



# **City of Murphy**

**206 N. Murphy Road**

**Murphy, Texas 75094**

**[www.murphytx.org](http://www.murphytx.org)**

**Comprehensive Annual Financial Report  
Fiscal Year Ended September 30, 2008**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2008

City of Murphy, Texas

Council/Administrator Form of Government

*City Manager*

*James Fisher*

*Director of Finance*

*Linda Truitt*

**CITY OF MURPHY, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

**TABLE OF CONTENTS**

Page

**INTRODUCTORY SECTION**

Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	v
Organizational Chart.....	vi
List of Elected and Appointed Officials.....	vii

**FINANCIAL SECTION**

Independent Auditor's Report.....	3
A. Management's Discussion and Analysis.....	5
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets.....	19
Statement of Activities.....	20
Government Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	22
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Assets.....	23
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Government Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Government Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Government Funds - Budget and Actual.....	26
Proprietary Fund Financial Statements:	
Statement of Fund Net Assets - Proprietary Funds.....	29
Statement of Revenues, Expenses, and Changes in	
Fund Net Assets - Proprietary Funds.....	30
Statement of Cash Flows - Proprietary Funds.....	31
Notes to the Financial Statements .....	32
C. Required Supplementary Information:	
Schedule of Pension Trust - TMRS Funding Progress and Contributions.....	51

**CITY OF MURPHY, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

**TABLE OF CONTENTS (continued)**

D. Supplementary Information:

Budgetary Comparison Schedules:

Proprietary Fund - Statement of Revenues, Expenditures and Changes in Fund Net Assets - Budget and Actual.....	55
Debt Service Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	56
Capital Projects Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	57

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet - Other Governmental Funds.....	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds.....	59

**STATISTICAL SECTION (UNAUDITED)**

Table

1	Net Assets by Component.....	65
2	Changes in Net Assets.....	66
3	Governmental Activities Tax Revenues by Source.....	69
4	Fund Balances, Governmental Funds.....	70
5	Changes in Fund Balances of Governmental Funds.....	72
6	General Government Tax Revenues by Source.....	74
7	Assessed Value and Estimated Actual Value of Taxable Property.....	75
8	Direct and Overlapping Property Tax Rates.....	76
9	Principal Property Taxpayers.....	77
10	Property Tax Levies and Collections.....	78
11	Water and Sewer Revenues.....	79
12	Ratio of Outstanding Debt by Type.....	80
13	Ratios of General Bonded Debt Outstanding.....	81
14	Direct and Overlapping Governmental Activities Debt.....	83
15	Legal Debt Margin Information.....	84
16	Pledged-Revenue Coverage.....	86
17	Demographic and Economic Statistics.....	87
18	Principal Employers.....	89
19	Full-Time Equivalent City Government Employees by Function/Program.....	90
20	Operating Indicators by Function.....	92
21	Capital Asset Statistics by Function.....	94

**CONTINUING DISCLOSURE SECTION (UNAUDITED)**

Table

1CD	Valuation, Exemptions and General Obligation Debt.....	99
2CD	Tax Rate Levy and Collection History.....	100
3CD	General Obligation Debt Service Requirements.....	101
4CD	General Fund Revenues and Expenditures History.....	103
5CD	Municipal Sales Tax History.....	104
6CD	Cash and Investments for Primary Government.....	105
7CD	Enterprise Fund Obligation Debt Service Requirements.....	106

## INTRODUCTORY SECTION



CITY OF MURPHY



March 2, 2009

Honorable Mayor and City Council  
City of Murphy  
Murphy, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Murphy, Texas, for the year ended September 30, 2008, is submitted herewith.

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

Conway Company CPAs, P.C. have issued an unqualified ("clean") opinion on the City of Murphy's financial statements for the year ended September 30, 2008. The independent auditor's report is located in the beginning of the financial section of the CAFR.

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

#### GENERAL INFORMATION – CITY OF MURPHY

The City of Murphy, Texas, incorporated in 1958, is located in Collin County, the northeastern part of the Dallas-Fort Worth metroplex. It currently occupies 5.1 square miles and serves a population of 14,500. The City of Murphy, Texas is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

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

### ECONOMIC CONDITIONS AND OUTLOOK

The City of Murphy is located in an area that has been recognized by planners and economists as one of the nation's top locations for future business and industrial development. According to U.S. Census Bureau estimates, Murphy is one of the fastest growing cities in the DFW Metropolitan Area. Its growth from 3,099 persons in the 2000 census to its current estimated population of 14,500 makes it a favorable location for future retail and commercial growth.

D Magazine rated Murphy "No. 7" out of 62 Dallas/Fort Worth suburbs in its July, 2008 issue. With the construction and near completion of Murphy MarketPlace and Murphy Crossing, which includes such businesses as Lowes, Sprouts, 24 Hour Fitness (state of art facility), several restaurants and other small businesses, Murphy anticipates an increase in sales tax dollars. There are several other prime real estate locations ready for development.

Standard and Poor upgraded the City of Murphy Bond Rate from an A- to A+ in August, 2008.

### MAJOR INITIATIVES

For Fiscal Year 2008-2009, top priority projects for the City of Murphy include:

Issuance of first phase of bonds approved in November, 2008 (with a voter turnout of approximately 80%) for construction of parks, streets/roads and remodeling of "The Old City Hall"

Begin construction/upgrade of several parks

Begin construction of one million gallon elevated storage tank

Complete Phase I and II of Gables Park

Complete Master Parks Plan Update

Begin the remodeling of "The Old City Hall"

## FINANCIAL INFORMATION

### Accounting Procedures and Budgetary Controls

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

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's finance director, and expenditure estimates by each City department. Budgets are reviewed by the City Manager who makes final decisions and submits a recommended budget to the City Council.

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

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

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

### Relevant financial policies

The City has adopted an investment policy to document the strategy of the City's investments and maintain an efficient cash management program. To further enhance cash management and improve investment income the City requested proposals from banking institutions and contracted with Wells Fargo Bank in April 2005. First Southwest Company provides additional financial advisory services to the City

### General Governmental Functions

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

	<u>Tax Rate</u>
2004-2005	.4683
2005-2006	.4683
2006-2007	.4683
2007-2008	.4683
2008-2009	.5183

## OTHER INFORMATION

### Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Murphy, Texas for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2007. This was the fourth year that the government 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.

Independent Audit: The City of Murphy has engaged the firm of Conway Company CPAs, P.C. to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2008, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Acknowledgements

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

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

Respectfully submitted,

James Fisher  
City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Murphy  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2007

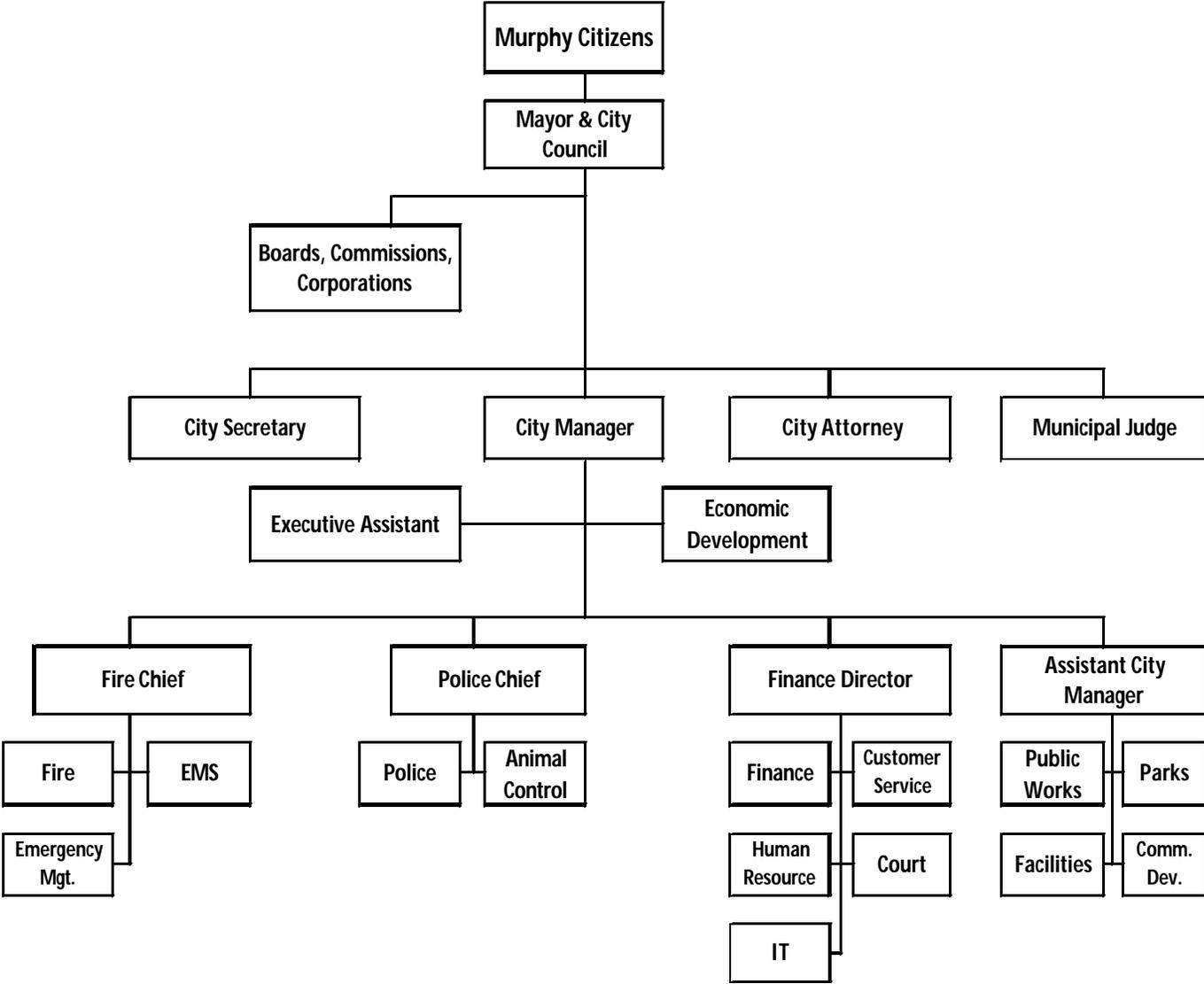
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Murphy Organizational Chart



***City Council:***

Bret M. Baldwin	Mayor
Eric Barna	Mayor Pro Tem
Roxanne Bogdan	Deputy Mayor Pro Tem
Scott Bradley	Council member
Mike Daniel	Council member
John Daugherty	Council member
Colleen Halbert	Council member

***Administrative Officers***

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



CITY OF MURPHY

## FINANCIAL SECTION





Michael Conway, CPA  
Neil Conway, CPA

**CONWAY COMPANY CPAs PC**  
**ACCOUNTANTS & ADVISORS**

[www.conwaycpas.com](http://www.conwaycpas.com)

Toll Free (800) 594-7951  
Metro (903) 450-1200

PO Box 8234  
Greenville, Texas 75404-8234

*Member*  
American Institute of CPAs  
Texas Society of CPAs

January 9, 2009

**Independent Auditor's Report on Financial Statements**

Mayor and City Council  
City of Murphy  
206 N. Murphy Rd.  
Murphy, TX 75094

Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murphy ("City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental funds presented in the accompanying, combining and individual fund financial statements and schedules as of and for the year ended September 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the City of Murphy's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Murphy for the year ended September 30, 2007. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, in so far as it relates to the amounts included for the City of Murphy for the year ended September 30, 2007 is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information for the City of Murphy as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental funds of the City of Murphy, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the debt service and special revenue funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

1021 Park Street  
Commerce, Texas 75428  
Office (903) 886-2123  
Fax (903) 886-6580

8910 Wesley Street  
Greenville, Texas 75402  
Office (903) 455-9898  
Fax (903) 454-3181

#1 Horizon Court  
Rockwall, Texas 75032  
Office (972) 771-1065  
Fax (903) 454-3181

The Management's discussion and analysis and the Schedule of Pension Trust - TMRS Funding Progress and Contributions on pages 5 to 15 and page 53 identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murphy, Texas' basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated January 9, 2009, on our consideration of the City of Murphy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,

Conway Company CPAs, P.C.

## CITY OF MURPHY, TEXAS

### MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2008

As management of the City of Murphy, we offer readers of the City of Murphy's financial statements this narrative overview and analysis of the financial activities of the City of Murphy for the fiscal year ended September 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

#### Financial Highlights

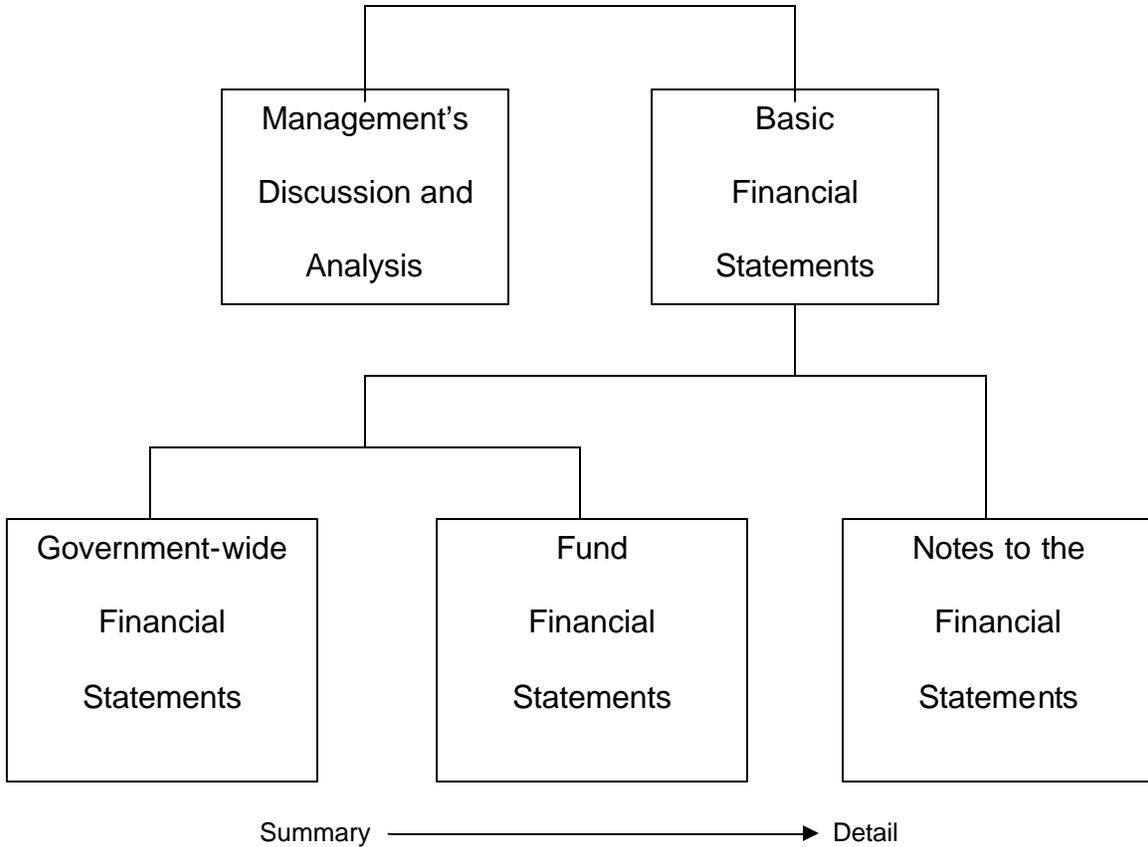
- The assets of the City of Murphy exceeded its liabilities at the close of the fiscal year by \$73,244,749 (net assets). Of this amount, \$2,413,027 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$876,113, (excluding prior period adjustments) due to an increase in the government-type activities net assets.
- As of the close of the current fiscal year, the City of Murphy's governmental funds reported combined ending fund balances of \$4,195,114, a decrease of (\$418,522) in comparison with the prior year. Approximately 52% of this total amount, or \$2,181,845, is available for spending at the government's discretion (unrestricted fund balance)
- At the end of the current fiscal year, unreserved fund balance for the General Fund of \$941,571 was 11% percent of total general fund expenditures for the fiscal year.
- The City of Murphy's total bonded debt decreased by \$1,490,000 or 5% during the current fiscal year.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Murphy's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). 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.

