

CITY OF MURPHY, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2005

Prepared by:

Department of Finance

CITY OF MURPHY
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2005

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INTRODUCTORY SECTION

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January 23, 2006

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

State law requires that every general-purpose local government publish and file in the office of the municipal secretary within 120 days of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2005.

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 it has 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.

Pingleton, Howard & Company, P.C., Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Murphy, Texas financial statements for the year ended September 30, 2005. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Murphy, Texas, incorporated in 1958, is located in the northeastern part of the Dallas-Ft. Worth metroplex. It currently occupies 5.71 square miles and serves a population of 12,000. 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 services, including police and fire protection; 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 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 special revenue 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).

Local economy

The City is located in the Dallas/Fort Worth Metropolitan Area, an area that has been recognized by planners and economists as one of the nation's top locations for future business and industrial development. This is a contributing factor to the general stability of the unemployment rate. The City has a full time executive director of economic development to help maintain the high standards and goals of future economic growth. Highlights during the fiscal year included:

- Completion of the Muddy Creek wastewater system as a joint project with North Texas Municipal Water District to expand the capacity of the wastewater system.
- Completion of the municipal complex to accommodate the growth of the local economy and population and enhance the City's ability to properly service these growing needs.

According to U.S. Census Bureau estimates, Murphy is one of fastest growing cities in the DFW Metropolitan Area. Its growth from 3,973 persons in the 2000 census to its current estimated population of 12,000 makes it a favorable location for future retail and commercial growth. The city has both an Economic Development Corporation (4A) and Community Development Corporation (4B) which each receive ½ cent of the city's sales tax dollar, that are earmarked for economic and community development.

Murphy's growth and development over the past decade have been built on a strong foundation of overall planning, good management, quality of life and sound policy direction. All in all, the future of Murphy is one of a vital community facing its future economic challenges with optimistic enthusiasm.

Long-term financial planning

The City's elected and appointed officials considered many factors when adopting the fiscal year budget and tax rate. Two contributing factors were the overall stability of the local economy and continued increase in the City population. The current population of the City is approximately 12,000 with the population at build out to be approximately 21,000, currently projected to be in 2011. The reasonable cost of living and homes priced below national average continue to make Murphy an attractive area for both businesses and home owners.

Economic indicators as well as general needs of the population are taken into account when adopting the General Fund budget and ad valorem tax rate. Activities of the general fund and water and sewer fund are included in the annual appropriated budget. The assessed property values have increased annually giving the City the opportunity to maintain a tax rate of .4683 per \$100 valuation for the year which is low in comparison with many surrounding cities.

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.

Major initiatives

For Fiscal Year 2005-2006, top priority projects for the City of Murphy include:

- Skyline outfall sanitary sewer
- Two-million gallon ground storage water tank
- Installation of new 20-inch water tap to supply complete build out
- Repaint and recondition the 1,000,000 and the 250,000 gallon ground storage water tanks
- Widening Betsy Lane from Dublin Road to Murphy Road from two to four lanes
- Installation of railroad quiet zones throughout the City
- Ranch/Gables park improvements
- Betsy Lane (two lanes including bridge) between Murphy Road and Lone Star Lane
- Maxwell Creek linear park and preserve improvements
- Widening Heritage Parkway from two to four lanes between Oakhurst and Betsy Lane

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, 2004. This was the first 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 on 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.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Murphy, Texas finances.

Respectfully submitted,

Craig W. Sherwood
City Manager

FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Murphy. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Murphy, Texas, at September 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 13 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

November 30, 2005

Management's Discussion and Analysis

As management of the City of Murphy, we offer readers of the City of Murphy's financial statements this narrative overview and analysis of the financial activities of the City of Murphy for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-5 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Murphy exceeded its liabilities at the close of the most recent fiscal year by \$67,114,731 (net assets). Of this amount, \$7,914,033, (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 \$11,050,986. This increase is due to normal growth in the community and developer contributions.
- As of the close of the current fiscal year, the City of Murphy governmental funds reported combined ending fund balances of \$6,143,449, a decrease of \$3,208,117 in comparison with the prior year. All of the decrease is due to capital outlay for the municipal complex and infrastructure. Approximately \$1,144,686 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,144,686 or 10 percent of total general fund expenditures.
- The City of Murphy's total debt decreased by \$1,114,609 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 of Murphy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 21-23 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Murphy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Murphy can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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

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

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

The basic governmental fund financial statements can be found on pages 24-31 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 32-35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-52 of this report.

Other information

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 54-55 of this report. The individual fund schedule provides a budgetary comparison for the enterprise fund. This statement can be found on page 56 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Murphy, assets exceed liabilities by \$67,114,731 at the close of the most recent fiscal year.

A portion of the City of Murphy's net assets (87 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Murphy uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Murphy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MURPHY - Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|------------|--------------------------|------------|------------|------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and other assets | \$ 7,001,373 | 12,355,247 | 2,836,794 | 2,072,340 | 9,838,167 | 14,427,587 |
| Capital assets | 61,868,425 | 52,157,421 | 28,127,742 | 25,383,248 | 89,996,167 | 77,540,669 |
| Total assets | 68,869,798 | 64,512,668 | 30,964,536 | 27,455,588 | 99,834,334 | 91,968,256 |
| Long-term liabilities | 28,975,000 | 30,385,829 | 725,000 | 846,445 | 29,700,000 | 31,232,274 |
| Other liabilities | 2,534,015 | 4,196,151 | 485,588 | 429,630 | 3,019,603 | 4,625,781 |
| Total liabilities | 31,509,015 | 34,581,980 | 1,210,588 | 1,276,075 | 32,719,603 | 35,858,055 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 31,430,874 | 20,723,805 | 27,281,903 | 24,418,864 | 58,712,777 | 45,142,669 |
| Restricted | 487,921 | 409,055 | | | 487,921 | 409,055 |
| Unrestricted | 5,441,988 | 8,797,828 | 2,472,045 | 1,760,649 | 7,914,033 | 10,558,477 |
| Total net assets | \$ 37,360,783 | 29,930,688 | 29,753,948 | 26,179,513 | 67,114,731 | 56,110,201 |

An additional portion of the City of Murphy's net assets (.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$7,914,033 may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental Activities:

- Property taxes increased by \$863,727 (30 percent) during the year. Most of this increase is the product of appreciation in property values as well as an increase in the tax rate from .4304 per \$100 to .4683 per \$100.

- Contributions increased by \$6,128,461 during the year due to developer contributions for infrastructure.

Business-type Activities

Business-type activities increased the City of Murphy's net assets by \$3,582,780.

- Water sales increased by \$558,241 due to the rapid growth of the City.
- Contributions were up by \$2,614,887 as a result of developer contributions.
- Transfers out to the General Fund were \$850,000 compared to \$2,195,890 for the previous fiscal year.
- Operating expenses increased by \$182,074 over the previous year, with the largest increase being in the cost of sales and services.

CITY OF MURPHY'S - Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|-------------|--------------------------|-------------|------------|------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,522,240 | 2,217,187 | 5,077,605 | 4,196,411 | 7,599,845 | 6,413,598 |
| Operating grants and contributions | | 4,356 | | | | 4,356 |
| Capital grants and contributions | 6,312,417 | 179,600 | 2,614,887 | | 8,927,304 | 179,600 |
| General revenues: | | | | | | |
| Property taxes | 3,764,965 | 2,901,238 | | | 3,764,965 | 2,901,238 |
| Other taxes | 1,561,670 | 1,171,398 | | | 1,561,670 | 1,171,398 |
| Investment earnings | 149,681 | 144,215 | 36,476 | 19,115 | 186,157 | 163,330 |
| Other | 41,348 | 31,328 | 18,077 | 23,508 | 59,425 | 54,836 |
| Total revenues | 14,352,321 | 6,649,322 | 7,747,045 | 4,239,034 | 22,099,366 | 10,888,356 |
| Expenses: | | | | | | |
| General government | 1,074,290 | 1,388,896 | | | 1,074,290 | 1,388,896 |
| Public safety | 2,386,262 | 2,419,731 | | | 2,386,262 | 2,419,731 |
| Public works | 2,151,468 | 2,260,717 | | | 2,151,468 | 2,260,717 |
| Sanitation services | 490,357 | 349,779 | | | 490,357 | 349,779 |
| Economic development | 109,475 | 66,974 | | | 109,475 | 66,974 |
| Interest on long-term debt | 1,522,263 | 1,232,270 | | | 1,522,263 | 1,232,270 |
| Water & Sewer | | | 3,314,265 | 3,137,127 | 3,314,265 | 3,137,127 |
| Total expenses | 7,734,115 | 7,718,367 | 3,314,265 | 3,137,127 | 11,048,380 | 10,855,494 |
| Increase (decrease) in net assets before transfers | 6,618,206 | (1,069,045) | 4,432,780 | 1,101,907 | 11,050,986 | 32,862 |
| Transfers | 850,000 | 2,195,890 | (850,000) | (2,195,890) | | |
| Increase(decrease) in net assets | 7,468,206 | 1,126,845 | 3,582,780 | (1,093,983) | 11,050,986 | 32,862 |
| Net assets - beginning (as restated) | 29,892,577 | 28,803,843 | 26,171,168 | 27,273,496 | 56,063,745 | 56,077,339 |
| Net assets - ending | \$ 37,360,783 | 29,930,688 | 29,753,948 | 26,179,513 | 67,114,731 | 56,110,201 |

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Murphy's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Murphy's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

As the end of the current fiscal year, the City of Murphy's governmental funds reported combined ending fund balance of \$6,143,449, a decrease of \$3,208,117 from the prior year. All of the decrease is from the capital outlay of the municipal complex and infrastructure. Of the current combined ending fund balance, a total of \$3,638,815 is unreserved but designated for construction, while \$1,144,686 is unreserved and not designated, and \$872,027 is unreserved but with specific designated uses in special revenue. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Murphy. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,144,686. Total unreserved fund balance represents 10% of total general fund expenditures.

The debt service fund has a total fund balance of \$487,921, all of which is reserved for payment of debt service.

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

Unrestricted net assets of the Enterprise Fund at the end of the year amounted to \$2,472,045. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Murphy's business type activities.

