contractual Services	13,000	75,100	59,772	15,328
Parks and recreation	-	850,000	850,000	-
Debt Service:				
Principal	-	120,000	120,000	-
Interest	<u>-</u>	<u>8,700</u>	<u>8,669</u>	<u>31</u>
Total expenditures	<u>227,800</u>	<u>1,389,146</u>	<u>1,295,539</u>	<u>93,607</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	634,200	(527,146)	(486,127)	41,019
OTHER REVENUES AND FINANCING SOURCES (USES)				
Issuance of Debt	<u>-</u>	<u>-</u>	<u>850,000</u>	<u>850,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>850,000</u>	<u>850,000</u>
NET CHANGE IN FUND BALANCES	<u>634,200</u>	<u>(527,146)</u>	<u>363,873</u>	<u>891,019</u>
FUND BALANCE/EQUITY, OCTOBER 1	<u>871,767</u>	<u>871,767</u>	<u>871,767</u>	<u>-</u>
FUND BALANCE/EQUITY, SEPTEMBER 30	<u>\$ 1,505,967</u>	<u>\$ 344,621</u>	<u>\$ 1,235,640</u>	<u>\$ 891,019</u>



**STATISTICAL
SECTION**



City of Murphy, Texas
STATISTICAL SECTION
(UNAUDITED)

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

Contents	Page
Financial Trends	73
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	86
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	91
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future</i>	
Demographic and Economic Information	97
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	99
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	\$ 31,431	\$ 35,636	\$ 35,217	\$ 37,750
Restricted	488	564	737	1,884
Unrestricted	<u>5,442</u>	<u>5,080</u>	<u>4,633</u>	<u>2,334</u>
Total governmental activities net position	<u>\$ 37,361</u>	<u>\$ 41,280</u>	<u>\$ 40,587</u>	<u>\$ 41,968</u>
Business-type activities:				
Net investment in capital assets	\$ 26,921	\$ 29,992	\$ 29,979	\$ 28,918
Restricted	361	-	-	2,280
Unrestricted	<u>2,472</u>	<u>2,867</u>	<u>2,640</u>	<u>79</u>
Total business-type activities net position	<u>\$ 29,754</u>	<u>\$ 32,859</u>	<u>\$ 32,619</u>	<u>\$ 31,277</u>
Primary government:				
Net investment in capital assets	\$ 58,352	\$ 65,628	\$ 65,196	\$ 66,668
Restricted	849	564	737	4,164
Unrestricted	<u>7,914</u>	<u>7,947</u>	<u>7,273</u>	<u>2,413</u>
Total primary government net position	<u>\$ 67,115</u>	<u>\$ 74,139</u>	<u>\$ 73,206</u>	<u>\$ 73,245</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 41,606	\$ 40,527	\$ 41,513	\$ 42,865	\$ 44,574	\$ 47,365
1,034	1,134	1,049	903	887	818
2,102	2,711	2,943	3,922	5,232	5,616
<u>\$ 44,742</u>	<u>\$ 44,372</u>	<u>\$ 45,505</u>	<u>\$ 47,690</u>	<u>\$ 50,693</u>	<u>\$ 53,799</u>
\$ 28,568	\$ 27,822	\$ 27,325	\$ 27,031	\$ 25,025	\$ 24,910
921	637	606	686	652	647
1,835	1,769	2,163	1,933	3,483	3,464
<u>\$ 31,324</u>	<u>\$ 30,228</u>	<u>\$ 30,094</u>	<u>\$ 29,650</u>	<u>\$ 29,160</u>	<u>\$ 29,021</u>
\$ 70,174	\$ 68,349	\$ 68,838	\$ 69,896	\$ 69,599	\$ 72,275
1,955	1,771	1,655	1,589	1,539	1,465
3,937	4,480	5,106	5,855	8,715	9,080
<u>\$ 76,066</u>	<u>\$ 74,600</u>	<u>\$ 75,599</u>	<u>\$ 77,340</u>	<u>\$ 79,853</u>	<u>\$ 82,820</u>

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

	Fiscal Year			
	2005	2006	2007	2008
EXPENSES				
Governmental activities:				
General government	\$ 1,074	\$ 1,995	\$ 3,372	\$ 2,832
Public safety	2,386	3,132	4,275	4,324
Public service	-	-	-	-
Public works	2,152	2,191	3,049	1,708
Sanitation services	490	565	629	604
Parks and recreation	110	227	256	917
Development	-	-	-	711
Interest on long-term debt	1,522	1,331	1,260	1,282
Total governmental activities expenses	<u>7,734</u>	<u>9,441</u>	<u>12,841</u>	<u>12,378</u>
Business-type activities:				
Water and sewer	3,314	3,944	4,860	5,035
Total business-type activities expenses	<u>3,314</u>	<u>3,944</u>	<u>4,860</u>	<u>5,035</u>
Total primary government expenses	<u>\$ 11,048</u>	<u>\$ 13,385</u>	<u>\$ 17,701</u>	<u>\$ 17,413</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 1,574	\$ 2,226	\$ 1,629	\$ 600
Public safety	245	661	702	16
Public works	80	-	31	1,316
Public services	-	-	-	-
Parks and recreation	-	-	-	-
Sanitation services	624	728	724	704
Operating grants and contributions	-	49	87	34
Capital grants and contributions	6,312	2,914	370	280
Total governmental activities program revenues	<u>8,835</u>	<u>6,578</u>	<u>3,543</u>	<u>2,950</u>
Business-type activities:				
Charges for services:				
Water and sewer	5,077	6,221	5,240	5,884
Capital grants and contributions	2,615	1,026	84	-
Total business-type activities program revenues	<u>7,692</u>	<u>7,247</u>	<u>5,324</u>	<u>5,884</u>
Total primary government program revenues	<u>\$ 16,527</u>	<u>\$ 13,825</u>	<u>\$ 8,867</u>	<u>\$ 8,834</u>

