

City of Murphy, Texas



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2016

Prepared by: City of Murphy, Texas Finance Department

CITY OF MURPHY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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March 16, 2017

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, 2016 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, 2016. 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 the 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 19,900. 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 all of the administrative and operational 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.

The City of Murphy provides a full range of services, including police and fire protection; emergency medical services; water and sewer operations/maintenance, utility billing 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.

Mike Castro
City Manager

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

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 2016. The City saw several new businesses come to town over the past year which in turn, has generated additional growth. These businesses have contributed to an increase of sales tax. Property values have increased as the economy locally and state wide has improved. The housing industry has continued to expand but the City will soon reach build out within the next couple 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 2016-2017, the top priority projects of the City of Murphy include:

Complete the 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

Finalize the construction of the Timber Nature Preserve and Trail

Upgrade and replace IT infrastructure and Council Chambers audio visual equipment

Purchase of vehicles for Police and Animal Control

Purchase of vehicle for Fire and replace SCBA equipment

Work with the Capital Projects Advisory Committee to consider capital construction projects for future Bond Election

Purchase new ticket writers for Police and Municipal Court

Maintenance and repairs of sidewalks and streets

Implement replacement of Public Safety communications equipment

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

2012-2013	.5700
2013-2014	.5700
2014-2015	.5500
2015-2016	.5300
2016-2017	.5100

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, 2015. This was the twelfth 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.

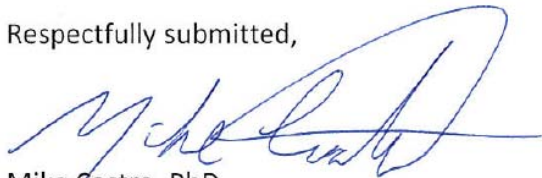
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 Steven Ventura, Interim Finance Director and the City’s employees throughout the organization, who were instrumental in the successful completion of this report.

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

Respectfully submitted,



Mike Castro, PhD
City Manager



Government Finance Officers Association

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

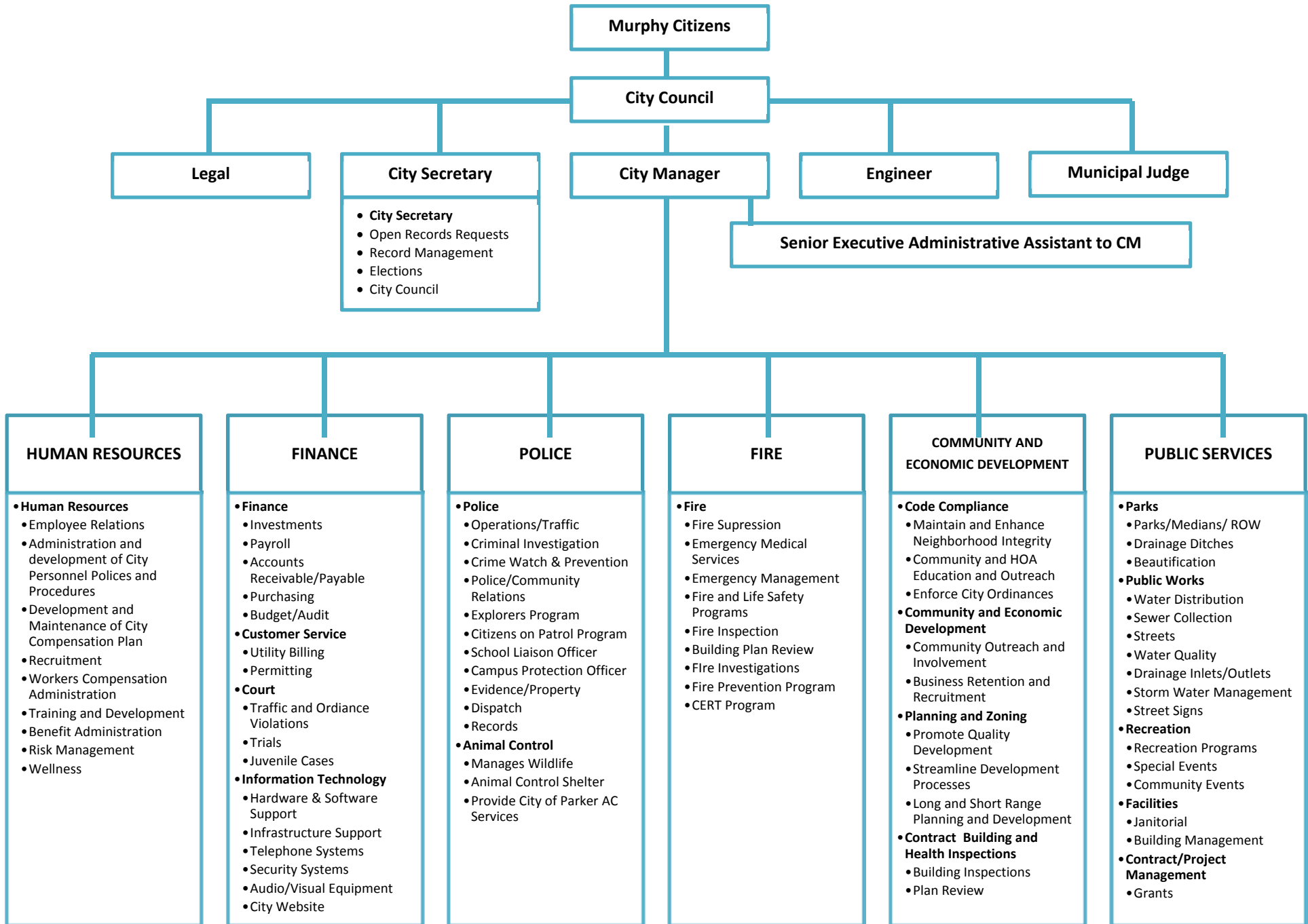
Presented to

**City of Murphy,
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



CITY OF MURPHY, TEXAS

ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS FOR THE YEAR ENDED SEPTEMBER 30, 2016

City Council

Eric Barna, Mayor
Scott Bradley, Mayor Pro-Tem
Owais Siddiqui, Deputy Mayor Pro-Tem
Jennifer Berthiaume
Betty Spraggins
Sarah Fincanon
Don Reilly

City Manager

Mike Castro

Leadership Team

Arthur Cotten, Chief of Police
Tim Rogers, Director of Public Services
Kelly Carpenter, Director of Community and Economic Development
Steven Ventura, Finance Director
Ed Henderson, Fire Chief
Jana Traxler, Human Resources Manager
Susie Quinn, City Secretary

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FINANCIAL SECTION

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PATILLO, BROWN & HILL, 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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary 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, schedule of changes in net pension liability and related ratios and schedule of contributions, on pages 4-14 and 62-63 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 the statistical section are presented for the 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 March 16, 2017, 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
March 16, 2017

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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, 2016. 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 \$85,618,679 (net position). Of this amount, \$74,392,480 or 87%, is net investment in capital assets. Net position restricted for a specific purpose is \$3,285,013. The remaining, \$7,941,186 (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 \$4,357,107 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 \$7,918,195, an increase of (\$1,033,170), in comparison with the prior year. The increase in combined ending fund balances is attributable to the capital grants in the Capital Projects Fund for parks and recreation and road projects and increased collections of sales and property taxes. Approximately 65% of this total amount, or \$5,154,966, 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 \$5,154,966 was 39% percent of total general fund expenditures for the fiscal year. The increase in fund balance of the General Fund in the amount of \$1,186,648 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 (\$1,223,379) 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,407,033	\$ 9,508,437	\$ 7,070,275	\$ 8,198,316	\$ 17,477,308	\$ 17,706,753
Capital assets	79,132,965	80,707,515	31,716,646	31,471,318	110,849,611	112,178,833
Total assets	89,539,998	90,215,952	38,786,921	39,669,634	128,326,919	129,885,586
Total deferred outflows of resources	1,576,399	1,043,953	159,106	87,385	1,735,505	1,131,338
Long-term liabilities	33,443,080	34,293,839	9,077,345	9,449,965	42,520,425	43,743,804
Other liabilities	1,445,948	2,665,889	317,842	1,033,439	1,763,790	3,699,328
Total liabilities	34,889,028	36,959,728	9,395,187	10,483,404	44,284,215	47,443,132
Total deferred inflows of resources	141,854	90,555	17,676	11,192	159,530	101,747
Net position:						
Net investment in capital assets	48,931,345	50,922,427	25,461,135	22,283,684	74,392,480	73,206,111
Restricted	2,610,809	831,820	674,204	647,149	3,285,013	1,478,969
Unrestricted	4,543,361	2,455,375	3,397,825	6,331,590	7,941,186	8,786,965
Total net position	\$ 56,085,515	\$ 54,209,622	\$ 29,533,164	\$ 29,262,423	\$ 85,618,679	\$ 83,472,045

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 \$85,618,679 as of September 30, 2016.

Net investment in capital assets:

The City's net position increased by \$4,357,107, excluding prior period adjustments, for the fiscal year ended September 30, 2016. 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) \$747,036 for debt service and, (b) \$2,537,977 for state imposed and other restrictions.

Unrestricted net position:

Unrestricted net position in the amount of \$7,941,186 is available to fund the City programs to citizens and creditors.

City of Murphy's Changes in Net Position

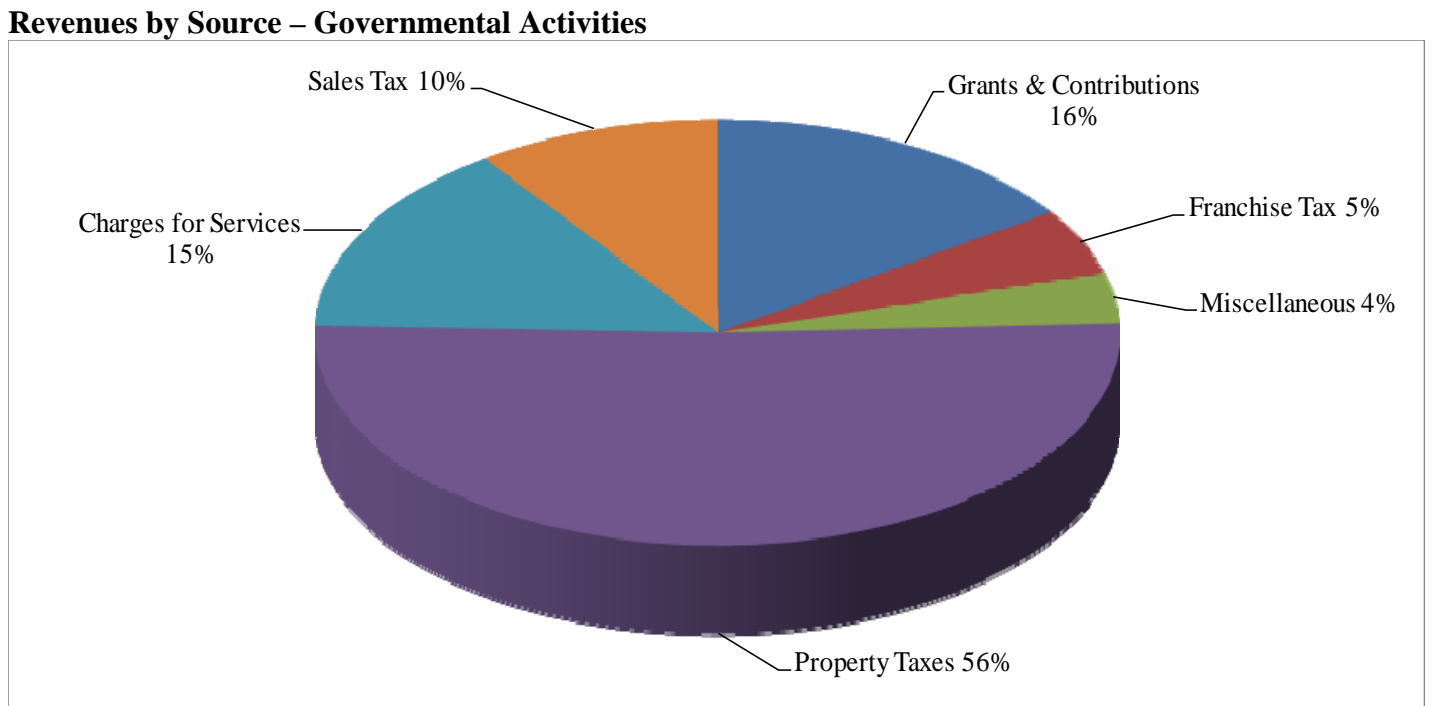
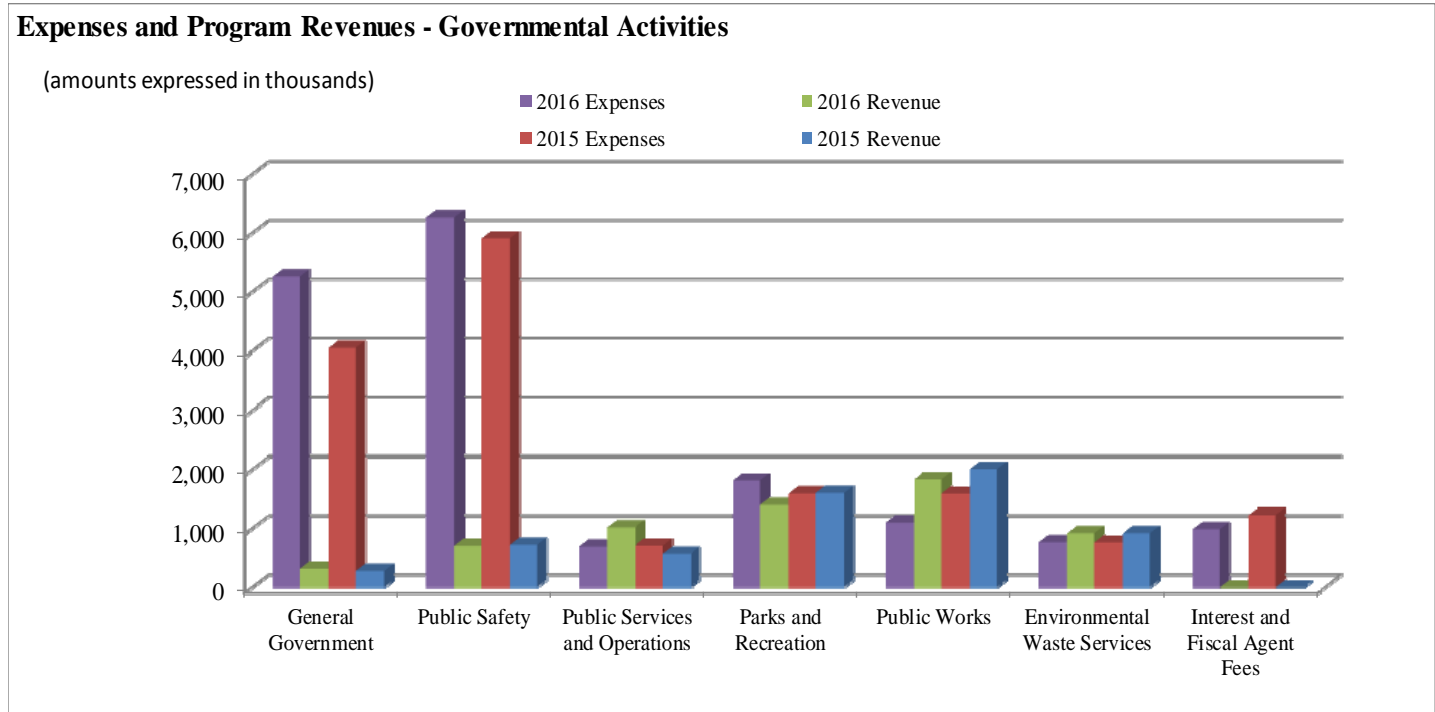
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,004,941	\$ 2,544,247	\$ 8,980,060	\$ 8,623,209	\$ 11,985,001	\$ 11,167,456
Operating grants and contributions	1,484,689	716,740	-	-	1,484,689	716,740
Capital grants and contributions	1,688,896	2,820,654	-	-	1,688,896	2,820,654
General revenues:						
Property taxes	10,483,060	9,911,637	-	-	10,483,060	9,911,637
Franchise taxes	1,028,798	1,040,903	-	-	1,028,798	1,040,903
Sales and use tax taxes	2,005,510	1,800,561	-	-	2,005,510	1,800,561
Investment income	26,124	11,333	19,057	6,581	45,181	17,914
Miscellaneous	770,986	56,798	35,352	21,873	806,338	78,671
Total revenues	<u>20,493,004</u>	<u>18,902,873</u>	<u>9,034,469</u>	<u>8,651,663</u>	<u>29,527,473</u>	<u>27,554,536</u>
Expenses:						
General government	5,265,718	4,051,021	-	-	5,265,718	4,051,021
Public safety	6,267,504	5,905,248	-	-	6,267,504	5,905,248
Public works	1,101,172	1,433,314	-	-	1,101,172	1,433,314
Public services and operations	684,246	701,805	-	-	684,246	701,805
Parks and recreation	1,811,728	1,586,775	-	-	1,811,728	1,586,775
Development	121,369	150,908	-	-	121,369	150,908
Sanitation services	760,878	756,114	-	-	760,878	756,114
Interest on long-term debt	985,676	1,227,861	-	-	985,676	1,227,861
Water and sewer	-	-	8,172,075	7,388,306	8,172,075	7,388,306
Total expenses	<u>16,998,291</u>	<u>15,813,046</u>	<u>8,172,075</u>	<u>7,388,306</u>	<u>25,170,366</u>	<u>23,201,352</u>
Increases in net position before transfers	3,494,713	3,089,827	862,394	1,263,357	4,357,107	4,353,184
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	4,344,713	3,939,827	12,394	413,357	4,357,107	4,353,184
Net position, beginning	<u>54,209,622</u>	<u>53,799,270</u>	<u>29,262,423</u>	<u>29,020,831</u>	<u>83,472,045</u>	<u>82,820,101</u>
Prior period adjustment	<u>(2,468,820)</u>	<u>(3,529,475)</u>	<u>258,347</u>	<u>(171,765)</u>	<u>(2,210,473)</u>	<u>(3,701,240)</u>
Net position, ending	<u>\$ 56,085,515</u>	<u>\$ 54,209,622</u>	<u>\$ 29,533,164</u>	<u>\$ 29,262,423</u>	<u>\$ 85,618,679</u>	<u>\$ 83,472,045</u>