General Fund Budgetary Highlights

During the year, revenues were under budget by \$81,554, primarily due to franchise taxes. Expenditures were under budget by \$472,894, with most of the difference being in public safety.

Capital Asset and Debt Administration

Capital assets. The City of Murphy's investment in capital assets for its governmental and business-type activities as of September 30, 2005, amounts to \$89,996,167 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, systems, and improvements and equipment.

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

- Construction was completed for the new city municipal complex. The total costs at completion was \$19,498,404.
- Infrastructure was added for a total cost of \$6,312,417.
- Replacement of major sections of both the water distribution and sewer collection systems continued with additions to the system of \$3,277,415.

Additional information on the City of Murphy's capital assets can be found in note 3C on pages 43-45 of this report.

Long-term debt. At the end of the current fiscal year, the City of Murphy had bonded debt outstanding of \$31,145,000. Of this amount, \$30,310,000 comprises debt backed by the full faith and credit of the government and \$835,000 represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The City of Murphy's total debt decreased by \$1,114,609 during the current fiscal year.

Additional information on the City of Murphy's long-term debt can be found in note 3G on pages 46-49 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Murphy is currently experiencing rapid growth and indications are for this trend to continue until build out. According to the U.S. Census Bureau, the City of Murphy is the fourth fastest growing municipality in the State of Texas.
- During the calendar year 2005 the City issued 612 single family residential permits, breaking the previous record of 607 permits in a calendar year.
- The City maintained the ad valorem tax rate of .4683 per \$100 valuation for the 2005-2006 fiscal year. This tax rate is below the average municipal tax rate in Collin County.
- The 2005-2006 General Fund revenue is estimated to increase by 23%.
- Sales Tax is estimated to continue increasing; current estimates indicate an increase of 34%.

All these factors were considered in preparing the City of Murphy's budget for the 2006 fiscal year.

Request for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF MURPHY
Statement of Net Assets
September 30, 2005

| | Primary Government | | |
|--|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,989,120 | 1,741,039 | 7,730,159 |
| Investments | 63,168 | 196,693 | 259,861 |
| Receivables (net of allowance for uncollectibles): | | | |
| Utility bills | 56,873 | 533,763 | 590,636 |
| Property taxes | 71,977 | | 71,977 |
| Sales taxes | 163,686 | 4,692 | 168,378 |
| Due from other governments | 656,549 | | 656,549 |
| Restricted cash and cash equivalents | | 360,607 | 360,607 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 6,474,683 | | 6,474,683 |
| Infrastructure | 34,716,647 | | 34,716,647 |
| Buildings, systems and improvements | 20,303,059 | 28,083,377 | 48,386,436 |
| Equipment | <u>374,036</u> | <u>44,365</u> | <u>418,401</u> |
| Total assets | <u>68,869,798</u> | <u>30,964,536</u> | <u>99,834,334</u> |
| LIABILITIES | | | |
| Accounts payable | 244,187 | 92,995 | 337,182 |
| Accrued wages payable | 50,810 | 10,535 | 61,345 |
| Retainage payable | 450,000 | | 450,000 |
| Accrued interest payable | 172,431 | 10,407 | 182,838 |
| Deferred revenue | 40,950 | | 40,950 |
| Deposits payable | | 240,200 | 240,200 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,575,637 | 131,451 | 1,707,088 |
| Due in more than one year | <u>28,975,000</u> | <u>725,000</u> | <u>29,700,000</u> |
| Total liabilities | <u>31,509,015</u> | <u>1,210,588</u> | <u>32,719,603</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 31,430,874 | 27,281,903 | 58,712,777 |
| Restricted for debt service | 487,921 | | 487,921 |
| Unrestricted | <u>5,441,988</u> | <u>2,472,045</u> | <u>7,914,033</u> |
| Total net assets | <u>\$ 37,360,783</u> | <u>29,753,948</u> | <u>67,114,731</u> |

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

CITY OF MURPHY
Statement of Activities
For the Fiscal Year Ended September 30, 2005

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | |
|------------------------------------|--------------------------|---------------------------------|---|
| | | <u>Charges for Services</u> | <u>Capital Grants and Contributions</u> |
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 1,074,290 | 1,573,611 | |
| Public safety | 2,386,262 | 244,646 | |
| Public works | 2,151,468 | 80,400 | 6,312,417 |
| Sanitation services | 490,357 | 623,583 | |
| Economic and community development | 109,475 | | |
| Interest and fiscal charges | <u>1,522,263</u> | | |
| Total governmental activities | <u>7,734,115</u> | <u>2,522,240</u> | <u>6,312,417</u> |
| Business-type activities: | | | |
| Water and sewer | <u>3,314,265</u> | <u>5,077,605</u> | <u>2,614,887</u> |
| Total business-type activities | <u>3,314,265</u> | <u>5,077,605</u> | <u>2,614,887</u> |
| Total primary government | \$ <u>11,048,380</u> | <u>7,599,845</u> | <u>8,927,304</u> |

General revenues:

| |
|--|
| Property taxes |
| Sales taxes |
| Franchise taxes |
| Investment earnings |
| Miscellaneous revenue |
| Transfers |
| Total general revenues and transfers |
| Change in net assets |
| Net assets - beginning (as restated) |
| Net assets - ending |

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

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|--------------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| 499,321 | | 499,321 |
| (2,141,616) | | (2,141,616) |
| 4,241,349 | | 4,241,349 |
| 133,226 | | 133,226 |
| (109,475) | | (109,475) |
| <u>(1,522,263)</u> | | <u>(1,522,263)</u> |
| <u>1,100,542</u> | | <u>1,100,542</u> |
| | <u>4,378,227</u> | <u>4,378,227</u> |
| | <u>4,378,227</u> | <u>4,378,227</u> |
| <u>1,100,542</u> | <u>4,378,227</u> | <u>5,478,769</u> |
| 3,764,965 | | 3,764,965 |
| 1,173,413 | | 1,173,413 |
| 388,257 | | 388,257 |
| 149,681 | 36,476 | 186,157 |
| 41,348 | 18,077 | 59,425 |
| <u>850,000</u> | <u>(850,000)</u> | |
| <u>6,367,664</u> | <u>(795,447)</u> | <u>5,572,217</u> |
| 7,468,206 | 3,582,780 | 11,050,986 |
| <u>29,892,577</u> | <u>26,171,168</u> | <u>56,063,745</u> |
| <u>\$ 37,360,783</u> | <u>29,753,948</u> | <u>67,114,731</u> |

CITY OF MURPHY
 Balance Sheet
 Governmental Funds
 September 30, 2005

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|--|-----------------------------|----------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,317,230 | 487,921 |
| Investments | | |
| Receivables (net of allowance for uncollectibles): | | |
| Property taxes | 23,135 | 48,842 |
| Sales taxes | 81,843 | |
| Utility bills | 56,873 | |
| Due from other governments | <u> </u> | <u> </u> |
| Total assets | \$ <u>1,479,081</u> | <u>536,763</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ 220,904 | |
| Accrued wages payable | 49,406 | |
| Retainage payable | | |
| Deferred revenue | <u>64,085</u> | <u>48,842</u> |
| Total liabilities | <u>334,395</u> | <u>48,842</u> |
| Fund balances: | | |
| Reserved for: | | |
| Debt service | | 487,921 |
| Unreserved and designated for: | | |
| Construction | | |
| Unreserved and undesignated: | | |
| Reported in the general fund | 1,144,686 | |
| Reported in the special revenue fund | <u> </u> | <u> </u> |
| Total fund balances | <u>1,144,686</u> | <u>487,921</u> |
| Total liabilities and fund balances | \$ <u>1,479,081</u> | <u>536,763</u> |

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

| Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------|--------------------------------|--------------------------------|
| 3,387,968 | 796,001 | 5,989,120 |
| 63,168 | | 63,168 |
| | | 71,977 |
| | 81,843 | 163,686 |
| | | 56,873 |
| <u>656,549</u> | <u> </u> | <u>656,549</u> |
| <u>4,107,685</u> | <u>877,844</u> | <u>7,001,373</u> |
| 18,870 | 4,413 | 244,187 |
| | 1,404 | 50,810 |
| 450,000 | | 450,000 |
| | | 112,927 |
| <u>468,870</u> | <u>5,817</u> | <u>857,924</u> |
| | | 487,921 |
| 3,638,815 | | 3,638,815 |
| | | 1,144,686 |
| <u> </u> | <u>872,027</u> | <u>872,027</u> |
| <u>3,638,815</u> | <u>872,027</u> | <u>6,143,449</u> |
| <u>4,107,685</u> | <u>877,844</u> | <u>7,001,373</u> |

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CITY OF MURPHY
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2005

Total Fund Balances - Governmental Funds \$ 6,143,449

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$55,205,794 and the accumulated depreciation was \$3,048,373. In addition, long-term liabilities, including bonds payable of \$31,255,000, loans payable of \$147,393, and capital leases payable of \$31,222, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. 20,723,806

Current year capital outlays of \$10,665,697 and long-term debt principal payments of \$996,064 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 11,661,761

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets. (172,431)

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (954,693)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$71,977 of deferred revenue as revenue and recognizing the liabilities associated with compensated absences of \$(113,086). The net effect of these reclassifications is to decrease net assets. (41,109)

Net Assets of Governmental Activities \$ 37,360,783

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

CITY OF MURPHY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2005

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|--|-------------------------|----------------------------------|
| REVENUES | | |
| Taxes: | | |
| Property | \$ 1,182,301 | 2,525,098 |
| Sales | 586,709 | |
| Franchise | 388,257 | |
| Licenses and permits | 1,544,684 | |
| Charges for services | 32,914 | |
| Fines and forfeitures | 186,591 | |
| Sanitation collections | 488,530 | |
| Drainage fees | 135,054 | |
| Contributions and donations | | |
| Park fees | | |
| Interest | 17,857 | 8,230 |
| Miscellaneous | <u>95,073</u> | |
| Total revenues | <u>4,657,970</u> | <u>2,533,328</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | 962,430 | |
| Public safety | 2,319,554 | |
| Public works | 1,300,884 | |
| Sanitation services | 490,357 | |
| Economic and community development | | |
| Capital outlay | | |
| Debt service: | | |
| Principal | 39,505 | 956,559 |
| Interest and fiscal charges | <u>3,900</u> | <u>1,502,853</u> |
| Total expenditures | <u>5,116,630</u> | <u>2,459,412</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(458,660)</u> | <u>73,916</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers out | (4,950) | |
| Transfers in | <u>850,000</u> | <u>4,950</u> |
| Total other financing sources (uses) | <u>845,050</u> | <u>4,950</u> |
| Net change in fund balances | 386,390 | 78,866 |
| Fund balances, beginning (as restated) | <u>758,296</u> | <u>409,055</u> |
| Fund balances, ending | <u>\$ 1,144,686</u> | <u>487,921</u> |