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 2,169	\$ 2,971	\$ 3,210	\$ 3,705	\$ 3,636	\$ 3,517
4,678	4,656	4,859	5,062	5,291	5,525
536	484	596	704	789	630
560	1,164	1,114	1,476	1,220	1,275
608	624	647	676	698	721
768	934	1,051	1,472	1,545	1,582
-	-	-	-	131	110
<u>1,300</u>	<u>1,417</u>	<u>1,605</u>	<u>1,584</u>	<u>1,129</u>	<u>1,218</u>
<u>10,619</u>	<u>12,250</u>	<u>13,082</u>	<u>14,679</u>	<u>14,439</u>	<u>14,578</u>
<u>4,190</u>	<u>4,999</u>	<u>5,194</u>	<u>5,739</u>	<u>6,461</u>	<u>6,507</u>
<u>4,190</u>	<u>4,999</u>	<u>5,194</u>	<u>5,739</u>	<u>6,461</u>	<u>6,507</u>
<u>\$ 14,809</u>	<u>\$ 17,249</u>	<u>\$ 18,276</u>	<u>\$ 20,418</u>	<u>\$ 20,900</u>	<u>\$ 21,085</u>
\$ 1,386	\$ 79	\$ 85	\$ 95	\$ 39	\$ 40
165	194	164	172	832	682
764	797	840	1,007	213	217
-	493	571	536	939	727
40	53	55	62	121	137
730	776	810	823	903	897
20	22	56	218	369	245
144	-	879	2,540	1,976	1,546
<u>3,249</u>	<u>2,414</u>	<u>3,460</u>	<u>5,453</u>	<u>5,392</u>	<u>4,491</u>
5,301	5,173	6,188	6,276	7,059	7,188
-	-	-	-	-	-
<u>5,301</u>	<u>5,173</u>	<u>6,188</u>	<u>6,276</u>	<u>7,059</u>	<u>7,188</u>
<u>\$ 8,550</u>	<u>\$ 7,587</u>	<u>\$ 9,648</u>	<u>\$ 11,729</u>	<u>\$ 12,451</u>	<u>\$ 11,679</u>

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

	Fiscal Year			
	2005	2006	2007	2008
NET (EXPENSE) REVENUES				
Governmental activities	\$ 1,101	\$(2,863)	\$(9,298)	\$(9,428)
Business-type activities	4,378	3,303	464	849
Total primary government net expense	<u>5,479</u>	<u>440</u>	<u>(8,834)</u>	<u>(8,579)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	3,765	4,580	5,487	6,229
Sales	1,173	1,016	1,170	1,238
Franchise	388	503	601	667
Investment income	150	312	342	173
Donations	-	-	-	-
Extraordinary revenue	-	-	-	713
Miscellaneous	41	15	155	155
Transfers	850	356	850	1,289
Total governmental activities	<u>6,367</u>	<u>6,782</u>	<u>8,605</u>	<u>10,464</u>
Business-type activities:				
Investment income	37	149	145	69
Donations	-	-	-	-
Extraordinary revenue	-	-	-	198
Miscellaneous	18	9	-	13
Transfers	(850)	(356)	(850)	(1,289)
Total business-type activities	<u>(795)</u>	<u>(198)</u>	<u>(705)</u>	<u>(1,009)</u>
Total primary government	<u>5,572</u>	<u>6,584</u>	<u>7,900</u>	<u>9,455</u>
CHANGE IN NET POSITION				
Governmental activities	7,468	3,919	(693)	1,036
Business-type activities	3,583	3,105	(241)	(160)
Total primary government	<u>\$ 11,051</u>	<u>\$ 7,024</u>	<u>\$(934)</u>	<u>\$ 876</u>

Notes:

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

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

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$(7,370)	\$(9,836)	\$(9,622)	\$(9,226)	\$(9,047)	\$(10,087)
<u>1,111</u>	<u>174</u>	<u>994</u>	<u>537</u>	<u>598</u>	<u>681</u>
<u>(6,259)</u>	<u>(9,662)</u>	<u>(8,628)</u>	<u>(8,689)</u>	<u>(8,449)</u>	<u>(9,406)</u>
7,414	7,936	8,347	8,477	8,962	9,348
795	873	952	1,049	1,300	1,625
809	702	820	925	855	970
115	27	76	20	17	12
237	17	-	-	-	-
-	-	-	-	-	-
50	105	81	42	281	389
<u>854</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>
<u>10,274</u>	<u>10,510</u>	<u>11,126</u>	<u>11,363</u>	<u>12,265</u>	<u>13,194</u>
33	25	14	9	6	4
25	-	-	-	-	-
-	-	-	-	-	-
57	11	5	30	10	25
<u>(854)</u>	<u>(850)</u>				
<u>(739)</u>	<u>(814)</u>	<u>(831)</u>	<u>(811)</u>	<u>(834)</u>	<u>(821)</u>
<u>9,535</u>	<u>9,696</u>	<u>10,295</u>	<u>10,552</u>	<u>11,431</u>	<u>12,373</u>
2,904	674	1,504	2,137	3,218	3,107
<u>372</u>	<u>(640)</u>	<u>163</u>	<u>(274)</u>	<u>(236)</u>	<u>(140)</u>
<u>\$ 3,276</u>	<u>\$ 34</u>	<u>\$ 1,667</u>	<u>\$ 1,863</u>	<u>\$ 2,982</u>	<u>\$ 2,967</u>

