

CITY OF MELISSA, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2016

Jason Little – City Manager

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City of Melissa

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March 21, 2017

To the Honorable Mayor and City Council, and
Citizens of the City of Melissa, Texas

The City's Management Team is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Melissa (the "City") for the fiscal year ending September 30, 2016. The City's Management Team assumes responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

In accordance with the City's Charter, bond covenants and Chapter 103 of the Texas Local Government Code, the City is required to obtain an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. The City's financial statements have been audited by Evans, Pingleton & Howard, PLLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report (CAFR) is prepared in accordance with GAAP in the United States of America established by the Government Accounting Standards Board. The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the management's discussion and analysis (MD&A), the government-wide and fund financial statements, notes to basic financial statements, required supplemental information, other supplemental information, as well as the independent auditors' report on the basic financial statements. The statistical section includes selected financial and demographic information which is presented on a multi-year basis.

The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A can be found immediately following the independent auditors' report. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

The Reporting Entity

The City of Melissa was founded in 1851 and is a Home Rule City operating under a Council-Manager form of government adopted in the City's Home Rule Charter in November 2011. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a six-member Council. The City Manager is appointed by the City Council and is responsible for carrying out policies and for the daily management of the City. Effective May 2012, Council Members will serve three-year staggered terms and are elected in an "at-large" system. The Mayor is elected to serve a three-year term and is also elected at-large.

The City of Melissa provides a full range of municipal services including police and fire protection, water and wastewater services, the construction and maintenance of streets, infrastructure and other related facilities, code enforcement, building inspection, parks, library, public improvements, planning and zoning, economic development, and general administrative services. Technical services such as engineering, legal, and solid waste/recycling are outsourced to the private sector.

The accompanying CAFR incorporates all funds of the City and includes all government activities, organizations and functions for which the City is financially accountable. The criteria used in determining activities to be reported within the City's basic financial statements are based upon and consistent with those set forth by the Governmental Accounting Standards Board.

Component units are legally separate organizations that a primary government must include as a part of its financial entity. The City has included financial statements for the Melissa Industrial and Economic Development Corporation (4A) and the Melissa Community and Economic Development Corporation (4B). The 4A and 4B Funds account for the local sales tax used to stimulate local economy, development, and redevelopment.

The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by Fund and department (e.g. police). Department heads may transfer resources within a department with the City Manager's approval. Any amendments and adjustments to the annual budget need approval from the governing Council.

The City of Melissa

The City of Melissa is a fast growing North Texas community with a population of approximately 10,000. It is located seven miles northeast of McKinney just off State Highway 75, in north central Collin County. Melissa is in a dynamic growth area with a region encompassing nine counties and spanning one hundred miles with a population of over four million. Melissa's close proximity to Dallas and its suburbs offer easy access to all parts of the Metroplex.

From this community came many individuals and families who have been prominent in the business and professional life of Collin County. Some of the first settlers came from the old Highland community, which was located north of present day Melissa. It was here that C.H. Wysong settled as early as 1846. A Post Office was established and Isaac N. Foster became the first Postmaster on September 9, 1853. The location of the Post Office was located at Foster Crossing about 3 miles north of Melissa. The rich soils of the Blackland Prairie and the waters of the Elm Fork of the Trinity River attracted settlers to the area in the 1840s. In 1872, the Houston and Texas Central Railroads were built through the community, and the town of Melissa was laid out. Sources disagree as to the origin of the name of the town. Some say that Melissa was named for Melissa Quinlan, daughter of George A. Quinlan, an official of the Houston and Texas Central Railroad. Others say that it received its name for Melissa Huntington, daughter of C. P. Huntington, a prominent railroad executive.

In 1886 Melissa had a flourmill, two cotton gins that shipped 3,000 bales of cotton annually and several business houses. It became a stop on the Interurban (The Texas Electric Railway), linking Dallas and Denison in 1908. Due to this transportation network, it made Melissa a commercial and community center for area farmers. By 1914, Melissa's population had reached 400. Unlike many rural communities in Texas, Melissa had electric lights, a telephone exchange, and paved roads before 1920.

It also had five churches, a large school, and a number of businesses, including a bank. A tornado struck the town on April 13, 1921, killing thirteen people, injuring fifty-four, and demolishing many homes and businesses. Eight years later, on August 8, 1929, a fire destroyed many of the buildings that had been rebuilt after the tornado.

The Great Depression, the mechanization of farming, and job opportunities in the Dallas metropolitan area after World War II further slowed community growth. The population of Melissa declined from 500 in 1925 to 285 in 1949. In 1966 the population was 375. Melissa was incorporated in the early 1970s. In 1980 it had a population of 604 and nine businesses. Melissa encompasses approximately twenty-one square miles of rolling hills situated between the East fork of the Trinity River and Sister Grove Creek. The City of Melissa is located a short distance from two popular Texas lakes, Lake Lavon and Lake Texoma. Melissa has three intersecting highways, Highway 75, State Highway 121 and Highway 5 (McKinney Street) all of which provide easy access south to Dallas, Austin and San Antonio, and north to Oklahoma. Highway 75 also intersects with Interstate 635, the major business loop around Dallas. State Highway 121 runs northeast and southwest providing access south to DFW International Airport and south to the Dallas North Tollway.