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

| <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---|---|
| | | 3,707,399 |
| | 586,704 | 1,173,413 |
| | | 388,257 |
| | | 1,544,684 |
| | | 32,914 |
| | | 186,591 |
| | | 488,530 |
| | | 135,054 |
| 6,312,417 | | 6,312,417 |
| | 80,400 | 80,400 |
| 116,535 | 7,059 | 149,681 |
| <u>342</u> | | <u>95,415</u> |
| <u>6,429,294</u> | <u>674,163</u> | <u>14,294,755</u> |
| | | 962,430 |
| | | 2,319,554 |
| | | 1,300,884 |
| | | 490,357 |
| | 109,475 | 109,475 |
| 10,667,355 | | 10,667,355 |
| | | 996,064 |
| | | <u>1,506,753</u> |
| <u>10,667,355</u> | <u>109,475</u> | <u>18,352,872</u> |
| <u>(4,238,061)</u> | <u>564,688</u> | <u>(4,058,117)</u> |
| | | (4,950) |
| | | <u>854,950</u> |
| | | <u>850,000</u> |
| (4,238,061) | 564,688 | (3,208,117) |
| <u>7,876,876</u> | <u>307,339</u> | <u>9,351,566</u> |
| <u>3,638,815</u> | <u>872,027</u> | <u>6,143,449</u> |

CITY OF MURPHY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2005

Total Net Change in Fund Balances - Governmental Funds \$ (3,208,117)

Current year capital outlays of \$10,665,697 and long-term debt principal payments of \$996,064 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 11,661,761

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets. (15,510)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net assets. (954,693)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$57,566 as revenue, and recognizing the liabilities associated with compensated absences of (\$72,801). The net effect of these reclassifications is to decrease net assets. (15,235)

Change in Net Assets of Governmental Activities \$ 7,468,206

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

CITY OF MURPHY
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | Variance with |
|--|-------------------------|------------------|---------------------------------|--|
| | <u>Original</u> | <u>Final</u> | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 1,193,174 | 1,193,174 | 1,182,301 | (10,873) |
| Sales | 490,000 | 574,000 | 586,709 | 12,709 |
| Franchise | 414,187 | 466,500 | 388,257 | (78,243) |
| Licenses and permits | 1,374,500 | 1,537,500 | 1,544,684 | 7,184 |
| Charges for services | 15,000 | 24,000 | 32,914 | 8,914 |
| Fines and forfeitures | 225,000 | 225,000 | 186,591 | (38,409) |
| Sanitation collections | 477,600 | 479,350 | 488,530 | 9,180 |
| Drainage fees | 140,000 | 140,000 | 135,054 | (4,946) |
| Interest | 5,000 | 15,000 | 17,857 | 2,857 |
| Miscellaneous | <u>64,500</u> | <u>85,000</u> | <u>95,073</u> | <u>10,073</u> |
| Total revenues | <u>4,398,961</u> | <u>4,739,524</u> | <u>4,657,970</u> | <u>(81,554)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,084,827 | 1,069,801 | 962,430 | 107,371 |
| Public safety | 2,449,268 | 2,531,727 | 2,319,554 | 212,173 |
| Public works | 1,216,926 | 1,437,302 | 1,300,884 | 136,418 |
| Sanitation services | 451,824 | 493,824 | 490,357 | 3,467 |
| Debt service: | | | | |
| Principal | 39,505 | 39,505 | 39,505 | |
| Interest | <u>6,611</u> | <u>17,365</u> | <u>3,900</u> | <u>13,465</u> |
| Total expenditures | <u>5,248,961</u> | <u>5,589,524</u> | <u>5,116,630</u> | <u>472,894</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(850,000)</u> | <u>(850,000)</u> | <u>(458,660)</u> | <u>391,340</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 850,000 | 850,000 | 850,000 | |
| Transfers out | | | <u>(4,950)</u> | <u>(4,950)</u> |
| Total other financing sources (uses) | <u>850,000</u> | <u>850,000</u> | <u>845,050</u> | <u>(4,950)</u> |
| Net change in fund balances | | | 386,390 | 386,390 |
| Fund balances, beginning (as restated) | <u>758,296</u> | <u>758,296</u> | <u>758,296</u> | |
| Fund balances, ending | <u>\$ 758,296</u> | <u>758,296</u> | <u>1,144,686</u> | <u>386,390</u> |

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

CITY OF MURPHY
Statement of Net Assets
Proprietary Funds
September 30, 2005

ASSETS

Current assets:

| | |
|--|------------------|
| Cash and cash equivalents | \$ 1,741,039 |
| Investments | 196,693 |
| Restricted cash and cash equivalents | 360,607 |
| Utility bills receivable (net of allowance for uncollectibles) | 533,763 |
| Sales taxes receivable | <u>4,692</u> |
| Total current assets | <u>2,836,794</u> |

Capital Assets:

| | |
|--|--------------------|
| Systems and improvements | 31,390,657 |
| Equipment | 155,330 |
| Less: accumulated depreciation | <u>(3,418,245)</u> |
| Total capital assets (net of depreciation) | <u>28,127,742</u> |

| | |
|--------------|-------------------|
| Total assets | <u>30,964,536</u> |
|--------------|-------------------|

LIABILITIES

Current liabilities:

| | |
|--|----------------|
| Accounts payable | 92,995 |
| Deposits | 240,200 |
| Accrued interest | 10,407 |
| Accrued wages payable | 10,535 |
| Compensated absences | 10,612 |
| Capital leases payable - current portion | 5,435 |
| Notes payable - current portion | 5,404 |
| Current portion of revenue bonds payable | <u>110,000</u> |
| Total current liabilities | <u>485,588</u> |

Noncurrent liabilities:

| | |
|------------------------------|----------------|
| Revenue bonds payable | <u>725,000</u> |
| Total noncurrent liabilities | <u>725,000</u> |

| | |
|-------------------|------------------|
| Total liabilities | <u>1,210,588</u> |
|-------------------|------------------|

NET ASSETS

| | |
|---|------------------|
| Invested in capital assets, net of related debt | 27,281,903 |
| Unrestricted | <u>2,472,045</u> |

| | |
|------------------|----------------------|
| Total net assets | <u>\$ 29,753,948</u> |
|------------------|----------------------|

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

CITY OF MURPHY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2005

OPERATING REVENUES

| | |
|---------------------------------|------------------|
| Charges for sales and services: | |
| Water sales | \$ 2,233,938 |
| Sewer sales | 1,572,622 |
| Impact fees | 867,941 |
| Meter fees | 114,153 |
| Developer contributions | 2,614,887 |
| Penalties and interest | 25,494 |
| Miscellaneous | <u>281,534</u> |
| Total operating revenues | <u>7,710,569</u> |

OPERATING EXPENSES

| | |
|----------------------------|------------------|
| Cost of sales and services | 2,523,553 |
| Administration | 196,720 |
| Depreciation | <u>538,271</u> |
| Total operating expenses | <u>3,258,544</u> |

| | |
|-------------------------|------------------|
| Operating income (loss) | <u>4,452,025</u> |
|-------------------------|------------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|--|-----------------|
| Interest revenue | 36,476 |
| Interest expense and fiscal charges | <u>(55,721)</u> |
| Total nonoperating revenues (expenses) | <u>(19,245)</u> |

| | |
|------------------------------------|-----------|
| Net income (loss) before transfers | 4,432,780 |
|------------------------------------|-----------|

| | |
|---------------|------------------|
| Transfers out | <u>(850,000)</u> |
|---------------|------------------|

| | |
|----------------------|-----------|
| Change in net assets | 3,582,780 |
|----------------------|-----------|

| | |
|-------------------------------------|-------------------|
| Net assets, beginning (as restated) | <u>26,171,168</u> |
|-------------------------------------|-------------------|

| | |
|--------------------|-----------------------------|
| Net assets, ending | \$ <u><u>29,753,948</u></u> |
|--------------------|-----------------------------|

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

CITY OF MURPHY
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2005

| | |
|--|----------------------------|
| Cash flows from operating activities: | |
| Cash received from customers and users | \$ 7,576,146 |
| Cash payments to suppliers | (2,122,164) |
| Cash payments to employees | <u>(568,802)</u> |
| Net cash provided by operating activities | <u>4,885,180</u> |
| | |
| Cash flows from noncapital financing activities: | |
| Transfers to other funds | (850,000) |
| Advances to other funds | <u>(9,240)</u> |
| Net cash used for noncapital financing activities | <u>(859,240)</u> |
| | |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | (3,282,765) |
| Principal paid on long-term debt | (118,545) |
| Interest paid on debt | <u>(60,370)</u> |
| Net cash used for capital and related financing activities | <u>(3,461,680)</u> |
| | |
| Cash flows from investing activities: | |
| Redemptions of investments (net) | (5,321) |
| Interest on deposits and investments | <u>36,476</u> |
| Net cash provided by investing activities | <u>31,155</u> |
| | |
| Net increase in cash and cash equivalents | 595,415 |
| | |
| Cash and cash equivalents, beginning | <u>1,506,231</u> |
| | |
| Cash and cash equivalents, ending | \$ <u><u>2,101,646</u></u> |

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

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

| | |
|--|----------------------------|
| Operating income | \$ <u>4,452,025</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 538,271 |
| (Increase) decrease in accounts receivable | (163,718) |
| Increase (decrease) in accounts payable | 16,505 |
| Increase (decrease) in accrued wages payable | 2,190 |
| Increase (decrease) in compensated absences payable | 10,612 |
| Net increase in customer deposits | <u>29,295</u> |
| Total adjustments | <u>433,155</u> |
| Net cash provided by operating activities | \$ <u><u>4,885,180</u></u> |

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CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. There are three specific tests for determining whether a particular legally separate entity is a component unit of a primary government's financial reporting entity. Those tests involve 1) appointment of the unit's governing board (accompanied by either the potential imposition of will or ongoing financial benefit/burden), 2) fiscal dependence on the primary government, and 3) the potential that exclusion would result in misleading financial reporting. For this last test, special attention must be paid 1) to certain special financing authorities and 2) to the nature and significance of a legally separate, tax-exempt entity's relationship with the primary government and its component units. Based upon the application of these tests, the City of Murphy does not have any component units.