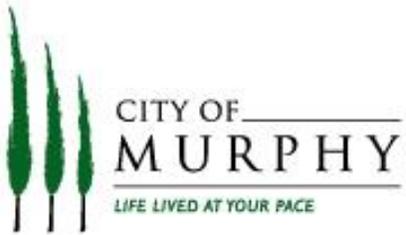


TABLE 3

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

(Unaudited) (Amounts expressed in thousands)

Fiscal Year Ended	Property Tax	Sales Tax*	Franchise Tax	Total
2005	3,765	1,173	388	\$ 5,326
2006	4,580	1,016	503	6,099
2007	5,487	1,171	601	7,259
2008	6,229	1,238	667	8,134
2009	7,414	795	809	9,018
2010	7,936	879	702	9,517
2011	8,347	953	820	10,120
2012	8,477	1,049	925	10,451
2013	8,950	1,299	856	11,105
2014	9,365	1,625	970	11,960

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

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

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Nondisposable - prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Court use	-	-	-	93
Animal shelter	-	-	-	-
PEG fees	-	-	-	-
Assigned for:				
Police	-	-	-	-
Unassigned	<u>1,145</u>	<u>2,183</u>	<u>1,696</u>	<u>942</u>
Total general fund	<u>\$ 1,145</u>	<u>\$ 2,183</u>	<u>\$ 1,696</u>	<u>\$ 1,035</u>
All other governmental funds				
Restricted for:				
Debt service	\$ 1,360	\$ 2,034	\$ 737	\$ 876
Capital improvements	-	-	-	337
Assigned for:				
Capital projects	3,639	1,620	713	547
Special revenues	<u>-</u>	<u>-</u>	<u>1,450</u>	<u>1,400</u>
Total all other governmental funds	<u>\$ 4,999</u>	<u>\$ 3,654</u>	<u>\$ 2,900</u>	<u>\$ 3,160</u>

Note:

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

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

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ -	\$ 18	\$ 10	\$ -	\$ -	\$ -
				-	-
103	127	147	147	125	101
-	-	-	-	-	6
-	-	-	-	-	13
10	12	12	18	17	19
<u>1,648</u>	<u>2,567</u>	<u>3,044</u>	<u>3,060</u>	<u>3,557</u>	<u>3,635</u>
\$ <u><u>1,761</u></u>	\$ <u><u>2,724</u></u>	\$ <u><u>3,213</u></u>	\$ <u><u>3,225</u></u>	\$ <u><u>3,699</u></u>	\$ <u><u>3,774</u></u>
\$ 935	\$ 1,008	\$ 902	\$ 756	\$ 844	\$ 836
7,108	8,964	8,657	7,358	3,771	3,427
477	-	435	435	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u><u>8,520</u></u>	\$ <u><u>9,972</u></u>	\$ <u><u>9,994</u></u>	\$ <u><u>8,549</u></u>	\$ <u><u>4,615</u></u>	\$ <u><u>4,263</u></u>

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

	Fiscal Year		
	2005	2006	2007
REVENUES			
Taxes:			
Property	\$ 3,765	\$ 4,580	\$ 5,487
Sales	1,173	1,016	1,171
Franchise	388	503	601
Charges for services	1,545	2,207	1,432
Licenses and permits	656	587	952
Fines and forfeitures	187	585	703
Investment income	150	312	342
Grant revenue	-	-	-
Intergovernmental	-	-	-
Donations	6,393	2,981	457
Miscellaneous	95	232	155
Total revenues	14,352	13,003	11,300
EXPENDITURES			
General government	963	1,268	2,650
Public safety	2,320	3,162	4,426
Public works	1,301	1,330	2,789
Public services and operations	-	-	-
Sanitation	490	565	630
Development	-	-	-
Parks and recreation	109	280	255
Capital Outlay	10,667	4,250	-
Debt service:			
Principal	996	1,422	1,360
Interest and fiscal charges	1,507	1,340	1,269
Other	-	-	-
Total expenditures	18,353	13,617	13,379

TABLE 5

	Fiscal Year					
2008	2009	2010	2011	2012	2013	2014
\$ 6,229	\$ 7,427	\$ 8,020	\$ 8,324	\$ 8,466	\$ 8,950	\$ 9,365
1,238	795	873	953	1,049	1,299	1,625
667	809	703	820	925	856	970
1,210	1,311	1,403	1,405	1,451	1,595	1,633
848	440	496	548	721	891	689
576	479	493	570	536	442	367
173	115	26	76	20	17	12
314	164	22	33	752	1,133	640
-	301	-	-	188	1,212	1,095
22	10	17	23	27	23	84
157	50	109	82	49	295	400
<u>11,434</u>	<u>11,901</u>	<u>12,162</u>	<u>12,834</u>	<u>14,184</u>	<u>16,713</u>	<u>16,880</u>
2,668	2,070	2,060	2,292	2,615	2,669	2,552
4,135	4,607	4,429	4,523	4,754	4,974	5,267
917	554	295	233	256	240	307
-	555	481	595	698	783	624
604	609	624	648	676	698	721
-	-	-	-	78	131	110
892	1,416	828	845	1,089	1,096	1,128
756	453	4,577	5,776	3,319	6,232	3,330
1,370	2,965	1,565	2,270	2,928	2,914	2,874
1,210	1,150	1,582	1,540	1,588	1,317	1,244
-	176	-	130	115	-	-
<u>12,552</u>	<u>14,555</u>	<u>16,441</u>	<u>18,852</u>	<u>18,116</u>	<u>21,054</u>	<u>18,157</u>