Required Components of Annual Financial Report

Figure 1



**Basic Financial Statements**

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

The next statements (Pages 22 - 31) 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 budgetary comparison statements; and 3) the proprietary fund statements.

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

**CITY OF MURPHY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2008**

**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 two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Murphy. The final category is the component unit.

The government-wide financial statements are on pages 19, 20 and 21 of this report.

**Fund Financial Statements**

The fund financial statements (see pages 22 - 31) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Murphy, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Murphy can be divided into two categories: governmental funds and proprietary funds.

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

The City of Murphy adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the GAAP 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. To

**CITY OF MURPHY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2008**

account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement. The Governmental Fund financial statements can be found on pages 22-25 of this report.

**Proprietary Funds** – The City of Murphy has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. *The City of Murphy uses enterprise funds to account for its water and sewer activity.* These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 29 to 31 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 32 to 48 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Murphy's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 51 of this report.

### **Government-Wide Financial Analysis**

The government-wide financial statements for the fiscal year ended September 30, 2008 continue the implementation of a new standard of financial reporting for the City of Murphy, and many other units of government across the United States. Prior to the year 2004, the City of Murphy maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Murphy. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

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

**CITY OF MURPHY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2008**

**The City of Murphy's Net Assets**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 4,722,839	\$ 5,840,627	\$ 3,102,797	\$ 3,065,470	\$ 7,825,636	\$ 8,906,097
Capital assets	64,371,531	63,842,291	29,408,044	30,588,683	93,779,575	94,430,974
Total assets	<u>69,094,370</u>	<u>69,682,918</u>	<u>32,510,841</u>	<u>33,654,153</u>	<u>101,605,211</u>	<u>103,337,071</u>
Long-term liabilities outstanding	26,500,410	27,828,317	510,575	634,274	27,010,985	28,462,591
Other Liabilities	625,730	1,268,065	723,747	401,430	1,349,477	1,669,495
Total liabilities	<u>27,126,140</u>	<u>29,096,382</u>	<u>1,234,322</u>	<u>1,035,704</u>	<u>28,360,462</u>	<u>30,132,086</u>
Net assets:						
Invested in capital assets, net of related debt	37,749,814	35,389,937	28,918,044	29,978,683	66,667,858	65,368,620
Restricted	1,884,281	737,265	2,279,583	-	4,163,864	737,265
Unrestricted	2,334,135	4,459,334	78,892	2,639,766	2,413,027	7,099,100
Total net assets	<u>\$ 41,968,230</u>	<u>\$ 40,586,536</u>	<u>\$ 31,276,519</u>	<u>\$ 32,618,449</u>	<u>\$ 73,244,749</u>	<u>\$ 73,204,985</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the City of Murphy exceeded liabilities by \$73,244,749 as of September 30, 2008. The City's net assets increased by \$876,113 excluding prior period adjustments, for the fiscal year ended September 30, 2008. However, a large portion, 91.02%, reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Murphy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Murphy's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Murphy's net assets, 5.68%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,413,027 is unrestricted.

Several particular aspects of the City's financial operations positively influenced the increase of the total governmental net assets:

- Property taxes increased 14% from the previous year.
- Sales taxes increased 6% from the previous year.
- Franchise fees increased 11% from the previous year.

**CITY OF MURPHY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2008**

**The City of Murphy's Changes in Net Assets**

**Figure 3**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>REVENUE:</b>						
Program Revenues:						
Charge for Services	\$ 1,209,876	\$ 1,343,220	\$ 5,884,321	\$ 5,239,554	\$ 7,094,197	\$ 6,582,774
Grants and contributions	314,042	457,380	-	84,276	314,042	541,656
General Revenues:						
Property Taxes including P&I	6,229,450	5,486,728	-	-	6,229,450	5,486,728
Franchise Fees	666,481	600,950	-	-	666,481	600,950
Fines and Forfeitures	576,373	688,528	-	-	576,373	688,528
Sales Tax Collected	1,237,613	1,170,553	-	-	1,237,613	1,170,553
Licenses and Permits	848,234	1,054,823	-	-	848,234	1,054,823
Investment Income	173,235	341,766	68,216	145,512	241,451	487,278
Donations	1,302,523	-	197,967	-	1,500,490	-
Miscellaneous	157,314	154,666	13,163	-	170,477	154,666
Total Revenues	<u>12,715,141</u>	<u>11,298,614</u>	<u>6,163,667</u>	<u>5,469,342</u>	<u>18,878,808</u>	<u>16,767,956</u>
<b>EXPENSES:</b>						
Program Expenses:						
General Government	2,831,983	3,237,678	-	-	2,831,983	3,237,678
Public Safety	4,324,267	4,274,898	-	-	4,324,267	4,274,898
Public Works	999,560	490,453	-	-	999,560	490,453
Public Services and Operations	708,362	677,551	-	-	708,362	677,551
Parks and Recreation	917,352	1,881,564	-	-	917,352	1,881,564
Interest and Fiscal Agent Fees	1,281,977	1,260,131	-	-	1,281,977	1,260,131
Economic Development	416,901	255,631	-	-	416,901	255,631
Community Development	293,800	134,794	-	-	293,800	134,794
Environmental Waste Services	603,612	629,528	-	-	603,612	629,528
Water and Sewer	-	-	5,034,881	4,859,805	5,034,881	4,859,805
Total Expenses	<u>12,377,814</u>	<u>12,842,228</u>	<u>5,034,881</u>	<u>4,859,805</u>	<u>17,412,695</u>	<u>17,702,033</u>
Increase in Net Assets before Transfers and Extraordinary expense	337,327	(1,543,614)	1,128,786	609,537	1,466,113	(934,077)
Transfers	1,289,005	850,000	(1,289,005)	(850,000)	-	-
Extraordinary expense	(590,000)	-	-	-	(590,000)	-
Increase in Net Assets	1,036,332	(693,614)	(160,219)	(240,463)	876,113	(934,077)
Net Assets, October 1	40,586,536	41,280,150	32,618,449	32,858,912	73,204,985	74,139,062
Prior Period Adjustments	345,362	-	(1,181,711)	-	(836,349)	-
Net Assets, September 30	<u>\$41,968,230</u>	<u>\$40,586,536</u>	<u>\$31,276,519</u>	<u>\$32,618,449</u>	<u>\$73,244,749</u>	<u>\$73,204,985</u>

**CITY OF MURPHY, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2008**

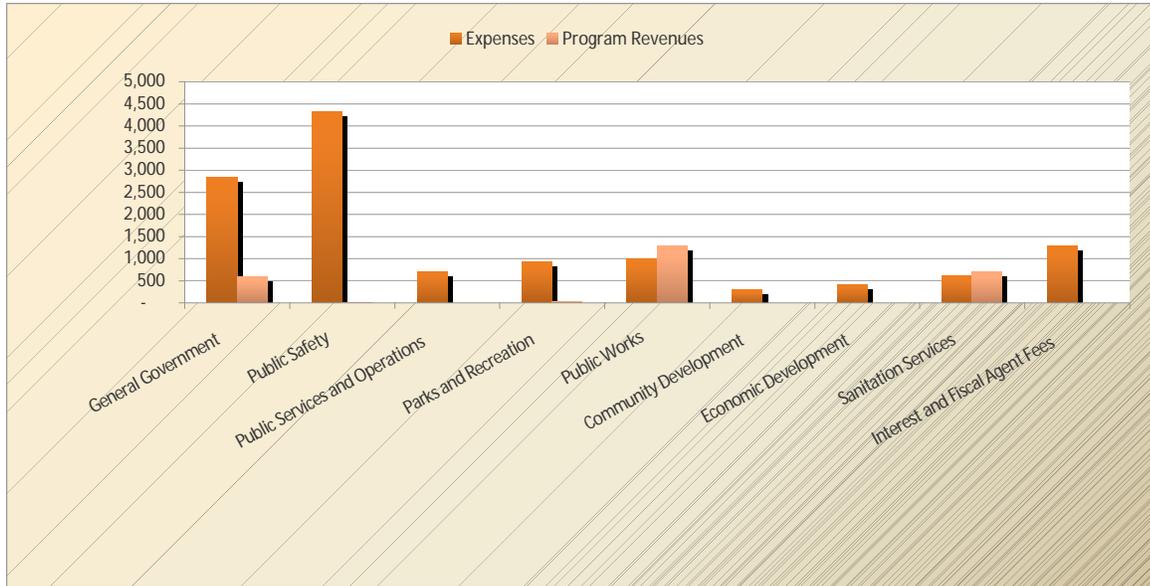
**Governmental-type activities** - The General Fund increased the City's net assets by \$1,036,332, excluding prior period adjustments. Key elements of this increase are as follows:

Property tax revenues increased by 14%.

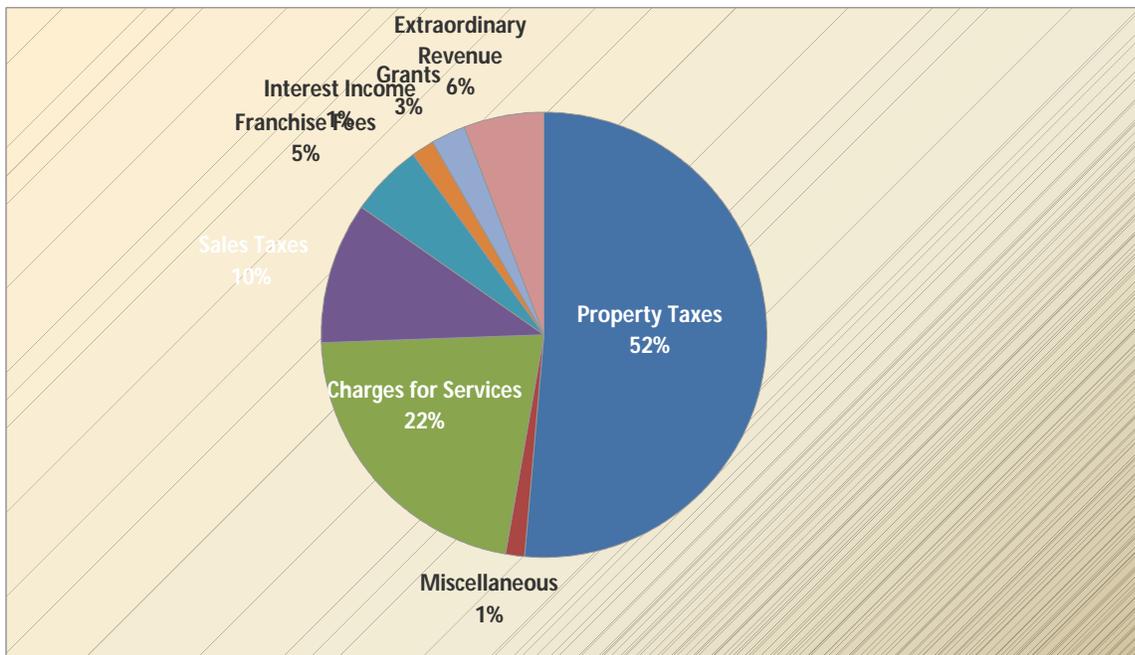
Sales tax revenues increased by 6%.

**Expenses and Program Revenues - Governmental Activities**

(amounts expressed in thousands)



**Revenues By Source - Governmental Activities**



**CITY OF MURPHY, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2008**

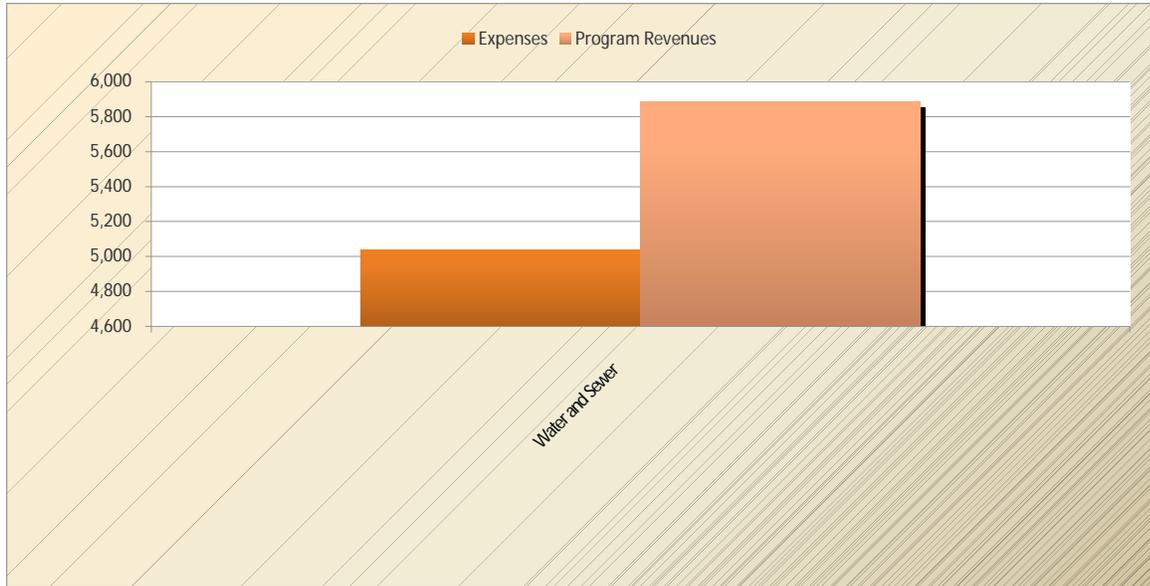
**Business-type Activities** - Proprietary fund activities decreased the City of Murphy's net assets by (\$160,219), excluding prior period adjustments. A key element of this decrease is as follows:

Water and Sewer revenues were 13% less than the budgeted amount.