B. Government-wide and Fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The government reports the following governmental funds:

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

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

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

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

The government reports the following proprietary funds:

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

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

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Short-term Interfund Receivables/Payables

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

3. Restricted Assets

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

4. Capital Assets

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

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

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

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

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

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Compensated Absences (continued)

since the government does not have a policy to pay any amounts when employees separate from service with the government except upon retirement. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. No later than August 10, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting is scheduled before October 1 to finalize the adoption of the new budget.
4. The City Manager is authorized to transfer budgeted amounts within departments in any fund; however, any revisions that alter expenditures between departments of any fund, must be approved by the City Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. Two supplemental appropriations were made during the fiscal year.
6. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis.

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

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

At September 30, 2005, the government's carrying amount of deposits was \$5,930,594 and the bank balance of the government's deposits was \$6,263,813. Of the bank balance, \$200,000 was covered by federal depository insurance and \$6,063,813 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

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

| | <u>Fair Value</u> |
|-------------------------|--------------------------------|
| TexStar | \$ 2,159,422 |
| Certificates of deposit | <u>259,861</u> |
| Total investments | \$ <u><u>2,419,283</u></u> |

B. Receivables

Receivables at September 30, 2005 consist of the following:

| | <u>General</u> | <u>Debt Service</u> | <u>Special Revenue</u> | <u>Water & Sewer</u> | <u>Total</u> |
|------------------------------------|------------------------------|--------------------------|----------------------------|------------------------------|---------------------------|
| Receivables: | | | | | |
| Utility bills | \$ 56,873 | | | 544,656 | 601,529 |
| Delinquent taxes | 23,135 | 48,842 | | | 71,977 |
| Sales taxes | <u>81,843</u> | | <u>81,843</u> | <u>4,692</u> | <u>168,378</u> |
| Gross receivables | 161,851 | 48,842 | 81,843 | 549,348 | 841,884 |
| Less: allowance for uncollectibles | <u> </u> | <u> </u> | <u> </u> | <u>(10,893)</u> | <u>(10,893)</u> |
| Net total receivables | \$ <u><u>161,851</u></u> | <u><u>48,842</u></u> | <u><u>81,843</u></u> | <u><u>538,455</u></u> | <u><u>830,991</u></u> |

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 up to the date collected by the government at the rate of 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write-off uncollectible personal property taxes after four years.

C. Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

| | Primary Government | | | Ending Balance |
|--|----------------------|-------------------|---------------------|--------------------|
| | Beginning Balance | Additions | Retirements | |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,474,683 | | | 6,474,683 |
| Construction in progress | <u>16,079,365</u> | <u>4,221,219</u> | <u>(20,300,584)</u> | |
| Total capital assets, not being depreciated | <u>22,554,048</u> | <u>4,221,219</u> | <u>(20,300,584)</u> | <u>6,474,683</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 109,852 | 20,300,584 | | 20,410,436 |
| Infrastructure | 31,474,963 | 6,312,417 | | 37,787,380 |
| Equipment | <u>1,066,931</u> | <u>132,061</u> | | <u>1,198,992</u> |
| Total capital assets being depreciated | <u>32,651,746</u> | <u>26,745,062</u> | | <u>59,396,808</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,180) | (105,197) | | (107,377) |
| Infrastructure | (2,348,186) | (722,547) | | (3,070,733) |
| Equipment | <u>(698,007)</u> | <u>(126,949)</u> | | <u>(824,956)</u> |
| Total accumulated depreciation | <u>(3,048,373)</u> | <u>(954,693)</u> | | <u>(4,003,066)</u> |
| Total capital assets, being depreciated, net | <u>29,603,373</u> | <u>25,790,369</u> | | <u>55,393,742</u> |
| Governmental activities capital assets, net | <u>\$ 52,157,421</u> | <u>30,011,588</u> | <u>(20,300,584)</u> | <u>61,868,425</u> |

| | Primary Government | | | Ending Balance |
|---|----------------------|------------------|--------------------|--------------------|
| | Beginning Balance | Additions | Retirements | |
| Business-type activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ <u>210,389</u> | <u>3,277,415</u> | <u>(3,487,804)</u> | |
| Total capital assets, not being depreciated | <u>210,389</u> | <u>3,277,415</u> | <u>(3,487,804)</u> | |
| Capital assets, being depreciated: | | | | |
| Buildings, systems and improvements | 27,902,853 | 3,487,804 | | 31,390,657 |
| Equipment | <u>149,980</u> | <u>5,350</u> | | <u>155,330</u> |
| Total capital assets, being depreciated | <u>28,052,833</u> | <u>3,493,154</u> | | <u>31,545,987</u> |
| Less accumulated depreciation for: | | | | |
| Buildings, systems and improvements | (2,788,620) | (518,660) | | (3,307,280) |
| Equipment | <u>(91,354)</u> | <u>(19,611)</u> | | <u>(110,965)</u> |
| Total accumulated depreciation | <u>(2,879,974)</u> | <u>(538,271)</u> | | <u>(3,418,245)</u> |
| Total capital assets, being depreciated, net | <u>25,172,859</u> | <u>2,954,883</u> | | <u>28,127,742</u> |
| Business-type activities capital assets, net | <u>\$ 25,383,248</u> | <u>6,232,298</u> | <u>(3,487,804)</u> | <u>28,127,742</u> |

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

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

| | | |
|---|-------------------|--|
| Governmental activities: | | |
| General government | \$ 118,612 | |
| Public safety | 79,198 | |
| Public works | <u>756,883</u> | |
| Total depreciation expense - governmental activities | \$ <u>954,693</u> | |
| Business-type activities: | | |
| Water and sewer | \$ <u>538,271</u> | |
| Total depreciation expense - business-type activities | \$ <u>538,271</u> | |

D. Interfund Receivables, Payables, and Transfers

Interfund activity for the year ended September 30, 2005, was as follows:

| | Transfers in: | | |
|--------------------|-------------------|----------------------|----------------|
| | General Fund | Debt Service Fund | Total |
| Transfers out: | | | |
| General fund | \$ | 4,950 | 4,950 |
| Water & Sewer fund | <u>850,000</u> | | <u>850,000</u> |
| Total | <u>\$ 850,000</u> | <u>4,950</u> | <u>854,950</u> |

The transfer from the water and sewer fund to the general fund was to pay for city resources used by the water department. The transfer from the general fund to the debt service fund is a requirement of the City Manager's contract.

E. Leases

Capital Leases The government has entered into various lease agreements as lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. As of September 30, 2005, the equipment leased under capital leases had a carrying value of \$121,457 which is included in the governmental activities on the Statement of Net Assets and \$34,051 which is included in the water and sewer fund.

Capital lease expenditures for 2005 were \$21,266 of which \$524 represented interest. Effective interest rates range from 3.63% to 6.55%. Pursuant to the terms of the capital lease agreements, the government will be required to make future minimum payments as follows:

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Leases (continued)

| <u>Year Ending September 30,</u> | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> |
|--|--|---|
| 2006 | \$ 11,782 | 5,693 |
| 2007 | <u>4,854</u> | <u> </u> |
| Total minimum lease payments | 16,636 | 5,693 |
| Less: amount representing interest | <u>(968)</u> | <u>(258)</u> |
| Present value of future minimum lease payments | \$ <u>15,668</u> | <u>5,435</u> |

F. Notes Payable

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

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

| <u>Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|-------------------|-----------------|----------------|
| 2006 | \$ <u>111,883</u> | <u>3,696</u> | <u>115,579</u> |
| Total | \$ <u>111,883</u> | <u>3,696</u> | <u>115,579</u> |

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

| <u>Year</u> <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|------------------|-----------------|--------------|
| 2006 | \$ <u>5,404</u> | <u>93</u> | <u>5,497</u> |
| Total | \$ <u>5,404</u> | <u>93</u> | <u>5,497</u> |

G. Long-Term Debt

Long-term liability activity for the year ended September 30, 2005 was as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> |
|--------------------------|------------------------------------|------------------|--------------------|---------------------------------|--------------------------------------|
| Governmental activities: | | | | | |
| Capital leases | \$ 31,222 | | (15,554) | 15,668 | 15,668 |
| Notes payable | 147,393 | | (35,510) | 111,883 | 111,883 |
| Bonds payable | 31,255,000 | | (945,000) | 30,310,000 | 1,335,000 |
| Compensated absences | <u>40,285</u> | <u>113,086</u> | <u>(40,285)</u> | <u>113,086</u> | <u>113,086</u> |
| Totals | \$ <u>31,473,900</u> | <u>113,086</u> | <u>(1,036,349)</u> | <u>30,550,637</u> | <u>1,575,637</u> |

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

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Debt (continued)

Bonds payable at September 30, 2005 are comprised of the following issues for the debt service fund:

| | |
|---|----------------------|
| 1993 General Obligation Refunding Bonds. Interest payable February 15 and August 15 at rates ranging from 6.0% to 6.5%. | \$ 150,000 |
| 1998 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 4.4% to 5.25%. | 1,975,000 |
| 2001 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 4.75% to 5.75%. | 3,165,000 |
| 2001 General Obligation Refunding Bonds. Interest payable February 15 and August 15 at rates ranging from 4.0% to 4.375%. | 890,000 |
| 2002 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 4.5% to 5.75%. | 3,225,000 |
| 2002A Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 3.5% to 4.75%. | 4,515,000 |
| 2003 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 3.5% to 5.0%. | 6,390,000 |
| 2004 Certificates of Obligation. Interest payable February 15 and August 15 at rates ranging from 4.125% to 4.875%. | <u>10,000,000</u> |
| Combined Debt | <u>\$ 30,310,000</u> |