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

	Fiscal Year		
	2005	2006	2007
OTHER FINANCING SOURCES (USES)			
Bonds/Note proceeds	-	-	-
Premium (Discount) on issuance of debt	-	-	-
Payments to escrow agent	-	-	-
Extraordinary revenue (expense)	-	-	-
Capital leases	-	-	-
Transfers out	<u>850</u>	<u>356</u>	<u>850</u>
Total other financing sources (uses)	<u>850</u>	<u>356</u>	<u>850</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (3,151)</u></u>	<u><u>\$ (258)</u></u>	<u><u>\$ (1,229)</u></u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u><u>32.57%</u></u>	<u><u>29.49%</u></u>	<u><u>19.65%</u></u>

Source: Comprehensive Annual Financial Reports

TABLE 5

	Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
-	9,415	5,875	9,655	13,195	-	150
-	-	(32)	278	789	-	-
-	-	-	(4,253)	(12,335)	-	-
(590)	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,289</u>	<u>854</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>
<u>699</u>	<u>10,269</u>	<u>6,693</u>	<u>6,530</u>	<u>2,499</u>	<u>850</u>	<u>1,000</u>
<u>\$(419)</u>	<u>\$ 7,615</u>	<u>\$ 2,414</u>	<u>\$ 512</u>	<u>\$(1,433)</u>	<u>\$(3,491)</u>	<u>\$(277)</u>
<u>21.87%</u>	<u>29.18%</u>	<u>26.53%</u>	<u>29.14%</u>	<u>30.52%</u>	<u>28.52%</u>	<u>27.68%</u>

TABLE 6

CITY OF MURPHY, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(Unaudited) (Amounts expressed in thousands)

Fiscal Year	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value ⁽¹⁾	Total Direct Tax Rate	Estimated Actual Taxable Value ⁽¹⁾	Total Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2005	652,089	43,097	17,038	678,148	0.4683	678,148	100.00%
2006	793,662	52,038	19,023	826,677	0.4683	826,677	100.00%
2007	1,079,141	72,523	18,942	1,132,722	0.4683	1,132,722	100.00%
2008	1,243,105	78,719	29,409	1,292,415	0.4683	1,292,415	100.00%
2009	1,313,839	76,480	20,106	1,370,213	0.5183	1,370,213	100.00%
2010	1,335,852	168,299	20,102	1,484,049	0.5384	1,484,049	100.00%
2011	1,343,032	171,655	46,830	1,467,857	0.5650	1,467,857	100.00%
2012	1,344,417	200,050	44,852	1,499,615	0.5650	1,499,615	100.00%
2013	1,374,719	210,457	40,516	1,544,660	0.5700	1,544,660	100.00%
2014	1,456,899	231,165	49,666	1,638,398	0.5700	1,638,398	100.00%

Source: Collin County Appraisal District

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

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

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

Fiscal Year Ended September 30,	City Direct Rates			Overlapping Rates*			
	General Fund	General Obligation Debt Service	Total Direct Rate	Plano Independent School District	Wylie Independent School District	Collin County College District	Collin County College District
2005	0.1492	0.3191	0.4683	1.7334	1.8000	0.2500	0.0906
2006	0.1839	0.2844	0.4683	1.7334	1.8170	0.2500	0.0894
2007	0.2345	0.2338	0.4683	1.5784	1.7025	0.2450	0.0871
2008	0.2688	0.1945	0.4633	1.2684	1.3900	0.2450	0.0870
2009	0.3341	0.1842	0.5183	1.3034	1.5100	0.2425	0.0865
2010	0.3341	0.2043	0.5384	1.3284	1.5900	0.2425	0.0863
2011	0.3174	0.2476	0.5650	1.3534	1.6400	0.2400	0.0863
2012	0.3174	0.2476	0.5650	1.3734	1.6400	0.2400	0.0863
2013	0.3295	0.2405	0.5700	1.3734	1.6400	0.2400	0.0862
2014	0.3415	0.2285	0.5700	1.4530	1.6400	0.2375	0.0836

Source: Collin County Appraisal District

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

TABLE 8

**CITY OF MURPHY, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 SEPTEMBER 30, 2014**
 (Unaudited) (Amounts expressed in thousands)

Taxpayer	2013				2004		
	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value		Assessed Taxpayer Value	Assessed Taxable Value	Rank
Allen & Loucks Venture LP	27,598	1	1.56%	Lumbermen's Investment Corp	-	1	0.47%
Wal-Mart Real Estate Business Trust	16,208	2	0.91%	Dublin Murphy Estates LTD	5,160	2	0.66%
Lowe's Home Centers Inc.	15,533	3	0.88%	Shaddock Developers LTD	6,540	3	0.83%
Wal-Mart Stores Texas, LLC	10,588	4	0.60%	Weingarten-Murphy LTD	6,336	4	0.81%
Allen & Loucks Venture LP	9,911	5	0.56%	Wal-Mart Texas LP	6,026	5	0.77%
Murphy Crossing Shopping Center, LLC	9,375	6	0.53%	Albertson, Inc.	5,506	6	0.70%
Murphy AL Partners LP	8,125	7	0.46%	Interinvest-Murphy LTD	4,045	7	0.51%
Duke Realty BEMC Murphy Development LLC	8,090	8	0.46%	D R Horton - Texas LTD	3,723	8	0.47%
Murphy Storage Partners LLC	6,390	9	0.36%	Oncor Electric Delivery Company	3,528	9	0.45%
GELO Investments LLC	6,260	10	0.35%	Belgravia Group LLC	2,995	10	0.38%
Total	<u>\$ 118,078</u>		<u>6.65%</u>	Total	<u>\$ 43,859</u>		<u>6.05%</u>