The Governmental Activities have increased net position, excluding prior period adjustments, in the amount of \$4,344,713. 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 an increase in net position of \$12,394 due in large part to an increase in water rates and consumption of water. The cost of water also increased by \$318,335 during fiscal year 2016.

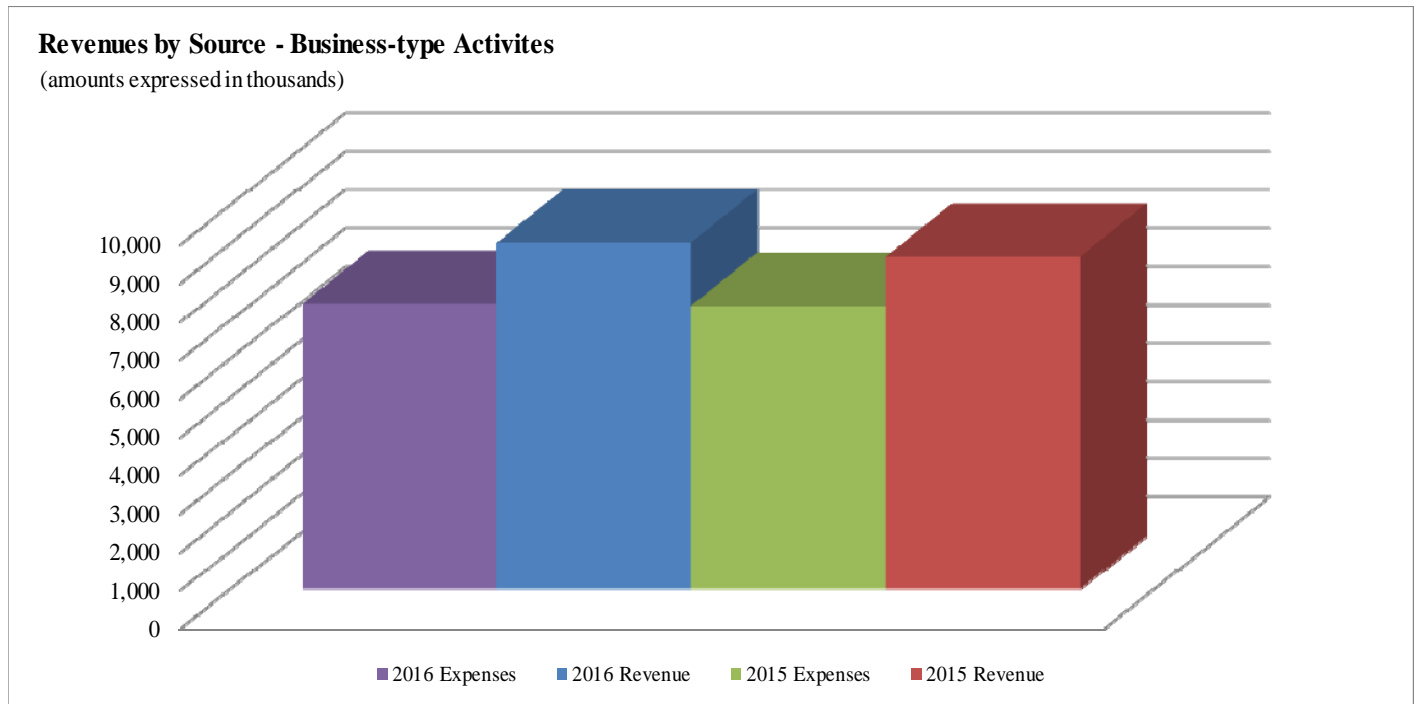
Governmental-type Activities – Governmental-type activities increased the City’s net position by \$4,344,713, excluding prior period adjustments. A key element of this increase is as follows:

The City received greater revenues from property and sales taxes as well as capital grants and contributions.

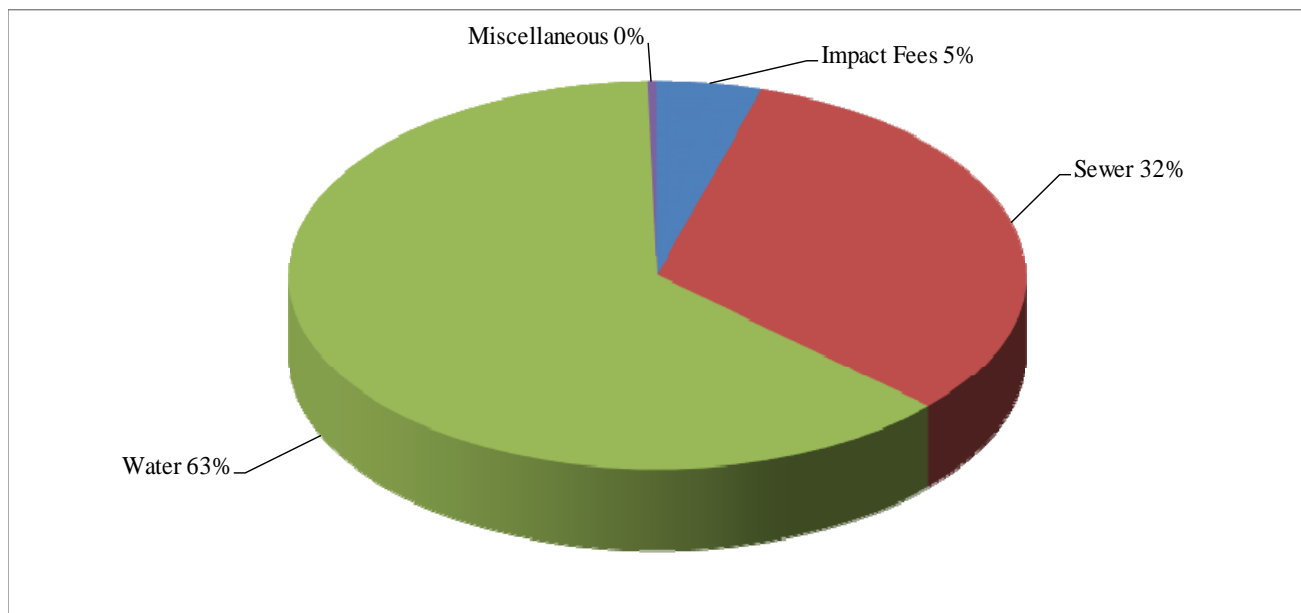


Business-type Activities – Business-type activities increased the City’s net position by \$270,741 including prior period adjustments. Key elements for this decrease are as follows:

In the business-type activities, the City experienced increases in contractual services of \$764,058 or 17%. This was mainly due to an increase in water purchase costs of approximately \$320,000. The slight increase was possible with increased revenues from water and sewer charges. This increase also includes the \$850,000 transfer to the General Fund.



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 \$5,154,966. 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 39% of total General Fund expenditures. The \$1,186,648 increase in fund balance in the General Fund is largely due to the increase in collections of property and sales taxes and capital grants in comparison to the previous year.

At September 30, 2016, the governmental funds of the City of Murphy reported a combined fund balance of \$7,918,195, a (5%) increase from last year. The City restricted \$2,723,628 during the year ended September 30, 2016, of which \$1,780,358 is for capital improvements.

At September 30, 2016, the debt service fund, a major governmental fund, had a total fund balance of \$859,855 which is restricted for the payment of debt. An increase of \$23,876 in fund balance during the current year was due to collecting more property tax revenue than the prior year.

At September 30, 2016, the capital projects fund, a major fund, had a decrease in fund balance of (\$177,354). The decrease is due to the spending of resources obtained through the issuance of long-term debt and spending those proceeds on capital acquisitions and construction in the current fiscal year.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget one time. 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 slightly more than 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 \$3,397,825 and \$25,461,135 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, 2016, totals \$110,849,611 (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, Betsy Lane and S. Maxwell Creek Sanitary Sewer Line Project.
- Construction and improvements for food truck court.

More detailed information about the City’s capital assets is presented in Note C to the financial statements.

**City of Murphy
Capital Assets
September 30, 2016**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 10,533,114	\$ 12,301,789	\$ -	\$ -	\$ 10,533,114	\$ 12,301,789
Construction in progress	11,535,313	15,873,228	4,560,178	2,876,969	16,095,491	18,750,197
Buildings and improvements	26,139,639	25,716,216	-	-	26,139,639	25,716,216
Machinery and equipment	5,866,984	5,006,683	866,330	854,110	6,733,314	5,860,793
Infrastructure	52,715,411	47,404,580	38,342,097	38,920,989	91,057,508	86,325,569
Accumulated depreciation	(27,657,496)	(25,594,981)	(12,051,959)	(11,180,750)	(39,709,455)	(36,775,731)
Total	\$ 79,132,965	\$ 80,707,515	\$ 31,716,646	\$ 31,471,318	\$ 110,849,611	\$ 112,178,833

Long-Term Debt

As of September 30, 2016, total long-term debt for the City was \$42,520,425.

**City of Murphy
Outstanding Debt
September 30, 2016**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation and certificates of obligation	\$ 3,720,000	\$ 4,725,000	\$ 8,550,000	\$ 9,000,000	\$ 12,270,000	\$ 13,725,000
Refunding bonds	22,120,000	23,730,000	-	-	22,120,000	23,730,000
Tax notes	3,280,000	2,100,000	-	-	3,280,000	2,100,000
TMRS pension liability	2,674,772	1,969,736	333,293	243,450	3,008,065	2,213,186
Compensated absences	267,200	244,379	17,017	18,881	284,217	263,260
Premium on bonds issued	1,381,108	1,524,724	177,035	187,634	1,558,143	1,712,358
	\$ 33,443,080	\$ 34,293,839	\$ 9,077,345	\$ 9,449,965	\$ 42,520,425	\$ 43,743,804

The City of Murphy's long-term debt decreased by \$1,223,374, or less than close to 3% during the past fiscal year. This was mainly due to the regular scheduled pay downs of bonds held by the City.

More detailed information about the City's long-term liabilities is presented in Note D to the financial statements.

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 \$204,866,500, which is significantly in excess of the outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

For the third year in a row the City has reduced the property tax rate. The FY2017 tax rate is at \$0.5100 per \$100 valuation compared to \$0.5300 the previous year. The FY2017 budget reflects a 0.02% decrease in the M&O tax rate from \$0.333221 to \$0.327749 per \$100. The tax rate for the debt service fund decreased by \$0.014528 to \$0.182551 the result of refinancing bonds as well as 10% increase of valuations.

The FY2017 budget will raise more total property taxes than last year's budget by \$593,517 or 5.8% and of that amounts, \$131,968 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 continue to develop. Sales tax revenues are projected to generate approximately 15% of the FY2017 General Fund revenues. This number should continue to increase as new businesses open up.

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 \$6,038,000 for FY2017, a 28.5% increase from the FY2016 budget due to the end of water conservation measures enacted during drought conditions. Sewer sales are projected at \$3,430,000, an increase of 13.8%. Water rates were adjusted in October, 2016 by the amount the North Texas Municipal Water District increased their rates.