The annual requirements to amortize the bonded debt outstanding for the debt service fund as of September 30, 2005 are as follows:

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Debt (continued)

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------|----------------------|-------------------|-------------------|
| 2006 | \$ 1,335,000 | 1,332,837 | 2,667,837 |
| 2007 | 1,320,000 | 1,270,669 | 2,590,669 |
| 2008 | 1,370,000 | 1,207,986 | 2,577,986 |
| 2009 | 1,455,000 | 1,143,164 | 2,598,164 |
| 2010 | 1,525,000 | 1,077,171 | 2,602,171 |
| 2011 | 1,520,000 | 1,010,981 | 2,530,981 |
| 2012 | 1,595,000 | 943,094 | 2,538,094 |
| 2013 | 1,570,000 | 874,776 | 2,444,776 |
| 2014 | 1,635,000 | 805,657 | 2,440,657 |
| 2015 | 1,710,000 | 733,844 | 2,443,844 |
| 2016 | 1,795,000 | 658,661 | 2,453,661 |
| 2017 | 1,875,000 | 578,390 | 2,453,390 |
| 2018 | 1,965,000 | 493,176 | 2,458,176 |
| 2019 | 1,840,000 | 407,671 | 2,247,671 |
| 2020 | 1,930,000 | 321,683 | 2,251,683 |
| 2021 | 2,035,000 | 229,798 | 2,264,798 |
| 2022 | 1,830,000 | 138,977 | 1,968,977 |
| 2023 | 1,240,000 | 66,471 | 1,306,471 |
| 2024 | <u>765,000</u> | <u>18,647</u> | <u>783,647</u> |
| Totals | <u>\$ 30,310,000</u> | <u>13,313,653</u> | <u>43,623,653</u> |

During the year ended September 30, 2005, the following changes occurred in liabilities reported in the Water and Sewer Fund.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Business-type activities: | | | | | |
| Capital leases | \$ 10,623 | | (5,188) | 5,435 | 5,435 |
| Notes payable | 13,761 | | (8,357) | 5,404 | 5,404 |
| Bonds payable | 940,000 | | (105,000) | 835,000 | 110,000 |
| Compensated absences | | <u>10,612</u> | | <u>10,612</u> | <u>10,612</u> |
| Totals | <u>\$ 964,384</u> | <u>10,612</u> | <u>(118,545)</u> | <u>856,451</u> | <u>131,451</u> |

Bonds payable at September 30, 2005 are comprised of the following issues for the Water and Sewer fund:

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Debt (continued)

| | |
|---|-------------------|
| 1976A Revenue Bonds. Interest payable on January 10 and July 10 at 5.6%. | \$ 160,000 |
| 1976B Revenue Bonds. Interest payable on January 10 and July 10 at 5.6%. | 240,000 |
| 1994 Revenue Bonds. Interest payable on January 10 and July 10 at rates ranging from 5.7% to 6.25%. | <u>435,000</u> |
| Combined Debt | \$ <u>835,000</u> |

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2005 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------|-------------------|-----------------|------------------|
| 2006 | \$ 110,000 | 49,283 | 159,283 |
| 2007 | 115,000 | 43,017 | 158,017 |
| 2008 | 120,000 | 36,418 | 156,418 |
| 2009 | 215,000 | 29,497 | 244,497 |
| 2010 | 50,000 | 17,188 | 67,188 |
| 2011 | 50,000 | 14,062 | 64,062 |
| 2012 | 55,000 | 10,938 | 65,938 |
| 2013 | 60,000 | 7,500 | 67,500 |
| 2014 | <u>60,000</u> | <u>3,750</u> | <u>63,750</u> |
| Totals | <u>\$ 835,000</u> | <u>211,653</u> | <u>1,046,653</u> |

H. Restricted assets

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

| | |
|-------------------------------|-------------------|
| Customer deposits | \$ 240,200 |
| Accrued interest payable | 10,407 |
| Current revenue bonds payable | <u>110,000</u> |
| Total restricted assets | \$ <u>360,607</u> |

I. Restatement of Beginning Fund Balances/Net Assets - Fund Statements

As of September 30, 2004, fund balances/net assets have been restated as follows:

| | <u>General Fund</u> | <u>Water & Sewer Fund</u> |
|---|-------------------------|-----------------------------------|
| Fund balances/net assets as previously reported | \$ 796,407 | 26,179,513 |
| Restate accrued wages payable | <u>(38,111)</u> | <u>(8,345)</u> |
| Fund balances/net assets as restated | <u>\$ 758,296</u> | <u>26,171,168</u> |

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

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

As of September 30, 2004, net assets have been restated as follows:

| | Governmental <u>Activities</u> | Business-type <u>Activities</u> |
|-----------------------------------|-----------------------------------|------------------------------------|
| Net assets as previously reported | \$ 29,930,688 | 26,179,513 |
| Restate accrued wages payable | <u>(38,111)</u> | <u>(8,345)</u> |
| Net assets as restated | <u>\$ 29,892,577</u> | <u>26,171,168</u> |

NOTE 4. OTHER INFORMATION

A. Risk Management

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

B. Retirement System

Texas Municipal Retirement System

Plan Description

The government provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 801 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2004 valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the government-financed monetary credits, with interest. At the date the plan began, the government granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the government can grant, as often as annually, another type of monetary credit

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Plan Description (continued)

referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the government matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Contributions

The contribution rate for the employees is 7%, and the government matching ratio is currently 2 to 1, both as adopted by the governing body of the government. Under the state law governing TMRS, the government contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to government matching percent, which are the obligation of the government as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the government to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year - open period - amortization period, using the level percent of payroll amortization method. When the government periodically adopts updated service credits and increases its annuities in effect, the increased unfunded (overfunded) actuarial liability (asset) is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January, 2004. The unit credit actuarial cost method is used for determining the government contribution rate. Contributions are made monthly by both the employees and the government. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Annual Pension Cost

For the year ended September 30, 2005, the government's annual pension cost of \$243,513 for TMRS was equal to the government's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) no projected salary increases, and (c) no cost-of-living adjustments. A 3.5% inflation amount was used in computing (a) and (b). The actuarial value of TMRS assets was determined using amortized cost.

CITY OF MURPHY
Notes to the Financial Statements
September 30, 2005
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Three-Year Trend Information for TMRS

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|----------------------------------|--------------------------------------|--|-----------------------------------|
| 09/30/03 | \$ 272,689 | 100% | 0 |
| 09/30/04 | \$ 290,218 | 100% | 0 |
| 09/30/05 | \$ 243,513 | 100% | 0 |

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

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b) - (a)</u> | <u>Funded Ratio (a)/(b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</u> |
|---|--|--|--|-------------------------------------|------------------------------------|--|
| 12/31/02 | \$ 897 | 1,455 | 558 | 61.6% | \$ 1,549 | 36.1% |
| 12/31/03 | \$ 1,208 | 1,810 | 602 | 66.7% | \$ 2,679 | 22.5% |
| 12/31/04 | \$ 1,689 | 2,300 | 611 | 73.4% | \$ 2,513 | 24.3% |

Texas Statewide Emergency Services Personnel Retirement Fund (Fund)

Plan Description

The government contributes to the Texas Statewide Emergency Services Personnel Retirement Fund, a cost-sharing multiple-employer pension system administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The Fund does not issue a stand alone financial report, but is considered a component unit of the State of Texas. A report may be obtained by contacting the Texas Comptroller at Post Office Box 13528, Capitol Station, Austin, Texas 78711-3528.

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977). No contributions are required by volunteer emergency services personnel. The governing bodies of participating departments are required to contribute at least \$12 per month for each active member and can elect to increase the monthly amount. Additional contributions may be required by a governing body to pay for unfunded prior service costs from a prior plan or to establish credit in the Fund for service prior to entry in the Fund. The State may also be required to make annual contributions up a limited amount to make the fund actuarially sound. The costs of administering the Fund are paid from the Fund. The government's contributions to the Fund for the years ended September 30, 2005, 2004, and 2003, were \$1,612, \$1,447, and \$1,315, respectively, which equaled the required contributions each year.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MURPHY
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2005

| | <u>Economic Development</u> | <u>Community Development</u> | <u>Park</u> | <u>Total</u> |
|-------------------------------------|---------------------------------|----------------------------------|---------------|----------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 353,545 | 361,531 | 80,925 | 796,001 |
| Sales tax receivable | <u>40,922</u> | <u>40,921</u> | <u> </u> | <u>81,843</u> |
| Total assets | <u>\$ 394,467</u> | <u>402,452</u> | <u>80,925</u> | <u>877,844</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 2,195 | 2,218 | | 4,413 |
| Accrued wages payable | <u>702</u> | <u>702</u> | | <u>1,404</u> |
| Total liabilities | <u>2,897</u> | <u>2,920</u> | | <u>5,817</u> |
| FUND BALANCES | | | | |
| Unreserved, reported in: | | | | |
| Special revenue funds | <u>391,570</u> | <u>399,532</u> | <u>80,925</u> | <u>872,027</u> |
| Total fund balances | <u>391,570</u> | <u>399,532</u> | <u>80,925</u> | <u>872,027</u> |
| Total liabilities and fund balances | <u>\$ 394,467</u> | <u>402,452</u> | <u>80,925</u> | <u>877,844</u> |