---

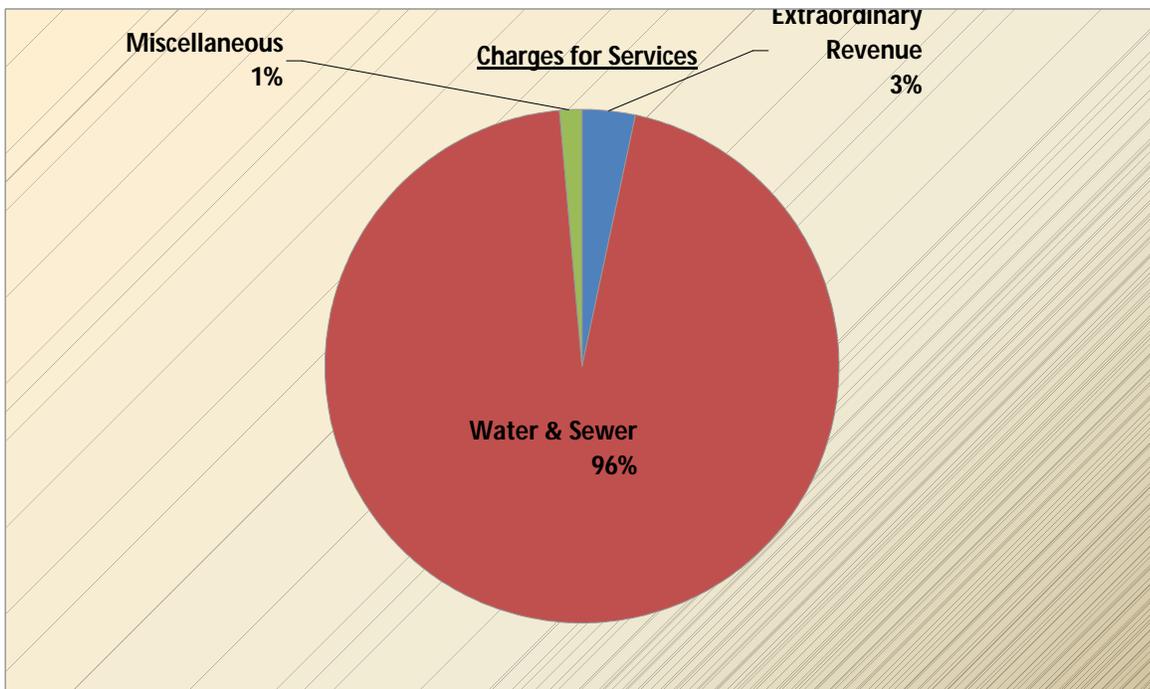
**Expenses and Program Revenues - Business Activities**

(amounts expressed in thousands)




---

**Revenues By Source - Business Activities**



**CITY OF MURPHY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2008**

**Financial Analysis of the City's Funds**

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

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

The general fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$941,571. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 11% of total General Fund expenditures.

At September 30, 2008, the governmental funds of the City of Murphy reported a combined fund balance of \$4,195,114, an 8.73% decrease over last year. The City reserved \$1,305,645 during the year ended September 30, 2008. \$336,726 of this amount is for capital outlays. This affects the availability of fund resources for future use.

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

Revenues were slightly less than the budgeted amounts mainly in the areas of sales taxes and fine revenue. However, expenditures were generally in line with budgeted amounts.

**Proprietary Funds** - The City of Murphy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Utility Fund at the end of the fiscal year amounted to \$78,892 and \$28,918,044 invested in net assets less related debt.

**CITY OF MURPHY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2008**

**Capital assets** - The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2008, totals \$93,779,575 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, machinery and equipment.

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

- Infrastructure in the amount of \$720,649 was donated to the City by developers.
- Right of ways in the amount of \$758,438 were donated to the City by developers.

**Figure 4**

**City of Murphy  
Capital Assets  
As of September 30, 2008  
(net of depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Land	\$ 8,147,189	\$ 6,474,683	\$ -	\$ -	\$ 8,147,189	\$ 6,474,683
Buildings	19,293,879	20,143,924	29,155,737	30,364,178	48,449,616	50,508,102
Infrastructure	36,359,770	36,401,019	-	-	36,359,770	36,401,019
Machinery & Equipment	570,693	822,665	252,307	224,505	823,000	1,047,170
<b>Total</b>	<b>\$ 64,371,531</b>	<b>\$ 63,842,291</b>	<b>\$ 29,408,044</b>	<b>\$ 30,588,683</b>	<b>\$ 93,779,575</b>	<b>\$ 94,430,974</b>

More detailed information about the City's capital assets is presented in Note F to the financial statements on pages 40 and 41.

**Long-term Debt** - As of September 30, 2008, the City of Murphy had total long-term debt outstanding of \$26,775,000. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Murphy  
Outstanding Bonds  
As of September 30, 2008**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
General Obligation Bonds and Certificates of Obligation (backed by tax revenues and net Water/Sewer revenues)	\$ 25,750,000	\$ 26,975,000	\$ -	\$ -	\$ 25,750,000	\$ 26,975,000
Refunding Bonds (backed by tax revenues)	535,000	680,000	-	-	535,000	680,000
Revenue Bonds (backed by Water/Sewer revenues)	-	-	490,000	610,000	490,000	610,000
<b>Total</b>	<b>\$ 26,285,000</b>	<b>\$ 27,655,000</b>	<b>\$ 490,000</b>	<b>\$ 610,000</b>	<b>\$ 26,775,000</b>	<b>\$ 28,265,000</b>

The City of Murphy's bonded debt decreased by \$1,490,000 (5.27%) during the past fiscal year.

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

**Economic Factors and Next Year's Budgets and Rates**

The FY 08-09 budget incorporates an increase in the property tax rate to \$0.5183 per \$100 valuation.

The 2009 budget will raise more total property taxes than last year's budget by \$1,312,700, 21.8%, and of that amount \$422,449 is tax revenue to be raised from new property added to the roll this year.

The City's General Fund budget for revenues increased 12% from the previous fiscal year. Sales tax revenues continue to increase in new commercial and retail development.

The City staff is not requesting any pay increase in the next fiscal year with the exception of some pay equity and leadership changes within the public safety departments.

The proprietary fund has budgeted a decrease of 20.4% in utility revenues for the 2009 budget in comparison with the budget for the year 2008. Expenditures for the proprietary fund for the 2009 budget have also been decreased in comparison with the 2008 budget by 30.8%, a decrease of \$3,530,700.

**Requests for Information**

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



## BASIC FINANCIAL STATEMENTS



**CITY OF MURPHY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,935,058	\$ 887,866	\$ 3,822,924
Receivables (net of allow for uncollectibles)	504,065	632,584	1,136,649
Restricted Assets:			
Cash and Cash Equivalents	1,269,898	1,582,347	2,852,245
Prepaid Expense	13,818	-	13,818
Capital Assets not being depreciated:			
Land	8,147,189	-	8,147,189
Capital Assets net of accumulated depreciation:			
Infrastructure	36,359,770	29,155,737	65,515,507
Buildings and Improvements	19,293,879	-	19,293,879
Machinery and Equipment	570,693	252,307	823,000
<b>Total Assets</b>	<u>69,094,370</u>	<u>32,510,841</u>	<u>101,605,211</u>
<b>LIABILITIES</b>			
Accounts Payable	319,497	178,198	497,695
Accrued Expenses	189,656	188,787	378,443
Accrued Interest Payable	98,005	11,449	109,454
Customer Deposits	-	312,301	312,301
Deferred Revenues	-	32,578	32,578
Other Liabilities	18,572	434	19,006
Noncurrent Liabilities:			
Due within one year:			
Compensated Absences	38,934	5,818	44,752
Bonds Payable	1,455,000	215,000	1,670,000
Due in more than one year:			
Compensated Absences	176,476	14,757	191,233
Bonds Payable	24,830,000	275,000	25,105,000
<b>Total Liabilities</b>	<u>27,126,140</u>	<u>1,234,322</u>	<u>28,360,462</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	37,749,814	28,918,044	66,667,858
Restricted for:			
Debt Service	1,455,000	215,000	1,670,000
Use of Impact fees	-	2,064,583	2,064,583
Court technology	92,557	-	92,557
Capital Outlay	336,724	-	336,724
Unrestricted (deficit)	2,334,135	78,892	2,413,027
<b>Total Net Assets</b>	<u>\$ 41,968,230</u>	<u>\$ 31,276,519</u>	<u>\$ 73,244,749</u>

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

**CITY OF MURPHY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 2,831,983	\$ 600,040	\$ -	\$ 129,649
Public Safety	4,324,267	16,166	33,554	138,839
Public services and operations	708,362	-	-	12,000
Parks and recreation	917,352	29,398	-	-
Public works	999,560	1,285,992	-	-
Sanitation Services	603,612	704,378	-	-
Community Development	293,800	-	-	-
Economic Development	416,901	-	-	-
Interest on Long-Term Debt	1,281,977	-	-	-
<b>Total governmental activities</b>	<u>12,377,814</u>	<u>2,635,974</u>	<u>33,554</u>	<u>280,488</u>
Business-type Activities:				
Water and sewer	5,034,881	5,884,321	-	-
<b>Total business-type activities</b>	<u>5,034,881</u>	<u>5,884,321</u>	<u>-</u>	<u>-</u>
<b>Total primary government</b>	<u>17,412,695</u>	<u>8,520,295</u>	<u>33,554</u>	<u>280,488</u>

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

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

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

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>
\$ (2,102,294)	\$ -	\$ (2,102,294)
(4,135,708)	-	(4,135,708)
(696,362)	-	(696,362)
(887,954)	-	(887,954)
286,432	-	286,432
100,766	-	100,766
(293,800)	-	(293,800)
(416,901)	-	(416,901)
(1,281,977)	-	(1,281,977)
<u>(9,427,798)</u>	<u>-</u>	<u>(9,427,798)</u>
-	849,440	849,440
-	849,440	849,440
<u>(9,427,798)</u>	<u>849,440</u>	<u>(8,578,358)</u>
6,229,450	-	6,229,450
1,237,613	-	1,237,613
666,481	-	666,481
173,235	68,216	241,451
1,302,523	197,967	1,500,490
155,823	13,163	168,986
(590,000)	-	(590,000)
1,289,005	(1,289,005)	-
<u>10,464,130</u>	<u>(1,009,659)</u>	<u>9,454,471</u>
1,036,332	(160,219)	876,113
40,586,536	32,618,449	73,204,985
345,362	(1,181,711)	(836,349)
<u>\$ 41,968,230</u>	<u>\$ 31,276,519</u>	<u>\$ 73,244,749</u>

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

**CITY OF MURPHY, TEXAS  
BALANCE SHEET - GOVERNMENT FUNDS  
SEPTEMBER 30, 2008**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and Investments	\$ 1,085,028	\$ -	\$ 555,059	\$ 1,294,971	\$ 2,935,058
Receivables (net of allowances for uncollectibles)	319,494	46,575	6,717	131,278	504,064
Prepaid Expenses	13,818	-	-	-	13,818
Cash - restricted	103,387	829,787	336,724	-	1,269,898
<b>Total Assets</b>	<b>1,521,727</b>	<b>876,362</b>	<b>898,500</b>	<b>1,426,249</b>	<b>4,722,838</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	281,265	-	15,037	22,550	318,852
Accrued Expenses	187,118	-	-	2,538	189,656
Other Liabilities	19,216	-	-	-	19,216
<b>Total Liabilities</b>	<b>487,599</b>	<b>-</b>	<b>15,037</b>	<b>25,088</b>	<b>527,724</b>
<b>FUND BALANCES</b>					
Reserved for:					
Debt Service	-	876,362	-	-	876,362
Court technology	92,557	-	-	-	92,557
Capital Improvements	-	-	336,726	-	336,726
Unreserved, designated for, reported in:					
Capital Improvements	-	-	546,737	-	546,737
Promotional expenses	-	-	-	160,887	160,887
Unreserved-Undesignated	941,571	-	-	1,240,274	2,181,845
<b>Total Fund Balances</b>	<b>1,034,128</b>	<b>876,362</b>	<b>883,463</b>	<b>1,401,161</b>	<b>4,195,114</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,521,727</b>	<b>\$ 876,362</b>	<b>\$ 898,500</b>	<b>\$ 1,426,249</b>	<b>\$ 4,722,838</b>

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

**CITY OF MURPHY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2008**

<b>Total fund balances - governmental funds balance sheet</b>	\$ 4,195,114
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,371,531
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.	(26,598,415)
<b>Net assets of governmental activities - statement of net assets</b>	<u><u>\$ 41,968,230</u></u>

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

**CITY OF MURPHY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENT FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>					
Property Taxes including P&I	\$3,553,017	\$2,676,433	\$ -	\$ -	\$ 6,229,450
Franchise Fees	666,481	-	-	-	666,481
Fines and Forfeitures	576,373	-	-	-	576,373
Sales Tax Collected	620,502	-	-	617,111	1,237,613
Charge for Services	1,209,875	-	-	-	1,209,875
Licenses and Permits	848,234	-	-	-	848,234
Grant Revenue	184,393	-	129,649	-	314,042
Donations	21,402	-	-	-	21,402
Investment Income	52,244	43,176	35,572	42,243	173,235
Miscellaneous	62,963	-	94,347	9	157,319
<b>Total Revenues</b>	<u>7,795,484</u>	<u>2,719,609</u>	<u>259,568</u>	<u>659,363</u>	<u>11,434,024</u>
<b>EXPENDITURES</b>					
Current operating:					
General Government	1,852,566	-	176,109	639,378	2,668,053
Public Safety	4,190,088	-	-	-	4,190,088
Public Works	226,937	-	-	-	226,937
Public Services and Operations	704,767	-	-	-	704,767
Parks and Recreation	740,974	-	767,426	-	1,508,400
Sanitation Services	603,612	-	-	-	603,612
Development	-	-	-	69,182	69,182
Debt Service					
Principal Retirement	-	1,370,000	-	-	1,370,000
Interest and Fiscal Agent Fees	-	1,210,512	-	-	1,210,512
<b>Total Expenditures</b>	<u>8,318,944</u>	<u>2,580,512</u>	<u>943,535</u>	<u>708,560</u>	<u>12,551,551</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(523,460)	139,097	(683,967)	(49,197)	(1,117,527)
<b>Other Revenues and Financing Sources (uses)</b>					
Extraordinary Revenue(Expense)	-	-	(590,000)	-	(590,000)
Transfers	(155,098)	-	1,444,103	-	1,289,005
<b>Total Other Financing Sources (uses)</b>	<u>(155,098)</u>	<u>-</u>	<u>854,103</u>	<u>-</u>	<u>699,005</u>
<b>Net Change in Fund Balances</b>	(678,558)	139,097	170,136	(49,197)	(418,522)
<b>Fund Balances/Equity, October 1</b>	1,695,623	737,265	713,327	1,450,358	4,596,573
<b>Prior Period Adjustments</b>	17,063	-	-	-	17,063
<b>Fund Balances/Equity, September 30</b>	<u>\$ 1,034,128</u>	<u>\$ 876,362</u>	<u>\$ 883,463</u>	<u>\$ 1,401,161</u>	<u>\$ 4,195,114</u>