Economic Condition & Outlook

By most measures, Melissa is a city on the rise and continues to attract new residents at a brisk pace. The 2000 Census estimated the population to be 1,350, while the 2017 population estimate is approximately 10,000 residents. Even with the national economic slowdown, people continue to relocate to Melissa because it is a great place to live, attend quality schools, and raise a family, and the City has taken the initiative through comprehensive planning to define what it wants to look like in the face of the future growth.

The City continues to focus on the development of its infrastructure systems through a systematic and planned approach. The City felt that being prepared for the growth in the community will allow the City to grow at the pace and standards it wants. Beginning in 2006, the City adopted its first ever Comprehensive Plan to set the ground work for action planning in the future. In early 2007, staff began planning for the infrastructure that would be needed if the City grows at the pace the Comprehensive Plan anticipates. The City has since adopted Capital Improvement Programs (CIP's) for transportation, water/wastewater and parks/trails system. Both the Comprehensive Plan and CIP's were reviewed, updated and adopted in 2015 and look at the needs and priorities for the community for the next ten years.

The CIP models are built upon the projects that will be needed over the next ten year planning period if the assumed growth is consistent with the Comprehensive Plan projections. Projects are initiated by need or stress placed upon the system by growth. Examples of these triggers include the growth in the tax base or increased water customers. In addition to the tangible triggers, the City Council will also evaluate the subjective factors such as general economic conditions, leveraging of City funds with outside sources, and economic development opportunities. This data, both objective and subjective, are used by the City Council when initiating a project.

The models are also built with flexibility in the project schedule. If the triggers do not materialize in a given year, the proposed projects are delayed to a future year. If the triggers accelerate past the projections, projects may be moved forward in the plan. Lastly, the plan also allows for the City to be proactive with economic development opportunities by moving a project forward to capture an unforeseen opportunity.

The CIPs again are based upon the assumption of growth. If the growth does not materialize in the manner in which assumed, the projects are not constructed and delayed until appropriate. If the City does not plan aggressively, then the growth that will eventually occur will overwhelm the infrastructure systems. Services, residents, and businesses all suffer when infrastructure systems are at capacity. Appropriate planning is the key to being proactive.

Financial Planning & Fiscal Policies

The City maintains several master plans to guide the City's long-term financial planning process. The following is a list of the plans utilized by the City and how they may impact the FY17 budget.

Comprehensive Plan:

Overview: The City adopted its first Comprehensive Plan in 2006 with the help of an outside consulting firm. The document reviewed many building blocks for community development including utilities, thoroughfares, parks, facilities, housing, and many other issues. The action steps that were to be considered in the future were outlined in a specific chapter within the document. These action steps were designed to help the City address any existing issues identified through the study or to help the City proceed in the desired direction. The Comprehensive Plan was updated and adopted in 2015 and is available on the City's website at www.cityofmelissa.com. Action Plans based on the implementation priorities are being drafted for consideration in the FY17 budget.

Capital Improvement Programs:

Overview: The City adopted Capital Improvement Programs for water, wastewater, and transportation in 2007. The plans are for the ultimate growth of each of these systems and total in excess of \$100 million. Each plan is built upon the assumption of growth in the Melissa tax base/customers/community and established general timelines on what infrastructure needs to be in place if certain growth occurs. If the growth does not occur, the projects are not constructed until the need exists. There are no plans for additional project implementation in FY17 unless an economic development opportunity presents itself. Transportation planning, design, and construction activities were incorporated into the FY17 budget as a response to the growth in certain corridors within the City. Continued investment in the CIP's are likely in FY17 and will be evaluated at that time based on the growth and Council priorities.

Strategic Planning:

Overview: The City Council reconfirmed their Vision, Mission, and Strategic Priorities for the next three years and ten year time period. These items are being compiled into a strategy map that will be used in the budget process to evaluate programs and services for funding.

Annually, the City Council reviews and considers adjustments, if necessary, during the budget process. Staff utilizes these policies to measure the proposed budget against and report any variances to the City Council.

Accounting System & Budgetary Control

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

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recognized when measurable and available, and expenditures recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual budget approved by the City Council. The budget is developed and controlled at the department level, although appropriations are set at the fund level.

Other Information

Certificate of Achievement:

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to cities for its comprehensive annual financial report (CAFR) based on certain criteria. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports. The City submitted and received this award for the CAFR for the past six years and will be submitting the CAFR for the fiscal year ended September 30, 2016.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The City is submitting this CAFR for consideration for the Certificate of Achievement for Excellence in Financial Reporting. In addition, the City of Melissa has submitted and received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2016. This is the seventh year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning and organization. The budget for fiscal year 2017 has been submitted for the Distinguished Budget Award.

Acknowledgments:

The preparation of this report could not be accomplished without the efficient and dedicated services of the Administrative Department staff and the Finance Department staff. We would like to express our appreciation to all employees who assisted and contributed to its presentation. Acknowledgement is also given to the representatives of Evans, Pingleton, & Howard, PLLC for their assistance in producing the final product.