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

CITY OF MURPHY
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2005

| | <u>Economic Development</u> | <u>Community Development</u> | <u>Park</u> | <u>Total</u> |
|------------------------------------|---------------------------------|----------------------------------|---------------|----------------|
| REVENUES | | | | |
| Sales taxes | \$ 293,352 | 293,352 | | 586,704 |
| Park fees | | | 80,400 | 80,400 |
| Interest | <u>3,197</u> | <u>3,337</u> | <u>525</u> | <u>7,059</u> |
| Total revenues | <u>296,549</u> | <u>296,689</u> | <u>80,925</u> | <u>674,163</u> |
| EXPENDITURES | | | | |
| Economic and community development | <u>55,069</u> | <u>54,406</u> | | <u>109,475</u> |
| Total expenditures | <u>55,069</u> | <u>54,406</u> | | <u>109,475</u> |
| Net change in fund balances | 241,480 | 242,283 | 80,925 | 564,688 |
| Fund balances, beginning | <u>150,090</u> | <u>157,249</u> | <u>0</u> | <u>307,339</u> |
| Fund balances, ending | \$ <u>391,570</u> | <u>399,532</u> | <u>80,925</u> | <u>872,027</u> |

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

CITY OF MURPHY
Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual
Enterprise Fund
For the Fiscal Year Ended September 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget |
|---|-------------------------|-------------------|---------------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive (Negative) |
| OPERATING REVENUES | | | | |
| Charges for sales and services | | | | |
| Water sales | \$ 2,282,500 | 2,282,500 | 2,233,938 | (48,562) |
| Sewer sales | 1,687,210 | 1,687,210 | 1,572,622 | (114,588) |
| Impact fees | 798,480 | 798,480 | 867,941 | 69,461 |
| Meter fees | 93,000 | 93,000 | 114,153 | 21,153 |
| Developer contributions | | | 2,614,887 | 2,614,887 |
| Penalties and interest | 26,000 | 24,000 | 25,494 | 1,494 |
| Miscellaneous | <u>250,000</u> | <u>563,000</u> | <u>281,534</u> | <u>(281,466)</u> |
| Total operating revenues | <u>5,137,190</u> | <u>5,448,190</u> | <u>7,710,569</u> | <u>2,262,379</u> |
| OPERATING EXPENSES | | | | |
| Cost of sales and services | 2,970,786 | 2,993,806 | 2,523,553 | 470,253 |
| Administration | 278,172 | 255,647 | 196,720 | 58,927 |
| Depreciation | <u>230,000</u> | <u>660,000</u> | <u>538,271</u> | <u>121,729</u> |
| Total operating expenses | <u>3,478,958</u> | <u>3,909,453</u> | <u>3,258,544</u> | <u>650,909</u> |
| Operating income (loss) | <u>1,658,232</u> | <u>1,538,737</u> | <u>4,452,025</u> | <u>2,913,288</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue | 25,000 | 13,000 | 36,476 | 23,476 |
| Interest expense and fiscal charges | <u>(60,555)</u> | <u>(60,555)</u> | <u>(55,721)</u> | <u>4,834</u> |
| Total nonoperating revenues (expenses) | <u>(35,555)</u> | <u>(47,555)</u> | <u>(19,245)</u> | <u>28,310</u> |
| Net income (loss) before transfers | 1,622,677 | 1,491,182 | 4,432,780 | 2,941,598 |
| Transfer out | <u>(850,000)</u> | <u>(850,000)</u> | <u>(850,000)</u> | _____ |
| Changes in net assets | 772,677 | 641,182 | 3,582,780 | 2,941,598 |
| Net assets, beginning (as restated) | <u>26,171,168</u> | <u>26,171,168</u> | <u>26,171,168</u> | _____ |
| Net assets, ending | <u>\$ 26,943,845</u> | <u>26,812,350</u> | <u>29,753,948</u> | <u>2,941,598</u> |

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

CITY OF MURPHY
 Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedule By Source
 September 30, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|--|----------------------|-------------------|
| Governmental funds capital assets: | | |
| Land | \$ 6,474,683 | 6,474,683 |
| Buildings and improvements | 20,410,436 | 109,852 |
| Infrastructure | 37,787,380 | 31,474,963 |
| Equipment | 1,198,992 | 1,066,931 |
| Construction in progress | <u>0</u> | <u>16,079,365</u> |
| Total governmental fund capital assets | \$ <u>65,871,491</u> | <u>55,205,794</u> |
| Investment in governmental fund capital assets by source: | | |
| Capital project funds - general obligation bonds | \$ 51,775,548 | 47,554,328 |
| Donations | 140,000 | 140,000 |
| General fund revenues | <u>13,955,943</u> | <u>7,511,466</u> |
| Total investment in governmental fund capital assets | \$ <u>65,871,491</u> | <u>55,205,794</u> |

CITY OF MURPHY
 Capital Assets Used in the Operating of Governmental Funds
 Schedule By Function and Activity
 September 30, 2005

| <u>Function and Activity</u> | <u>Land</u> | <u>Infra- structure</u> | <u>Buildings and Improve- ments</u> | <u>Equipment</u> | <u>Total</u> |
|--|-------------------------|-----------------------------|---|----------------------|-----------------------|
| General government: | | | | | |
| Administration | \$ 6,474,683 | | 20,300,584 | 22,980 | 26,798,247 |
| Total general government | <u>6,474,683</u> | | <u>20,300,584</u> | <u>22,980</u> | <u>26,798,247</u> |
| Public safety: | | | | | |
| Police | | | | 315,080 | 315,080 |
| Fire | | | | <u>669,483</u> | <u>669,483</u> |
| Total public safety | | | | <u>984,563</u> | <u>984,563</u> |
| Public works: | | | | | |
| Parks | | | 109,852 | 126,757 | 236,609 |
| Public works | | <u>37,787,380</u> | <u> </u> | <u>64,692</u> | <u>37,852,072</u> |
| Total public works | | <u>37,787,380</u> | <u>109,852</u> | <u>191,449</u> | <u>38,088,681</u> |
| Total governmental funds capital assets | \$ <u>6,474,683</u> | <u>37,787,380</u> | <u>20,410,436</u> | <u>1,198,992</u> | <u>65,871,491</u> |

CITY OF MURPHY
 Capital Assets Used in the Operation of Governmental funds
 Schedule of Changes By Function and Activity
 For the fiscal year ended September 30, 2005

| | Governmental Funds Capital Assets October 1, <u>2004</u> | <u>Additions</u> | <u>Deletions</u> | Governmental Funds Capital Assets September 30, <u>2005</u> |
|--|--|-----------------------|------------------|---|
| General government: | | | | |
| Administration | \$ <u>21,774,848</u> | <u>5,023,399</u> | | <u>26,798,247</u> |
| Total general government | <u>21,774,848</u> | <u>5,023,399</u> | | <u>26,798,247</u> |
| Public safety: | | | | |
| Police | 269,587 | 45,493 | | 315,080 |
| Fire | <u>582,915</u> | <u>86,568</u> | | <u>669,483</u> |
| Total public safety | <u>852,502</u> | <u>132,061</u> | | <u>984,563</u> |
| Public works: | | | | |
| Parks | 236,609 | | | 236,609 |
| Public works | <u>32,341,835</u> | <u>5,510,237</u> | | <u>37,852,072</u> |
| Total public works | <u>32,578,444</u> | <u>5,510,237</u> | | <u>38,088,681</u> |
| Total governmental funds capital assets | \$ <u>55,205,794</u> | <u>10,665,697</u> | | <u>65,871,491</u> |

STATISTICAL SECTION

CITY OF MURPHY
 Government-wide Expenses by Function
 Last Two Fiscal Years

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Sanitation Services</u> |
|--------------------|---------------------------|----------------------|---------------------|----------------------------|
| 2004 | \$ 1,388,896 | 2,419,731 | 2,260,717 | 349,779 |
| 2005 | \$ 1,074,290 | 2,386,262 | 2,151,468 | 490,357 |

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

| <u>Economic Development</u> | <u>Interest & Fiscal Charges</u> | <u>Water & Sewer</u> | <u>Total</u> |
|---------------------------------|--|------------------------------|--------------|
| 66,974 | 1,292,927 | 3,076,470 | 10,855,494 |
| 109,475 | 1,522,263 | 3,314,265 | 11,048,380 |

CITY OF MURPHY
 Government-wide Revenues
 Last Two Fiscal Years

| <u>Fiscal Year</u> | <u>Program Revenues</u> | | |
|------------------------|---------------------------------|---|---|
| | <u>Charges for Services</u> | <u>Operating Grants & Contributions</u> | <u>Capital Grants & Contributions</u> |
| 2004 | \$ 6,413,598 | 4,356 | 179,600 |
| 2005 | \$ 7,599,845 | | 8,927,304 |

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

| <u>General Revenues</u> | | | |
|-------------------------|---|----------------------|--------------|
| <u>Taxes</u> | <u>Unrestricted Investment Earnings</u> | <u>Miscellaneous</u> | <u>Total</u> |
| 4,072,636 | 163,330 | 54,836 | 10,888,356 |
| 5,326,635 | 186,157 | 59,425 | 22,099,366 |

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

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Sanitation</u> | <u>Capital Outlay</u> |
|--------------------|---------------------------|----------------------|---------------------|-------------------|-----------------------|
| 1996 | \$ 176,188 | 246,781 | 22,720 | 84,321 | 7,030 |
| 1997 | 379,289 | 254,421 | 24,920 | 100,186 | 12,355 |
| 1998 | 201,474 | 353,254 | 37,783 | 105,500 | 63,690 |
| 1999 | 305,667 | 444,058 | 63,411 | 110,077 | 167,297 |
| 2000 | 311,653 | 643,525 | 560,022 | 136,784 | 416,325 |
| 2001 | 371,679 | 1,073,356 | 519,579 | 200,105 | 3,816,048 |
| 2002 | 556,162 | 1,289,900 | 607,845 | 254,823 | 2,296,087 |
| 2003 | 1,203,684 | 1,935,733 | 1,097,603 | 309,647 | 3,259,971 |
| 2004 | 1,310,731 | 2,391,327 | 1,489,997 | 349,779 | 15,026,436 |
| 2005 | \$ 962,430 | 2,319,554 | 1,300,884 | 490,357 | 10,667,355 |

NOTES: Includes all governmental funds.