The notes to the financial statements 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, 2008**

**Net change in fund balances - total governmental funds** \$ (418,522)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 2,036,802

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets. (1,835,865)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,370,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (116,083)

**Change in net assets of governmental activities - statement of activities** \$ 1,036,332

**CITY OF MURPHY, TEXAS  
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUE</b>				
Property Taxes including P&I	\$ 3,559,036	\$ 3,559,036	\$ 3,553,017	\$ (6,019)
Franchise Fees	647,930	647,930	666,481	18,551
Fines and Forfeitures	702,800	732,750	576,373	(156,377)
Sales Tax Collected	649,000	649,000	620,502	(28,498)
Grant Revenue	10,250	203,513	184,393	(19,120)
Charge for Services	1,348,500	1,298,500	1,209,875	(88,625)
Licenses and Permits	1,039,100	889,100	848,234	(40,866)
Donations	4,150	4,150	21,402	17,252
Investment Income	137,500	137,500	52,244	(85,256)
Miscellaneous	40,000	40,000	62,963	22,963
<b>Total Revenues</b>	<b>8,138,266</b>	<b>8,161,479</b>	<b>7,795,484</b>	<b>(365,995)</b>
<b>EXPENDITURES</b>				
City Administration:				
Personnel Services	224,590	148,590	147,565	1,025
Materials and Supplies	9,300	9,300	11,177	(1,877)
Other Services	203,850	170,850	137,546	33,304
<b>Total City Administration</b>	<b>437,740</b>	<b>328,740</b>	<b>296,288</b>	<b>32,452</b>
Human Resources				
Personnel Services	80,080	81,080	80,324	756
Materials and Supplies	32,470	32,470	32,609	(139)
Other Services	17,600	12,700	12,407	293
<b>Total Human Resources</b>	<b>130,150</b>	<b>126,250</b>	<b>125,340</b>	<b>910</b>
Information Technology				
Personnel Services	150,170	146,970	148,478	(1,508)
Materials and Supplies	30,100	27,900	20,044	7,856
Other Services	10,400	8,400	7,515	885
<b>Total Information Technology</b>	<b>190,670</b>	<b>183,270</b>	<b>176,037</b>	<b>7,233</b>
City Council				
Materials and Supplies	1,000	800	3,133	(2,333)
Other Services	219,050	242,050	226,715	15,335
<b>Total City Council</b>	<b>220,050</b>	<b>242,850</b>	<b>229,848</b>	<b>13,002</b>
City Secretary				
Personnel Services	92,740	92,740	91,809	931
Materials and Supplies	8,000	2,500	1,231	1,269
Other Services	40,700	33,040	20,001	13,039
<b>Total City Secretary</b>	<b>141,440</b>	<b>128,280</b>	<b>113,041</b>	<b>15,239</b>
Finance				
Personnel Services	207,850	207,350	209,572	(2,222)
Materials and Supplies	40,000	46,000	41,015	4,985
Other Services	56,600	72,850	71,304	1,546
<b>Total Finance</b>	<b>304,450</b>	<b>326,200</b>	<b>321,891</b>	<b>4,309</b>

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

**CITY OF MURPHY, TEXAS  
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Fire Department				
Personnel Services	1,490,770	1,482,670	1,395,591	87,079
Materials and Supplies	151,300	130,000	120,250	9,750
Other Services	77,000	258,563	226,273	32,290
Total Fire Department	<u>1,719,070</u>	<u>1,871,233</u>	<u>1,742,114</u>	<u>129,119</u>
Public Works				
Materials and Supplies	30,200	28,700	12,088	16,612
Other Services	276,600	232,300	214,849	17,451
Total Public Works	<u>306,800</u>	<u>261,000</u>	<u>226,937</u>	<u>34,063</u>
Facilities				
Materials and Supplies	3,000	2,000	1,971	29
Other Services	291,200	357,200	339,709	17,491
Total Facilities	<u>294,200</u>	<u>359,200</u>	<u>341,680</u>	<u>17,520</u>
Community Development				
Personnel Services	413,750	412,250	402,026	10,224
Materials and Supplies	14,550	12,350	9,600	2,750
Other Services	353,900	233,300	226,220	7,080
Total Community Development	<u>782,200</u>	<u>657,900</u>	<u>637,846</u>	<u>20,054</u>
Police Department				
Personnel Services	2,260,690	2,260,690	2,156,091	104,599
Materials and Supplies	108,100	78,586	123,390	(44,804)
Other Services	203,600	147,690	168,493	(20,803)
Total Police Department	<u>2,572,390</u>	<u>2,486,966</u>	<u>2,447,974</u>	<u>38,992</u>
Animal Control				
Personnel Services	56,610	56,610	56,563	47
Materials and Supplies	11,920	9,390	6,371	3,019
Other Services	7,050	6,550	3,986	2,564
Total Animal Control	<u>75,580</u>	<u>72,550</u>	<u>66,920</u>	<u>5,630</u>
Parks and Recreation				
Personnel Services	648,580	642,580	591,769	50,811
Materials and Supplies	95,100	69,600	69,766	(166)
Other Services	44,700	42,700	79,439	(36,739)
Total Parks and Recreation	<u>788,380</u>	<u>754,880</u>	<u>740,974</u>	<u>13,906</u>
Municipal Court				
Personnel Services	155,110	155,110	157,190	(2,080)
Materials and Supplies	12,800	8,800	4,934	3,866
Other Services	96,500	108,025	86,318	21,707
Total Municipal Court	<u>264,410</u>	<u>271,935</u>	<u>248,442</u>	<u>23,493</u>
Waste Management				
Other Services	707,500	614,000	603,612	10,388
Total Waste Management	<u>707,500</u>	<u>614,000</u>	<u>603,612</u>	<u>10,388</u>
<b>Total Expenditures</b>	<u>8,935,030</u>	<u>8,685,254</u>	<u>8,318,944</u>	<u>366,310</u>

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

CITY OF MURPHY, TEXAS  
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(796,764)	(523,775)	(523,460)	315
<b>Other Financing Sources (Uses)</b>				
Transfers	447,457	(187,904)	(155,098)	32,806
<b>Total Other Financing Sources (uses)</b>	<u>447,457</u>	<u>(187,904)</u>	<u>(155,098)</u>	<u>32,806</u>
<b>Net change in Fund Balances</b>	(349,307)	(711,679)	(678,558)	33,121
<b>Fund Balances/Equity, October 1</b>	1,695,623	1,695,623	1,695,623	
<b>Prior Period Adjustments</b>	17,063	17,063	17,063	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 1,363,379</u>	<u>\$ 1,001,007</u>	<u>\$ 1,034,128</u>	

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

**CITY OF MURPHY, TEXAS  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2008**

	<u>Water &amp; Sewer</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 887,866
Restricted Cash and Cash Equivalents	1,582,347
Receivables (net of allow for uncollectibles)	632,584
Total Current Assets	<u>3,102,797</u>
Capital Assets:	
Infrastructure	34,290,330
Machinery & Equipment	460,499
Less Accumulated Depreciation	<u>(5,342,785)</u>
Total Capital Assets (net of accumulated depreciation)	<u>29,408,044</u>
<b>Total Assets</b>	<u><u>32,510,841</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	178,198
Accrued Interest Payable	11,449
Other Accrued Liabilities	188,787
Compensated Absences	5,818
Customer Deposits	312,301
Other Liabilities	434
Deferred Revenues	32,578
Revenue Bonds Payable - current	101,000
Total Current Liabilities	<u>830,565</u>
Noncurrent Liabilities:	
Compensated Absences	14,757
Revenue Bonds Payable	389,000
Total Noncurrent Liabilities	<u>403,757</u>
<b>Total Liabilities</b>	<u>1,234,322</u>
 <b>NET ASSETS</b>	
Investment in Capital Assets, net of related debt	28,918,044
Restricted for:	
Debt service	215,000
Use of Impact fees	2,064,583
Unrestricted	78,892
<b>Total Net Assets</b>	<u><u>\$ 31,276,519</u></u>

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

**CITY OF MURPHY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Water &amp; Sewer</u>
<b>OPERATING REVENUES:</b>	
Charges for sales and services:	
Service charges	\$ 5,884,321
Miscellaneous	13,163
<b>Total Operating Revenues</b>	<u>5,897,484</u>
<b>OPERATING EXPENSES:</b>	
Personal Services	1,081,064
Supplies and Materials	190,753
Maintenance and Repair	194,003
Contractual Services	3,126,169
Depreciation	401,047
<b>Total Operating Expenses</b>	<u>4,993,036</u>
<b>Operating Income (Loss)</b>	<u>904,448</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Extraordinary Revenue(Expense)	197,967
Investment Income	68,216
Interest Expense	(41,845)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>224,338</u>
<b>Income before transfers</b>	<u>1,128,786</u>
<b>Transfers</b>	<u>(1,289,005)</u>
<b>Change in Net Assets</b>	(160,219)
<b>Net Assets - beginning</b>	32,618,449
<b>Prior period Adjustment</b>	(1,181,711)
<b>Net Assets - ending</b>	<u><u>\$ 31,276,519</u></u>

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

**CITY OF MURPHY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u><b>Business-Type Funds</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 6,190,646
Cash Received from Other Sources	13,163
Cash Paid to Employees	(1,060,490)
Cash Paid to Suppliers	(4,417,356)
<b>Net Cash Provided by Operating Activities</b>	<u>725,963</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Interest Expense	(41,845)
Principal Payments	(144,274)
Transfers from Primary Government	(1,289,004)
Donations	197,967
<b>Net Cash Provided by Non-capital Financing Activities</b>	<u>(1,277,156)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition or Construction of Capital Assets	779,592
<b>Net Cash Used for Capital &amp; Related Financing Activities</b>	<u>779,592</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	68,216
<b>Net Cash Provided by Investing Activities</b>	<u>68,216</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	296,615
<b>Cash and Cash Equivalents at Beginning of Year</b>	2,173,598
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,470,213</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operation Activities:</b>	
Operating Income (Loss)	\$ 904,448
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	401,047
Prior Period Adjustment	(1,181,711)
Change in Assets and Liabilities	
Decrease (Increase) in Receivables	259,288
Increase (Decrease) in Accounts Payable	110,043
Increase (Decrease) in Accrued Expenses	185,376
Increase (Decrease) in Customer Deposits	14,460
Increase (Decrease) in Other Liabilities	434
Increase (Decrease) in Deferred Revenue	32,578
Total Adjustments	<u>(178,485)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 725,963</u>

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

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and six-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**Blended component units.** The Murphy Community Development Corporation ("CDC") and the Murphy Economic Development Corporation ("EDC") are blended component units for the City. The CDC was incorporated July 28, 2003, and the EDC was incorporated July 17, 2003. The CDC is governed by a seven member board and the EDC is governed by a five member board, both appointed and serving at the pleasure of the City Council. The funding for the CDC and EDC occurs by the City transferring 1/4 of sales tax revenue collected by the City respectively to each corporation. Adding the creation of the CDC and EDC to the resources currently available will more than double the current ability to assist economic and community development in the community. Although legally separate, the CDC and the EDC, for all practical purposes, function as a department of the City of Murphy, and exclusion would cause the City's financial statements to be misleading or incomplete.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings result from non-exchange transactions or ancillary activities.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support City programs, these funds are not included in the government-wide statements.

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

A. Summary of Significant Accounting Policies

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

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

- b. Measurement Focus, Basis of Accounting

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

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

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 except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

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

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting

b. Measurement Focus, Basis of Accounting (continued)

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

The City reports the following major enterprise funds:

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.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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. Therefore, no disclosure is provided which disaggregates those balances.

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

c. Property Taxes

Property taxes attach as an enforceable lien on property located in the City as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. The Collin County Tax Assessor/Collector's office bills and collects the City's property taxes.

The statutes of the State of Texas do not prescribe a legal limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year ended September 30, 2008, the City had a tax rate of \$0.4683 per \$100 assessed valuation based upon the maximum rates described above.

d. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

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

**CITY OF MURPHY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

e. Restricted Assets

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

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed.

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

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

g. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued at close of fiscal year end in the government-wide and proprietary fund financial statements.

h. Long-term Obligations

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

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 withhold from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF MURPHY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

i. Fund Equity

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

j. Comparative Data/Reclassification

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

k. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

l. Use of Estimates

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

m. Program Revenues

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

n. Program Expenses

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

B. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balances - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$26,598,415 difference are as follows:

Bonds Payable	\$26,285,000
Accrued Interest Payable	98,005
Compensated absences	<u>215,410</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$26,598,415</u></u>

CITY OF MURPHY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

B. Reconciliation of Government-Wide and Fund Financial Statements (continued)

2. Explanation of certain differences between the governmental fund statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expenses." The details of the \$200,944 difference are as follows:

Capital outlay	\$ 755,682
Land donated by developers	1,281,120
Depreciation expense	<u>(1,835,865)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 200,937</u>

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the \$1,370,000 difference are as follows:

Principal repayments:	
General Obligation and Certificates of Obligation	<u>\$ 1,370,000</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 1,370,000</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$116,083 difference are as follows:

Compensated Absences	\$ 42,092
Accrued Interest	<u>73,991</u>
 Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 116,083</u>

C. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

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

**CITY OF MURPHY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

C. Compliance and Accountability (continued)

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

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

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

3. Budgets and Budgetary Accounting

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

The following procedures are followed in establishing the budgetary data:

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

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

D. Deposits and Investments

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

Cash Deposits

At September 30, 2008, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,675,169 and the bank balance was \$6,908,113. The City's cash deposits at September 30, 2008 and during the year ended September 30, 2008, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$9,867,30. Cash and investments as of September 30, 2008 consist of and are classified in the accompanying financial statements as follows:

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

D. Deposits and Investments (continued)

**Statement of net assets:**

Primary Government	
Cash and cash equivalents	\$ 2,742,953
Restricted cash and cash equivalents	2,637,245
Component Units	
Cash and cash equivalents	<u>1,294,971</u>
 Total cash and cash equivalents	 <u><u>\$ 6,675,169</u></u>
Cash on hand	\$ 1,260
Savings and checking accounts	<u>6,673,909</u>
 Total cash and cash equivalents	 <u><u>\$ 6,675,169</u></u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Investment Accounting Policy

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

Credit Risk

The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (FHLB, FNMA, FHLMC and FFCB) are rated AAA by Standards & Poor's and Aaa by Moody's Investors Service. These securities are guaranteed by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Concentration of Credit Risk

The City's investment policy limits the amount that may be invested in any one issuer to 50% of the total investment portfolio. Currently all of the City's investments are in various money market accounts.