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF MURPHY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 8,303,543	\$ 2,948,145	\$ 11,251,688	\$ 1,852,926
Receivables (net of allowance for uncollectible)	1,990,243	973,482	2,963,725	351,219
Note receivable	-	-	-	18,400
Restricted assets:				
Cash and cash equivalents	84,614	3,145,728	3,230,342	-
Prepaid items	28,633	2,920	31,553	-
Capital assets not being depreciated:				
Land	10,533,114	-	10,533,114	-
Construction in progress	11,535,313	4,560,178	16,095,491	-
Capital assets net of accumulated depreciation:				
Infrastructure	52,715,411	38,342,097	91,057,508	-
Buildings and improvements	26,139,639	-	26,139,639	-
Machinery and equipment	5,866,984	866,330	6,733,314	-
Accumulated depreciation	(27,657,496)	(12,051,959)	(39,709,455)	-
Total assets	<u>89,539,998</u>	<u>38,786,921</u>	<u>128,326,919</u>	<u>2,222,545</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,276,911	159,106	1,436,017	-
Deferred charge on refunding	299,488	-	299,488	-
Total Deferred Outflow of Resources	<u>1,576,399</u>	<u>159,106</u>	<u>1,735,505</u>	<u>-</u>
LIABILITIES				
Accounts payable	898,697	132,816	1,031,513	139,029
Accrued liabilities	25,858	3,404	29,262	184
Due to other governments	65,617	-	65,617	-
Internal balances	273,231	(273,231)	-	-
Other liabilities	43,639	6,625	50,264	9
Unearned revenues	-	33,147	33,147	-
Customer deposits	2,355	373,818	376,173	-
Accrued interest payable	136,551	41,263	177,814	-
Noncurrent liabilities:				
Due within one year				
Compensated absences	26,720	1,702	28,422	-
Note payable	875,000	-	875,000	-
Bond payable	2,678,616	475,599	3,154,215	-
Due in more than one year:				
Compensated absences	240,480	15,315	255,795	-
Net pension liability	2,674,772	333,293	3,008,065	-
Note payable	2,405,000	-	2,405,000	-
Bonds payable	24,542,492	8,251,436	32,793,928	-
Total liabilities	<u>34,889,028</u>	<u>9,395,187</u>	<u>44,284,215</u>	<u>139,222</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	141,854	17,676	159,530	-
Total Deferred Inflows of Resources	<u>141,854</u>	<u>17,676</u>	<u>159,530</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	48,931,345	25,461,135	74,392,480	-
Restricted for:				
Debt service	747,036	-	747,036	-
Use of impact fees	-	674,204	674,204	-
Public works	1,780,358	-	1,780,358	-
Court Use	70,358	-	70,358	-
Animal shelter	7,962	-	7,962	-
PEG fees	5,095	-	5,095	-
Unrestricted	4,543,361	3,397,825	7,941,186	2,083,323
Total net position	<u>\$ 56,085,515</u>	<u>\$ 29,533,164</u>	<u>\$ 85,618,679</u>	<u>\$ 2,083,323</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, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,265,718	\$ 14,975	\$ 309,792	\$ -
Public safety	6,267,504	698,006	1,125	-
Public services and operations	684,246	1,016,735	-	-
Parks and recreation	1,811,728	138,715	1,173,772	79,301
Public works	1,101,172	220,566	-	1,609,595
Development	121,369	-	-	-
Sanitation services	760,878	915,944	-	-
Interest on long-term debt	985,676	-	-	-
Total governmental activities	<u>16,998,291</u>	<u>3,004,941</u>	<u>1,484,689</u>	<u>1,688,896</u>
Business-type activities:				
Water and sewer	8,172,075	8,980,060	-	-
Total business-type activities	<u>8,172,075</u>	<u>8,980,060</u>	<u>-</u>	<u>-</u>
Total primary government	<u>25,170,366</u>	<u>11,985,001</u>	<u>1,484,689</u>	<u>1,688,896</u>
Component units:				
Governmental Activities:				
Community Development Corporation	1,077,129	-	-	-
Murphy Development District	1,261,289	-	-	-
Total component units:	<u>\$ 2,338,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

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

Change in net position

Net position - beginning
Prior period adjustment
Net position - beginning, as restated
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
\$(4,940,951)	\$ -	\$(4,940,951)	\$ -
(5,568,373)	-	(5,568,373)	-
332,489	-	332,489	-
(419,940)	-	(419,940)	-
728,989	-	728,989	-
(121,369)	-	(121,369)	-
155,066	-	155,066	-
(985,676)	-	(985,676)	-
<u>(10,819,765)</u>	<u>-</u>	<u>(10,819,765)</u>	<u>-</u>
-	807,985	807,985	-
-	807,985	807,985	-
<u>(10,819,765)</u>	<u>807,985</u>	<u>(10,011,780)</u>	<u>-</u>
-	-	-	(1,077,129)
-	-	-	<u>(1,261,289)</u>
-	-	-	<u>(2,338,418)</u>
10,483,060	-	10,483,060	-
1,028,798	-	1,028,798	-
2,005,510	-	2,005,510	1,962,081
26,124	19,057	45,181	5,559
-	-	-	30,893
770,986	35,352	806,338	71,293
850,000	<u>(850,000)</u>	-	-
<u>15,164,478</u>	<u>(795,591)</u>	<u>14,368,887</u>	<u>2,069,826</u>
4,344,713	12,394	4,357,107	(268,592)
<u>54,209,622</u>	<u>29,262,423</u>	<u>83,472,045</u>	<u>2,351,915</u>
<u>(2,468,820)</u>	<u>258,347</u>	<u>(2,210,473)</u>	<u>-</u>
51,740,802	29,520,770	81,261,572	2,351,915
<u>\$ 56,085,515</u>	<u>\$ 29,533,164</u>	<u>\$ 85,618,679</u>	<u>\$ 2,083,323</u>

CITY OF MURPHY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Debt Service	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 5,762,938	\$ 859,146	\$ 1,681,459	\$ 8,303,543
Receivables (net of allowances for uncollectibles)	553,609	24,441	1,412,193	1,990,243
Prepaid items	28,633	-	-	28,633
Restricted-cash and cash equivalents	84,614	-	-	84,614
Total assets	6,429,794	883,587	3,093,652	10,407,033
LIABILITIES:				
Accounts payable	655,370	-	243,327	898,697
Accrued liabilities	25,858	-	-	25,858
Due to other governments	65,617	-	-	65,617
Due to utility fund	273,231	-	-	273,231
Customer deposits	2,355	-	-	2,355
Unearned revenue	-	-	1,069,967	1,069,967
Other liabilities	43,639	-	-	43,639
Total liabilities	1,066,070	-	1,313,294	2,379,364
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	33,588	23,732	-	57,320
Unavailable revenue - ambulance fees	44,342	-	-	44,342
Unavailable revenue - municipal fines	7,812	-	-	7,812
Total deferred inflows of resources	85,742	23,732	-	109,474
FUND BALANCES				
Nonspendable:				
Prepaid items	28,633	-	-	28,633
Restricted:				
Debt service	-	859,855	-	859,855
Animal shelter	7,962	-	-	7,962
Municipal court	70,358	-	-	70,358
PEG fees	5,095	-	-	5,095
Capital improvements	-	-	1,780,358	1,780,358
Assigned:				
Police	10,968	-	-	10,968
Unassigned	5,154,966	-	-	5,154,966
Total Fund Balances	5,277,982	859,855	1,780,358	7,918,195
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,429,794	\$ 883,587	\$ 3,093,652	\$ 10,407,033

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, 2016

Total fund balances - governmental funds	\$ 7,918,195
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.	79,132,965
Bonds payable and contractual obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.	(29,120,000)
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	(1,381,108)
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.	299,488
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.	(136,551)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(267,200)
Deferred resources related to pensions	1,135,057
Net pension liability	(2,674,772)
Revenue reported as unearned revenue in the governmental fund financial statements are recorded as revenue in the government-wide financial statements.	<u>1,179,441</u>
Net position of governmental activities	\$ <u><u>56,085,515</u></u>

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Debt Service	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property tax	\$ 6,589,429	\$ 3,893,631	\$ -	\$ 10,483,060
Franchise taxes	1,028,798	-	-	1,028,798
Fines and forfeitures	303,753	-	-	303,753
Sales tax	2,005,510	-	-	2,005,510
Charges for services	1,738,763	-	-	1,738,763
Licenses and permits	941,358	-	-	941,358
Grants	1,125	-	618,929	620,054
Intergovernmental	309,792	455,020	-	764,812
Donations	4,431	-	-	4,431
Investment income	16,890	4,232	5,002	26,124
Miscellaneous	775,117	4,286	-	779,403
Total revenues	<u>13,714,966</u>	<u>4,357,169</u>	<u>623,931</u>	<u>18,696,066</u>
EXPENDITURES				
Current Operating:				
General government	4,249,736	-	-	4,249,736
Public safety	5,875,835	-	-	5,875,835
Public works	231,114	-	-	231,114
Public services and operations	645,710	-	-	645,710
Parks and recreation	1,118,057	-	-	1,118,057
Development	119,053	-	-	119,053
Sanitation services	760,878	-	-	760,878
Debt service:				
Principal retirement	-	3,235,000	-	3,235,000
Interest and fiscal agent fees	-	1,099,037	-	1,099,037
Capital outlay	377,935	-	2,600,541	2,978,476
Total expenditures	<u>13,378,318</u>	<u>4,334,037</u>	<u>2,600,541</u>	<u>20,312,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	336,648	23,132	(1,976,610)	(1,616,830)
OTHER FINANCING SOURCES (USES)				
Debt Issuance	-	-	1,800,000	1,800,000
Transfers in	850,000	744	-	850,744
Transfers out	-	-	(744)	(744)
Total other financing sources (uses)	<u>850,000</u>	<u>744</u>	<u>1,799,256</u>	<u>2,650,000</u>
NET CHANGE IN FUND BALANCES	1,186,648	23,876	(177,354)	1,033,170
FUND BALANCES, BEGINNING	<u>4,091,334</u>	<u>835,979</u>	<u>1,957,712</u>	<u>6,885,025</u>
FUND BALANCES, ENDING	<u>\$ 5,277,982</u>	<u>\$ 859,855</u>	<u>\$ 1,780,358</u>	<u>\$ 7,918,195</u>

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, 2016

Net change in fund balances - total governmental funds:	\$ 1,033,170
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.	2,918,337
Governmental funds do not recognize assets contributed by component units. However, in the statement of activities, the fair value of those assets are recognized as revenue, then depreciated over their estimated useful lives.	718,752
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.	(2,742,819)
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.	3,235,000
The issuance of long-term debt provides current financial resources to governmental funds but are treated as liabilities in the government-wide statements.	(1,800,000)
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.	106,180
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.	7,181
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.	(22,821)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows or inflow. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability were amortized.	(186,453)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	<u>1,078,186</u>
Change in net position of governmental activities	<u><u>\$ 4,344,713</u></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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property tax	\$ 6,520,000	\$ 6,589,429	\$ 6,589,429	\$ -
Franchise taxes	1,028,800	1,028,798	1,028,798	-
Fines and forfeitures	335,900	303,753	303,753	-
Sales tax	1,863,000	1,958,001	2,005,510	47,509
Charges for services	1,695,100	1,756,638	1,738,763	(17,875)
Licenses and permits	449,000	941,358	941,358	-
Grants	-	1,125	1,125	-
Intergovernmental	309,800	309,792	309,792	-
Donations	-	4,431	4,431	-
Investment income	6,000	16,891	16,890	(1)
Miscellaneous	<u>20,100</u>	<u>775,117</u>	<u>775,117</u>	<u>-</u>
Total Revenues	<u>12,227,700</u>	<u>13,685,333</u>	<u>13,714,966</u>	<u>29,633</u>
EXPENDITURES				
General Government:				
City Administration:				
Personnel services	274,900	274,496	284,496	(10,000)
Materials and supplies	5,200	4,552	4,552	-
Other services	<u>205,700</u>	<u>273,350</u>	<u>283,350</u>	<u>(10,000)</u>
Total City Administration	<u>485,800</u>	<u>552,398</u>	<u>572,398</u>	<u>(20,000)</u>
Human Resources:				
Personnel services	102,400	96,873	106,981	(10,108)
Materials and supplies	800	1,354	1,354	-
Other services	<u>61,200</u>	<u>54,974</u>	<u>54,974</u>	<u>-</u>
Total Human Resources	<u>164,400</u>	<u>153,201</u>	<u>163,309</u>	<u>(10,108)</u>
Information Technology:				
Personnel services	421,900	410,026	421,138	(11,112)
Materials and supplies	10,210	23,835	23,835	-
Other services	449,500	580,796	580,796	-
Capital outlay	<u>122,100</u>	<u>107,925</u>	<u>107,925</u>	<u>-</u>
Total Information Technology	<u>1,003,710</u>	<u>1,122,582</u>	<u>1,133,694</u>	<u>(11,112)</u>
City Council:				
Personnel services	13,800	13,510	13,510	-
Materials and supplies	3,600	716	716	-
Other services	<u>320,500</u>	<u>252,342</u>	<u>252,342</u>	<u>-</u>
Total City Council	<u>337,900</u>	<u>266,568</u>	<u>266,568</u>	<u>-</u>
City Secretary:				
Personnel services	103,800	101,250	101,346	(96)
Materials and supplies	34,900	20,212	20,212	-
Other services	<u>383,300</u>	<u>55,979</u>	<u>55,979</u>	<u>-</u>
Total City Secretary	<u>522,000</u>	<u>177,441</u>	<u>177,537</u>	<u>(96)</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES (continued)				
Finance:				
Personnel services	366,100	342,990	343,718	(728)
Materials and supplies	1,700	2,468	2,468	-
Other services	<u>136,300</u>	<u>160,147</u>	<u>160,147</u>	<u>-</u>
Total Finance	<u>504,100</u>	<u>505,605</u>	<u>506,333</u>	<u>(728)</u>
Facilities:				
Personnel Services	195,400	152,293	152,537	(244)
Materials and supplies	66,600	44,450	43,962	488
Other services	357,000	959,334	959,334	-
Capital outlay	<u>24,700</u>	<u>24,700</u>	<u>24,700</u>	<u>-</u>
Total Facilities	<u>643,700</u>	<u>1,180,777</u>	<u>1,180,533</u>	<u>244</u>
Municipal Court:				
Personnel services	326,800	314,258	315,646	(1,388)
Materials and supplies	3,100	4,574	4,574	-
Other services	<u>73,800</u>	<u>61,768</u>	<u>61,769</u>	<u>(1)</u>
Total Municipal Court	<u>403,700</u>	<u>380,600</u>	<u>381,989</u>	<u>(1,389)</u>
Total General Government	<u>4,065,310</u>	<u>4,339,172</u>	<u>4,382,361</u>	<u>(43,189)</u>
Public Safety:				
Fire Department:				
Personnel services	2,190,900	2,066,167	2,071,831	(5,664)
Materials and supplies	169,800	138,538	137,449	1,089
Other services	324,200	404,727	404,727	-
Capital outlay	<u>98,000</u>	<u>100,872</u>	<u>100,872</u>	<u>-</u>
Total Fire Department	<u>2,782,900</u>	<u>2,710,304</u>	<u>2,714,879</u>	<u>(4,575)</u>
Police Department:				
Personnel services	2,923,200	2,828,509	2,839,201	(10,692)
Materials and supplies	160,400	86,081	83,557	2,524
Other services	297,800	339,070	339,070	-
Capital outlay	<u>141,500</u>	<u>138,121</u>	<u>138,121</u>	<u>-</u>
Total Police Department	<u>3,522,900</u>	<u>3,391,781</u>	<u>3,399,949</u>	<u>(8,168)</u>
Total Public Safety	<u>6,305,800</u>	<u>6,102,085</u>	<u>6,114,828</u>	<u>(12,743)</u>
Public Works:				
Public works department				
Materials and supplies	112,500	34,042	34,042	-
Other services	241,400	197,072	197,072	-
Capital outlay	<u>-</u>	<u>2,051</u>	<u>2,051</u>	<u>-</u>
Total Public Works	<u>353,900</u>	<u>233,165</u>	<u>233,165</u>	<u>-</u>
Public Services and Operations:				
Community Services:				
Personnel services	273,400	141,625	141,788	(163)
Materials and supplies	11,700	7,216	7,074	142
Other services	352,500	343,372	343,372	-
Capital outlay	<u>-</u>	<u>1,777</u>	<u>1,777</u>	<u>-</u>
Total Community Services	<u>637,600</u>	<u>493,990</u>	<u>494,011</u>	<u>(21)</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES (continued)				
Animal Control:				
Personnel services	115,200	109,545	110,061	(516)
Materials and supplies	14,700	15,611	15,556	55
Other services	36,800	27,859	27,859	-
Total Animal Control	<u>166,700</u>	<u>153,015</u>	<u>153,476</u>	<u>(461)</u>
Total Public Services and Operations	<u>804,300</u>	<u>647,005</u>	<u>647,487</u>	<u>(482)</u>
Parks and Recreation:				
Parks:				
Personnel services	666,000	572,701	575,629	(2,928)
Materials and supplies	197,100	137,337	135,956	1,381
Other services	172,800	94,219	94,219	-
Total Parks	<u>1,035,900</u>	<u>804,257</u>	<u>805,804</u>	<u>(1,547)</u>
Recreation:				
Personnel services	189,000	176,262	176,590	(328)
Materials and supplies	13,300	6,189	6,187	2
Other services	151,300	129,476	129,476	-
Capital outlay	-	2,489	2,489	-
Total Recreation	<u>353,600</u>	<u>314,416</u>	<u>314,742</u>	<u>(326)</u>
Total Parks and Recreation	<u>1,389,500</u>	<u>1,118,673</u>	<u>1,120,546</u>	<u>(1,873)</u>
Economic Development:				
Personnel services	122,700	91,878	98,644	(6,766)
Materials and supplies	4,100	205	205	-
Other services	60,800	20,204	20,204	-
Total Economic Development	<u>187,600</u>	<u>112,287</u>	<u>119,053</u>	<u>(6,766)</u>
Solid Waste Management:				
Other services	775,100	760,878	760,878	-
Total Waste Management	<u>775,100</u>	<u>760,878</u>	<u>760,878</u>	<u>-</u>
Total expenditures	<u>13,881,510</u>	<u>13,313,265</u>	<u>13,378,318</u>	<u>(65,053)</u>
EXCESS (DEFICIENCY) OF REVENUE				
OVER (UNDER) EXPENDITURES	<u>(1,653,810)</u>	<u>372,068</u>	<u>336,648</u>	<u>(35,420)</u>
OTHER FINANCING SOURCES (USES)				
Transfers	850,000	850,000	850,000	-
Total other financing sources (uses)	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(803,810)</u>	<u>1,222,068</u>	<u>1,186,648</u>	<u>(35,420)</u>
FUND BALANCES, BEGINNING	<u>4,091,334</u>	<u>4,091,334</u>	<u>4,091,334</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 3,287,524</u>	<u>\$ 5,313,402</u>	<u>\$ 5,277,982</u>	<u>\$(35,420)</u>