| <u>Debt Service</u> | <u>Economic & Community Development</u> | <u>Total</u> |
|-------------------------|---|--------------|
| 407,653 | | 944,693 |
| 402,929 | | 1,174,100 |
| 408,248 | | 1,169,949 |
| 556,112 | | 1,646,622 |
| 573,938 | | 2,642,247 |
| 568,205 | | 6,548,972 |
| 819,849 | | 5,824,666 |
| 1,418,601 | | 9,225,239 |
| 2,231,049 | 66,974 | 22,866,293 |
| 2,502,817 | 109,475 | 18,352,872 |

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

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Sanitation Collections</u> | <u>Charges for Services</u> | <u>Fines and Forfeitures</u> | <u>Park Impact Fees</u> | <u>Drainage Fees</u> |
|--------------------|--------------|-----------------------------|-------------------------------|-----------------------------|------------------------------|-------------------------|----------------------|
| 1996 | \$ 347,294 | 52,851 | 89,353 | 4,587 | 41,145 | | |
| 1997 | 372,281 | 57,042 | 100,570 | 4,326 | 52,271 | | |
| 1998 | 487,131 | 127,881 | 108,713 | 13,093 | 70,182 | | |
| 1999 | 560,828 | 308,260 | 130,692 | 27,620 | 80,953 | | |
| 2000 | 812,341 | 671,327 | 162,586 | 38,398 | 105,160 | 175,800 | |
| 2001 | 958,901 | 846,787 | 218,036 | 31,069 | 100,223 | 53,400 | |
| 2002 | 1,259,305 | 911,947 | 257,103 | 39,277 | 119,532 | 96,000 | |
| 2003 | 1,530,445 | 933,570 | 342,815 | 17,818 | 178,443 | | 104,730 |
| 2004 | 1,797,113 | 1,463,238 | 418,035 | 30,899 | 149,558 | | 131,026 |
| 2005 | \$ 2,157,267 | 1,544,684 | 488,530 | 32,914 | 186,591 | | 135,054 |

NOTES: Includes only general fund revenues.

| <u>Grants and Contributions</u> | <u>Interest</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---|-----------------|----------------------|--------------|
| | 4,308 | 2,954 | 542,492 |
| 9,000 | 7,010 | 13,699 | 616,199 |
| 33,913 | 7,606 | 27,311 | 875,830 |
| 56,526 | 16,632 | 19,117 | 1,200,628 |
| 245,047 | 32,311 | 22,589 | 2,265,559 |
| 77,513 | 37,069 | 34,929 | 2,357,927 |
| 67,743 | 26,518 | 27,098 | 2,804,523 |
| 44,922 | 10,553 | 81,789 | 3,245,085 |
| 4,356 | 8,148 | 41,117 | 4,043,490 |
| | 17,857 | 95,073 | 4,657,970 |

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

| <u>Fiscal Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> | <u>Percent of Levy Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> |
|--------------------|-----------------------|--------------------------------|----------------------------------|-----------------------------------|------------------------------|
| 1996 | \$ 534,195 | 529,369 | 99.10% | \$ 2,057 | 531,426 |
| 1997 | 555,215 | 552,348 | 99.48 | 1,690 | 554,038 |
| 1998 | 635,035 | 639,733 | 100.74 | 6,870 | 646,603 |
| 1999 | 787,378 | 812,471 | 103.19 | 2,360 | 814,831 |
| 2000 | 835,899 | 989,975 | 118.43 | 2,512 | 992,487 |
| 2001 | 985,436 | 1,131,928 | 114.87 | 985 | 1,132,913 |
| 2002 | 1,409,789 | 1,475,062 | 104.63 | 4,131 | 1,479,193 |
| 2003 | 2,209,361 | 2,321,210 | 105.06 | 14,594 | 2,335,804 |
| 2004 | 2,809,142 | 2,833,008 | 100.85 | 86,345 | 2,919,353 |
| 2005 | \$ 3,649,295 | 3,681,308 | 100.88% | \$ 21,973 | 3,703,281 |

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

| <u>Outstanding Delinquent Taxes</u> | <u>Ratio of Delinquent Taxes to Tax Levy</u> |
|---|--|
| 5,517 | 1.03% |
| 8,930 | 1.61 |
| 5,930 | 0.93 |
| 1,266 | 0.16 |
| 7,866 | 0.94 |
| 12,346 | 1.25 |
| 19,860 | 1.41 |
| 89,786 | 4.06 |
| 30,916 | 1.10 |
| 71,977 | 1.97% |

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

| <u>Fiscal Year</u> | <u>Assessed Value</u> | <u>Estimated Market Value</u> | <u>Ratio of Total Assessed Value to Market Value</u> |
|--------------------|-----------------------|-------------------------------|--|
| 1996 | \$ 74,317,566 | 74,317,566 | 100 |
| 1997 | 80,465,915 | 80,465,915 | 100 |
| 1998 | 96,275,820 | 96,275,820 | 100 |
| 1999 | 114,594,378 | 114,594,378 | 100 |
| 2000 | 153,545,094 | 153,545,094 | 100 |
| 2001 | 238,027,958 | 238,027,958 | 100 |
| 2002 | 374,545,496 | 374,545,496 | 100 |
| 2003 | 526,038,434 | 526,038,434 | 100 |
| 2004 | 652,681,704 | 652,681,704 | 100 |
| 2005 | \$ 779,231,073 | 779,231,073 | 100 |

SOURCE: Collin County Appraisal District

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

| <u>Fiscal Year</u> | <u>Assessed Value</u> | <u>Tax Rate</u> | <u>Total Tax Levy</u> | <u>General Fund</u> | <u>Debt Service</u> |
|--------------------|-----------------------|-----------------|-----------------------|---------------------|---------------------|
| 1996 | \$ 74,317,566 | .7188 | 534,195 | .2148 | .5040 |
| 1997 | 80,465,915 | .6900 | 555,215 | .2225 | .4675 |
| 1998 | 96,275,820 | .6596 | 635,035 | .2704 | .3892 |
| 1999 | 114,594,378 | .6871 | 787,378 | .2574 | .4297 |
| 2000 | 153,454,094 | .5444 | 835,899 | .2296 | .3148 |
| 2001 | 238,027,958 | .4140 | 985,436 | .1846 | .2294 |
| 2002 | 374,545,496 | .3764 | 1,409,789 | .1615 | .2149 |
| 2003 | 526,038,434 | .4200 | 2,209,361 | .1558 | .2642 |
| 2004 | 652,681,704 | .4304 | 2,809,142 | .1459 | .2845 |
| 2005 | \$ 779,231,073 | .4683 | 3,649,295 | .1493 | .3190 |

SOURCE: Collin County Appraisal District and City tax records.

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

| <u>Fiscal Year</u> | <u>City of Murphy</u> | | <u>Plano School District</u> | | <u>Wylie School District</u> | |
|--------------------|-----------------------|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|
| | <u>Rate</u> | <u>Assessment Ratio</u> | <u>Rate</u> | <u>Assessment Ratio</u> | <u>Rate</u> | <u>Assessment Ratio</u> |
| 1996 | 0.7188 | 100% | 1.4894 | 100% | 1.5500 | 100% |
| 1997 | 0.6900 | 100% | 1.4997 | 100% | 1.5500 | 100% |
| 1998 | 0.6596 | 100% | 1.5193 | 100% | 1.5500 | 100% |
| 1999 | 0.6871 | 100% | 1.5395 | 100% | 1.6000 | 100% |
| 2000 | 0.5444 | 100% | 1.5792 | 100% | 1.5700 | 100% |
| 2001 | 0.4140 | 100% | 1.5531 | 100% | 1.5700 | 100% |
| 2002 | 0.3764 | 100% | 1.6285 | 100% | 1.5600 | 100% |
| 2003 | 0.4200 | 100% | 1.4700 | 100% | 1.4300 | 100% |
| 2004 | 0.4304 | 100% | 1.7334 | 100% | 1.7200 | 100% |
| 2005 | 0.4683 | 100% | 1.7334 | 100% | 1.8000 | 100% |

CITY TAX DISTRIBUTION: 2004-05 LEVY

| | |
|---------------------|---------------|
| General Fund | 0.1493 |
| Debt Service Fund | <u>0.3190</u> |
| General Obligations | <u>0.4683</u> |

SOURCES: Collin County Appraisal District and Collin County

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

| <u>Collin County</u> | | <u>Collin County Community College</u> | |
|----------------------|--------------|--|--------------|
| Assessment | | Assessment | |
| <u>Rate</u> | <u>Ratio</u> | <u>Rate</u> | <u>Ratio</u> |
| 0.2600 | 100% | 0.0986 | 100% |
| 0.2600 | 100% | 0.0986 | 100% |
| 0.2600 | 100% | 0.0986 | 100% |
| 0.2500 | 100% | 0.0986 | 100% |
| 0.2500 | 100% | 0.0967 | 100% |
| 0.2500 | 100% | 0.0940 | 100% |
| 0.2500 | 100% | 0.0928 | 100% |
| 0.2500 | 100% | 0.0919 | 100% |
| 0.2500 | 100% | 0.0919 | 100% |
| 0.2500 | 100% | 0.0906 | 100% |

CITY OF MURPHY
Principal Taxpayers
September 30, 2005

| <u>Name of Taxpayer</u> | <u>Nature of Property</u> | <u>2005 Taxable Assessed Valuation</u> | <u>Percentage of Total Taxable Assessed Valuation</u> |
|---------------------------------|---------------------------|--|---|
| Wal-Mart Texas LP | Retail | \$ 8,205,655 | 1.05% |
| Albertsons Inc. | Retail | 7,625,397 | 0.98% |
| Murphy Crossing Shopping Center | Retail | 6,899,892 | 0.89% |
| Horton DR Texas LTD | Development | 6,678,883 | 0.86% |
| Intervest-Murphy LTD | Retail | 4,530,624 | 0.58% |
| TXU Electric Delivery Co | Utility | 3,792,409 | 0.49% |
| Lumbermens Investment Corp | Development | 3,565,808 | 0.46% |
| First Texas Homes | Development | 3,302,443 | 0.42% |
| Belgravia Group LLC | Retail | 2,994,343 | 0.38% |
| Comcast of Plano, Inc. | Utility | \$ 2,043,032 | 0.26% |

SOURCE: Collin County Appraisal District

CITY OF MURPHY
Computation of Legal Debt Margin
September 30, 2005

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

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

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

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

The tax rate at October 1, 2004 is \$0.4683 per \$100.00 with an assessed valuation at 100% of market value.