Custodial Credit Risk - Deposits

The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

Custodial Credit Risk - Investments

The City is not exposed to custodial credit risk for its investments.

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

D. Deposits and Investments (continued)

Foreign Currency Risk

The City is not exposed to foreign currency risk.

E. Receivables

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

	General	Proprietary	Debt Service	Total
Receivables:				
Taxes	\$ 308,939	\$ -	\$ 51,750	\$ 360,689
Fees and Charges	<u>1,078,083</u>	<u>646,923</u>	<u>-</u>	<u>1,725,006</u>
Gross Receivables	1,387,022	646,923	51,750	2,085,695
Less: allowance for uncollectibles	<u>(929,532)</u>	<u>(14,339)</u>	<u>(5,175)</u>	<u>(949,046)</u>
Net Total Receivables	<u>\$ 457,490</u>	<u>\$ 632,584</u>	<u>\$ 46,575</u>	<u>\$ 1,136,649</u>

F. Capital Assets

Capital asset activity for the period ended September 30, 2008 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	<u>\$ 6,474,683</u>	<u>\$ 914,068</u>	<u>\$ 758,438</u>	<u>\$ -</u>	<u>\$ 8,147,189</u>
Total capital assets, not being depreciated:	<u>6,474,683</u>	<u>914,068</u>	<u>758,438</u>	<u>-</u>	<u>8,147,189</u>
Capital assets, being depreciated:					
Buildings & Improvements	21,582,117	-	-	-	21,582,117
Infrastructure	40,968,791	(355,955)	1,139,229	-	41,752,065
Vehicles & Equipment	<u>2,011,623</u>	<u>(229,814)</u>	<u>96,853</u>	<u>-</u>	<u>1,878,662</u>
Total capital assets being depreciated	<u>64,562,531</u>	<u>(585,769)</u>	<u>1,236,082</u>	<u>-</u>	<u>65,212,844</u>
Less accumulated depreciation for:					
Buildings & Improvements	(1,438,193)	-	(850,045)	-	(2,288,238)
Infrastructure	(4,567,772)	-	(824,523)	-	(5,392,295)
Vehicles & Equipment	<u>(1,188,958)</u>	<u>42,286</u>	<u>(161,297)</u>	<u>-</u>	<u>(1,307,969)</u>
Total accumulated depreciation	<u>(7,194,923)</u>	<u>42,286</u>	<u>(1,835,865)</u>	<u>-</u>	<u>(8,988,502)</u>
Total capital assets, being depreciated, net	<u>57,367,608</u>	<u>(543,483)</u>	<u>(599,783)</u>	<u>-</u>	<u>56,224,342</u>
Governmental activities capital assets, net	<u>\$63,842,291</u>	<u>\$ 370,585</u>	<u>\$ 158,655</u>	<u>\$ -</u>	<u>\$ 64,371,531</u>

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

F. Capital Assets (continued)

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>Business-type Activities</b>					
Capital assets, being depreciated:					
Buildings and Systems	\$35,134,667	\$ (1,231,640)	\$ 387,303	\$ -	\$ 34,290,330
Vehicles and Equipment	395,754	-	64,745	-	460,499
Total capital assets being depreciated	<u>35,530,421</u>	<u>(1,231,640)</u>	<u>452,048</u>	<u>-</u>	<u>34,750,829</u>
Less accumulated depreciation for:					
Buildings and Systems	(4,770,489)	13,484	(759,797)	382,209	(5,134,593)
Vehicles and Equipment	(171,249)	-	(36,943)	-	(208,192)
Total accumulated depreciation	<u>(4,941,738)</u>	<u>13,484</u>	<u>(796,740)</u>	<u>382,209</u>	<u>(5,342,785)</u>
Total capital assets, being depreciated, net	<u>30,588,683</u>	<u>(1,218,156)</u>	<u>(344,692)</u>	<u>382,209</u>	<u>29,408,044</u>
Business-type activities capital assets, net	<u>\$30,588,683</u>	<u>\$ (1,218,156)</u>	<u>\$ (344,692)</u>	<u>\$ 382,209</u>	<u>\$ 29,408,044</u>

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

Governmental activities:	
General Government	\$ 789,994
Public Safety	193,191
Public Works, including depreciation of general infrastructure assets	829,977
Public Service	
Culture and Recreation	<u>22,703</u>
Total depreciation expense - governmental activities	<u>\$ 1,835,865</u>
Business-type activities:	
Water Sewer	<u>\$ 796,740</u>
Total depreciation expense - business-type activities	<u>\$ 796,740</u>

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2008, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds & certificates of obligation	\$26,975,000	\$ -	\$ 1,225,000	\$25,750,000	\$ 1,290,000
Refunding bonds	680,000	-	145,000	535,000	165,000
Total Bonds Payable	<u>27,655,000</u>	<u>-</u>	<u>1,370,000</u>	<u>26,285,000</u>	<u>1,455,000</u>
Compensated absences	173,317	77,365	35,272	215,410	-
Governmental activity Long-term debt	<u>\$27,828,317</u>	<u>\$ 77,365</u>	<u>\$ 1,405,272</u>	<u>\$26,500,410</u>	<u>\$ 1,455,000</u>

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**G. Long-Term Obligations (continued)**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
Water & Sewer					
Revenue bonds	\$ 610,000	\$ -	\$ 120,000	\$ 490,000	\$ 215,000
Total Bonds Payable	610,000	-	120,000	490,000	215,000
Compensated absences	24,274	1,748	5,447	20,575	-
Business-type activity					
Long-term debt	\$ 634,274	\$ 1,748	\$ 125,447	\$ 510,575	\$ 215,000

Changes in Governmental Bonded Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding 2007	Issued	Retired	Amounts Outstanding 2008	Due Within One Year
1993 G O Refund	6%-6.5%	\$ 1,525,000	\$ 35,000	\$ -	\$ 35,000	\$ -	\$ -
1998 Series CO	4.4%-5.25%	2,500,000	1,755,000	-	120,000	1,635,000	125,000
2001 Series CO	4.75%-5.75%	3,500,000	2,905,000	-	140,000	2,765,000	150,000
2001 GO Refund	4.5%-5.75%	1,155,000	645,000	-	110,000	535,000	165,000
2002 Series CO	4.5%-5.75%	3,500,000	2,970,000	-	135,000	2,835,000	145,000
2002A Series CO	3.5%-4.75%	5,000,000	4,150,000	-	195,000	3,955,000	205,000
2003 Series CO	3.5% - 5%	6,700,000	5,900,000	-	260,000	5,640,000	270,000
2004 Series CO	4.125%-4.875%	10,000,000	9,295,000	-	375,000	8,920,000	395,000
Total Debt Payable		33,880,000	27,655,000	-	1,370,000	26,285,000	1,455,000
Compensated absences		-	173,317	77,365	35,272	215,410	-
Totals		\$33,880,000	\$27,828,317	\$ 77,365	\$ 1,405,272	\$26,500,410	\$ 1,455,000

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2009	\$ 1,455,000	1,143,164	\$ 2,598,164
2010	1,525,000	1,077,171	2,602,171
2011	1,520,000	1,010,981	2,530,981
2012	1,595,000	943,094	2,538,094
2013 - 2017	8,585,000	3,651,328	12,236,328
2018 - 2022	9,600,000	1,591,305	11,191,305
2023 - 2024	2,005,000	85,118	2,090,118
Totals	\$26,285,000	\$ 9,502,161	\$35,787,161

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

G. Long-Term Obligations (continued)

\$1,525,000 Series 1993, general obligation refunding bonds, issued for the purpose of refinancing previous issued debt.

\$2,500,000 Series 1998 certificates of obligation, issued for the purpose of street improvements, new animal control facilities, to purchase machinery and equipment for the fire department, to purchase land for the municipal complex and improvements to the water/sewer system.

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

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

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

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

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

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

Changes in Business-type Bonded Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30 2008	Due Within One Year
			September 30 2007	Issued	Retired		
1976A Revenue	5.60%	\$ 570,000	\$ 100,000	\$ -	\$ 30,000	\$ 70,000	\$ 70,000
1976B Revenue	5.60%	835,000	150,000	-	50,000	100,000	100,000
1994 Revenue	5.7%-6.25%	700,000	360,000	-	40,000	320,000	45,000
Total Bonds Payable		2,105,000	610,000	-	120,000	490,000	215,000
Compensated Absences		-	24,274	1,748	5,447	20,575	-
Totals		\$ 2,105,000	\$ 634,274	\$ 1,748	\$ 125,447	\$ 510,575	\$ 215,000

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2009	\$ 215,000	\$ 29,497	\$ 244,497
2010	50,000	17,188	67,188
2011	50,000	14,062	64,062
2012	55,000	10,938	65,938
2013	60,000	7,500	67,500
2014	60,000	3,750	63,750
Totals	\$ 490,000	\$ 82,935	\$ 572,935

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

G. Long-Term Obligations (continued)

\$570,000 Series 1976A, revenue bond, issued for the purpose of improving the water/ sewer systems.

\$835,000 Series 1976B, revenue bond, issued for the purpose of improving the water/ sewer systems.

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

General Obligation Bonds and Certificates of Obligation

The City is required by ordinance to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due. The Debt Service Fund has \$829,784 available to service the general obligation debt after debt due in the current fiscal year has been paid.

Water and Sewer Revenue Bonds

The Water and Sewer Revenue Bonds are secured by the net revenues of the Water and Sewer Fund as defined in the respective bond indentures.

Restrictions of Bonded Debt

There are a number of limitations and restrictions contained in the various bond ordinances. The City is in compliance with all significant limitations and restrictions.

H. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. Benefits depend upon the sum of the employees contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employees accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employees salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

H. Pension Plan

1. Plan Description (continued)

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

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

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarially liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2007 valuations effective for rates beginning January 2009).

City of Murphy			
Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	<u>12/31/05</u>	<u>12/31/06</u>	<u>12/31/07</u>
Actuarial Value of Assets	\$ 1,961,232	\$ 2,599,165	\$ 3,227,636
Actuarial Accrued Liability	2,741,909	3,509,632	5,519,638
Percentage Funded	71.53%	74.06%	58.48%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	780,677	910,467	2,292,002
Annual Covered Payroll	3,107,397	4,111,974	4,464,231
UAAL as a Percentage of Covered Payroll	25.1%	22.1%	51.3%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	243,513	332,089	440,620
Contributions Made	Less (243,513)	Less (332,089)	Less (440,620)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level %	Level %	Level %
Asset Valuation method	Amortized	Amortized	Amortized
	Cost	Cost	Cost
Amortization period	25 years-open	25 years-open	25 years-open
Actuarial assumptions:			
Investment rate of return	7%	7%	7%
Inflation rate	3.50%	3.50%	3.00%
Projected salary increase	N/A	N/A	Varies by age and service

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**I. Health Care Coverage**

During the year ended September 30, 2008, employees of the City were covered by a health insurance plan (the "Plan"). The City contributed \$350 per month per employee and 70% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay additional contributions for dependents. All contributions were paid to AETNA. The Plan was authorized by article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

**J. Insurance Coverage**

Below is a schedule of insurance in force.

Company	Entity Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
<b>Liability Coverage:</b>						
TX Municipal League	00903	General	1,000,000	10/01/07 to	\$ 19,526	\$ 1,000
Joint Self Ins Fund			per occurrence	10/01/08		
TX Municipal League	00903	Automotive	1,000,000	10/01/07 to	\$ 21,098	\$ 1,000
Joint Self Ins Fund			per occurrence	10/01/08		
TX Municipal League	00903	Law	1,000,000	10/01/07 to	\$ 15,080	\$ 1,000
Joint Self Ins Fund		Enforcement	per claim	10/01/08		
TX Municipal League	00903	Public Employee	250,000	10/01/07 to	\$ 563	-
Joint Self Ins Fund		Dishonesty		10/01/08		
TX Municipal League	00903	Errors &	1,000,000	10/01/07 to	\$ 28,017	\$ 1,000
Joint Self Ins Fund		Omissions	per claim	10/01/08		
<b>Property Coverage:</b>						
TX Municipal League	00903	Real and	Replacement	10/01/07 to	\$ 18,951	\$ 2,500
Joint Self Ins Fund		Personal	Cost	10/01/08		
TX Municipal League	00903	Mobile	Replacement	10/01/07 to	\$ 1,278	\$ 1,000
Joint Self Ins Fund		Equipment	Cost	10/01/08		
TX Municipal League	00903	Automobile-	Comprehensive	10/01/07 to	\$ 8,980	\$ 1,000
Joint Self Ins Fund		Phys. Damage	Scheduled	10/01/08		
TX Municipal League	00903	Boiler and	Comprehensive	10/01/07 to	included	\$ 2,500
Joint Self Ins Fund		Machinery	Scheduled	10/01/08		

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2007, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**K. Risk Management**

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

**CITY OF MURPHY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**L. Litigation**

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

**M. Additional Water and Sewer Information**

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

Gallons Pumped	1,179,938,000
Gallons Billed	1,080,719,200

**N. Restricted Assets**

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

Customer deposits	\$ 312,301
Impact fees	1,055,046
Revenue bond current debt service account	215,000
Total Restricted Assets	<u>\$ 1,582,347</u>

**O. Interfund Transactions**

	<u>Transfers Out</u>	<u>Transfers In</u>
<u>Major Funds</u>		
General Fund	\$ 191,446	\$ -
Capital Projects Fund	-	1,480,451
Water Sewer Fund	1,289,005	-
Total Major Funds	<u>\$ 1,480,451</u>	<u>\$ 1,480,451</u>

Transfers are used to 1) reclassify projects from the capital fund to the general and utility funds 2) to transfer utility's portion of expenses, such as salaries of the City Manager, Finance Director and Assistant City Manager, and a portion of the municipal complex expenses.

**P. Prior Period Adjustment**

The City of Murphy had a prior period adjustment in the General Fund of \$345,362 which was made up of an adjustment to prior year accounts payable and recording of assets purchased in a prior year. The Water and Sewer Fund had a prior period adjustment of (\$1,181,711) which was made up of an adjustment to prior year accounts payable and recording of assets from a prior year.

**Q. Extraordinary items**

In December 2007 the City paid a legal settlement in the amount of \$590,000 to Pavecon Commercial, Ltd as a final settlement of a law suit between the City and Pavecon regarding the Municipal Complex.

**CITY OF MURPHY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**R. New Accounting Pronouncements**

In May 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 43 addresses the financial reporting for other postemployment benefits plans. This statement is effective for the City's financial statements for periods beginning after December 15, 2008. The adoption of this statement has no impact on the City's financial statements.