We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

Jason Little, City Manager

Gail Dansby, Finance Director

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Government Finance Officers Association

**Certificate of
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**City of Melissa
Texas**

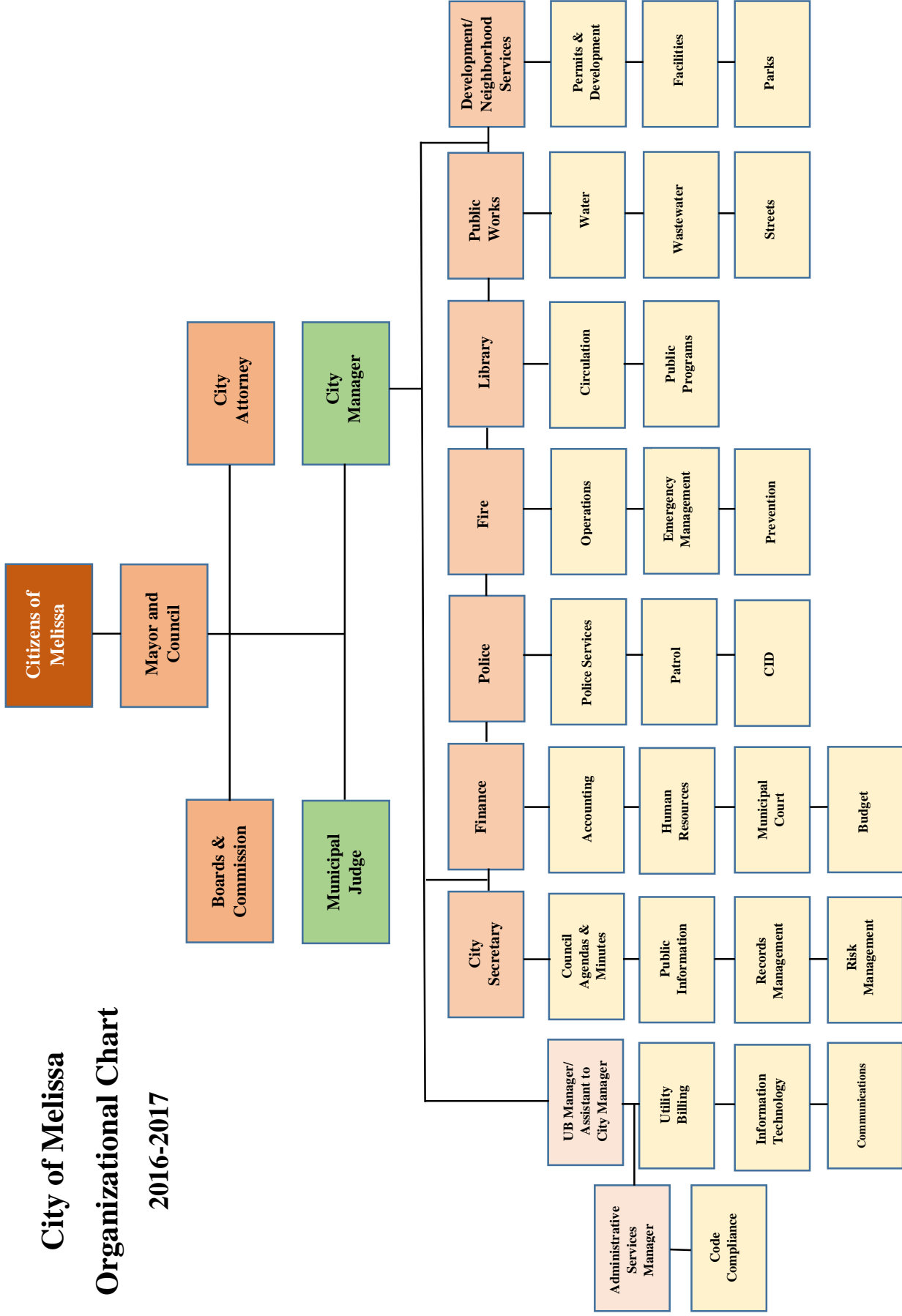
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Melissa Organizational Chart

2016-2017



CITY OF MELISSA, TEXAS



List of Elected and Appointed Officials

**FISCAL YEAR 2016
OCTOBER 1, 2015- SEPTEMBER 30, 2016**

THE MAYOR AND THE CITY COUNCIL

MAYOR
REED GREER

MAYOR PRO TEM
TOM STEVENS

CITY COUNCIL MEMBERS
NICCO WARREN
ANTHONY FIGUEROA
STACY JACKSON
CHAD TAYLOR
JAY NORTHCUT

STAFF:

City Manager – Jason Little
Finance Director – Gail Dansby
City Secretary – Linda Bannister
Police Chief – Duane Smith
Fire Chief – Harold Watkins
Development & Neighborhood Services Director – Dana Nixon
City Librarian – Lorelei Perkins
Public Works Director – Jeff Cartwright
Human Resources Coordinator – Mitzi McCabe
Assistant to the City Manager – Erin Mynatt

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EVANS, PINGLETON and HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

8950 Gary Burns Drive, Suite D

Frisco, Texas 75034

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the City Council
City of Melissa
Melissa, Texas 75454

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Melissa, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Melissa, Texas' basic financial statements. The introductory section, Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Evans, Pingleton and Howard, PLLC