CITY OF MURPHY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,948,145
Receivables, net	973,482
Prepaid items	2,920
Restricted cash and investments	3,145,728
Due from general fund	<u>273,231</u>
Total current assets	<u>7,343,506</u>
Noncurrent assets:	
Capital assets:	
Infrastructure	38,342,097
Vehicles, machinery and equipment	866,330
Construction in progress	4,560,178
Less: accumulated depreciation	<u>(12,051,959)</u>
Total noncurrent assets	<u>31,716,646</u>
Total assets	<u>39,060,152</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>159,106</u>
Total deferred outflow of resources	<u>159,106</u>
LIABILITIES	
Current liabilities:	
Accounts payable	132,816
Accrued liabilities	3,404
Other liabilities	6,625
Unearned revenues	33,147
Payables from restricted assets:	
Customer deposits	373,818
Accrued interest payable	41,263
Compensated absences - current	1,702
Revenue bonds payable - current	<u>475,599</u>
Total current liabilities	<u>1,068,374</u>
Noncurrent liabilities:	
Compensated absences	15,315
Net pension liability	333,293
Revenue bonds payable	<u>8,251,436</u>
Total noncurrent liabilities	<u>8,600,044</u>
Total liabilities	<u>9,668,418</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>17,676</u>
Total deferred inflow of resources	<u>17,676</u>
NET POSITION	
Net investment in capital assets	25,461,135
Restricted for:	
Impact fees	674,204
Unrestricted	<u>3,397,825</u>
Total net position	<u>\$ 29,533,164</u>

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

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer
OPERATING REVENUES	
Charges for sales and services:	
Service charges	\$ 8,980,060
Miscellaneous	35,352
Total operating revenues	9,015,412
OPERATING EXPENSES	
Personnel services	1,011,048
Supplies and material	86,289
Maintenance and repair	165,089
Contractual services	5,242,745
Depreciation	931,286
Total operating expenses	7,436,457
Operating Income (Loss)	1,578,955
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	19,057
Interest and fiscal charges	(735,618)
Total nonoperating revenues (expenses)	(716,561)
Income before transfers	862,394
Transfers Out	(850,000)
Change in net position	12,394
TOTAL NET POSITION, BEGINNING	29,262,423
PRIOR PERIOD ADJUSTMENT	258,347
TOTAL NET POSITION, ENDING	\$ 29,533,164

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, 2016

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 9,221,919
Cash paid to employees	(1,072,304)
Cash paid for goods and services	(6,132,046)
Net cash provided by (used in) operating activities	2,017,569
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	(735,618)
Principal payments on bonds payables	(460,599)
Acquisition or construction of capital assets	(918,267)
Net cash provided by (used in) capital and related financing activities	(2,114,484)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	19,057
Net cash provided by (used in) investing activities	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(927,858)
CASH AND CASH EQUIVALENTS, BEGINNING	7,021,731
CASH AND CASH EQUIVALENTS, ENDING	6,093,873
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	1,578,955
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	931,286
Change in assets and liabilities	
(Increase) decrease in assets:	
Other assets	(2,920)
Receivables	203,103
Deferred outflows	(71,721)
Increase (decrease) in liabilities:	
Accounts payable	(418,013)
Accrued expenses	(26,252)
Due to other funds	(273,113)
Customer deposits	3,404
Compensated absences	(1,864)
Net pension liability	89,843
Accrued interest payable	(1,623)
Deferred inflows	6,484
Total adjustments	438,614
Net cash provided by (used in) operating activities	\$ 2,017,569

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, 2016

	Governmental Activities		Total
	Murphy CDC	Murphy MDD	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 415,473	\$ 1,437,453	\$ 1,852,926
Receivables, net	170,991	180,228	351,219
Note receivable	-	18,400	18,400
Total assets	<u>586,464</u>	<u>1,636,081</u>	<u>2,222,545</u>
LIABILITIES			
Current liabilities:			
Accounts payable	65,198	73,831	139,029
Accrued Liabilities	184	-	184
Other liabilities	9	-	9
Total liabilities	<u>65,391</u>	<u>73,831</u>	<u>139,222</u>
NET POSITION			
Unrestricted	<u>521,073</u>	<u>1,562,250</u>	<u>2,083,323</u>
Total net position	<u>\$ 521,073</u>	<u>\$ 1,562,250</u>	<u>\$ 2,083,323</u>

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

CITY OF MURPHY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

I. 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 primary government and its component units. *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.

A. 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 Units: 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.

B. Basis of Presentation, Basis of Accounting

1. 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.

2. Measurement Focus, Basis of Accounting

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

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

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 measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

The City reports the following major governmental funds:

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

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

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

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the 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. Investments for the City are reported as fair value, except for the position in investment pools. The City's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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, 2016, the City had a tax rate of \$0.53 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. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. 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. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This 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 (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. The City also has three items in the fund statements. They are deferred inflows from property taxes, municipal court fines and ambulance fees.

i. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick leave accrued hours shall be carried to the next year with a maximum of 720 hours (one thousand eighty (1080) hours for full-time firefighters).

j. 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.

k. 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.

l. 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.

- i. ***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.
- ii. ***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.

- iii. ***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.

- iv. ***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.

- v. ***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.

m. 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.

n. 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.

o. 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.

p. 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.

q. 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.

r. Program Revenues

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

s. Program Expenses

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

II. 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.

The City had several departments that were over budget as well as the General Fund in total. These overages were funded by available fund balance.

III. 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, 2016, the carrying amount of the City's deposits (cash, money markets, and interest-bearing savings accounts included in temporary investments) was \$16,338,296 and the bank balance was \$17,046,718. The City's cash deposits at September 30, 2016 and during the year ended September 30, 2016, 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, 2016, the amount of deposits covered by collateralized securities was \$16,308,164. Cash and investments as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position

Primary Government	
Cash and cash equivalents	\$ 11,251,688
Restricted assets-cash and cash equivalents	<u>3,230,342</u>
Total cash and cash equivalents	<u>14,482,030</u>
Governmental - Unrestricted Cash	8,303,543
Business-type - Unrestricted Cash	<u>2,948,145</u>
	<u>11,251,688</u>
Governmental - Restricted Cash	
Municipal Court (technology, building security, juvenile mgr.)	70,358
Police Seizure funds	<u>14,256</u>
Total	<u>84,614</u>
Business-type - Restricted Cash	
Impact fees	674,204
Capital Improvements	<u>2,471,524</u>
Total	<u>3,145,728</u>
Total Restricted Cash	<u>\$ 3,230,342</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

In fiscal year 2016, the City adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurement.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At year-end the City does not have any investments subject to the fair value hierarchy.

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, 2016 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:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Total</u>
Receivables					
Taxes	\$ 385,621	\$ 27,027	\$ -	\$ -	\$ 412,648
Ambulance fees	176,092	-	-	-	176,092
Municipal court fees	156,248	-	-	-	156,248
Intergovernmental	-	-	1,412,193	-	1,412,193
Fees and Charges	<u>120,070</u>	<u>117</u>	<u>-</u>	<u>1,001,029</u>	<u>1,121,216</u>
Gross Receivables	838,031	27,144	1,412,193	1,001,029	3,278,397
Less: allowance					
for uncollectible	<u>(284,422)</u>	<u>(2,703)</u>	<u>-</u>	<u>(27,547)</u>	<u>(314,672)</u>
Net Total Receivables	<u>\$ 553,609</u>	<u>\$ 24,441</u>	<u>\$ 1,412,193</u>	<u>\$ 973,482</u>	<u>\$ 2,963,725</u>

C. Capital Assets

Capital asset activity for the period ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 12,301,789	\$ 564,064	\$ -	\$ (2,332,739)	\$ 10,533,114
Construction in progress	15,873,228	2,289,385	-	(6,627,300)	11,535,313
Total capital assets, not being depreciated:	28,175,017	2,853,449	-	(8,960,039)	22,068,427
Capital assets, being depreciated:					
Buildings & improvements	25,716,216	32,098	-	391,325	26,139,639
Infrastructure	47,404,580	-	-	5,310,831	52,715,411
Vehicles & equipment	5,006,683	751,542	25,696	134,455	5,866,984
Total capital assets being depreciated	78,127,479	783,640	25,696	5,836,611	84,722,034
Less accumulated depreciation for:					
Buildings & improvements	(8,000,760)	(813,724)	-	678,636	(8,135,848)
Infrastructure	(14,197,900)	(1,459,969)	-	315,829	(15,342,040)
Vehicles & equipment	(3,396,321)	(469,126)	25,696	(339,857)	(4,179,608)
Total accumulated depreciation	(25,594,981)	(2,742,819)	25,696	654,608	(27,657,496)
Total capital assets being depreciated, net:	52,532,498	(1,959,179)	-	6,491,219	57,064,538
Governmental activities capital assets, net:	\$ 80,707,515	\$ 894,270	\$ -	\$ (2,468,820)	\$ 79,132,965
	Beginning Balance	Additions	Decreases	Adjustments	Ending Balances
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 2,876,969	\$ 863,550	\$ -	\$ 819,659	\$ 4,560,178
Total capital assets not being depreciated:	2,876,969	863,550	-	819,659	4,560,178
Capital assets, being depreciated:					
Buildings and improvements	38,920,990	-	-	(578,893)	38,342,097
Vehicles and equipment	854,112	65,316	-	(53,098)	866,330
Total capital assets being depreciated:	39,775,102	65,316	-	(631,991)	39,208,427
Less accumulated depreciation for:					
Buildings and improvements	(10,712,688)	(856,986)	-	(2,045)	(11,571,719)
Vehicles and equipment	(468,065)	(84,899)	-	72,724	(480,240)
Total accumulated depreciation:	(11,180,753)	(941,885)	-	70,679	(12,051,959)
Total capital assets being depreciated, net:	28,594,349	(876,569)	-	(561,312)	27,156,468
Business-type activities capital assets, net:	\$ 31,471,318	\$ (13,019)	\$ -	\$ 258,347	\$ 31,716,646

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

Governmental activities:	
General Government	\$ 906,305
Public Safety	264,236
Public Works, including depreciation of general infrastructure assets	870,058
Public Service	32,493
Culture and Recreation	<u>669,727</u>
Total depreciation expense - governmental activities	<u>2,742,819</u>
Business-type activities: Water Sewer	<u>941,885</u>
Total depreciation expense - business-type activities	<u>\$ 941,885</u>

D. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one Year
Governmental Activities:					
General obligation bonds & certificates of obligations	\$ 4,725,000	\$ -	\$(1,005,000)	\$ 3,720,000	\$ 210,000
Refunding bonds	23,730,000	-	(1,610,000)	22,120,000	2,325,000
Tax notes	<u>2,100,000</u>	<u>1,800,000</u>	<u>(620,000)</u>	<u>3,280,000</u>	<u>875,000</u>
Total bonds payable:	<u>30,555,000</u>	<u>1,800,000</u>	<u>(3,235,000)</u>	<u>29,120,000</u>	<u>3,410,000</u>
Plus deferred amounts:					
Bond issuance premium	<u>1,524,724</u>	-	<u>(143,616)</u>	<u>1,381,108</u>	<u>143,616</u>
For total bonds payable, net:	<u>32,079,724</u>	<u>1,800,000</u>	<u>(3,378,616)</u>	<u>30,501,108</u>	<u>3,553,616</u>
Net pension liability	1,969,736	1,537,990	(832,954)	2,674,772	-
Compensated absences	<u>244,379</u>	<u>369,334</u>	<u>(346,513)</u>	<u>267,200</u>	<u>26,720</u>
Governmental activity					
Long-term debt:	<u>\$ 34,293,839</u>	<u>\$ 3,707,324</u>	<u>\$(4,558,083)</u>	<u>\$ 33,443,080</u>	<u>\$ 3,580,336</u>
Business-type Activities:					
Water & Sewer					
Certificates of obligation	\$ 9,000,000	\$ -	\$(450,000)	\$ 8,550,000	\$ 465,000
Total bonds payable:	<u>9,000,000</u>	-	<u>(450,000)</u>	<u>8,550,000</u>	<u>465,000</u>
Plus deferred amounts:					
Bond issuance premium	<u>187,634</u>	-	<u>(10,599)</u>	<u>177,035</u>	<u>10,599</u>
For total bonds payable, net:	<u>9,187,634</u>	-	<u>(460,599)</u>	<u>8,727,035</u>	<u>475,599</u>
Net pension liability	243,450	193,635	(103,792)	333,293	-
Compensated absences	<u>18,881</u>	<u>28,983</u>	<u>(30,847)</u>	<u>17,017</u>	<u>1,702</u>
Business-type activity					
Long-term debt:	<u>\$ 9,449,965</u>	<u>\$ 222,618</u>	<u>\$(595,238)</u>	<u>\$ 9,077,345</u>	<u>\$ 477,301</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, 2016, includes the following individual issues:

Description	Interest Rate Payable	Original Issue	Amounts		Retired	Outstanding 09/30/16	Due Within One Year
			Outstanding 10/1/2015	Issued			
2004 Series CO	4.125% - 4.875%	\$ 10,000,000	\$ 535,000	\$ -	\$ 535,000	\$ -	\$ -
2009 Series CO	2.5% - 4.625%	1,500,000	270,000	-	270,000	-	-
2009 Series GO	2.5% - 5.0%	7,915,000	5,660,000	-	455,000	5,205,000	475,000
2010 Series GO	2.0% - 4.02%	4,800,000	3,920,000	-	200,000	3,720,000	210,000
2010 Tax Note	2.0% - 2.5%	1,075,000	325,000	-	160,000	165,000	165,000
2011 Series GO	1.35% - 2.05%	8,725,000	8,190,000	-	355,000	7,835,000	675,000
2011 Tax Note	2.0% - 4.0%	750,000	265,000	-	130,000	135,000	135,000
2012 GO Refund	2.0% - 5.0%	11,695,000	9,880,000	-	800,000	9,080,000	1,175,000
2012 Tax Note	1.35%	1,500,000	790,000	-	190,000	600,000	195,000
2014 Tax Note	1.74%	1,000,000	720,000	-	140,000	580,000	140,000
2016 Tax Note	1.57%	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>	<u>240,000</u>
Total Debt Payable		<u>\$ 50,760,000</u>	<u>\$ 30,555,000</u>	<u>\$ 1,800,000</u>	<u>\$ 3,235,000</u>	<u>\$ 29,120,000</u>	<u>\$ 3,410,000</u>

Governmental activities debt service requirements are as follows:

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 3,410,000	\$ 1,006,461	\$ 4,416,461
2018	3,215,000	905,997	4,120,997
2019	3,130,000	804,573	3,934,573
2020	3,030,000	700,786	3,730,786
2021	3,030,000	591,555	3,621,555
2022-2026	8,855,000	1,642,534	10,497,534
2027-2031	<u>4,450,000</u>	<u>394,283</u>	<u>4,844,283</u>
Total	<u>\$ 29,120,000</u>	<u>\$ 6,046,189</u>	<u>\$ 35,166,189</u>

A description of the purpose for each bond issuance follows:

\$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.

\$1,075,000, 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.

\$1,800,000, Series 2016, tax notes, issued for the purpose of development and purchase of items for a public safety voice, radio dispatch, emergency alert system, and associated software.

Business-type activities bonds payable at September 30, 2016, includes the following individual issues:

Description	Interest Rate Payable	Original Issue	Outstanding 10/01/15	Issued	Retired	Outstanding 09/30/16	Due Within One Year
2009 Series CO	2.5% - 4.625%	\$ 8,000,000	\$ 6,230,000	\$ -	\$ 340,000	\$ 5,890,000	\$ 350,000
2014 Series CO	2.0%-4.0%	<u>2,910,000</u>	<u>2,770,000</u>	<u>-</u>	<u>110,000</u>	<u>2,660,000</u>	<u>115,000</u>
Total Bonds Payable		<u>\$ 10,910,000</u>	<u>\$ 9,000,000</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 8,550,000</u>	<u>\$ 465,000</u>

Business-type activities debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2017	\$ 465,000	\$ 328,954	\$ 793,954
2018	480,000	314,579	794,579
2019	500,000	298,241	798,241
2020	515,000	280,341	795,341
2021	535,000	261,791	796,791
2022-2026	3,000,000	976,347	3,976,347
2027-2031	2,480,000	316,383	2,796,383
2032-2036	575,000	35,100	610,100
Total	\$ 8,550,000	\$ 2,811,736	\$ 11,361,736

A description of the purpose for each bond issuance follows:

\$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.

\$2,910,000, Series 2014, certificates of obligation, issued for the purpose of sewer infrastructure improvements including the purchase of land and right-of-ways.

E. Operating Leases

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

Year Ending September 30:	Annual Payment
2017	\$ 14,293
2018	17,877
2019	21,016
Total	\$ 53,186

F. Defined Benefit Pension Policies

Plan Descriptions

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tMrs.org.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	70% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	79
Active employees	<u>112</u>
	<u>220</u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.96% and 13.76% in calendar years 2015 and 2016, respectively. The city’s contributions to TMRS for the year ended September 30, 2016, were \$926,700, and were equal to the required contributions.

Net Pension Liability. The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rate multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study Analysis and experience investigation study, the Board amended the long-term expected rate of return on pensions plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

The target allocation and best estimates of real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 14,276,575	\$ 12,063,389	\$ 2,213,186
Changes for the year:			
Service cost	1,245,327	-	1,245,327
Interest	1,026,901	-	1,026,901
Difference between expected and actual experience	(100,244)	-	(100,244)
Changes of assumptions	46,815	-	46,815
Contributions - employer	-	943,727	(943,727)
Contributions - employee	-	473,766	(473,766)
Net investment income	-	17,806	(17,806)
Benefit payments, including refunds of employee contributions	(458,443)	(458,443)	-
Administrative expense	-	(10,842)	10,842
Other changes	-	(536)	536
Net changes	<u>1,760,356</u>	<u>965,477</u>	<u>794,878</u>
Balance at 12/31/2014	<u>\$ 16,036,931</u>	<u>\$ 13,028,866</u>	<u>\$ 3,008,065</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City's net pension liability	\$ 5,950,782	\$ 3,008,065	\$ 674,441

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at www.tmr.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2016, the City recognized pension expense of \$1,124,905.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 159,530
Changes in actuarial assumptions	37,581	-
Difference between projected and actual investment earnings	743,512	-
Contributions subsequent to the measurement date	<u>654,923</u>	<u>-</u>
Total	<u>\$ 1,436,016</u>	<u>\$ 159,530</u>

\$654,923 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended September 30,</u>		
2017	\$	159,502
2018		159,502
2019		159,502
2020		143,795
2021	(738)
Thereafter		<u>-</u>
	\$	<u>621,563</u>

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 fiscal years ended 2016, 2015 and 2014 were \$7,731, \$7,117, and \$6,759, respectively, which equaled the required contributions each year.

G. Health Care Coverage

During the year ended September 30, 2016, employees of the City were covered by a health insurance plan ("Plan"). The City contributed \$520 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.

H. 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 option dated October 1, 2012, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

I. 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.

J. Litigation

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

K. 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	1,404,775,000
Gallons Billed	1,000,537,587

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 \$2.34 per thousand gallons of water for this fiscal year. There was an increase in the amount spent purchasing water, \$318,335 (11%) over the previous year.

The City is also contracted for wastewater treatment services with the District. The District has been designated by the Texas Water Quality Board as the regional agency to provide and develop a Regional System for Wastewater Treatment in the general area of the East Fork of the Trinity River, which includes the City of Murphy and other cities located in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Relative thereto, the City and other cities have entered into wastewater system contracts with the District, which provide for the establishment, operation, and maintenance of a Regional Wastewater System for the purpose of providing facilities to adequately receive, transport, treat, and dispose of wastewater for the cities. In order to provide said services, the contract provides that (a) the District will acquire, design, construct, and complete the system, repair, replace and/or extend the system to provide service to the cities; (b) in consideration of payments to be made under the contract, each of the cities shall have the right to discharge all of its wastewater from its sewage system into the District's system, subject to certain quality requirements set forth in the contract; (c) the District will issue its bonds, in amounts and at times determined by the District, to provide for the wastewater treatment facilities; (d) each city agrees to pay its proportionate share of the annual requirement sufficient to pay or provide for the payment of an "Operation and Maintenance Component" and a "Bond Service Component"; (e) each city's proportionate share of the annual requirement shall be a percentage obtained by dividing such city's estimated contributing flow to the system by the total estimated contributing flow to the system by all cities during such fiscal year. No city will exercise oversight responsibility of the District and no city is liable for the District's debt. The City of Murphy's payment for the year ended September 30, 2016 was \$328,750, net of payments to the City for facilities usage.

L. Construction Commitments

The City has active construction projects as of September 30, 2016. The projects include park infrastructure and improvements, street infrastructure, and water/wastewater infrastructure improvements. At September 31, 2016, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Park Development	\$ 614,577	\$ 27,905
Street Infrastructure	1,725,256	945,544
Utilities	888,299	402,701
Radio Replacement Project	<u>302,568</u>	<u>1,497,432</u>
Totals	<u>\$ 3,530,700</u>	<u>\$ 2,873,582</u>

M. Interfund Transactions

Transfers between funds during the fiscal year were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Water Sewer Fund	General Fund	\$ 850,000
Capital Projects Fund	Debt Service Fund	<u>744</u>
		<u>\$ 850,744</u>

N. Murphy Community Development Corporation

The Murphy Community Development Corporation (“CDC”) is financed with the City transferring $\frac{1}{4}$ of sales tax receipts each month. This has voter approval and is to be used to fund public projects to enhance the quality of life in the community.

1. Deposits and Investments

Cash and investment as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Unrestricted cash	\$ <u>415,473</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, 2016, 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>170,991</u>

3. Pledged Revenues

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 and improving operations of the Center and related infrastructure. The Board of Directors of the CDC agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City began in FY2013 with the final payment being 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, renovation, equipping and improving operations of the Park and related infrastructure. The Board of Directors of the CDC agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City begin in FY2014 with the final payment being due in FY2019.

The amount pledged revenue recognized during the fiscal year was \$988,698 and the amount of debt service expenditures paid were \$334,020.

Debt service requirements are as follows:

<u>Year Ending September 30:</u>	<u>Total Requirements</u>
2017	\$ 338,168
2018	204,118
2019	206,384
2020	-
Total	<u>\$ 748,670</u>

O. 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, 2016 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Unrestricted cash	\$ <u>1,437,453</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, 2016 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>180,228</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	\$ 18,400	\$ -	\$ -	\$ 18,400	\$ 18,400

Receivables in future years are as follows:

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2017	\$ <u>18,400</u>	\$ <u>800</u>	\$ <u>19,200</u>
Total	\$ <u>18,400</u>	\$ <u>800</u>	\$ <u>19,200</u>

4. Pledged Revenues

In December 2013, the CDC entered into an agreement with the City of Murphy. The City issued tax notes to pay contractual obligations for the development of City park facilities, the renovation of the City Community Recreation Center, providing signage for the municipal complex and the construction of an animal shelter. The Board of Directors of the Murphy Municipal Development District agreed to pay the cost of this project by pledging local sales and use taxes. This pledged revenue will be used to pay the principal and interest on the tax note. The payments to the City began in FY2015 with the final payment being due in FY2020.

The amount of pledged revenue recognized during the fiscal year was \$973,383 and the amount of debt service expenditures paid were \$131,000.

Pledged revenue requirements are as follows:

<u>Year Ending September 30,</u>	<u>Total Requirements</u>
2017	\$ 120,000
2018	125,000
2019	125,000
2020	125,000
Total	<u>\$ 495,000</u>

Prior Period Adjustment

The City discovered that the prior period reports for capital assets had some items that had been completed in CIP and had some items that were not capital assets to the City in the reports. The net effect of these report issues were a decrease of \$2,468,820 to the beginning net position in the governmental activities and an increase in the net position of the business-type activities of \$258,347.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF MURPHY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Plan Year	2014	2015
A. Total pension liability		
Service Cost	\$ 1,050,852	\$ 1,245,327
Interest (on the Total Pension Liability)	918,661	1,026,901
Difference between expected and actual experience	(124,436)	(100,244)
Changes of assumptions	-	46,815
Benefit payments, including refunds of employee contributions	<u>(333,601)</u>	<u>(458,443)</u>
Net change in total pension liability	1,511,476	1,760,356
Total pension liability - beginning	<u>12,765,099</u>	<u>14,276,575</u>
Total pension liability - ending (a)	<u>\$ 14,276,575</u>	<u>\$ 16,036,931</u>
B. Plan fiduciary net position		
Contributions - Employer	\$ 638,669	\$ 943,727
Contributions - Employee	423,071	473,766
Net Investment Income	613,963	17,806
Benefit payments, including refunds of employee contributions	(333,601)	(458,443)
Administrative Expenses	(6,408)	(10,842)
Other	<u>(527)</u>	<u>(536)</u>
Net change in plan fiduciary net position	1,335,167	965,478
Plan fiduciary net position - beginning	<u>10,728,222</u>	<u>12,063,389</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,063,389</u>	<u>\$ 13,028,867</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 2,213,186</u>	<u>\$ 3,008,064</u>
D. Plan fiduciary net position as a percentage of total pension liability	84.50%	81.24%
E. Covered employee payroll	\$ 6,043,871	\$ 6,768,083
F. Net position liability as a percentage of covered employee payroll	36.62%	44.44%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

CITY OF MURPHY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fiscal Year	2014	2015	2016
Actuarial determined contribution	\$ 622,027	\$ 841,012	\$ 906,822
Contributions in relation to the actuarially determined contribution	622,027	841,012	906,822
Contribution deficiency (excess)	-	-	-
Covered employee payroll	5,931,242	6,442,822	6,708,287
Contributions as a percentage of covered employee payroll	10.49%	13.05%	13.52%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with scale BB.