In August 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which provides guidance on all aspects of OPEB reporting by employers. The requirements of this statement are effective for fiscal periods beginning after December 15, 2007, for governments that were phase 2 for the implementation of SGAS 34 and after December 15, 2008, for governments that were phase 3 for the implementation of SGAS 34. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

In June of 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB No. 47 gives accounting and reporting guidance for early retirement incentives, severance payments for involuntary terminations and termination benefits affecting defined benefit postemployment benefits. The adoption of this statement has no impact on the City's financial statements.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2007. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2007, except for the requirement for plans that use the aggregate actuarial cost method to present a schedule of funding progress using the entry age actuarial cost method which is effective for the actuarial valuations as of June 15, 2007. The City is currently complying with this statement.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

In November 2007, GASB issued Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*", requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2008. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

In June 2008, GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". This statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2009. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

**S. Subsequent Events**

The City will be issuing \$6.4 million of new debt in March 2009 for parks, streets and renovation of the old city hall. The City is planning on issuing an additional \$9.6 million in the years 2010 and 2011.

## REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MURPHY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS  
 LAST THREE FISCAL YEARS (Unaudited)

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	(Over-funded)		Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll	Annual Required Contributions	Actual Contributions	Percent Contributed
				Actuarial Accrued Liability UAAL	Actuarial Accrued Liability UAAL						
2006	12/31/2005	\$ 1,961,232	\$ 2,741,909	\$ 780,677		71.53%	\$ 3,107,397	25.12%	\$ 243,513	\$ 243,513	100.00%
2007	12/31/2006	2,599,165	3,509,632	910,467		74.06%	4,111,974	22.14%	332,089	332,089	100.00%
2008	12/31/2007	3,227,636	5,519,638	2,292,002		58.48%	4,464,231	51.34%	440,620	440,620	100.00%

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



## SUPPLEMENTARY INFORMATION



**CITY OF MURPHY, TEXAS  
 PROPRIETARY FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Difference
	Original	Final		
<b>REVENUE</b>				
Charges for Services	\$ 6,836,000	\$ 6,736,000	\$ 5,884,321	\$ (851,679)
Investment Income	153,000	153,000	68,216	(84,784)
Miscellaneous	6,000	6,000	13,163	7,163
<b>Total Revenues</b>	<u>6,995,000</u>	<u>6,895,000</u>	<u>5,965,700</u>	<u>(929,300)</u>
<b>EXPENDITURES</b>				
Current:				
Administrative	1,257,285	1,195,455	1,081,064	114,391
Maintenance and Repair	458,825	390,325	194,003	196,322
Contractual Services	3,381,575	3,326,650	3,126,169	200,481
Supplies and Materials	410,515	353,315	190,753	162,562
Depreciation	-	-	401,047	(401,047)
<b>Total Expenditures</b>	<u>5,508,200</u>	<u>5,265,745</u>	<u>4,993,036</u>	<u>272,709</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	1,486,800	1,629,255	972,664	(656,591)
<b>Other Revenues and Financing Sources (uses)</b>				
Donations	-	-	197,967	197,967
Interest Expense	(157,000)	(157,000)	(41,845)	115,155
<b>Total Other Financing Sources (uses)</b>	<u>(157,000)</u>	<u>(157,000)</u>	<u>156,122</u>	<u>313,122</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	1,329,800	1,472,255	1,128,786	(343,469)
<b>Transfers</b>	<u>(850,000)</u>	<u>(1,325,353)</u>	<u>(1,289,005)</u>	<u>36,348</u>
<b>Net change in Net Assets</b>	479,800	146,902	(160,219)	(307,121)
<b>Net Assets, October 1</b>	32,618,449	32,618,449	32,618,449	
<b>Prior Period Adjustment</b>	-	-	(1,181,711)	
<b>Net Assets, September 30</b>	<u>\$ 33,098,249</u>	<u>\$ 32,765,351</u>	<u>\$ 31,276,519</u>	

**CITY OF MURPHY, TEXAS  
DEBT SERVICE FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Difference
	Original	Final		
<b>REVENUE</b>				
Property Taxes including P&I	\$ 2,646,610	\$ 2,646,610	\$ 2,676,433	\$ 29,823
Investment Income	55,000	285,671	43,176	(242,495)
<b>Total Revenues</b>	<u>2,701,610</u>	<u>2,932,281</u>	<u>2,719,609</u>	<u>(212,672)</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal payments	1,370,000	1,370,000	1,370,000	-
Interest Expense	1,210,500	1,210,600	1,210,512	88
<b>Total Expenditures</b>	<u>2,580,500</u>	<u>2,580,600</u>	<u>2,580,512</u>	<u>88</u>
<b>Net change in Fund Balances</b>	121,110	351,681	139,097	(212,584)
<b>Fund Balances/Equity, October 1</b>	<u>737,265</u>	<u>737,265</u>	<u>737,265</u>	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 858,375</u>	<u>\$ 1,088,946</u>	<u>\$ 876,362</u>	

**CITY OF MURPHY, TEXAS  
CAPITAL PROJECTS FUND - STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Difference
	Original	Final		
<b>REVENUE</b>				
Grant Revenue	\$ 529,000	\$ 358,650	\$ 129,649	\$ (229,001)
Miscellaneous	768,000	550,000	94,347	(455,653)
Investment Income	15,000	30,000	35,572	5,572
<b>Total Revenues</b>	<u>1,312,000</u>	<u>938,650</u>	<u>259,568</u>	<u>(679,082)</u>
<b>EXPENDITURES</b>				
General Government	-	-	176,109	(176,109)
Capital Outlay:				
Park Improvements	1,021,500	1,648,850	767,426	881,424
<b>Total Expenditures</b>	<u>1,021,500</u>	<u>1,648,850</u>	<u>943,535</u>	<u>705,315</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	290,500	(710,200)	(683,967)	26,233
<b>Other Revenues and Financing Sources (uses)</b>				
Extraordinary Revenue(Expense)	-	-	(590,000)	(590,000)
Transfers	-	1,814,257	1,444,103	(370,154)
<b>Total Other Financing Sources (uses)</b>	<u>-</u>	<u>1,814,257</u>	<u>854,103</u>	<u>(960,154)</u>
<b>Net change in Fund Balances</b>	290,500	1,104,057	170,136	(933,921)
<b>Fund Balances/Equity, October 1</b>	713,327	713,327	713,327	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 1,003,827</u>	<u>\$ 1,817,384</u>	<u>\$ 883,463</u>	

**CITY OF MURPHY, TEXAS  
BALANCE SHEET - OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008**

	<b>CDC Fund</b>	<b>EDC Fund</b>	<b>Other Governmental Funds</b>
<b>ASSETS</b>			
Cash and Investments	\$ 693,383	\$ 601,588	\$ 1,294,971
Receivables (net of allowances for uncollectibles)	65,639	65,639	131,278
Cash - restricted	-	-	-
<b>Total Assets</b>	<u>759,022</u>	<u>667,227</u>	<u>1,426,249</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	17,620	4,930	22,550
Accrued Expenses	1,269	1,269	2,538
<b>Total Liabilities</b>	<u>18,889</u>	<u>6,199</u>	<u>25,088</u>
 <b>FUND BALANCES</b>			
Unreserved, designated for, reported in:			
Promotional expenses	98,923	61,964	160,887
Unreserved-Undesignated	641,210	599,064	1,240,274
<b>Total Fund Balances</b>	<u>740,133</u>	<u>661,028</u>	<u>1,401,161</u>
 <b>Total Liabilities and Fund Balances</b>	 <u>\$ 759,022</u>	 <u>\$ 667,227</u>	 <u>\$ 1,426,249</u>

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

**CITY OF MURPHY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>CDC Fund</u>	<u>EDC Fund</u>	<u>Other Governmental Funds</u>
<b>REVENUE</b>			
Sales Tax Collected	\$ 308,545	\$ 308,575	\$ 617,120
<b>Total Revenues</b>	<u>308,545</u>	<u>308,575</u>	<u>617,120</u>
<b>EXPENDITURES</b>			
Current operating:			
Administration	223,548	415,830	639,378
Capital Outlay	69,182	-	69,182
<b>Total Expenditures</b>	<u>292,730</u>	<u>415,830</u>	<u>708,560</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	15,815	(107,255)	(91,440)
<b>Other Revenues and Financing Sources (uses)</b>			
Investment Income	22,786	19,457	42,243
<b>Total Other Financing Sources (uses)</b>	<u>22,786</u>	<u>19,457</u>	<u>42,243</u>
<b>Net Change in Fund Balances</b>	38,601	(87,798)	(49,197)
<b>Fund Balances/Equity, October 1</b>	<u>701,532</u>	<u>748,826</u>	<u>1,450,358</u>
<b>Fund Balances/Equity, September 30</b>	<u>\$ 740,133</u>	<u>\$ 661,028</u>	<u>\$ 1,401,161</u>

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



STATISTICAL SECTION (UNAUDITED)



## STATISTICAL SECTION

(unaudited)

This part of the City of Murphy's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

### **Contents**

### **Table #s**

#### **Financial Trends**

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1,2,3,4,5

#### **Revenue Capacity**

These tables contain information to help the reader assess the City's two most significant local revenue sources, property and sales taxes.

6,7,8,9,10

#### **Debt Capacity**

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

11,12,13,14,15,16

#### **Economic and Demographic Information**

These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

17,18

#### **Operating Information**

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.

19,20,21

**Source:** Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004: tables presenting government-wide information include information beginning that year.



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

**Table 1**

	<b>FISCAL YEAR</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Governmental activities					
Invested in capital assets, net of related debt	\$ 20,724	\$ 31,431	\$ 35,636	\$ 35,217	\$ 37,750
Restricted	409	488	564	737	1,884
Unrestricted	8,798	5,442	5,080	4,633	2,334
Total governmental activities net assets	<u>29,931</u>	<u>37,361</u>	<u>41,280</u>	<u>40,587</u>	<u>41,968</u>
Business-type activities					
Invested in capital assets, net of related debt	24,419	26,921	29,992	29,979	28,918
Restricted	-	361	-	-	2,280
Unrestricted	1,761	2,472	2,867	2,640	79
Total business-type activities net assets	<u>26,180</u>	<u>29,754</u>	<u>32,859</u>	<u>32,619</u>	<u>31,277</u>
Primary government					
Invested in capital assets, net of related debt	45,143	58,352	65,628	65,196	66,668
Restricted	409	849	564	737	4,164
Unrestricted	10,559	7,914	7,947	7,273	2,413
Total primary government net assets	<u>\$ 56,111</u>	<u>\$ 67,115</u>	<u>\$ 74,139</u>	<u>\$ 73,206</u>	<u>\$ 73,245</u>

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

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
<b>EXPENSES</b>					
Government activities:					
General government	\$ 1,389	\$ 1,074	\$ 1,995	\$ 3,372	\$ 2,832
Public Safety	2,420	2,386	3,132	4,275	4,324
Public Works	2,260	2,152	2,191	3,049	1,708
Sanitation Services	350	490	565	629	604
Parks and recreation	67	110	227	256	917
Development *	-	-	-	-	711
Interest Expense	1,232	1,522	1,331	1,260	1,282
Total governmental activities expenses	<u>7,718</u>	<u>7,734</u>	<u>9,441</u>	<u>12,841</u>	<u>12,378</u>
Business-type activities:					
Water and Sewer	3,137	3,314	3,944	4,860	5,035
Total business-type activities expenses	<u>3,137</u>	<u>3,314</u>	<u>3,944</u>	<u>4,860</u>	<u>5,035</u>
Total primary government expenses	<u>10,855</u>	<u>11,048</u>	<u>13,385</u>	<u>17,701</u>	<u>17,413</u>
<b>PROGRAM REVENUES</b>					
Governmental activities:					
Charge for services:					
General government	1,477	1,574	2,226	1,629	600
Public Safety	191	245	661	702	16
Public Works	-	80	-	31	1,316
Sanitation Services	549	624	728	724	704
Operating grants and contributions	4	-	49	87	34
Capital grants and contributions	180	6,312	2,914	370	280
Total governmental activities program revenues	<u>2,401</u>	<u>8,835</u>	<u>6,578</u>	<u>3,543</u>	<u>2,950</u>
Business-type activities					
Charge for services:					
Water and Sewer	4,196	5,077	6,221	5,240	5884
Capital grants and contributions	-	2,615	1,026	84	-
Total business-type activities program revenues	<u>4,196</u>	<u>7,692</u>	<u>7,247</u>	<u>5,324</u>	<u>5,884</u>
Total primary government program revenues	<u>6,597</u>	<u>16,527</u>	<u>13,825</u>	<u>8,867</u>	<u>8,834</u>
<b>NET (EXPENSE) REVENUES</b>					
Governmental activities	(5,317)	1,101	(2,863)	(9,298)	(9,428)
Business-type activities	1,059	4,378	3,303	464	849
Total primary government program net expenses	<u>\$ (4,258)</u>	<u>\$ 5,479</u>	<u>\$ 440</u>	<u>\$ (8,834)</u>	<u>\$ (8,579)</u>

(continued)

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

**Table 2**

	<b>FISCAL YEAR</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>GENERAL REVENUES AND OTHER CHANGES</b>					
<b>IN NET ASSETS</b>					
Government activities:					
Taxes:					
Property	\$ 2,901	\$ 3,765	\$ 4,580	\$ 5,487	\$ 6,229
Sales	828	1,173	1,016	1,170	1,238
Franchise	344	388	503	601	667
Investment Income	144	150	312	342	173
Extraordinary Revenue	-	-	-	-	713
Miscellaneous	31	41	15	155	155
Transfers	2,196	850	356	850	1,289
Total governmental activities	<u>6,444</u>	<u>6,367</u>	<u>6,782</u>	<u>8,605</u>	<u>10,464</u>
Business-type activities:					
Investment Income	19	37	149	145	69
Extraordinary Revenue	-	-	-	-	198
Miscellaneous	24	18	9	-	13
Transfers	(2,196)	(850)	(356)	(850)	(1,289)
Total business-type activities	<u>(2,153)</u>	<u>(795)</u>	<u>(198)</u>	<u>(705)</u>	<u>(1,009)</u>
Total primary government revenues	<u>4,291</u>	<u>5,572</u>	<u>6,584</u>	<u>7,900</u>	<u>9,455</u>
<b>CHANGE IN NET ASSETS</b>					
Governmental activities	1,127	7,468	3,919	(693)	1,036
Business-type activities	(1,094)	3,583	3,105	(241)	(160)
Total primary government program net expenses	<u>\$ 33</u>	<u>\$ 11,051</u>	<u>\$ 7,024</u>	<u>\$ (934)</u>	<u>\$ 876</u>

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



**CITY OF MURPHY, TEXAS**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST FIVE FISCAL YEARS**  
 (Accrual basis of accounting)  
 (Amounts expressed in thousands)

**Table 3**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
2004	\$ 2,901	\$ 828	\$ 344	\$ 4,073
2005	3,765	1,173	388	5,326
2006	4,580	1,016	503	6,099
2007	5,487	1,171	601	7,259
2008	6,229	1,238	667	8,134

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

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>FISCAL 2003</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	429	950	1,192	1,066	16
Total General Fund	<u>429</u>	<u>950</u>	<u>1,192</u>	<u>1,066</u>	<u>16</u>
All Other Government Funds					
Reserved	42	46	196	276	380
Unreserved, reported in:					
Other Governmental Funds*	-	-	-	-	-
Capital Projects Fund	<u>2,461</u>	<u>2,424</u>	<u>2,051</u>	<u>8,638</u>	<u>12,680</u>
Total all other governmental funds	<u>\$ 2,503</u>	<u>\$ 2,470</u>	<u>\$ 2,247</u>	<u>\$ 8,914</u>	<u>\$ 13,060</u>

(continued)

\* Other Governmental Funds was previously reported under Special Revenue Funds.