Source: Collin Central Appraisal District

TABLE 9

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

<u>Fiscal Year Ended</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2005	3,649	3,614	99.04%	30	3,644	99.86%
2006	4,410	4,342	98.46%	67	4,409	99.98%
2007	5,309	5,201	97.97%	12	5,213	98.19%
2008	6,056	5,917	97.70%	105	6,022	99.44%
2009	7,315	7,286	99.60%	15	7,301	99.81%
2010	7,891	7,866	99.68%	10	7,876	99.81%
2011	8,293	8,274	99.77%	18	8,292	99.99%
2012	8,455	8,432	99.73%	18	8,450	99.94%
2013	8,782	8,766	99.82%	4	8,770	99.86%
2014	9,325	9,298	99.71%	-	9,298	99.71%

Soruce: Collin County Appraisal District

TABLE 10

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

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2005	2,234	1,573	3,807
2006	2,720	1,820	4,540
2007	2,239	2,027	4,266
2008	2,496	2,103	4,599
2009	3,123	2,177	5,300
2010	3,529	1,644	5,173
2011	4,555	1,633	6,188
2012	4,357	1,329	5,686
2013	4,736	1,427	6,163
2014	4,297	2,271	6,568

TABLE 11

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

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

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes	Gen Oblig & Refunding Bonds	Capital Leases	Tax Note	Revenue Bonds	Certificates of Obligation	Capital Leases			
2005	29,270	112	1,040	16	-	835	-	5	31,278	9.82%	3,475
2006	28,150	36	825	5	-	725	-	-	29,741	9.25%	3,141
2007	26,975	-	680	-	-	610	-	-	28,265	8.26%	2,754
2008	25,750	-	535	-	-	490	-	-	26,775	5.94%	1,927
2009	24,450	-	8,285	-	-	275	8,000	-	41,010	8.69%	2,868
2010	23,230	-	12,740	-	1,075	225	7,790	-	45,060	9.52%	3,140
2011	17,615	-	20,845	-	1,685	175	7,495	-	47,815	8.19%	2,701
2012	3,535	839	32,015	28	2,915	120	7,190	-	46,642	7.07%	2,634
2013	2,655	340	32,292	14	2,305	60	6,924	-	44,590	6.92%	2,235
2014	1,575	-	29,380	-	2,705	-	6,560	-	40,220	6.25%	1,950

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

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

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property	Per Capita
2005	830	487	343	3.89%	38
2006	740	563	177	3.08%	19
2007	680	680	-	2.49%	-
2008	535	535	-	2.03%	-
2009	8,285	935	7,350	2.39%	514
2010	12,740	1,007	11,733	2.49%	818
2011	20,845	902	19,943	2.73%	1,127
2012	32,015	756	31,259	2.08%	1,765
2013	32,292	844	31,448	2.04%	1,576
2014	29,380	697	28,683	1.75%	1,392

CITY OF MURPHY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2013
(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Collin County	\$ 372,693,054	1.91%	\$ 7,118,437
Collin County Community College District	33,491,213	1.91%	639,682
Plano Independent School District	922,505,466	3.10%	28,597,669
Wylie Independent School District	<u>211,308,486</u>	12.12%	<u>25,610,589</u>
	<u>\$ 1,539,998,219</u>		61,966,377
City of Murphy		100.00%	<u>30,812,420</u>
Total direct and overlapping debt			<u>\$ 92,778,797</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>6.10%</u>
Per capita overlapping bonded debt			<u>\$ 5,259</u>

Source: Municipal Advisory Council of Texas

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

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

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

(Unaudited) (Amount expressed in the thousands)

	Fiscal Year			
	2005	2006	2007	2008
Debt limit	\$ 77,923	\$ 93,959	\$ 131,205	\$ 132,643
Total net obligation debt applicable to limit	<u>30,310</u>	<u>28,975</u>	<u>26,918</u>	<u>24,295</u>
Legal debt margin	<u>\$ 47,613</u>	<u>\$ 64,984</u>	<u>\$ 104,287</u>	<u>\$ 108,348</u>
Total net obligations debt applicable to the limit as a percentage of debt limit	38.90%	30.84%	20.52%	18.32%

TABLE 14

Fiscal Year						
2009	2010	2011	2012	2013	2014	
\$ 145,064	\$ 150,415	\$ 151,469	\$ 156,500	\$ 161,055	\$ 168,806	
<u>29,267</u>	<u>44,052</u>	<u>39,243</u>	<u>37,709</u>	<u>34,761</u>	<u>29,976</u>	
\$ <u>115,797</u>	\$ <u>106,363</u>	\$ <u>112,226</u>	\$ <u>118,791</u>	\$ <u>126,294</u>	\$ <u>138,830</u>	
20.18%	29.29%	25.91%	24.10%	21.58%	17.76%	

Legal Debt Margin Calculation of Fiscal Year 2014:

Assessed Value	\$ 1,638,398
Add back: exempt real property	<u>49,666</u>
Total assessed value	<u>\$ 1,688,064</u>
Debt limit (10% of total assessed value)	\$ 168,806
Debt application to limit:	
Long term bonds	30,812
Less: amount set aside for repayment of long term bonds	<u>836</u>
Total net debt applicable to limit	<u>\$ 29,976</u>
Legal debt margin	<u>\$ 138,830</u>