Other Information:

Notes There were no benefit changes d

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

CITY OF MURPHY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

Budgets

The City adopts an “appropriated budget” of the 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 following procedures are followed in establishing the budgetary data:

- On or before the 10th day of August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and revenues and an accompanying budget message.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the City 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.
- Budgets for the General Fund and the Debt Service Fund are legally adopted on a basis consistent with GAAP. The majority of the City’s Capital Projects Funds are budgeted on an annual basis.
- The level of control (the level at which expenditures may not exceed budget) is the department level. The City Manager and/or the 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 services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year’s budget.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,895,600	\$ 3,893,631	\$ 3,893,631	\$ -
Investment income	2,000	4,232	4,232	-
Intergovernmental	-	455,020	455,020	-
Miscellaneous	<u>-</u>	<u>4,288</u>	<u>4,286</u>	<u>(2)</u>
Total revenues	<u>3,897,600</u>	<u>4,357,171</u>	<u>4,357,169</u>	<u>(2)</u>
EXPENDITURES				
Debt service:				
	2,795,000	3,235,000	3,235,000	-
Interest and fiscal charges	<u>1,082,400</u>	<u>1,099,037</u>	<u>1,099,037</u>	<u>-</u>
Total expenditures	<u>3,877,400</u>	<u>4,334,037</u>	<u>4,334,037</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>20,200</u>	<u>23,134</u>	<u>23,132</u>	<u>(2)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>744</u>	<u>744</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>744</u>	<u>744</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	20,200	23,878	23,876	(2)
FUND BALANCE, BEGINNING	<u>835,979</u>	<u>835,979</u>	<u>835,979</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 856,179</u>	<u>\$ 859,857</u>	<u>\$ 859,855</u>	<u>\$(2)</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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Grant	\$ -	\$ 442,636	\$ 618,929	\$ 176,293
Investment income	<u>2,300</u>	<u>5,004</u>	<u>5,002</u>	<u>(2)</u>
Total revenues	<u>2,300</u>	<u>447,640</u>	<u>623,931</u>	<u>176,291</u>
EXPENDITURES				
Capital outlays:				
Park and recreation	<u>2,690,800</u>	<u>2,523,147</u>	<u>2,600,541</u>	<u>(77,394)</u>
Total expenditures	<u>2,690,800</u>	<u>2,523,147</u>	<u>2,600,541</u>	<u>(77,394)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,688,500)</u>	<u>(2,075,507)</u>	<u>(1,976,610)</u>	<u>98,897</u>
OTHER FINANCING SOURCES (USES)				
Debt issuance	-	1,800,000	1,800,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>(744)</u>	<u>(744)</u>
Total other financing sources (uses)	<u>-</u>	<u>1,800,000</u>	<u>1,799,256</u>	<u>(744)</u>
NET CHANGE IN FUND BALANCE	<u>(2,688,500)</u>	<u>(275,507)</u>	<u>(177,354)</u>	<u>98,153</u>
FUND BALANCE, BEGINNING	<u>1,957,712</u>	<u>1,957,712</u>	<u>1,957,712</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ (730,788)</u></u>	<u><u>\$ 1,682,205</u></u>	<u><u>\$ 1,780,358</u></u>	<u><u>\$ 98,153</u></u>

CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

	<u>Community Development Corporation</u>
ASSETS	
Cash and equivalents	\$ 415,473
Receivables (net of allowances for uncollectibles)	<u>170,991</u>
Total assets	<u>586,464</u>
LIABILITIES:	
Accounts payable	65,198
Accrued liabilities	184
Other liabilities	<u>9</u>
Total liabilities	<u>65,391</u>
FUND BALANCE	
Unassigned	<u>521,073</u>
Total Fund Balance	<u>521,073</u>
Total liabilities and fund balance	<u>\$ 586,464</u>

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Community Development Corporation</u>
REVENUE	
Sales tax	\$ 988,698
Donations	30,893
Investment income	678
Miscellaneous	<u>90</u>
Total revenues	<u>1,020,269</u>
 EXPENDITURES	
Current	
Administration	73,639
Contractual services	111,083
Community events	104,972
Supplies	275,068
Intergovernmental	178,347
Total expenditures	<u>334,020</u>
	<u>1,077,129</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	 <u>(56,860)</u>
 FUND BALANCE/EQUITY, OCTOBER 1	 <u>577,933</u>
 FUND BALANCE/EQUITY, SEPTEMBER 30	 <u>\$ 521,073</u>

CITY OF MURPHY, TEXAS
BALANCE SHEET - COMPONENT UNIT
MURPHY MUNICIPAL DEVELOPMENT DISTRICT
SEPTEMBER 30, 2016

	Murphy Municipal Development District
ASSETS	
Cash and equivalents	\$ 1,437,453
Receivables (net of allowances for uncollectibles)	180,228
Note receivable	18,400
Total assets	1,636,081
LIABILITIES	
Accounts payable	73,831
Total liabilities	73,831
Unavailable revenue-note receivable	18,400
Total deferred inflows of resources	18,400
FUND BALANCE	
Unassigned	1,543,850
Total Fund Balance	1,543,850
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,636,081

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, 2016

Total fund balances - governmental funds	\$ 1,543,850
Revenue reported as unearned revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	<u>18,400</u>
Net position of governmental activities - statement of net position	\$ <u>1,562,250</u>

CITY OF MURPHY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
MURPHY MUNICIPAL DEVELOPMENT DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Murphy Municipal Development District <hr style="border: 0.5px solid black;"/>
REVENUE	
Sales tax	\$ 973,383
Miscellaneous	71,293
Investment income	4,881
Total revenues	<hr style="border: 0.5px solid black;"/> 1,049,557
EXPENDITURES	
Current	
	219,675
Contractual Services	191,862
Intergovernmental	131,000
Capital Outlay	718,752
Total expenditures	<hr style="border: 0.5px solid black;"/> 1,261,289
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(211,732)
FUND BALANCE/EQUITY, OCTOBER 1	<hr style="border: 0.5px solid black;"/> 1,755,582
FUND BALANCE/EQUITY, SEPTEMBER 30	\$ <hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> 1,543,850

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, 2016

Net change in fund balance - total governmental funds	\$(211,732)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	<u>-</u>
Change in net position of governmental activities - statement of activities	<u><u>\$(211,732)</u></u>

CITY OF MURPHY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Sales tax	\$ 931,500	\$ 968,607	\$ 988,698	\$ 20,091
Donations	10,000	30,983	30,893	90
Investment income	<u>300</u>	<u>678</u>	<u>678</u>	<u>-</u>
Total revenues	<u>941,800</u>	<u>1,000,268</u>	<u>1,020,269</u>	<u>20,001</u>
EXPENDITURES				
Current				
	100,400	73,455	73,639	(184)
Administration	140,900	111,075	111,083	(8)
Contractual services	138,000	104,972	104,972	-
Community events	309,600	275,068	275,068	-
Supplies	533,500	260,370	178,347	82,023
Intergovernmental	<u>334,200</u>	<u>334,020</u>	<u>334,020</u>	<u>-</u>
Total expenditures	<u>1,556,600</u>	<u>1,158,960</u>	<u>1,077,129</u>	<u>81,831</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(614,800)</u>	<u>(158,692)</u>	<u>(56,860)</u>	<u>101,832</u>
FUND BALANCE/EQUITY, OCTOBER 1	<u>577,933</u>	<u>577,933</u>	<u>577,933</u>	<u>-</u>
FUND BALANCE/EQUITY, SEPTEMBER 30	<u><u>\$ (36,867)</u></u>	<u><u>\$ 419,241</u></u>	<u><u>\$ 521,073</u></u>	<u><u>\$ 101,832</u></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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Sales tax	\$ 931,500	\$ 952,452	\$ 973,383	\$ 20,931
Miscellaneous	-	71,293	71,293	-
Investment income	2,800	4,881	4,881	-
Total revenues	<u>934,300</u>	<u>1,028,626</u>	<u>1,049,557</u>	<u>20,931</u>
EXPENDITURES				
Current				
	272,300	230,088	219,675	10,413
Contractual Services	172,000	191,862	191,862	-
Intergovernmental	131,200	131,000	131,000	-
Capital Outlay	15,000	718,752	718,752	-
Total expenditures	<u>590,500</u>	<u>1,271,702</u>	<u>1,261,289</u>	<u>10,413</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	343,800	(243,076)	(211,732)	31,344
NET CHANGE IN FUND BALANCES	<u>343,800</u>	<u>(243,076)</u>	<u>(211,732)</u>	<u>31,344</u>
FUND BALANCE/EQUITY, OCTOBER 1	<u>1,755,582</u>	<u>1,755,582</u>	<u>1,755,582</u>	<u>-</u>
FUND BALANCE/EQUITY, SEPTEMBER 30	<u>\$ 2,099,382</u>	<u>\$ 1,512,506</u>	<u>\$ 1,543,850</u>	<u>\$ 31,344</u>

**STATISTICAL
SECTION**

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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	75
<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	88
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	93
<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	99
<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	101
<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			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 35,217	\$ 37,750	\$ 41,606	\$ 40,527
Restricted	737	1,884	1,034	1,134
Unrestricted	<u>4,633</u>	<u>2,334</u>	<u>2,102</u>	<u>2,711</u>
Total governmental activities net position	<u>\$ 40,587</u>	<u>\$ 41,968</u>	<u>\$ 44,742</u>	<u>\$ 44,372</u>
Business-type activities:				
Net investment in capital assets	\$ 29,979	\$ 28,918	\$ 28,568	\$ 27,822
Restricted	-	2,280	921	637
Unrestricted	<u>2,640</u>	<u>79</u>	<u>1,835</u>	<u>1,769</u>
Total business-type activities net position	<u>\$ 32,619</u>	<u>\$ 31,277</u>	<u>\$ 31,324</u>	<u>\$ 30,228</u>
Primary government:				
Net investment in capital assets	\$ 65,196	\$ 66,668	\$ 70,174	\$ 68,349
Restricted	737	4,164	1,955	1,771
Unrestricted	<u>7,273</u>	<u>2,413</u>	<u>3,937</u>	<u>4,480</u>
Total primary government net position	<u>\$ 73,206</u>	<u>\$ 73,245</u>	<u>\$ 76,066</u>	<u>\$ 74,600</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 41,513	\$ 42,865	\$ 44,574	\$ 47,365	50,922	48,931
1,049	903	887	818	832	2,611
<u>2,943</u>	<u>3,922</u>	<u>5,232</u>	<u>5,616</u>	<u>2,455</u>	<u>4,543</u>
<u>\$ 45,505</u>	<u>\$ 47,690</u>	<u>\$ 50,693</u>	<u>\$ 53,799</u>	<u>\$ 54,209</u>	<u>\$ 56,085</u>
\$ 27,325	\$ 27,031	\$ 25,025	\$ 24,910	22,284	25,461
606	686	652	647	647	674
<u>2,163</u>	<u>1,933</u>	<u>3,483</u>	<u>3,464</u>	<u>6,332</u>	<u>3,398</u>
<u>\$ 30,094</u>	<u>\$ 29,650</u>	<u>\$ 29,160</u>	<u>\$ 29,021</u>	<u>\$ 29,263</u>	<u>\$ 29,533</u>
\$ 68,838	\$ 69,896	\$ 69,599	\$ 72,275	\$ 73,206	\$ 74,392
1,655	1,589	1,539	1,465	1,479	3,285
<u>5,106</u>	<u>5,855</u>	<u>8,715</u>	<u>9,080</u>	<u>8,787</u>	<u>7,941</u>
<u>\$ 75,599</u>	<u>\$ 77,340</u>	<u>\$ 79,853</u>	<u>\$ 82,820</u>	<u>\$ 83,472</u>	<u>\$ 85,618</u>

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

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental activities:				
General government	\$ 3,372	\$ 2,832	\$ 2,169	\$ 2,971
Public safety	4,275	4,324	4,678	4,656
Public service	-	-	536	484
Public works	3,049	1,708	560	1,164
Sanitation services	629	604	608	624
Parks and recreation	256	917	768	934
Development	-	711	-	-
Interest on long-term debt	1,260	1,282	1,300	1,417
Total governmental activities expenses	<u>12,841</u>	<u>12,378</u>	<u>10,619</u>	<u>12,250</u>
Business-type activities:				
Water and sewer	4,860	5,035	4,190	4,999
Total business-type activities expenses	<u>4,860</u>	<u>5,035</u>	<u>4,190</u>	<u>4,999</u>
Total primary government expenses	<u>\$ 17,701</u>	<u>\$ 17,413</u>	<u>\$ 14,809</u>	<u>\$ 17,249</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 1,629	\$ 600	\$ 1,386	\$ 79
Public safety	702	16	165	194
Public works	31	1,316	764	797
Public services	-	-	-	493
Parks and recreation	-	-	40	53
Sanitation services	724	704	730	776
Operating grants and contributions	87	34	20	22
Capital grants and contributions	370	280	144	-
Total governmental activities program revenues	<u>3,543</u>	<u>2,950</u>	<u>3,249</u>	<u>2,414</u>
Business-type activities:				
Charges for services:				
Water and sewer	5,240	5,884	5,301	5,173
Capital grants and contributions	84	-	-	-
Total business-type activities program revenues	<u>5,324</u>	<u>5,884</u>	<u>5,301</u>	<u>5,173</u>
Total primary government program revenues	<u>\$ 8,867</u>	<u>\$ 8,834</u>	<u>\$ 8,550</u>	<u>\$ 7,587</u>

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 3,210	\$ 3,705	\$ 3,636	\$ 3,517	\$ 4,051	\$ 5,266
4,859	5,062	5,291	5,525	5,905	6,268
596	704	789	630	702	684
1,114	1,476	1,220	1,275	1,587	1,812
647	676	698	721	1,433	1,101
1,051	1,472	1,545	1,582	151	121
-	-	131	110	756	761
<u>1,605</u>	<u>1,584</u>	<u>1,129</u>	<u>1,218</u>	<u>1,228</u>	<u>986</u>
<u>13,082</u>	<u>14,679</u>	<u>14,439</u>	<u>14,578</u>	<u>15,813</u>	<u>16,999</u>
<u>5,194</u>	<u>5,739</u>	<u>6,461</u>	<u>6,507</u>	<u>7,388</u>	<u>8,172</u>
<u>5,194</u>	<u>5,739</u>	<u>6,461</u>	<u>6,507</u>	<u>7,388</u>	<u>8,172</u>
<u>\$ 18,276</u>	<u>\$ 20,418</u>	<u>\$ 20,900</u>	<u>\$ 21,085</u>	<u>\$ 23,201</u>	<u>\$ 25,171</u>
\$ 85	\$ 95	\$ 39	\$ 40	\$ 15	\$ 15
164	172	832	682	716	698
840	1,007	213	217	559	1,017
571	536	939	727	117	139
55	62	121	137	220	221
810	823	903	897	917	916
56	218	369	245	717	1,485
<u>879</u>	<u>2,540</u>	<u>1,976</u>	<u>1,546</u>	<u>2,821</u>	<u>1,689</u>
<u>3,460</u>	<u>5,453</u>	<u>5,392</u>	<u>4,491</u>	<u>6,082</u>	<u>6,180</u>
6,188	6,276	7,059	7,188	8,623	8,980
-	-	-	-	-	-
<u>6,188</u>	<u>6,276</u>	<u>7,059</u>	<u>7,188</u>	<u>8,623</u>	<u>8,980</u>
<u>\$ 9,648</u>	<u>\$ 11,729</u>	<u>\$ 12,451</u>	<u>\$ 11,679</u>	<u>\$ 14,705</u>	<u>\$ 15,160</u>