**Table 4**

<b>YEAR</b>				
<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$ -	\$ -	\$ -	\$ -	\$ 93
796	1,145	2,183	1,696	941
796	1,145	2,183	1,696	1,034
409	488	564	737	1,213
307	872	1,470	1,450	1,401
7,877	3,639	1,620	713	547
\$ 8,593	\$ 4,999	\$ 3,654	\$ 2,900	\$ 3,161

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

	FISCAL				
	1999	2000	2001	2002	2003
<b>REVENUES</b>					
Property Taxes*	\$ 1,073	\$ 1,395	\$ 1,604	\$ 2,104	\$ 2,979
Sales Taxes	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Charges for Services	158	201	350	489	823
License and permits	308	671	846	912	934
Fines/Court	81	105	100	120	178
Investment Income	135	153	175	90	154
Grant revenue	-	-	-	-	-
Contributions	57	421	131	164	205
Miscellaneous	36	76	35	27	82
<b>Total Revenues</b>	<b>1,848</b>	<b>3,022</b>	<b>3,241</b>	<b>3,906</b>	<b>5,355</b>
<b>EXPENDITURES</b>					
General government	306	312	372	2,468	2,480
Public Safety	444	644	1,073	1,290	1,936
Public Works	63	560	520	608	1,553
Sanitation	110	136	200	255	310
Cultural and Recreation	-	-	-	-	-
Capital Outlay	167	416	3,816	384	1,528
Debt Service					
Principal	263	319	330	375	632
Interest and other charges	293	255	238	445	786
<b>Total Expenditures</b>	<b>1,646</b>	<b>2,642</b>	<b>6,549</b>	<b>5,825</b>	<b>9,225</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Note/Bond Proceeds	110	27	3,531	8,460	6,716
Extraordinary Revenue (Expense)	-	-	-	-	-
Capital Leases	(97)	(90)	-	-	-
Transfers	-	-	-	-	250
<b>Total other financing sources (uses)</b>	<b>13</b>	<b>(63)</b>	<b>3,531</b>	<b>8,460</b>	<b>6,966</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 215</b>	<b>\$ 317</b>	<b>\$ 223</b>	<b>\$ 6,541</b>	<b>\$ 3,096</b>
Debt service as a percentage of noncapital expenditures	37.59%	25.79%	20.78%	15.07%	18.42%

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

(continued)

Table 5

		YEAR							
		2004	2005	2006	2007	2008			
\$	2,901	\$	3,765	\$	4,580	\$	5,487	\$	6,229
	828		1,173		1,016		1,171		1,238
	344		388		503		601		667
	1,463		1,545		2,207		1,432		1,210
	450		656		587		952		848
	150		187		585		703		576
	144		150		312		342		173
	-		-		-		-		314
	4		6,393		2,981		457		22
	366		95		232		155		157
	<u>6,650</u>		<u>14,352</u>		<u>13,003</u>		<u>11,300</u>		<u>11,434</u>
	1,311		963		1,268		2,650		2,668
	2,391		2,320		3,162		4,426		4,135
	1,490		1,301		1,330		2,789		917
	350		490		565		630		604
	67		109		280		255		892
	15,026		10,667		4,250		-		756
	880		996		1,422		1,360		1,370
	1,351		1,507		1,340		1,269		1,210
	<u>22,866</u>		<u>18,353</u>		<u>13,617</u>		<u>13,379</u>		<u>12,552</u>
	10,257		-		-		-		-
	-		-		-		-		(590)
	72		-		-		-		-
	2,196		850		356		850		1,289
	<u>12,525</u>		<u>850</u>		<u>356</u>		<u>850</u>		<u>699</u>
\$	<u>(3,691)</u>	\$	<u>(3,151)</u>	\$	<u>(258)</u>	\$	<u>(1,229)</u>	\$	<u>(419)</u>
	28.46%		32.57%		29.49%		19.65%		21.87%

**CITY OF MURPHY, TEXAS**  
**GENERAL GOVERNMENT TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
 (Modified accrual basis of accounting)  
 (Amounts expressed in thousands)

**Table 6**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
1999	\$ 819	\$ 184	\$ 74	\$ 1,077
2000	998	319	83	1,400
2001	1,140	345	126	1,611
2002	1,478	395	231	2,104
2003	2,336	343	300	2,979
2004	2,907	828	344	4,079
2005	3,707	1,173	388	5,268
2006	4,530	1,016	503	6,049
2007	5,478	1,171	601	7,250
2008	6,530	1,238	666	8,434

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

**Table 7**

Fiscal Year Ended Sept. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Gross Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
1999	98,144	2,164	2,488	114,594	0.6871	78,738	100.00%
2000	138,143	3,325	5,509	153,454	0.5444	83,540	100.00%
2001	121,546	14,397	7,670	238,028	0.4140	98,544	100.00%
2002	281,512	25,869	9,912	374,545	0.3764	140,979	100.00%
2003	400,224	27,692	14,564	526,038	0.4200	220,936	100.00%
2004	525,384	33,577	17,238	652,682	0.4304	280,914	100.00%
2005	652,089	43,097	17,038	779,231	0.4683	364,914	100.00%
2006	793,662	52,038	19,023	939,593	0.4683	440,011	100.00%
2007	1,079,141	72,523	18,942	1,108,984	0.4683	519,337	100.00%
2008	1,243,105	78,719	29,409	1,292,415	0.4683	605,238	100.00%

**Source:** Collin County Appraisal District

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

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

**Table 8**

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates*		Collin County	Collin County Community College
	General Fund	General Obligation Debt Service	Total Direct	Plano Independent School District	Wylie Independent School District		
1999	0.2574	0.4297	0.68710	1.5395	1.6000	0.2500	0.0986
2000	0.2296	0.3148	0.54440	1.5792	1.5700	0.2500	0.0967
2001	0.1846	0.2294	0.41400	1.5531	1.5700	0.2500	0.0940
2002	0.1615	0.2149	0.3764	1.6285	1.5609	0.2500	0.0928
2003	0.1558	0.2642	0.4200	1.7034	1.6100	0.2500	0.0919
2004	0.1459	0.2845	0.4304	1.7334	1.7200	0.2500	0.0919
2005	0.1492	0.3191	0.4683	1.7334	1.8000	0.2500	0.0906
2006	0.1839	0.2844	0.4683	1.7334	1.8170	0.2500	0.0894
2007	0.2345	0.2338	0.4683	1.2684	1.3900	0.2450	0.0870
2008	0.26883	0.19447	0.4633	1.2684	1.3900	0.2450	0.0870

**Source:** Collin County Appraisal District / Plano ISD / Wylie ISD

**Note:** The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

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

**CITY OF MURPHY, TEXAS  
 PRINCIPAL PROPERTY TAXPAYERS  
 SEPTEMBER 30, 2008  
 (Amounts expressed in thousands)**

**Table 9**

Taxpayer	2008			1998		
	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value	Assessed Taxable Value	Rank	Percentage of Assessed Taxable Value
Shaddock Developers	\$ 8,557	1	0.69%			
Murphy Crossing Shopping Center Dallas TX LP	8,300	2	0.67%			
Forestar (USA) Real Estate Group Inc	8,296	3	0.67%			
Allen & Loucks Venture LP	6,635	4	0.53%			
Wal-Mart Texas LP	6,530	5	0.53%			
First Texas Homes Inc.	6,527	6	0.53%			
J Evans Family LP #99 LTD	6,125	7	0.49%			
ABS TX Investor LP	5,111	8	0.41%			
Grand Homes 2003 LP	5,049	9	0.41%			
McBirney #544 JV	4,980	10	0.40%			
Crescent Timbers Associates LP				\$ 1,328	1	1.35%
U S Home Corp				1,148	2	1.17%
Murphy 544 LTD				1,143	3	1.16%
Murphy West Inc				927	4	0.94%
Northpark Phase I LTD				869	5	0.89%
Texas Utilities Electric Co				800	6	0.81%
General Telephone of the SW				600	7	0.61%
Pirkey Steven G				495	8	0.50%
McCraw Bobby				404	9	0.41%
U S Homes Corp				404	10	0.41%
	<u>\$ 66,109</u>		<u>5.33%</u>	<u>\$ 8,117</u>		<u>8.25%</u>

**Sources:** Collin County Appraisal District

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

**Table 10**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
1999	\$ 787,378	\$ 778,323	98.85%	\$ 8,966	\$ 787,289	99.99%
2000	835,899	827,456	98.99%	8,230	835,686	99.97%
2001	985,436	976,074	99.05%	9,187	985,261	99.98%
2002	1,409,789	1,393,294	98.83%	16,341	1,409,635	99.99%
2003	2,209,361	2,127,488	99.01%	21,157	2,208,645	99.97%
2004	2,809,142	2,778,140	98.90%	29,554	2,807,694	99.95%
2005	3,649,295	3,614,262	99.04%	30,297	3,644,559	99.87%
2006	4,410,232	4,341,691	98.45%	68,541	4,370,737	99.10%
2007	5,309,158	5,308,795	97.83%	130,562	5,439,357	102.45%
2008	6,056,231	5,917,192	97.70%	105,054	6,022,246	99.44%

Sources: Collin County Appraisal District

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

**Table 11**

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
1999	364	353	717
2000	537	483	1,020
2001	743	695	1,438
2002	925	880	1,805
2003	1,538	1,124	2,662
2004	1,676	1,437	3,113
2005	2,234	1,573	3,807
2006	2,720	1,820	4,540
2007	2,239	2,027	4,266
2008	2,496	2,103	4,599

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

**Table 12**

FISCAL YEAR	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Notes	Refunding Bonds	Capital Leases	Revenue Bonds	Capital Leases			
1999	\$ 4,725	\$ 126	\$ -	\$ -	\$ 1,300	\$ 8	\$ 6,159	1.20%	\$ 2,302
2000	4,435	34	-	-	1,220	8	5,697	1.33%	1,642
2001	7,695	85	-	-	1,130	7	8,917	0.89%	1,779
2002	15,865	90	-	-	1,040	17	17,012	0.44%	2,540
2003	21,995	99	-	-	940	17	23,051	0.36%	2,885
2004	30,010	147	1,245	31	940	11	32,384	0.28%	2,944
2005	29,270	112	1,040	16	835	5	31,278	0.35%	2,606
2006	28,150	36	825	5	725	-	29,741	0.34%	2,121
2007	26,975	-	680	-	610	-	28,265	0.36%	1,949
2008	25,750	-	535	-	490	-	26,775	0.42%	1,785

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

(1) See Table 17 for personal income and population data.

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

**Table 13**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
1999	\$ 4,725	\$ 46	\$ 4,679	5.10%	\$ 1,749
2000	4,435	90	4,345	4.08%	1,253
2001	7,695	196	7,499	2.83%	1,496
2002	15,865	276	15,589	3.15%	2,327
2003	21,995	380	21,615	4.16%	2,705
2004	31,255	441	30,814	4.11%	2,801
2005	30,310	487	29,823	4.72%	2,595
2006	28,975	564	28,411	3.08%	2,415
2007	27,655	737	26,918	2.08%	2,288
2008	25,750	1,455	24,295	5.32%	1,620

**Note:** Estimated population is U.S. Census Bureau count; assessed values provided by Colling County Appraisal District.  
See Schedule of Assessed Value and Estimated Actual Value of Taxable Property-Table 7



**CITY OF MURPHY, TEXAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
SEPTEMBER 30, 2008**

**Table 14**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Collin County	\$ 389,985,000	1.88%	\$ 7,331,718
Collin County Community College District	50,595,000	1.88%	951,186
Plano Independent School District	833,460,732	2.67%	22,253,402
Wylie Independent School District	<u>239,223,562</u>	9.00%	<u>21,530,121</u>
	<u>\$ 1,513,264,294</u>		\$ 52,066,426
City of Murphy		9/30/2008	<u>27,472,286</u>
			<u>\$ 79,538,712</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>6.15%</u>
Per capita overlapping bonded debt			<u>\$ 5,681</u>

**Source:** Municipal Advisory Council of Texas

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

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

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

	<b>FISCAL</b>				
	<u><b>1999</b></u>	<u><b>2000</b></u>	<u><b>2001</b></u>	<u><b>2002</b></u>	<u><b>2003</b></u>
Debt Limit	\$ 11,459	\$ 15,345	\$ 23,803	\$ 37,455	\$ 52,604
Total net debt applicable to limit	<u>4,725</u>	<u>4,435</u>	<u>7,695</u>	<u>15,865</u>	<u>21,995</u>
Legal debt margin	<u><u>\$ 6,734</u></u>	<u><u>\$ 10,910</u></u>	<u><u>\$ 16,108</u></u>	<u><u>\$ 21,590</u></u>	<u><u>\$ 30,609</u></u>
Total net debt applicable to the limit as a percentage of debt limit	41.23%	28.90%	32.33%	42.36%	41.81%

(continued)

**Table 15**  
(continued)

<b>YEAR</b>				
<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
\$ 65,268	\$ 77,923	\$ 93,959	\$ 131,205	\$ 132,643
<u>31,255</u>	<u>30,310</u>	<u>28,975</u>	<u>26,918</u>	<u>24,295</u>
<b><u>\$ 34,013</u></b>	<b><u>\$ 47,613</u></b>	<b><u>\$ 64,984</u></b>	<b><u>\$ 104,287</u></b>	<b><u>\$ 108,348</u></b>
47.89%	38.90%	30.84%	20.52%	18.32%

**Legal Debt Margin Calculation of Fiscal Year 2008**

Assessed Value	\$ 1,292,415
Add back exempt real property	<u>34,012</u>
Total assessed value	<b><u>\$ 1,326,427</u></b>
Debt limit (10% of total assessed value)	132,643
Debt applicable to limit:	
General obligation bonds	25,750
Loss: Amount set aside for repayment of general obligation debt	<u>1,455</u>
Total net debt applicable to limit	<b><u>24,295</u></b>
Legal debt margin	<b><u>\$ 108,348</u></b>

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

**Table 16**

Water and Sewer Revenue Bonds						
Fiscal Year	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	2,369	469	1,900	75	87	11.73
2000	3,554	561	2,993	80	83	18.36
2001	2,763	788	1,975	80	81	12.27
2002	2,157	1,367	790	90	71	4.91
2003	3,305	2,013	1,292	90	70	8.08
2004	4,239	2,484	1,755	100	61	10.90
2005	7,747	2,720	5,027	105	56	31.22
2006	7,405	3,239	4,166	110	51	25.88
2007	5,469	3,951	1,518	115	40	9.79
2008	5,966	4,592	1,374	215	29	5.63