TABLE 15

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

Fiscal Year	Water Revenue Bonds					Times Coverage
	Utility Services Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements		
				Principal	Interest	
2005	7,747	2,720	5,027	105	56	31
2006	7,405	3,239	4,166	110	51	26
2007	5,469	3,951	1,518	115	40	10
2008	5,966	4,592	1,374	120	36	9
2009	5,357	4,174	1,183	215	29	5
2010	5,209	4,050	1,159	345	313	2
2011	6,206	4,295	1,911	360	301	3
2012	6,315	4,689	1,626	370	288	2
2013	7,075	5,656	1,419	380	275	2
2014	7,218	5,215	2,003	330	262	3

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

TABLE 16

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

<u>Calendar Year</u>	<u>Estimated Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate¹</u>
2005	9,000	318,429,000	35,381	33.0	4.4%
2006	9,469	321,510,426	33,954	34.6	4.2%
2007	10,263	342,353,154	33,358	35.5	2.3%
2008	13,896	451,105,848	32,463	34.4	2.3%
2009	14,300	471,900,000	33,000	35.8	6.0%
2010	14,350	473,550,000	33,000	35.8	6.0%
2011	17,700	584,100,000	33,000	37.0	6.0%
2012	17,708	659,268,840	37,230	34.9	5.4%
2013	19,950	643,946,100	32,278	35.4	5.8%
2014	20,625	801,466,875	38,859	35.6	4.7%

Sources: School enrollment figures provided by school districts and websites

¹ Unemployment rates and per capita provided by Texas Workforce Commission

TABLE 17

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

Employer	2014			Employer	2004		
	No. of Employees	Rank	Percentage of Total City Employment		No. of Employees	Rank	Percentage of Total City Employment
Walmart	312	1	12.60%				
24 Hour Fitness	181	2	7.30%				
Lowe's Home Improvement	120	3	4.80%				
McMillen High School	108	4	4.30%				
City of Murphy	105	5	4.24%				
Murphy Middle School	100	6	4.00%				
Bogges Elementary School	80	7	3.20%				
Albertsons	68	8	2.70%				
Hunt Elementary	65	9	2.60%				
Tibbals Elementary	49	10	1.98%				
				Landmark Brick	22	1	00.82%
				Lynn Rogers	9	2	00.34%
				Parker Group	6	3	00.22%
				Jon Lashbrook Insurance	5	4	00.19%
				Classic Garden and Landscape	4	5	00.19%
				Murphy Veterinary Hospital	4	6	00.15%
				Mr. Video	2	7	00.07%

TABLE 18

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	17	22	21	21	16.75	15.5	15.33	15	16	15
Public Safety										
Police										
Officers	20	19	24	22	22	21	22	22	22	22
Civilians	-	6	7	10	9	9	9	11	11	11
Fire										
Firefighters and officers	5	7	14	21	20	19	20	21	22	22
Civilians	1	2	2	2	2	1	1	1	1	1
Animal Control	-	-	1	1	1	1	1	1	2	2
Public Service										
Municipal Court	-	-	2.5	2.5	2.5	2.5	2	3	3	3
Cultural and Recreation	7	8	11	11	11.75	11.75	10.33	12	12	12
Water										
Administration	-	-	6.5	5.5	3	3	4.34	6	6	6
Water	10	10	9	10	8	8	7	10	10	10
Wastewater	-	-	1	2	1	1	1	1	1	1
Total	60	74	99	108	97	93	93	103	106	105

Source: Government Human Resource Department

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

TABLE 19

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical arrests	130	183	237	247	183	367	490	489	374	346
Traffic violations	3,139	9,147	9,158	5,552	4,976	5,156	7,796	3,589	3,217	3,140
Fire										
Number of calls answered	556	568	745	943	987	950	1,124	1,079	1,202	1,204
Inspections	-	121	108	156	128	173	192	129	314	224
Water										
New Connections	534	407	308	206	157	166	146	217	130	98
Average daily consumption (gallons) ³ (thousands of gallons)	2,971	3,384	4,036	3,393	3,500	3,353	3,496	2,794	2,719	2,156
Wastewater										
Average daily sewage treatment (thousands of gallons)	1,114	1,246	1,614	1,668	2,100	1,770	1,633	1,670	1,704	1,566

Sources: Various government departments and North Texas Municipal Water District

Note: Indicators are not available for the general government function

Sanitation services are provided by contractor

TABLE 20

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units/CID vehicles	12	9	12	12	9	12	12	15	21	19
Motorcycles	-	-	3	3	-	-	-	-		
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Engines	2	2	2	2	2	2	2	2	2	2
Ambulances	1	1	2	2	2	2	2	2	2	2
Vehicles	2	2	4	4	4	4	4	4	3	5
Public works										
Streets (miles)	72.3	73.2	73.2	78.0	80.0	82.5	82.5	82.5	82.5	82.5
Culture and recreation										
Parks (acreage)	142	150	180	235	280	280	284	297	285	322
Parks	5	6	6	6	8	11	14	14	9	10
Community center	-	-	-	-	-	-	-	1	1	1
Water										
Water lines (miles)	80.4	86.1	90.0	92.0	92.5	92.5	90.6	92.6	93.8	94.3
Fire hydrants	791	857	900	920	950	950	950	911	934	942
Maximum daily capacity (gallons)	2,376	3,300	5,000	6,200	6,500	6,500	6,212	6,216	6,216	6,216
Wastewater										
Sanitary sewers (miles)	74.0	81.6	90.0	92.0	92.5	92.5	81.0	82.8	84.6	84.6

Sources:

City departments, North Texas Water Municipal District

Note:

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

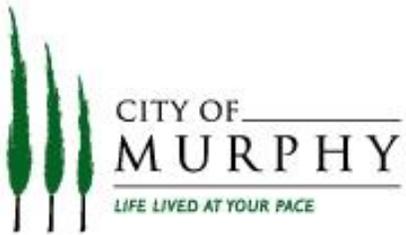
CITY OF MURPHY, TEXAS
VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT
September 30, 2014
(Unaudited)