Evans, Pingleton and Howard, PLLC
March 21, 2017

Management's Discussion & Analysis

As management of the City of Melissa, we offer readers of the City of Melissa's financial statements this narrative overview and analysis of the financial activities of the City of Melissa for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Melissa exceeded its liabilities at the close of the most recent fiscal year by \$17,360,987 (net position). Of this amount, \$11,250,230, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$668,861. This was due primarily to an increase in charges for services and tax revenue.
- As of the close of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balances of \$9,460,715, a decrease of \$3,433,666 in comparison with the prior year. Of the fund balance, \$1,661,672 is available for spending at the government's discretion (*unassigned fund balance*), \$6,963,698 is restricted for construction, court, and debt service, \$55,383 is nonspendable, and \$419,962 is assigned for information technology, city hall maintenance and capital projects.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,661,672 or 28 percent of total general fund expenditures.
- The City of Melissa's long-term debt decreased by \$1,308,608 during the current fiscal year.
- The City of Melissa's net capital assets increased by \$4,509,359 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 Melissa's basic financial statements. The City of Melissa'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 Melissa's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 Melissa 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 Melissa include general government, public safety, transportation, and recreation. The business-type activities of the City of Melissa include the water and sewer system, as well as sanitation collection and disposal.

The government-wide financial statements include not only the City of Melissa itself (known as the primary government), but also legally separate economic and community development corporations. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The economic and community development corporations do not issue separate financial statements.

The government-wide financial statements can be found on pages 22-25 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 Melissa, 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 Melissa can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Melissa maintains five 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, debt service fund, and two capital projects funds, all of which are considered to be major funds. Data from the other governmental fund is combined into a single, aggregated presentation.

The City of Melissa adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-35 of this report.

Proprietary Funds. The City of Melissa 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 Melissa uses an enterprise fund to account for its Water, Sewer and Sanitation 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, Sewer and Sanitation operations, which is considered to be a major fund of the City of Melissa.

The basic proprietary fund financial statements can be found on pages 36-39 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 40-73 of this report.

Other Information. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. This schedule can be found on pages 76-77 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Melissa, assets exceed liabilities by \$17,360,987 at the close of the most recent fiscal year.

A portion of the City of Melissa's net position (32 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 Melissa uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Melissa's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Melissa's net position (3 percent) represents resources that are subject to external restrictions on how it may be used. The board has assigned \$419,962 of net position for future cost of informational technology and city hall maintenance. The remaining balance of *unrestricted net position* \$10,830,268 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 Melissa is able to report positive balances in all three categories of net position for the government as a whole.

City of Melissa – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 14,420,785	16,099,488	5,097,877	7,032,997	19,518,662	23,132,485
Capital Assets	29,498,892	25,909,276	22,452,962	21,533,219	51,951,854	47,442,495
Total Assets	43,919,677	42,008,764	27,550,839	28,566,216	71,470,516	70,574,980
Deferred Outflows of Resources	284,066	112,534	55,114	21,835	339,180	134,369
Total Assets & Deferred Outflows	44,203,743	42,121,298	27,605,953	28,588,051	71,809,696	70,709,349
Long-Term Liabilities	27,828,650	28,267,383	19,082,344	19,952,219	46,910,994	48,219,602
Other Liabilities	1,552,323	2,982,013	2,463,228	2,376,323	4,015,551	5,358,336
Total Liabilities	29,380,973	31,249,396	21,545,572	22,328,542	50,926,545	53,577,938
Deferred Inflows of Resources	3,520,158	439,285	2,006	-	3,522,164	439,285
Total Liabilities & Deferred Inflows	32,901,131	31,688,681	21,547,578	22,328,542	54,448,709	54,017,223
Net Position						
Investment in Capital Assets, Net of Related Debt	2,147,481	8,834,411	3,460,172	1,349,868	5,607,653	10,184,279
Restricted	503,104	440,467	-	-	503,104	440,467
Unrestricted	8,652,027	1,157,739	2,598,203	4,909,641	11,250,230	6,067,380
Total Net Position	\$ 11,302,612	10,432,617	6,058,375	6,259,509	17,360,987	16,692,126

City of Melissa – Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,895,429	1,540,883	5,446,689	4,913,599	7,342,118	6,454,482
Operating Grants & Contributions	202,584	157,296	-	-	202,584	157,296
Capital Grants & Contributions	578,526	399,688	840,909	228,446	1,419,435	628,134
General Revenues:						
Property Taxes	3,699,361	3,058,552	-	-	3,699,361	3,058,552
Other Taxes	1,467,200	1,127,791	-	-	1,467,200	1,127,791
Other	310,941	300,956	51,288	193,593	362,229	494,549
Total Revenues	8,154,041	6,585,166	6,338,886	5,335,638	14,492,927	11,920,804
Expenses:						
General Government	2,849,106	3,242,568	-	-	2,849,106	3,242,568
Public Safety	2,134,937	1,725,731	-	-	2,134,937	1,725,731
Streets	1,009,904	908,869	-	-	1,009,904	908,869
Sanitation	-	-	337,546	233,455	337,546	233,455
Culture & Recreation	592,874	689,354	-	-	592,874	689,354
Interest on Long-Term Debt	1,120,225	866,824	-	-	1,120,225	866,824
Water & Sewer	-	-	5,779,474	4,014,982	5,779,474	4,014,982
Total Expenses	7,707,046	7,433,346	6,117,020	4,248,437	13,824,066	11,681,783
Increase/(Decrease) in Net Position Before Transfers	446,995	(848,180)	221,866	1,087,201	668,861	239,021
Transfers	423,000	441,080	(423,000)	(441,080)	-	-
Increase/(Decrease) in Net Position	869,995	(407,100)	(201,134)	646,121	668,861	239,021
Net Position - Beginning	10,432,617	10,839,717	6,259,509	5,613,388	16,692,126	16,453,105
Net Position - Ending	\$ 11,302,612	\$ 10,432,617	\$ 6,058,375	\$ 6,259,509	\$ 17,360,987	\$ 16,692,126