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

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

**Table 17**

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Personal Income (Amounts expressed in thousands)</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate <sup>1</sup></u>
1999	2,675	74	\$ 45,404	34.5	13.2	47,821	1.7%
2000	3,469	76	31,416	32.5	13.9	80,688	1.4%
2001	5,613	80	42,986	32.5	13.9	52,332	3.3%
2002	6,699	76	40,740	33.9	13.8	56,227	5.5%
2003	7,991	84	39,941	33.7	14.0	58,322	5.3%
2004	11,000	90	42,077	33.2	14.0	59,931	4.2%
2005	12,000	111	35,381	33.0	14.0	60,139	4.4%
2006	14,000	102	33,954	34.6	14.0	62,694	4.2%
2007	14,500	103	33,358	35.5	14.0	64,478	2.3%
2008	15,000	112	32,463	34.4	14.0	64,220	2.3%

**Sources:** School enrollment figures provided by school districts and websites  
<sup>1</sup> Unemployment rates and per capita provided by Texas Workforce Commission



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

**Table 18**

Name of Employer	2008			1998		
	No. of Employees	Rank	Percentage of Total City Employment	No. of Employees	Rank	Percentage of Total City Employment
Albertson's Food Center	130	1	0.87%			
Murphy Middle School	120	2	0.80%			
Murphy City Hall	100	3	0.67%			
Lowe's	109	4	0.73%			
Walmart Neighborhood Market Store	95	5	0.63%			
Hunt Elementary	76	6	0.51%			
Tibbels Elementary	71	7	0.47%			
Bogges Elementary School	63	8	0.42%			
McDonald's Hamburgers	35	9	0.23%			
Murphy Distribution Center	23	10	0.15%			
Landmark Brick				22	1	0.82%
Lynn Rogers				9	2	0.34%
Parlor Group				6	3	0.22%
Jon Lashbrook Insurance				5	4	0.19%
Classic Garden and Landscape				5	5	0.19%
Murphy Veterinary Hospital				4	6	0.15%
Mr. Video				2	7	0.07%

**Source:** City economic development records and employee records

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

Function / Program	FISCAL					
	1999	2000	2001	2002	2003	2004
General Government	4	5	5	8	18	9
Public Safety						
Police						
Officers	3	4	10	14	17	19
Civilians	-	-	-	-	2	3
Fire						
Firefighters and officers	-	-	-	-	3	5
Civilians	-	-	-	-	-	-
Animal Control	-	-	-	-	-	-
Public Services						
Municipal Court	-	-	-	-	-	-
Cultural and Recreation	-	-	-	4	6	7
Water/Wastewater						
Administration	-	-	-	-	-	-
Water	5.00	4.00	5.00	7	12	11
Wastewater	-	-	-	-	-	-
Total	<u>12</u>	<u>13</u>	<u>20</u>	<u>33</u>	<u>58</u>	<u>54</u>

(continued)

**Source:** Government Human Resource Department

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

**Table 19**  
(continued)

YEAR			
2005	2006	2007	2008
17	22	18	27
20	19	25	24
2	6	6	8
5	7	14	18
1	2	2	2
-	-	1	-
-	-	2.5	-
7	8	11	12
-	-	6.5	-
10	10	12	9
-	-	1	-
<u>62</u>	<u>74</u>	<u>99</u>	<u>100</u>

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

Function/Program	FISCAL					
	1999	2000	2001	2002	2003	2004
Police						
Physical Arrests	70	96	116	94	124	134
Traffic Violations	654	865	957	1,141	1,733	2,530
Fire						
Number of calls answered	257	286	318	353	392	449
Inspections	-	-	-	-	-	-
Water						
New Connections	99	-	-	379	532	443
Avg Daily Consumption (thousands of gallons)	749	780	1,200	1,800	2,003	2,162
Wastewater						
Avg daily sewage treatments (thousands of gallons)	600	440	1,174	1,313	795	1,113

(continued)

**Sources:** Various government departments and North Texas Municipal Water District

**Note:** Indicators are not available for the general government function

Sanitation services are provided by contractor

**Table 20**  
(continued)

YEAR			
2005	2006	2007	2008
130	183	237	247
3,139	9,147	9,158	5,552
556	568	745	943
-	121	108	156
534	407	308	206
2,971	3,384	4,036	3,393
1,114	1,246	1,614	1,668

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

Function/Program	FISCAL					
	1999	2000	2001	2002	2003	2004
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units/CID Vehicles	n/a	n/a	n/a	n/a	n/a	n/a
Motorcycles	-	-	-	-	-	-
Fire Stations	1	1	1	1	1	1
Streets (miles)	n/a	n/a	n/a	n/a	n/a	72.3
Culture and Recreation						
Parks (acreage)	-	-	12.5	12.5	17.5	142
Parks	-	1	1	1	2	5
Water						
Water Mains (miles)	n/a	n/a	n/a	n/a	n/a	74.8
Fire Hydrants	n/a	n/a	n/a	n/a	n/a	646
Maximum Daily Capacity (thousands of gallons)	982	1,200	1,800	n/a	n/a	3,000
Sewer						
Sanitary Sewer (miles)	n/a	n/a	n/a	n/a	62.9	74

(continued)

**Sources:**

City departments, North Texas Water Municipal District

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

**Table 21**  
(continued)

<b>YEAR</b>			
2005	2006	2007	2008
1	1	1	1
12	9	12	12
-	-	3	3
1	1	1	1
73.2	73.2	78	80
142	150	180	235
5	6	6	6
80.4	86.1	90	92
791	857	900	920
2,376	3,300	5,000	6,200
74	81.6	90	92



CONTINUING  
DISCLOSURE SECTION  
(UNAUDITED)



**CITY OF MURPHY, TEXAS  
 VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT  
 SEPTEMBER 30, 2008  
 (unaudited)**

**Table 1CD**

2006-07 Market Valuation Established by Collin County Appraisal District (excluding totally exempt property & Homestead Cap. Adj.)		\$ 1,320,984,790 **
Less Exemptions/Reductions at 100% Market Value:		
Agricultural/Open Space Land Use	13,374,846	
Over 65 and Disabled	12,236,193	
Disabled Veterans	684,000	
Disabled Persons	<u>2,275,000</u>	<u>28,570,039</u>
2006-2007 Taxable Assessed Valuation		<u><u>\$ 1,292,414,751 **</u></u>
General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 26,285,000</u>
General Obligation Interest and Sinking Fund as of September 30, 2008		<u>\$ 1,455,000</u>
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		2.03%
2008 Estimated Population	15,000	
Per Capita Taxable Assessed Valuation	\$ 86,161	
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes	\$ 97	

**\*\*NOTE:** Collin County Appraisal District - 2007 Certified Roll - dated 9/1/08

**CITY OF MURPHY, TEXAS  
TAX RATE LEVY AND COLLECTION HISTORY  
LAST TEN FISCAL YEAR  
(unaudited)**

**Table 2CD**

<b>Fiscal Year</b>	<b>Tax Rate</b>	<b>General Fund</b>	<b>Interest and Sinking Fund</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>% of Levy Collected</b>	<b>% of Total Tax Collections to Tax Levy</b>
1999	0.6871	0.2574	0.4297	787,380	778,323	98.85%	99.99%
2000	0.5444	0.2296	0.3148	835,400	827,456	99.05%	99.97%
2001	0.4140	0.1846	0.2294	985,440	876,074	88.90%	99.98%
2002	0.3764	0.1615	0.2149	1,409,790	1,393,294	98.83%	99.99%
2003	0.4200	0.1558	0.2642	2,209,360	2,127,488	96.29%	99.97%
2004	0.4304	0.1459	0.2845	2,809,140	2,778,140	98.90%	99.95%
2005	0.4683	0.1492	0.3191	3,649,140	3,614,262	99.04%	99.87%
2006	0.4683	0.1839	0.2844	4,400,120	4,341,691	98.67%	99.10%
2007	0.4683	0.2345	0.2338	6,052,380	5,308,795	87.71%	97.83%
2008	0.4682	0.2688	0.1994	6,056,231	5,917,192	97.70%	99.44%

**CITY OF MURPHY, TEXAS  
GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2008  
(unaudited)**

**Table 3CD**

<b>Fiscal Year</b>	<b>Outstanding Debt</b>			<b>% of Principal Retired</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2009	\$ 1,455,000	\$ 1,143,164	\$ 2,598,164	
2010	1,525,000	1,077,171	2,602,171	
2011	1,520,000	1,010,981	2,530,981	
2012	1,595,000	943,094	2,538,094	2.04%
2013	1,570,000	874,776	2,444,776	
2014	1,635,000	805,657	2,440,657	
2015	1,710,000	733,844	2,443,844	
2016	1,795,000	658,661	2,453,661	
2017	1,875,000	578,390	2,453,390	
2018	1,965,000	493,176	2,458,176	6.38%
2019	1,840,000	407,671	2,247,671	
2020	1,930,000	321,683	2,251,683	
2021	2,035,000	229,798	2,264,798	59.26%
2022	1,830,000	123,068	1,953,068	
2023	1,240,000	54,996	1,294,996	
2024	765,000	18,647	783,647	32.32%
	<u>\$ 26,285,000</u>	<u>\$ 9,474,777</u>	<u>\$ 35,759,777</u>	

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

	<b>FISCAL</b>				
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Revenues</b>					
Taxes	\$ 1,073	\$ 1,395	\$ 1,604	\$ 2,104	\$ 2,979
Permits and Licenses	308	671	846	912	934
Charge for Services	158	201	350	489	823
Fines and Forfeitures	81	105	100	120	178
Investment Income	135	153	175	90	154
Grants	-	-	-	-	-
Contributions	57	421	131	164	205
Miscellaneous	36	76	35	27	82
<b>Total Revenues</b>	<b>1,848</b>	<b>3,022</b>	<b>3,241</b>	<b>3,906</b>	<b>5,355</b>
<b>Expenditures</b>					
General Government	306	312	372	2,468	2,480
Public Safety	444	644	1,073	1,290	1,936
Public Works	63	560	520	608	1,553
Sanitation	110	136	200	255	310
Public Service and Operations	-	-	-	-	-
Cultural and Recreation	-	-	-	-	-
Capital Outlay	167	416	3,816	384	1,528
Debt Service	556	574	568	820	1,418
<b>Total Expenditures</b>	<b>1,646</b>	<b>2,642</b>	<b>6,549</b>	<b>5,825</b>	<b>9,225</b>
Excess (Deficiency) of revenues over Expenditures	202	380	(3,308)	(1,919)	(3,870)
<b>Other Financing Sources (Uses)</b>					
Bond Proceeds	-	-	3,531	8,460	6,716
Note Proceeds	110	27	-	-	-
Capital Leases	(97)	(90)	-	-	-
Extraordinary Revenue(Expense)	-	-	-	-	-
Transfers	-	-	-	-	250
<b>Total Other Sources (Uses)</b>	<b>13</b>	<b>(63)</b>	<b>3,531</b>	<b>8,460</b>	<b>6,966</b>
<b>Beginning Fund Balance</b>	<b>2,684</b>	<b>2,899</b>	<b>3,216</b>	<b>3,439</b>	<b>9,980</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 2,899</b>	<b>\$ 3,216</b>	<b>\$ 3,439</b>	<b>\$ 9,980</b>	<b>\$ 13,076</b>

(continued)

**Table 4CD**  
(continued)

		YEAR							
		2004	2005	2006	2007	2008			
\$	4,078	\$	5,269	\$	6,050	\$	7,249	\$	8,133
	1,463		1,545		2,207		1,432		848
	450		656		587		952		1,210
	150		187		585		703		576
	144		150		312		342		173
	-		-		-		-		314
	4		6,393		2,981		457		21
	366		95		232		155		157
	<u>6,655</u>		<u>14,295</u>		<u>12,954</u>		<u>11,290</u>		<u>11,432</u>
	1,311		963		1,268		2,650		2,668
	2,391		2,320		3,162		4,426		4,190
	1,490		1,301		1,330		2,789		226
	350		490		565		630		603
	-		-		-		-		774
	67		109		280		257		1,508
	15,026		10,667		4,250		-		-
	2,231		2,503		2,762		2,629		2,580
	<u>22,866</u>		<u>18,353</u>		<u>13,617</u>		<u>13,381</u>		<u>12,549</u>
	(16,211)		(4,058)		(663)		(2,091)		(1,117)
	10,127		-		-		-		-
	130		-		-		-		-
	72		-		-		-		-
	-		-		-		-		(590)
	2,196		356		356		850		1,289
	<u>12,525</u>		<u>356</u>		<u>356</u>		<u>850</u>		<u>699</u>
	13,076		9,390		6,144		5,837		4,596
	-		456		-		-		17
\$	<u>9,390</u>	\$	<u>6,144</u>	\$	<u>5,837</u>	\$	<u>4,596</u>	\$	<u>4,195</u>

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

**Table 5CD**

<b>Fiscal Year</b>	<b>City of Murphy</b>	<b>% of Ad Valorem Tax Levy</b>	<b>Equivalent of Ad Valorem Tax Rate</b>	<b>Per Capita</b>
1999	\$ 156,165	19.83%	0.1363	58.38
2000	319,220	38.21%	0.2080	92.02
2001	344,756	34.98%	0.1448	68.77
2002	394,606	27.99%	0.1054	58.91
2003	343,471	15.55%	0.0653	42.98
2004	724,370	25.79%	0.3084	65.85
2005	1,149,662	31.51%	0.4487	95.81
2006	1,014,410	23.05%	0.3393	72.46
2007	1,160,260	19.17%	0.3747	80.02
2008	1,185,721	19.58%	0.3702	79.05

**CITY OF MURPHY, TEXAS  
CASH AND INVESTMENTS FOR PRIMARY GOVERNMENT  
SEPTEMBER 30, 2008  
(unaudited)**

**Table 6CD**

<u>Type of Investment</u>		
Cash on hand	0.02%	\$ 1,260
Money Markets	91.52%	6,108,877
Escrows	8.32%	555,061
Cash and cash equivalents	<u>0.15%</u>	<u>9,971</u>
	<u>100.00%</u>	\$ 6,675,169

**CITY OF MURPHY, TEXAS  
 ENTERPRISE FUNDS OBLIGATION DEBT SERVICE REQUIREMENTS  
 SEPTEMBER 30, 2008  
 (unaudited)**

**Table 7CD**

<b>Fiscal Year</b>	<b>Outstanding Debt</b>			<b>% of Principal Retired</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2009	215,000	29,498	244,498	34.69%
2010	50,000	17,188	67,188	
2011	50,000	14,063	64,063	
2012	55,000	10,938	65,938	
2013	60,000	7,500	67,500	
2014	60,000	3,750	63,750	65.31%
	<u>\$ 490,000</u>	<u>\$ 82,937</u>	<u>\$ 572,937</u>	