2013-14 Market Valuation Esablished by Collin County Appraisal District (excluding totally exempt property & Homestead Cap. Adj.)		\$ 1,688,063,862
Less Exemptions/Reductions at 100% Market Value:		
Agricultural/Open Space Land Use	\$ 9,812,409	
Homestead Cap	5,477,029	
Over 65 and Disabled	26,702,153	
Disabled Veterans	4,511,938	
Disabled Persons	<u>3,162,500</u>	<u>49,666,029</u>
2012-2013 Taxable Assessed Valuation		<u>\$ 1,638,397,833</u>
General Debt Payable from Ad Valorem Taxes		\$ 33,660,000
General Interest and Sinking Fund as of September		<u>836,121</u>
Ratio General Tax Debt to Taxable Assessed Valutaion		2.05%
2014 Estimated Population	20,625	
Per Capita Taxable Assessed Valuation	\$ 79,437	
Per Capita Net Funded Debt Payable from Ad Valorem Taxes	\$ 1,632	

Note: Collin Central Appraisal District - 2012 Certified Roll

CITY OF MURPHY, TEXAS
TAX RATE LEVY AND COLLECTION HISTORY - UNAUDITED
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year	Tax Rate	General Fund	Interest and Sinking Fund	Total Tax Levy	Current Tax Collected	% of Levy Collected	% of Total Collections to Tax Levy
2005	0.4683	0.1492	0.3191	3,649,140	3,614,262	99.04%	99.87%
2006	0.4683	0.1839	0.2844	4,400,120	4,341,691	98.67%	99.10%
2007	0.4683	0.2345	0.2338	6,052,380	5,308,795	87.71%	97.83%
2008	0.4682	0.2688	0.1994	6,056,231	5,917,192	97.70%	99.44%
2009	0.5183	0.3341	0.1842	7,314,636	7,285,649	99.60%	99.80%
2010	0.5384	0.3341	0.2043	7,891,458	7,865,901	99.68%	99.80%
2011	0.5650	0.3174	0.2476	8,293,389	8,273,737	99.76%	99.99%
2012	0.5650	0.3174	0.2476	8,455,059	8,432,643	99.73%	99.94%
2013	0.5700	0.3295	0.2405	8,782,666	8,766,872	99.82%	99.42%
2014	0.5700	0.3415	0.2285	9,325,685	9,298,490	99.71%	99.71%



CITY OF MURPHY, TEXAS
GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014
(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2015	\$ 3,105,000	\$ 1,179,702	\$ 4,284,702	9.22%
2016	3,235,000	1,091,060	4,326,060	9.61%
2017	3,170,000	996,367	4,166,367	9.42%
2018	2,965,000	898,339	3,863,339	8.81%
2019	2,875,000	799,439	3,674,439	8.54%
2020	2,770,000	698,174	3,468,174	8.23%
2021	2,770,000	591,555	3,361,555	8.23%
2022	2,585,000	485,643	3,070,643	7.68%
2023	2,070,000	387,177	2,457,177	6.15%
2024	1,670,000	306,358	1,976,358	4.96%
2025	975,000	252,599	1,227,599	2.90%
2026	1,020,000	210,758	1,230,758	3.03%
2027	1,070,000	166,302	1,236,302	3.18%
2028	1,110,000	119,636	1,229,636	3.30%
2029	1,165,000	70,305	1,235,305	3.46%
2030	715,000	30,240	745,240	2.12%
2031	390,000	7,800	397,800	1.16%
	<u>\$ 33,660,000</u>	<u>\$ 8,291,454</u>	<u>\$ 41,951,454</u>	

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

	Fiscal Year			
	2005	2006	2007	2008
REVENUES				
Taxes	\$ 5,269	\$ 6,050	\$ 7,249	\$ 8,133
Permits and licenses	1,545	2,207	1,432	848
Charge for services	656	587	952	1,210
Fines and forfeitures	187	585	703	576
Investment income	150	312	342	173
Grants	-	-	-	314
Intergovernmental revenue	-	-	-	-
Donations	6,393	2,981	457	21
Miscellaneous	<u>95</u>	<u>232</u>	<u>155</u>	<u>157</u>
Total revenues	<u>\$ 14,295</u>	<u>\$ 12,954</u>	<u>\$ 11,290</u>	<u>\$ 11,432</u>
EXPENDITURES				
General government	\$ 963	\$ 1,268	\$ 2,650	\$ 2,668
Public safety	2,320	3,162	4,426	4,190
Public works	1,301	1,330	2,789	226
Sanitation	490	565	630	603
Public service and operations	-	-	-	774
Culture and recreation	109	280	257	1,508
Development	-	-	-	-
Capital outlay	10,667	4,250	-	-
Debt service	<u>2,503</u>	<u>2,762</u>	<u>2,629</u>	<u>2,580</u>
Total expenditures	<u>\$ 18,353</u>	<u>\$ 13,617</u>	<u>\$ 13,381</u>	<u>\$ 12,549</u>