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

Governmental Activities:

- Charges for Services increased by \$354,546 from the previous year due to increases in sales tax revenue, permit revenue, and platting and development revenue.
- Property Taxes increased \$640,809 from the previous year due to increases in existing property values and new construction.

Business-Type Activities

Business-Type activities decreased the City of Melissa's net position by \$201,134.

- Revenues increased by \$1,003,248 (19%) due to water sales and growth of meters.
- Expenses increased by \$1,868,583 (44%) due to increases of purchased water and treatment of wastewater resulting from growth of meters.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Melissa'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 Melissa's financing requirements. In particular, *unassigned 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 Melissa's governmental funds reported combined ending fund balance of \$9,460,715, a decrease of \$3,433,666 from the prior year. The increase is primarily due to unspent bond proceeds. Of the current combined ending fund balance, \$1,661,672 is unassigned and \$6,963,698 is restricted.

The general fund is the operating fund of the City of Melissa. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,661,672. Total unassigned fund balance represents 28% of total general fund expenditures.

The debt service fund has a total fund balance of \$378,847, all of which is restricted for payment of debt services. The increase in fund balance of \$75,000 is due to assessment and collection of penalties for delinquent property taxes.

The Transportation CPF has a total fund balance of \$1,420,785, all of which is restricted for street construction. The decrease in fund balance of \$1,056,028 represents increased construction expenses.

The Park CPF has a total fund balance of \$5,039,809, all of which is restricted for capital outlay. The decrease in fund balance of \$3,034,869 represents increased construction expenses.

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

Total net position of the Enterprise Fund at the end of the year amounted to \$6,058,375. The total decrease in net position of the Enterprise Fund was \$201,134. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Melissa's business type activities.

General Fund Budgetary Highlights

During the year, revenues exceeded budgetary estimates while budgetary estimates exceeded expenditures. The budget had called for a \$231,785 increase in unassigned general fund balance. The increase in unassigned general fund balance was actually \$616,933, an increase of \$385,148 from budget projections. The increase in unassigned general fund balance has allowed the development of a few accounts for replacement and repair, as well as special/capital projects funds.

- In total, actual general fund revenues were \$92,109 greater than budget.
- Overall, actual general fund expenditures were \$31,940 less than budget.

Capital Asset & Debt Administration

Capital Assets. The City of Melissa's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$51,951,854 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

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

- Construction in progress of \$4,368,823.
- Fire and Police vehicles/equipment purchased \$439,033, including \$317,973 for new digital radios.
- Various construction on water and sewer lines, of \$1,300,515, were the major additions to the business-type activities.

Additional information on the City of Melissa's capital assets can be found in note 3.C. on pages 50-51 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Melissa had bonded debt outstanding of \$45,613,250. This entire amount comprises debt backed by the full faith and credit of the City.

During the current fiscal year, the City of Melissa's long-term debt decreased as a result of principal payments on outstanding debt.

The City of Melissa has a bond rating of "A+" from Standard & Poor's and A1 from Moody's Investors Service.

Additional information on the City of Melissa's long-term debt can be found in note 3.G. on pages 53-68 of this report.

Economic Factors and Next Year's Budgets & Rates

The budget document for Fiscal Year (FY) 2016 was submitted to the Government Finance Officers Association of America (GFOA) Distinguished Budget Award committee and was awarded its seventh Distinguished Budget Award. Comments submitted by the reviewers on items for improvement were addressed and the document has been resubmitted for the FY 2017 award. The goal of the Distinguished Budget Award program is to evaluate the budget document in the context of it serving as a policy guide, operations guide, financial plan and communication document. These focus areas are intended to ensure the budget provides expanded information to anyone who reads the document, and at the same time, provides for a meaningful feedback tool to the departments and organization on how they are doing in the budget process as well.

The property tax revenue within the FY17 budget is based on an ad valorem tax rate of \$.61. The City has maintained the same tax rate for eight consecutive years. In addition, a conservative collection rate of 99% of the tax rate is assumed, although the City historically collects in excess of 100% which includes delinquent taxes from previous years.

The 2016 assessed property value of the City of Melissa is over \$700 million, an overall increase of \$121 million from the preceding year. Assessed property values have risen \$400 million since 2007. The top ten taxpayers for 2016 make up only 5.03% of the \$700 million taxable appraised value compared to 15.15% in 2005.

Sales Tax is the second largest source of revenue to the City's General Fund, making up \$850,000 or 14% of total revenues.