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

| <u>Fiscal Year</u> | <u>Estimated Population</u> | <u>Assessed Value</u> | <u>Gross General Bonded Debt</u> | <u>Less Debt Service Fund</u> | <u>Net General Bonded Debt</u> | <u>Ratio of Net General Bonded Debt to Assessed Value</u> | <u>Net General Bonded Debt Per Capita</u> |
|--------------------|-----------------------------|-----------------------|----------------------------------|-------------------------------|--------------------------------|---|---|
| 1996 | 1,916 | \$ 74,317,566 | 2,865,000 | 18,991 | 2,846,009 | 3.83% | 1,485 |
| 1997 | 2,123 | 80,465,915 | 2,665,000 | 21,037 | 2,643,963 | 3.29 | 1,245 |
| 1998 | 2,331 | 96,275,820 | 4,955,000 | 41,693 | 4,913,307 | 5.10 | 2,108 |
| 1999 | 2,675 | 114,594,378 | 4,725,000 | 45,576 | 4,679,424 | 4.08 | 1,749 |
| 2000 | 3,469 | 153,545,094 | 4,435,000 | 89,723 | 4,345,277 | 2.83 | 1,253 |
| 2001 | 5,013 | 238,027,958 | 7,695,000 | 195,544 | 7,499,456 | 3.15 | 1,496 |
| 2002 | 6,699 | 374,545,496 | 15,865,000 | 276,254 | 15,588,746 | 4.16 | 2,327 |
| 2003 | 7,991 | 526,038,434 | 21,995,000 | 380,347 | 21,614,653 | 4.11 | 2,705 |
| 2004 | 11,000 | 652,681,704 | 31,255,000 | 409,055 | 30,845,945 | 4.73 | 2,804 |
| 2005 | 12,000 | \$ 779,231,073 | 30,310,000 | 487,921 | 29,822,079 | 3.83% | 2,485 |

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

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest and Fiscal Charges</u> | <u>Total Debt Service</u> | <u>Total Governmental Expenditures</u> | <u>Debt Service as a Percent of Total Governmental Expenditures</u> |
|--------------------|------------------|------------------------------------|---------------------------|--|---|
| 1996 | \$ 185,000 | 190,762 | 375,762 | 937,663 | 40.07% |
| 1997 | 200,000 | 178,217 | 378,217 | 1,161,945 | 32.55 |
| 1998 | 210,000 | 164,779 | 374,779 | 1,106,259 | 33.88 |
| 1999 | 230,000 | 282,685 | 512,685 | 1,479,325 | 34.66 |
| 2000 | 290,000 | 254,222 | 544,222 | 2,225,922 | 24.45 |
| 2001 | 310,000 | 235,888 | 545,888 | 2,732,924 | 19.97 |
| 2002 | 330,000 | 438,078 | 768,078 | 3,528,579 | 21.77 |
| 2003 | 570,000 | 778,470 | 1,348,470 | 5,965,268 | 22.61 |
| 2004 | 740,000 | 1,112,317 | 1,852,317 | 7,513,613 | 24.65 |
| 2005 | \$ 945,000 | 1,502,853 | 2,447,853 | 7,554,421 | 32.40% |

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

CITY OF MURPHY
 Computation of Direct and Overlapping Debt
 September 30, 2005

| <u>Jurisdiction</u> | <u>General Obligation Bonded Debt Outstanding</u> | <u>Percentage Applicable to Government</u> | <u>Amount Applicable to Government</u> |
|--|---|--|--|
| Direct: | | | |
| City of Murphy, Texas | \$ <u>30,310,000</u> | 100% | <u>30,310,000</u> |
| Total direct | <u>30,310,000</u> | | <u>30,310,000</u> |
| Overlapping: | | | |
| Plano Independent School District | 758,574,890 | 0.59% | 4,475,592 |
| Wylie Independent School District | 207,387,368 | 4.90% | 10,161,981 |
| Collin County | 283,234,996 | 1.67% | 4,730,024 |
| Collin County Community College District | <u>39,225,000</u> | 1.67% | <u>655,058</u> |
| Total indirect | <u>1,288,422,254</u> | | <u>20,022,655</u> |
| Total direct and overlapping debt | \$ <u><u>1,318,732,254</u></u> | | \$ <u><u>50,332,655</u></u> |
| Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value) | | | <u>6.46%</u> |
| Per capita overlapping bonded debt | | | \$ <u>4,194</u> |

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

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

| <u>Fiscal Year</u> | <u>Total Operating Revenue</u> | <u>Direct Operating Expense</u> | <u>Net Revenue Available for Debt Service</u> | <u>Average Annual Debt Service Requirement</u> | | | |
|--------------------|--------------------------------|---------------------------------|---|--|-----------------|--------------|-----------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Coverage</u> |
| 1996 | \$ 641,302 | 307,014 | 334,288 | 65,000 | 22,131 | 87,131 | 3.84 |
| 1997 | 641,101 | 377,516 | 263,585 | 70,000 | 22,053 | 92,053 | 2.86 |
| 1998 | 1,273,611 | 667,638 | 605,973 | 75,000 | 23,895 | 98,895 | 6.13 |
| 1999 | 2,298,142 | 469,297 | 1,828,845 | 80,000 | 22,178 | 102,178 | 17.90 |
| 2000 | 3,419,064 | 561,483 | 2,857,581 | 80,000 | 21,020 | 101,020 | 28.29 |
| 2001 | 2,516,497 | 787,590 | 1,728,907 | 80,000 | 14,888 | 94,888 | 18.22 |
| 2002 | 2,078,284 | 1,366,576 | 711,708 | 90,000 | 10,490 | 100,490 | 7.08 |
| 2003 | 3,256,764 | 2,013,049 | 1,243,715 | 90,000 | 18,458 | 108,458 | 11.47 |
| 2004 | 4,219,919 | 2,484,099 | 1,735,820 | 100,000 | 60,868 | 160,868 | 10.79 |
| 2005 | \$ 7,710,569 | 2,720,273 | 4,990,296 | 105,000 | 55,232 | 160,232 | 31.14 |

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

CITY OF MURPHY
Demographic Statistics
Last Ten Fiscal Years

| <u>DEMOGRAPHICS</u> | | | | |
|---------------------|-------------------|-------------------------------|-------------------------------|----------------------------|
| <u>Fiscal Year</u> | <u>Population</u> | <u>PISD School Enrollment</u> | <u>WISD School Enrollment</u> | <u>Unemployment Rate %</u> |
| 1996 | 1,916 | 40,548 | 3,634 | 2.2 |
| 1997 | 2,123 | 43,325 | 3,866 | 2.0 |
| 1998 | 2,331 | 43,460 | 3,977 | 1.7 |
| 1999 | 2,675 | 43,514 | 4,307 | 1.7 |
| 2000 | 3,469 | 46,115 | 4,573 | 1.4 |
| 2001 | 5,013 | 47,364 | 4,968 | 3.3 |
| 2002 | 6,699 | 50,632 | 5,595 | 5.5 |
| 2003 | 7,991 | 51,800 | 6,522 | 5.3 |
| 2004 | 11,000 | 52,150 | 7,781 | 4.2 |
| 2005 | 12,000 | 52,139 | 8,000 | 4.4 |

SOURCES: Official U.S. Census Bureau count for 1996-2005.
School enrollment figures were provided by school districts and websites.
Unemployment rates provided by the Texas Workforce Commission.

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

| <u>Fiscal Year</u> | <u>Total Property Value</u> | <u>Construction Activity</u> | | | |
|--------------------|-----------------------------|------------------------------|--------------|------------------------------|--------------|
| | | <u>Residential</u> | | <u>Commercial/Industrial</u> | |
| | | <u>Permits</u> | <u>Value</u> | <u>Permits</u> | <u>Value</u> |
| 1996 | \$ 74,317,566 | N/A | N/A | N/A | N/A |
| 1997 | 80,465,915 | N/A | N/A | N/A | N/A |
| 1998 | 96,275,820 | 378 | 19,998,011 | N/A | N/A |
| 1999 | 114,594,378 | 655 | 36,472,168 | 8 | 4,209,600 |
| 2000 | 153,545,094 | 494 | 51,472,033 | 13 | 5,515,900 |
| 2001 | 238,027,958 | 605 | 77,040,521 | 7 | 27,855,000 |
| 2002 | 374,545,496 | 514 | 67,900,279 | 11 | 17,687,000 |
| 2003 | 526,038,434 | 508 | 72,592,308 | 5 | 4,420,428 |
| 2004 | 652,681,704 | 547 | 117,969,993 | 14 | 9,500,000 |
| 2005 | \$ 779,231,073 | 553 | 143,713,403 | 11 | 11,712,328 |

SOURCE: City of Murphy Building Inspection Department

NOTES: No figures available for some years.

Fiscal years 1996-1998 figures not available.

CITY OF MURPHY
Miscellaneous Statistical Data
September 30, 2005

| | |
|---|------------------|
| Date of incorporation | December, 1958 |
| Date of City Charter Adoption: | February 7, 2004 |
| Form of government | Council-Manager |
| Number of employees: | |
| Full time | 61 |
| Part time | 23 |
| Area in square miles | 5.71 |
| City of Murphy facilities and services: | |
| Miles of streets | 73.2 |
| Building permits: | |
| Permits issued | 564 |
| Value | \$ 155,425,731 |
| Fire protection: | |
| Number of stations | 1 |
| Number of uniformed employees | 24 |
| Police protection: | |
| Number of uniformed employees | 20 |
| Recreation: | |
| Park sites | 9 |
| Parks - number of acres | 142 |
| Number of playgrounds | 5 |
| Miles of sewers: | |
| Sanitary | 74.0 |
| Municipal water system: | |
| Number of customers | 4,178 |
| Daily average consumption (gallons) | 2,376,489 |
| Miles of water mains | 80.4 |
| Number of fire hydrants | 791 |
| Registered voters | 6,001 |
| Population | 12,000 |

SOURCE: City of Murphy 2005 records.