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

	Fiscal Year			
	2007	2008	2009	2010
NET (EXPENSE) REVENUES				
Governmental activities	\$(9,298)	\$(9,428)	\$(7,370)	\$(9,836)
Business-type activities	464	849	1,111	174
Total primary government net expense	<u>(8,834)</u>	<u>(8,579)</u>	<u>(6,259)</u>	<u>(9,662)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	5,487	6,229	7,414	7,936
Sales	1,170	1,238	795	873
Franchise	601	667	809	702
Investment income	342	173	115	27
Donations	-	-	237	17
Extraordinary revenue	-	713	-	-
Miscellaneous	155	155	50	105
Transfers	850	1,289	854	850
Total governmental activities	<u>8,605</u>	<u>10,464</u>	<u>10,274</u>	<u>10,510</u>
Business-type activities:				
Investment income	145	69	33	25
Donations	-	-	25	-
Extraordinary revenue	-	198	-	-
Miscellaneous	-	13	57	11
Transfers	<u>(850)</u>	<u>(1,289)</u>	<u>(854)</u>	<u>(850)</u>
Total business-type activities	<u>(705)</u>	<u>(1,009)</u>	<u>(739)</u>	<u>(814)</u>
Total primary government	<u>7,900</u>	<u>9,455</u>	<u>9,535</u>	<u>9,696</u>
CHANGE IN NET POSITION				
Governmental activities	(693)	1,036	2,904	674
Business-type activities	<u>(241)</u>	<u>(160)</u>	<u>372</u>	<u>(640)</u>
Total primary government	<u>\$(934)</u>	<u>\$ 876</u>	<u>\$ 3,276</u>	<u>\$ 34</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					
2011	2012	2013	2014	2015	2016
\$(9,622)	\$(9,226)	\$(9,047)	\$(10,087)	\$(9,731)	\$(10,819)
<u>994</u>	<u>537</u>	<u>598</u>	<u>681</u>	<u>1,235</u>	<u>808</u>
<u>(8,628)</u>	<u>(8,689)</u>	<u>(8,449)</u>	<u>(9,406)</u>	<u>(8,496)</u>	<u>(10,011)</u>
8,347	8,477	8,962	9,348	9,911	10,482
952	1,049	1,300	1,625	1,801	2,006
820	925	855	970	1,041	1,029
76	20	17	12	11	26
-	-	-	-	-	-
-	-	-	-	-	-
81	42	281	389	57	770
<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>
<u>11,126</u>	<u>11,363</u>	<u>12,265</u>	<u>13,194</u>	<u>13,671</u>	<u>15,163</u>
14	9	6	4	6	19
-	-	-	-	-	-
-	-	-	-	-	-
5	30	10	25	22	35
<u>(850)</u>	<u>(850)</u>	<u>(850)</u>	<u>(850)</u>	<u>(850)</u>	<u>(850)</u>
<u>(831)</u>	<u>(811)</u>	<u>(834)</u>	<u>(821)</u>	<u>(822)</u>	<u>(796)</u>
<u>10,295</u>	<u>10,552</u>	<u>11,431</u>	<u>12,373</u>	<u>12,849</u>	<u>14,367</u>
1,504	2,137	3,218	3,107	3,940	4,344
<u>163</u>	<u>(274)</u>	<u>(236)</u>	<u>(140)</u>	<u>413</u>	<u>12</u>
<u>\$ 1,667</u>	<u>\$ 1,863</u>	<u>\$ 2,982</u>	<u>\$ 2,967</u>	<u>\$ 4,353</u>	<u>\$ 4,356</u>

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TABLE 3

CITY OF MURPHY, 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
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
2015	9,892	1,801	1,041	12,734
2016	10,483	2,006	1,029	13,517

* 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			
	2007	2008	2009	2010
General fund				
Nondisposable - prepaid items	\$ -	\$ -	\$ -	\$ 18
Restricted for:				
Court use	-	93	103	127
Animal shelter	-	-	-	-
PEG fees	-	-	-	-
Assigned for:				
Police	-	-	10	12
Unassigned	<u>1,696</u>	<u>942</u>	<u>1,648</u>	<u>2,567</u>
Total general fund	<u>\$ 1,696</u>	<u>\$ 1,035</u>	<u>\$ 1,761</u>	<u>\$ 2,724</u>
All other governmental funds				
Restricted for:				
Debt service	\$ 737	\$ 876	\$ 935	\$ 1,008
Capital improvements	-	337	7,108	8,964
Assigned for:				
Capital projects	713	547	477	-
Special revenues	<u>1,450</u>	<u>1,400</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 2,900</u>	<u>\$ 3,160</u>	<u>\$ 8,520</u>	<u>\$ 9,972</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 29
147	147	125	101	88	70
-	-	-	6	12	8
-	-	-	13	15	5
12	18	17	19	11	11
<u>3,044</u>	<u>3,060</u>	<u>3,557</u>	<u>3,635</u>	<u>3,965</u>	<u>5,155</u>
<u>\$ 3,213</u>	<u>\$ 3,225</u>	<u>\$ 3,699</u>	<u>\$ 3,774</u>	<u>\$ 4,091</u>	<u>\$ 5,278</u>
\$ 902	\$ 756	\$ 844	\$ 836	\$ 836	\$ 860
8,657	7,358	3,771	3,427	1,958	1,780
435	435	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 9,994</u>	<u>\$ 8,549</u>	<u>\$ 4,615</u>	<u>\$ 4,263</u>	<u>\$ 2,794</u>	<u>\$ 2,640</u>

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

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Taxes:				
Property	\$ 5,487	\$ 6,229	\$ 7,427	\$ 8,020
Sales	1,171	1,238	795	873
Franchise	601	667	809	703
Charges for services	1,432	1,210	1,311	1,403
Licenses and permits	952	848	440	496
Fines and forfeitures	703	576	479	493
Investment income	342	173	115	26
Grant revenue	-	314	164	22
Intergovernmental	-	-	301	-
Donations	457	22	10	17
Miscellaneous	155	157	50	109
Total revenues	<u>11,300</u>	<u>11,434</u>	<u>11,901</u>	<u>12,162</u>
EXPENDITURES				
General government	2,650	2,668	2,070	2,060
Public safety	4,426	4,135	4,607	4,429
Public works	2,789	917	554	295
Public services and operations	-	-	555	481
Sanitation	630	604	609	624
Development	-	-	-	-
Parks and recreation	255	892	1,416	828
Capital Outlay	-	756	453	4,577
Debt service:				
Principal	1,360	1,370	2,965	1,565
Interest and fiscal charges	1,269	1,210	1,150	1,582
Other	-	-	176	-
Total expenditures	<u>13,379</u>	<u>12,552</u>	<u>14,555</u>	<u>16,441</u>

TABLE 5

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 8,324	\$ 8,466	\$ 8,950	\$ 9,365	\$ 9,892	\$ 10,483
953	1,049	1,299	1,625	1,801	2,006
820	925	856	970	1,041	1,029
1,405	1,451	1,595	1,633	1,647	1,739
548	721	891	689	521	941
570	536	442	367	370	304
76	20	17	12	11	26
33	752	1,133	640	2,816	620
-	188	1,212	1,095	717	765
23	27	23	84	11	4
<u>82</u>	<u>49</u>	<u>295</u>	<u>400</u>	<u>67</u>	<u>779</u>
<u>12,834</u>	<u>14,184</u>	<u>16,713</u>	<u>16,880</u>	<u>18,894</u>	<u>18,696</u>
2,292	2,615	2,669	2,552	3,060	4,250
4,523	4,754	4,974	5,267	5,683	5,876
233	256	240	307	285	231
595	698	783	624	668	646
648	676	698	721	756	761
-	78	131	110	152	119
845	1,089	1,096	1,128	1,137	1,118
5,776	3,319	6,232	3,330	4,862	2,978
2,270	2,928	2,914	2,874	3,095	3,235
1,540	1,588	1,317	1,244	1,198	1,099
<u>130</u>	<u>115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>18,852</u>	<u>18,116</u>	<u>21,054</u>	<u>18,157</u>	<u>20,896</u>	<u>20,313</u>

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

	Fiscal Year			
	2007	2008	2009	2010
OTHER FINANCING SOURCES (USES)				
Bonds/Note proceeds	-	-	9,415	5,875
Premium (Discount) on issuance of debt	-	-	-	(32)
Payments to escrow agent	-	-	-	-
Extraordinary revenue (expense)	-	(590)	-	-
Capital leases	-	-	-	-
Transfers in	850	1,289	854	850
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>850</u>	<u>699</u>	<u>10,269</u>	<u>6,693</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (1,229)</u></u>	<u><u>\$ (419)</u></u>	<u><u>\$ 7,615</u></u>	<u><u>\$ 2,414</u></u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>19.65%</u>	<u>21.87%</u>	<u>29.18%</u>	<u>26.53%</u>

Source: Comprehensive Annual Financial Reports

TABLE 5

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
9,655	13,195	-	150	-	1,800
278	789	-	-	-	-
(4,253)	(12,335)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
850	850	850	850	850	851
-	-	-	-	-	(1)
<u>6,530</u>	<u>2,499</u>	<u>850</u>	<u>1,000</u>	<u>850</u>	<u>2,650</u>
<u>\$ 512</u>	<u>\$(1,433)</u>	<u>\$(3,491)</u>	<u>\$(277)</u>	<u>\$(1,152)</u>	<u>\$ 1,033</u>
<u>29.14%</u>	<u>30.52%</u>	<u>28.52%</u>	<u>28.52%</u>	<u>26.41%</u>	<u>24.92%</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					
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%
2015	1,600,864	253,386	53,625	1,800,625	0.5500	1,800,625	100.00%
2016	1,788,854	259,811	73,647	1,975,018	0.5300	1,975,018	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	Collin County College District
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
2015	0.33627	0.2137	0.5500	1.4480	1.6400	0.2350	0.0820
2016	0.33322	0.1968	0.5300	1.4390	1.6400	0.2084	0.0821

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, 2015
(Unaudited)**

Taxpayer	2016			2007			
	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value	Assessed Taxpayer Value	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value
Allen & Loucks Venture LP	\$ 27,600	1	1.56%	Lumbermans Investment Corp	\$ 11,024	1	0.62%
Wal-Mart Real Estate Business Trust	15,897	2	0.90%	Murphy Crossing Shopping Center Dallas TX	8,192	2	0.46%
Lowe's Home Centers Inc.	14,913	3	0.84%	Shaddock Developers LTD	7,682	3	0.43%
Wal-Mart Stores Texas, LLC	9,871	4	0.56%	Wal-Mart Texas LP	6,026	4	0.34%
Allen & Loucks Venture LP	9,446	5	0.53%	First Texas Homes Inc	5,278	5	0.30%
Murphy Crossing Shopping Center, LLC	8,846	6	0.50%	ABS TX Investor LP	4,900	6	0.28%
Duke Realty BEMC Murphy Development LLC	8,243	7	0.46%	Interinvest-Murphy LTD	4,567	7	0.26%
Murphy AL Partners, LP	8,107	8	0.46%	Shaddock Developers LTD	4,350	8	0.25%
Murphy Storage Partners LLC	7,738	9	0.44%	TXU Electric Delivery Company	4,019	9	0.23%
ABS TX Investor LP	5,419	10	0.31%	Horton D R Texas LTD	3,947	10	0.22%
Total	\$ <u>116,080</u>		<u>6.54%</u>	Total	\$ <u>59,986</u>		<u>3.38%</u>

Source: Collin Central Appraisal District

TABLE 9

CITY OF MURPHY, TEXAS
PROPERTY TAX LEVY AND COLLECTIONS
LAST TEN FISCAL YEARS

(Unaudited) (Amounts expressed in thousands)

Fiscal Year Ended	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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	8,297	8,274	99.72%	26	8,300	100.04% *
2012	8,455	8,432	99.73%	29	8,461	100.07% *
2013	8,782	8,766	99.82%	19	8,785	100.03% *
2014	9,325	9,298	99.71%	14	9,298	99.71%
2015	9,888	9,870	99.82%	3	9,873	99.85%
2016	10,451	10,424	99.74%	-	10,424	99.74%

Source: Collin County Appraisal District

* These years of levies have had adjustments that create collections greater than the original levy.

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>
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
2015	5,338	2,811	8,149
2016	6,177	3,103	9,280

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	
	General Obligation Bonds	Notes	Gen Oblig & Refunding Bonds	Capital Leases	Tax Note	Issuance Premiums	Revenue Bonds	Certificates of Obligation	Capital Leases	Issuance Premiums		Per Capita	
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	1,647	60	6,924	-	44	46,281	7.19%	2,320
2014	5,690	-	25,265	-	2,705	1,511	-	6,560	-	41	40,220	5.02%	1,950
2015	4,725	-	23,730	-	2,100	1,524	-	9,000	-	188	41,267	4.83%	1,958
2016	3,720	-	22,120	-	3,280	1,381	-	8,550	-	177	39,228	4.58%	1,747

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
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	37,252	844	36,408	2.36%	1,576
2014	35,171	836	34,335	1.75%	1,392
2015	32,079	836	31,243	1.74%	1,482
2016	35,948	747	35,201	1.78%	1,571

CITY OF MURPHY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2016
(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Collin County	\$ 402,800,000	1.89%	\$ 7,612,920
Collin County Community College District	31,600,000	1.89%	597,240
Plano Independent School District	852,635,313	3.17%	27,028,539
Wylie Independent School District	<u>307,599,292</u>	11.64%	<u>35,804,558</u>
	<u>\$ 1,594,634,605</u>		71,043,257
City of Murphy		100.00%	<u>39,228,143</u>
Total direct and overlapping debt			<u>\$ 110,271,400</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>5.58%</u>
Per capita overlapping bonded debt			<u>\$ 4,913</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			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 131,205	\$ 132,643	\$ 145,064	\$ 150,415
Total net obligation debt applicable to limit	<u>26,918</u>	<u>24,295</u>	<u>29,267</u>	<u>44,052</u>
Legal debt margin	<u>\$ 104,287</u>	<u>\$ 108,348</u>	<u>\$ 115,797</u>	<u>\$ 106,363</u>
Total net obligations debt applicable to the limit as a percentage of debt limit	20.52%	18.32%	20.18%	29.29%

TABLE 14

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 151,469	\$ 156,500	\$ 161,055	\$ 168,806	\$ 185,425	\$ 204,867
<u>39,243</u>	<u>37,709</u>	<u>34,761</u>	<u>29,976</u>	<u>32,080</u>	<u>39,228</u>
<u>\$ 112,226</u>	<u>\$ 118,791</u>	<u>\$ 126,294</u>	<u>\$ 138,830</u>	<u>\$ 153,345</u>	<u>\$ 165,639</u>
25.91%	24.10%	21.58%	17.76%	17.30%	19.15%