The City Council remains committed to conduct an annual water rate study to ensure the rate structure pays for the debt and maintenance and operation of the water and wastewater systems. This planning effort is imperative in a community where investments in water and wastewater systems are critical to sustain the growth it is experiencing. The City manages its water purchase contracts with the North Texas Municipal Water District (NTMWD) through limited well water and the contracted surface water. The NTMWD delivers water to the City and treats its wastewater as well. Current wholesale rates were increased by NTMWD, and these increases are typically passed on to the customer to cover these delivery charges. No increase in water and a 7.4% in volumetric sewer rates were approved for the FY17 year. The rates will be reviewed again next year.

Capital Improvement Planning projects and expenditures are now captured in the Transportation Construction Fund and the Utility Construction Fund respectfully. The ten-year planning program for the City's Water and Wastewater Capital Improvement Program will anticipate, plan, and construct the necessary improvements for the water and wastewater system.

All these factors were considered in preparing the City of Melissa's budget for the 2017 fiscal year.

Continuing its conservative budget practice of keeping revenue forecast at least as low as the prior year and then spending any increases the next fiscal year, the City of Melissa is committed to increasing the contingency or unreserved general fund balance. The designated unreserved fund balance ended at 93 days at 9/30/16. This exceeds the Council adopted financial policy of at least 90 days of operating expenses for the City's General Fund. The 2017 fiscal year budget provides for an approximate increase of \$150,000 in the contingency or unreserved General Fund balance.

Request for Information

This financial report is designed to provide a general overview of the City of Melissa'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, 3411 Barker Avenue, Melissa, Texas 75454.

BASIC FINANCIAL STATEMENTS

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CITY OF MELISSA
Statement of Net Position
September 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash & Cash Equivalents	\$ 14,252,494	2,248,400	16,500,894
Receivables (Net of Allowance for Uncollectibles):			
Utility Bills	-	67,942	67,942
Property Taxes	35,501	-	35,501
Sales Tax	94,937	-	94,937
Other	843	502,208	503,051
Prepays	55,383	27,797	83,180
Internal Balances	(18,373)	18,373	-
Restricted Cash & Cash Equivalents	-	2,233,157	2,233,157
Capital Assets Not Being Depreciated:			
Land	415,873	442,095	857,968
Construction in Progress	4,799,967	381,463	5,181,430
Capital Assets (Net of Accumulated Depreciation):			
Building & System	11,213,321	21,552,905	32,766,226
Equipment	1,448,003	76,499	1,524,502
Infrastructure	11,621,728	-	11,621,728
Total Assets	<u>43,919,677</u>	<u>27,550,839</u>	<u>71,470,516</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - TMRS	284,066	55,114	339,180
Total Deferred Outflows	<u>284,066</u>	<u>55,114</u>	<u>339,180</u>
Total Assets & Deferred Outflows	<u>44,203,743</u>	<u>27,605,953</u>	<u>71,809,696</u>
LIABILITIES			
Accounts Payable	1,414,749	1,202,571	2,617,320
Accrued Interest Payable	137,574	906,527	1,044,101
Deposits Payable	-	354,130	354,130
Noncurrent Liabilities:			
Due Within One Year	1,324,509	997,641	2,322,150
Due in More Than One Year	26,124,447	18,011,035	44,135,482
Net Pension Liability	379,694	73,668	453,362
Total Liabilities	<u>29,380,973</u>	<u>21,545,572</u>	<u>50,926,545</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows	3,509,820	-	3,509,820
Deferred Inflows - TMRS	10,338	2,006	12,344
Total Deferred Inflows	<u>3,520,158</u>	<u>2,006</u>	<u>3,522,164</u>
Total Liabilities & Deferred Inflows	<u>32,901,131</u>	<u>21,547,578</u>	<u>54,448,709</u>
NET POSITION			
Net Invested in Capital Assets	2,147,481	3,460,172	5,607,653
Restricted for:			
Court	76,417	-	76,417
Debt Service	426,687	-	426,687
Unrestricted	8,652,027	2,598,203	11,250,230
Total Net Position	<u>\$ 11,302,612</u>	<u>6,058,375</u>	<u>17,360,987</u>

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

<u>Component Units</u>	
<u>Economic Development</u>	<u>Community Development</u>
932,106	523,045
-	-
-	-
47,469	47,469
-	-
-	-
-	-
-	-
-	-
-	-
<u>979,575</u>	<u>570,514</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>979,575</u>	<u>570,514</u>
439	-
-	-
-	-
-	-
-	-
<u>439</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>439</u>	<u>-</u>
-	-
-	-
-	-
<u>979,136</u>	<u>570,514</u>
<u>979,136</u>	<u>570,514</u>

CITY OF MELISSA
Statement of Activities
For the Fiscal Year Ended September 30, 2016

Functions/Programs	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 2,849,106	1,191,930	-	-
Public Safety	2,134,937	546,095	112,730	-
Streets	1,009,904	157,404	-	578,526
Culture & Recreation	592,874	-	89,854	-
Interest & Fiscal Charges	1,120,225	-	-	-
Total Governmental Activities	<u>7,707,046</u>	<u>1,895,429</u>	<u>202,584</u>	<u>578,526</u>
Business-Type Activities:				
Water & Sewer	5,779,474	5,132,883	-	840,909
Sanitation	337,546	313,806	-	-
Total Business-Type Activities	<u>6,117,020</u>	<u>5,446,689</u>	<u>-</u>	<u>840,909</u>
Total Primary Government	<u>13,824,066</u>	<u>7,342,118</u>	<u>202,584</u>	<u>1,419,435</u>
Component Units:				
Economic Development	269,164			
Community Development	635,544			
Total Component Units	<u>\$ 904,708</u>			