TABLE 4CD

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 9,031	\$ 9,596	\$ 10,097	\$ 10,439	\$ 11,105	\$ 11,960
440	496	548	721	891	688
1,311	1,403	1,405	1,451	1,595	1,633
479	493	570	536	442	367
115	27	76	23	17	12
164	21	33	752	1,133	640
301	-	-	188	1,211	1,095
10	17	23	27	23	84
50	109	82	48	295	400
<u>\$ 11,901</u>	<u>\$ 12,162</u>	<u>\$ 12,834</u>	<u>\$ 14,185</u>	<u>\$ 16,712</u>	<u>\$ 16,880</u>
\$ 2,070	\$ 2,060	\$ 2,292	\$ 2,615	\$ 2,669	\$ 2,552
4,607	4,429	4,523	4,754	4,974	5,267
554	295	233	256	241	307
609	624	648	676	697	721
555	481	595	698	783	624
1,416	828	845	1,089	1,096	1,127
-	-	-	77	131	110
453	4,577	5,776	3,319	6,232	3,330
4,291	3,147	3,940	4,631	4,230	4,117
<u>\$ 14,555</u>	<u>\$ 16,441</u>	<u>\$ 18,852</u>	<u>\$ 18,115</u>	<u>\$ 21,053</u>	<u>\$ 18,156</u>

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

	Fiscal Year			
	2005	2006	2007	2008
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$(4,058)	\$(663)	\$(2,091)	\$(1,117)
OTHER FINANCING SOURCES (USES)				
Bonds proceeds	\$ -	\$ -	\$ -	\$ -
Note proceeds	-	-	-	-
Capital leases	-	-	-	-
Payments to escrow agent	-	-	-	-
Debt issuance cost	-	-	-	-
Extraordinary revenue (expense)	-	-	-	(590)
Transfers	<u>356</u>	<u>356</u>	<u>850</u>	<u>1,289</u>
Total other financing sources (uses)	<u>\$ 356</u>	<u>\$ 356</u>	<u>\$ 850</u>	<u>\$ 699</u>
BEGINNING FUND BALANCE	\$ 9,390	\$ 6,144	\$ 5,837	\$ 4,596
PRIOR YEAR ADJUSTMENT	<u>456</u>	<u>-</u>	<u>-</u>	<u>17</u>
ENDING FUND BALANCE	<u>\$ 6,144</u>	<u>\$ 5,837</u>	<u>\$ 4,596</u>	<u>\$ 4,195</u>

TABLE 4CD

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>\$ (2,654)</u>	<u>\$ (4,279)</u>	<u>\$ (6,018)</u>	<u>\$ (3,930)</u>	<u>\$ (4,341)</u>	<u>\$ (1,276)</u>
\$ 9,415	\$ 5,875	\$ 9,655	\$ 11,695	\$ -	\$ 150
-	-	-	1,500	-	-
-	-	-	-	-	-
-	-	(4,253)	(12,335)	-	-
-	(32)	278	789	-	-
-	-	-	-	-	-
<u>854</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>
<u>\$ 10,269</u>	<u>\$ 6,693</u>	<u>\$ 6,530</u>	<u>\$ 2,499</u>	<u>\$ 850</u>	<u>\$ 1,000</u>
\$ 4,195	\$ 10,282	\$ 12,696	\$ 13,208	\$ 11,774	\$ 8,314
<u>(1,528)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>-</u>
<u>\$ 10,282</u>	<u>\$ 12,696</u>	<u>\$ 13,208</u>	<u>\$ 11,777</u>	<u>\$ 8,314</u>	<u>\$ 8,038</u>

CITY OF MURPHY, TEXAS
MUNICIPAL SALES TAX HISTORY
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year	City of Murphy	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2005	1,149,662	31.51%	0.1476	96
2006	1,014,410	23.05%	0.1079	72
2007	1,160,260	19.17%	0.0898	80
2008	1,185,721	19.58%	0.0917	79
2009	1,586,211	21.40%	0.1109	111
2010	1,737,173	22.01%	0.1185	121
2011	1,893,680	22.83%	0.1290	107
2012	2,064,464	24.42%	0.1380	117
2013	2,582,592	29.69%	0.1692	129
2014	3,212,366	34.45%	0.1964	136

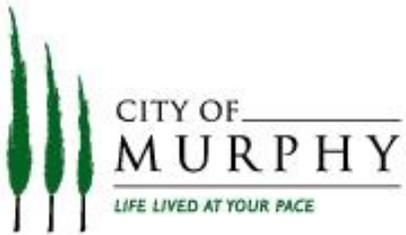
CITY OF MURPHY, TEXAS
CASH AND INVESTMENTS FOR PRIMARY GOVERNMENT
SEPTEMBER 30, 2014
(Unaudited)

<u>Type of Investment</u>		
Cash on hand	0.31%	\$ 40,035
Money markets	<u>99.69 %</u>	<u>12,711,378</u>
	<u>100.00 %</u>	<u>\$ 12,751,413</u>

CITY OF MURPHY, TEXAS
PROPRIETARY FUNDS DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2014
(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2015	\$ 330,000	\$ 261,766	\$ 591,766	5.03%
2016	340,000	251,716	591,716	5.18%
2017	350,000	240,929	590,929	5.34%
2018	365,000	228,854	593,854	5.56%
2019	380,000	214,866	594,866	5.79%
2020	395,000	199,366	594,366	6.02%
2021	410,000	183,266	593,266	6.25%
2022	425,000	166,354	591,354	6.48%
2023	445,000	148,463	593,463	6.78%
2024	465,000	129,404	594,404	7.09%
2025	485,000	108,974	593,974	7.39%
2026	505,000	87,315	592,315	7.70%
2027	530,000	64,280	594,280	8.08%
2028	555,000	39,590	594,590	8.46%
2029	580,000	13,413	593,413	8.84%
	<u>\$ 6,560,000</u>	<u>\$ 2,338,556</u>	<u>\$ 8,898,556</u>	

COMPLIANCE SECTION





P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Murphy, Texas' basic financial statements, and have issued our report thereon dated February 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Murphy, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Murphy, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Murphy, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
February 27, 2015