Legal Debt Margin Calculation of Fiscal Year 2016:

Assessed Value	\$ 1,975,018
Add back: exempt real property	<u>73,647</u>
Total assessed value	<u>\$ 2,048,665</u>
 Debt limit (10% of total assessed value)	 \$ 204,867
 Debt application to limit:	
Long term bonds	37,670
Less: amount set aside for repayment of long term bonds	<u>836</u>
Total net debt applicable to limit	<u>\$ 36,834</u>
 Legal debt margin	 <u>\$ 165,639</u>

CITY OF MURPHY, TEXAS
PLEGDED 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		
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	
2015	8,652	5,706	2,946	450	342	4	
2016	9,034	6,505	2,529	450	342	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)

Calendar Year	Estimated Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate ¹
2007	10,263	\$ 342,353,154	\$ 33,358	35.5	14.0	64,478	2.3%
2008	13,896	451,105,848	32,463	34.4	14.0	64,220	2.3%
2009	14,300	471,900,000	33,000	35.8	14.0	65,552	6.0%
2010	14,350	473,550,000	33,000	35.8	14.0	67,355	6.0%
2011	17,700	584,100,000	33,000	37.0	14.0	68,489	6.0%
2012	17,708	659,268,840	37,230	34.9	14.0	68,109	5.4%
2013	19,950	643,946,100	32,278	35.4	14.0	67,839	5.8%
2014	20,625	801,466,875	38,859****	35.6	72.98%***	6,466**	4.7%*
2015	21,078	819,069,742	39,785****	36.0	80.85%***	5,646**	3.57%*
2016	22,447****	853,187,650****	35,057****	35.9****	79.84%***	5,022**	3.475%*

Sources: *Average rate for Collin County for 2015 according to Texas Workforce Commission (www.tracer2.co)

**This is an actual total of students from Murphy enrolled in PISD and WISD (per PISD and WISD)

***Percentage of residents that have completed college or higher level of education

(Data was provided by The Retail Coach)

****Data was provided by The Retail Coach

TABLE 17

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

Employer	2016			Employer	2007		
	No. of Employees	Rank	Percentage of Total City Employment		No. of Employees	Rank	Percentage of Total City Employment
Walmart	290	1	7.50%				
Lowe's Home Improvement	142	2	3.70%				
City of Murphy	125	3	3.27%				
McMillen High School	110	4	2.87%				
Murphy Middle School	109	5	2.85%				
Sprouts	85	6	2.22%				
Bogges Elementary School	78	7	2.04%				
Chick-fil-a	75	8	1.96%				
Hunt Elementary	74	9	1.93%				
Tibbals Elementary	65	10	1.70%				
				Wal-Mart Neighborhood Store	200	1	01.43%
				Albertson's	130	2	00.93%
				Murphy Middle School	100	3	00.71%
				Bogges Elementary School	79	4	00.56%
				Murphy City Hall	75	5	00.54%
				Tibbals Elementary School	69	6	00.49%
				Hunt Elementary School	56	7	00.40%
				Murphy Distribution Center - Plano	37	8	00.26%
				McDonald's	35	9	00.25%
				Walgreen Drug Store	30	10	00.21%

Source: Texas Workforce Commission

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	21	21	16.75	15.5	15.33	15	16	19	21	24
Public Safety										
Police										
Officers	24	22	22	21	22	22	22	24	24	24
Civilians	7	10	9	9	9	11	11	11	11	11
Fire										
Firefighters and officers	14	21	20	19	20	21	22	24	24	24
Civilians	2	2	2	1	1	1	1	1	1	1
Animal Control	1	1	1	1	1	1	2	2	2	2
Public Service										
Municipal Court	2.5	2.5	2.5	2.5	2	3	3	4	4	3
Cultural and Recreation	11	11	11.75	11.75	10.33	12	12	13	13	15
Water										
Administration	6.5	5.5	3	3	4.34	6	6	6	6	6
Water	9	10	8	8	7	10	10	10	10	9
Wastewater	1	2	1	1	1	1	1	1	1	1
Total	99	108	97	93	93	103	106	115	117	120

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	237	247	183	367	490	489	374	346	198	217
Traffic violations	9,158	5,552	4,976	5,156	7,796	3,589	3,217	3,140	2,903	3,247
Fire										
Number of calls answered	745	943	987	950	1,124	1,079	1,202	1,204	1,301	1,449
Inspections	108	156	128	173	192	129	314	224	137	183
Water										
New Connections	308	206	157	166	146	217	130	98	97	79
Average daily consumption (gallons) ³ (thousands of gallons)	4,036	3,393	3,500	3,353	3,496	2,794	2,719	2,156	2,685	2,647
Wastewater										
Average daily sewage treatment (thousands of gallons)	1,614	1,668	2,100	1,770	1,633	1,670	1,704	1,566	2,518	2,473

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units/CID vehicles	12	12	9	12	12	15	21	19	19	20
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	2	2	2	2	2	2	2	2	3	3
Vehicles	4	4	4	4	4	4	3	5	5	5
Public works										
Streets (miles)	73.2	78.0	80.0	82.5	82.5	82.5	82.5	82.5	82.5	82.5
Culture and recreation										
Parks (acreage)	180	235	280	280	284	297	285	322	322	322
Parks	6	6	8	11	14	14	9	10	10	10
Community center	-	-	-	-	-	1	1	1	1	1
Water										
Water lines (miles)	90.0	92.0	92.5	92.5	90.6	92.6	93.8	94.3	94.6	94.9
Fire hydrants	900	920	950	950	950	911	934	942	949	1,067
Maximum daily capacity (gallons)	5,000	6,200	6,500	6,500	6,212	6,216	6,216	6,216	6,216	5,250
Wastewater										
Sanitary sewers (miles)	90.0	92.0	92.5	92.5	81.0	82.8	84.6	84.6	85.0	85.3

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, 2016
(Unaudited)

2015-16 Market Valuation Established by Collin County Appraisal District (excluding totally exempt property & Homestead Cap. Adj.)		\$ 2,047,028,575
Less Exemptions/Reductions at 100% Market Value:		
Agricultural/Open Space Land Use	\$ 11,700,756	
Homestead Cap	21,499,837	
Over 65 and Disabled	30,206,161	
Disabled Veterans	5,591,588	
Disabled Persons	<u>3,012,500</u>	<u>72,010,842</u>
2012-2013 Taxable Assessed Valuation		<u>\$ 1,975,017,733</u>
General Debt Payable from Ad Valorem Taxes		\$ 37,670,000
General Interest and Sinking Fund as of September		<u>747,036</u>
Ratio General Tax Debt to Taxable Assessed Valuation		1.91%
2016 Estimated Population	19,500	
Per Capita Taxable Assessed Valuation	\$ 101,283	
Per Capita Net Funded Debt Payable from Ad Valorem Taxes	\$ 1,932	

Note: Collin Central Appraisal District - 2014 Certified Roll

CITY OF MURPHY, TEXAS
TAX RATE LEVY AND COLLECTION HISTORY
LAST TEN FISCAL YEARS
(Unaudited)

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
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%
2015	0.5500	0.33627	0.21373	9,887,932	9,869,763	99.82%	99.82%
2016	0.5300	0.33322	0.01968	10,451,946	10,424,029	99.73%	99.73%

CITY OF MURPHY, TEXAS
GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016
(Unaudited)

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2017	\$ 3,410,000	\$ 1,006,461	\$ 4,416,461	11.71%
2018	3,215,000	905,997	4,120,997	11.04%
2019	3,130,000	804,573	3,934,573	10.75%
2020	3,030,000	700,786	3,730,786	10.41%
2021	3,030,000	591,555	3,621,555	10.41%
2022	2,850,000	485,642	3,335,642	9.79%
2023	2,340,000	387,177	2,727,177	8.04%
2024	1,670,000	306,358	1,976,358	5.73%
2025	975,000	252,598	1,227,598	3.35%
2026	1,020,000	210,758	1,230,758	3.50%
2027	1,070,000	166,302	1,236,302	3.67%
2028	1,110,000	119,636	1,229,636	3.81%
2029	1,165,000	70,305	1,235,305	4.00%
2030	715,000	30,240	745,240	2.46%
2031	390,000	7,800	397,800	1.34%
	<u>\$ 29,120,000</u>	<u>\$ 6,046,188</u>	<u>\$ 35,166,188</u>	

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

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Taxes	\$ 7,249	\$ 8,133	\$ 9,031	\$ 9,596
Permits and licenses	1,432	848	440	496
Charge for services	952	1,210	1,311	1,403
Fines and forfeitures	703	576	479	493
Investment income	342	173	115	27
Grants	-	314	164	21
Intergovernmental revenue	-	-	301	-
Donations	457	21	10	17
Miscellaneous	155	157	50	109
Total revenues	<u>\$ 11,290</u>	<u>\$ 11,432</u>	<u>\$ 11,901</u>	<u>\$ 12,162</u>
EXPENDITURES				
General government	\$ 2,650	\$ 2,668	\$ 2,070	\$ 2,060
Public safety	4,426	4,190	4,607	4,429
Public works	2,789	226	554	295
Sanitation	630	603	609	624
Public service and operations	-	774	555	481
Culture and recreation	257	1,508	1,416	828
Development	-	-	-	-
Capital outlay	-	-	453	4,577
Debt service	2,629	2,580	4,291	3,147
Total expenditures	<u>\$ 13,381</u>	<u>\$ 12,549</u>	<u>\$ 14,555</u>	<u>\$ 16,441</u>

TABLE 4CD

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 10,097	\$ 10,439	\$ 11,105	\$ 11,960	\$ 12,734	\$ 13,518
548	721	891	688	521	941
1,405	1,451	1,595	1,633	1,647	1,739
570	536	442	367	370	304
76	23	17	12	11	26
33	752	1,133	640	2,816	620
-	188	1,211	1,095	717	765
23	27	23	84	11	4
82	48	295	400	67	779
<u>\$ 12,834</u>	<u>\$ 14,185</u>	<u>\$ 16,712</u>	<u>\$ 16,879</u>	<u>\$ 16,880</u>	<u>\$ 18,696</u>
\$ 2,292	\$ 2,615	\$ 2,669	\$ 2,552	\$ 3,060	\$ 4,250
4,523	4,754	4,974	5,267	5,683	5,876
233	256	241	307	285	231
648	676	697	721	756	761
595	698	783	624	668	646
845	1,089	1,096	1,127	1,137	1,118
-	77	131	113	152	119
5,776	3,319	6,232	3,330	4,862	2,978
3,940	4,631	4,230	4,119	4,293	4,334
<u>\$ 18,852</u>	<u>\$ 18,115</u>	<u>\$ 21,053</u>	<u>\$ 18,160</u>	<u>\$ 20,896</u>	<u>\$ 20,313</u>

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

	Fiscal Year			
	2007	2008	2009	2010
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	\$(<u>2,091</u>)	\$(<u>1,117</u>)	\$(<u>2,654</u>)	\$(<u>4,279</u>)
OTHER FINANCING SOURCES (USES)				
Bonds proceeds	\$ -	\$ -	\$ 9,415	\$ 5,875
Note proceeds	-	-	-	-
Capital leases	-	-	-	-
Payments to escrow agent	-	-	-	-
Debt issuance cost	-	-	-	(32)
Extraordinary revenue (expense)	-	(590)	-	-
Transfers	<u>850</u>	<u>1,289</u>	<u>854</u>	<u>850</u>
Total other financing sources (uses)	\$ <u>850</u>	\$ <u>699</u>	\$ <u>10,269</u>	\$ <u>6,693</u>
BEGINNING FUND BALANCE	\$ 5,837	\$ 4,596	\$ 4,195	\$ 10,282
PRIOR YEAR ADJUSTMENT	<u>-</u>	<u>17</u>	<u>(1,528)</u>	<u>-</u>
ENDING FUND BALANCE	\$ <u>4,596</u>	\$ <u>4,195</u>	\$ <u>10,282</u>	\$ <u>12,696</u>

TABLE 4CD

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$(<u>6,018</u>)	\$(<u>3,930</u>)	\$(<u>4,341</u>)	\$(<u>1,281</u>)	\$(<u>4,016</u>)	\$(<u>1,617</u>)
\$ 9,655	\$ 11,695	\$ -	\$ 150	\$ -	\$ 1,800
-	1,500	-	-	-	-
-	-	-	-	-	-
(4,253)	(12,335)	-	-	-	-
278	789	-	-	-	-
-	-	-	-	-	-
<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>	<u>850</u>
\$ <u>6,530</u>	\$ <u>2,499</u>	\$ <u>850</u>	\$ <u>1,000</u>	\$ <u>850</u>	\$ <u>2,650</u>
\$ 12,696	\$ 13,208	\$ 11,777	\$ 8,317	\$ 8,037	\$ 4,871
<u>-</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 13,208</u>	<u>\$ 11,777</u>	<u>\$ 8,317</u>	<u>\$ 8,036</u>	<u>\$ 4,871</u>	<u>\$ 5,904</u>

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

Fiscal Year	City of Murphy	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
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	156
2015	3,557,001	35.97%	0.1978	169
2016	3,920,231	37.40%	0.1982	201

CITY OF MURPHY, TEXAS
CASH AND INVESTMENTS FOR PRIMARY GOVERNMENT
SEPTEMBER 30, 2016
(Unaudited)

<u>Type of Investment</u>		
Cash on hand	3.04%	\$ 360,113
Money markets	<u>96.96 %</u>	<u>11,472,911</u>
	<u>100.00 %</u>	<u>\$ 11,833,024</u>

CITY OF MURPHY, TEXAS
PROPRIETARY FUNDS DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016
(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2017	\$ 465,000	\$ 328,954	\$ 793,954	5.44%
2018	480,000	314,579	794,579	5.61%
2019	500,000	298,241	798,241	5.85%
2020	515,000	280,341	795,341	6.02%
2021	535,000	261,791	796,791	6.26%
2022	550,000	241,754	791,754	6.43%
2023	575,000	220,038	795,038	6.73%
2024	600,000	197,004	797,004	7.02%
2025	625,000	172,099	797,099	7.31%
2026	650,000	145,453	795,453	7.60%
2027	680,000	116,880	796,880	7.95%
2028	710,000	86,090	796,090	8.30%
2029	745,000	53,513	798,513	8.71%
2030	170,000	33,400	203,400	1.99%
2031	175,000	26,500	201,500	2.05%
2032	185,000	19,300	204,300	2.16%
2033	190,000	11,800	201,800	2.22%
2034	200,000	4,000	204,000	2.34%
	<u>\$ 8,550,000</u>	<u>\$ 2,811,737</u>	<u>\$ 11,361,737</u>	

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, 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 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, 2016, 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 March 16, 2017.

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 over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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
March 16, 2017