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Investment Earnings
Miscellaneous Revenue
Transfers
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
(1,657,176)	-	(1,657,176)
(1,476,112)	-	(1,476,112)
(273,974)	-	(273,974)
(503,020)	-	(503,020)
(1,120,225)	-	(1,120,225)
<u>(5,030,507)</u>	<u>-</u>	<u>(5,030,507)</u>
-	194,318	194,318
-	(23,740)	(23,740)
<u>-</u>	<u>170,578</u>	<u>170,578</u>
<u>(5,030,507)</u>	<u>170,578</u>	<u>(4,859,929)</u>

Component Units	
Economic Development	Community Development
(269,164)	-
<u>-</u>	<u>(635,544)</u>
<u>(269,164)</u>	<u>(635,544)</u>
-	-
564,064	564,064
-	-
2,070	1,943
2,900	-
<u>-</u>	<u>-</u>
<u>569,034</u>	<u>566,007</u>
299,870	(69,537)
<u>679,266</u>	<u>640,051</u>
<u>979,136</u>	<u>570,514</u>

3,699,361	-	3,699,361
1,128,547	-	1,128,547
338,653	-	338,653
39,980	16,694	56,674
270,961	34,594	305,555
423,000	(423,000)	-
<u>5,900,502</u>	<u>(371,712)</u>	<u>5,528,790</u>
869,995	(201,134)	668,861
<u>10,432,617</u>	<u>6,259,509</u>	<u>16,692,126</u>
<u>11,302,612</u>	<u>6,058,375</u>	<u>17,360,987</u>

CITY OF MELISSA
 Balance Sheet
 Governmental Funds
 September 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash & Cash Equivalents	\$ 6,630,482	367,164
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	35,501	-
Sales Tax	94,937	-
Other	67	-
Prepays	55,383	-
Due from Other Funds	-	12,083
Due from Component Unit	-	-
Total Assets	<u>6,816,370</u>	<u>379,247</u>
LIABILITIES		
Accounts Payable	667,568	400
Due to Other Funds	<u>30,047</u>	-
Total Liabilities	<u>697,615</u>	<u>400</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	<u>3,545,321</u>	-
Total Deferred Inflows	<u>3,545,321</u>	-
FUND BALANCES		
Nonspendable:		
Prepaid Items	55,383	-
Restricted:		
Construction	-	-
Court	76,417	-
Debt Service	-	378,847
Assigned:		
Information Technology	114,962	-
City Hall Maintenance	55,000	-
Capital Projects	250,000	-
Unrestricted - Designated	360,000	-
Unassigned	<u>1,661,672</u>	-
Total Fund Balances	<u>2,573,434</u>	<u>378,847</u>
Total Liabilities & Fund Balances	<u>\$ 6,816,370</u>	<u>379,247</u>

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

<u>Capital Projects Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Transportation Construction</u>	<u>Park Construction</u>		
1,783,847	5,423,161	47,840	14,252,494
-	-	-	35,501
-	-	-	94,937
776	-	-	843
-	-	-	55,383
-	-	-	12,083
-	-	-	-
<u>1,784,623</u>	<u>5,423,161</u>	<u>47,840</u>	<u>14,451,241</u>
363,429	383,352	-	1,414,749
409	-	-	30,456
<u>363,838</u>	<u>383,352</u>	<u>-</u>	<u>1,445,205</u>
-	-	-	3,545,321
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,545,321</u>
-	-	-	55,383
1,420,785	5,039,809	-	6,460,594
-	-	-	76,417
-	-	47,840	426,687
-	-	-	114,962
-	-	-	55,000
-	-	-	250,000
-	-	-	360,000
-	-	-	1,661,672
<u>1,420,785</u>	<u>5,039,809</u>	<u>47,840</u>	<u>9,460,715</u>
<u>1,784,623</u>	<u>5,423,161</u>	<u>47,840</u>	<u>14,451,241</u>

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CITY OF MELISSA
Reconciliation of Balance Sheet of Governmental Funds
to Statement of Net Position
September 30, 2016

Total Fund Balances - Governmental Funds	\$ 9,460,715
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 \$32,354,056 and the accumulated depreciation was \$(6,444,780). In addition, long-term liabilities, including bonds payable of \$(27,575,000), and capital leases of \$(428,907) 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 position.	(2,094,631)
Current year capital outlays of \$4,926,419 and long-term debt principal payments of \$993,595 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 position.	5,920,014
Current year lease proceeds of \$(341,099) provide current financial resources in the fund financial statements, but should be shown as an increase in long-term debt in the government-wide financial statements. The net effect of the new debt is a decrease to net position.	(341,099)
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 position.	(137,574)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,318,290)
Included in the non-current liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$(379,694), a deferred resource inflow in the amount of \$(10,338), and a deferred resource outflow in the amount of \$284,066. The net effect of the GASB 68 adjustment is a decrease in net position.	(105,966)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$35,501 of deferred revenue as revenue, recognizing the liability associated with compensated absences of \$(97,545), and recognizing the disposal of capital assets \$(18,513). The net effect of these reclassifications is to decrease net position.	<u>(80,557)</u>
Net Position of Governmental Activities	<u><u>\$ 11,302,612</u></u>

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

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Taxes:		
Property	\$ 2,484,595	782,852
Sales	1,128,547	-
Franchise	338,653	-
License & Permits	663,750	-
Platting & Development	520,636	-
Charges for Services	7,544	-
Intergovernmental	45,000	533,526
Grants and Donations	202,584	-
Fines, Warrants & Seizures	546,095	-
Road Impact Fees	157,404	-
Investment Income	20,687	727
Miscellaneous	247,438	-
Total Revenues	<u>6,362,933</u>	<u>1,317,105</u>
EXPENDITURES		
Current:		
General Government	2,514,336	800
Public Safety	1,900,504	-
Street	281,128	-
Culture & Recreation	510,650	-
Capital Outlay	531,612	-
Debt Service:		
Principal	113,595	880,000
Interest & Fiscal Charges	17,754	1,224,574
Total Expenditures	<u>5,869,579</u>	<u>2,105,374</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>493,354</u>	<u>(788,269)</u>
OTHER FINANCIAL SOURCES (USES)		
Insurance Proceeds	23,523	-
Capital Lease Proceeds	341,099	-
Transfers In	277,000	863,269
Transfers Out	(518,043)	-
Total Other Financial Sources (Uses)	<u>123,579</u>	<u>863,269</u>
Net Change in Fund Balances	616,933	75,000
Fund Balances - Beginning	<u>1,956,501</u>	<u>303,847</u>
Fund Balances - Ending	<u>\$ 2,573,434</u>	<u>378,847</u>

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

<u>Capital Project Funds</u>		<u>Other</u>	<u>Total</u>
<u>Transportation</u>	<u>Park</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Construction</u>	<u>Construction</u>	<u>Funds</u>	<u>Funds</u>
-	-	424,624	3,692,071
-	-	-	1,128,547
-	-	-	338,653
-	-	-	663,750
-	-	-	520,636
-	-	-	7,544
-	-	-	578,526
-	-	-	202,584
-	-	-	546,095
-	-	-	157,404
-	17,866	700	39,980
-	-	-	247,438
<u>-</u>	<u>17,866</u>	<u>425,324</u>	<u>8,123,228</u>
-	-	-	2,515,136
-	-	-	1,900,504
-	-	-	281,128
-	-	-	510,650
1,061,828	3,307,735	-	4,901,175
-	-	-	993,595
-	-	-	1,242,328
<u>1,061,828</u>	<u>3,307,735</u>	<u>-</u>	<u>12,344,516</u>
<u>(1,061,828)</u>	<u>(3,289,869)</u>	<u>425,324</u>	<u>(4,221,288)</u>
-	-	-	23,523
-	-	-	341,099
9,800	255,000	280,000	1,685,069
(4,000)	-	(740,026)	(1,262,069)
<u>5,800</u>	<u>255,000</u>	<u>(460,026)</u>	<u>787,622</u>
(1,056,028)	(3,034,869)	(34,702)	(3,433,666)
<u>2,476,813</u>	<u>8,074,678</u>	<u>82,542</u>	<u>12,894,381</u>
<u>1,420,785</u>	<u>5,039,809</u>	<u>47,840</u>	<u>9,460,715</u>

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

CITY OF MELISSA
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to Statement of Activities
 September 30, 2016

Net Change in Fund Balances - Governmental Funds	\$ (3,433,666)
Current year capital outlays of \$4,926,419 and long-term debt principal payments of \$993,595 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 position.	5,920,014
Current year lease proceeds of \$341,099 provide current financial resources in the fund financial statements, but the should be shown as an increase in long-term debt in the government-wide financial statements. The net effect of the new debt is to decrease net position.	(341,099)
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 position.	122,103
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,318,290)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/15 caused the change in the ending net position to increase in the amount of \$88,700. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(69,332). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(76,111). The net effect of the GASB 68 adiustment is to decrease net position.	(56,743)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$7,290 of deferred revenue as revenue, recognizing the liability associated with compensated absences of \$(11,101), and recognizing the disposal of capital assets of (\$18,513). The net effect of these reclassifications is to decrease net position.	<u>(22,324)</u>
Net Change in Governmental Activities Financial Position	<u><u>\$ 869,995</u></u>

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

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2016

REVENUES:	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Taxes:				
Property	\$ 2,451,906	2,482,906	2,484,595	1,689
Sales	810,000	1,110,000	1,128,547	18,547
Franchise	310,000	330,000	338,653	8,653
License & Permits	531,000	615,000	663,750	48,750
Platting & Development	276,675	546,675	520,636	(26,039)
Charges for Services:				
Library Fees	-	-	3,585	3,585
Park Fees	4,000	4,000	3,530	(470)
Police Reports	-	-	429	429
Grants & Donations:				
Library	16,331	18,931	22,681	3,750
Park	70,000	67,000	67,173	173
Police	-	2,479	2,480	1
Fire	57,776	109,693	110,250	557
Intergovernmental	45,000	45,000	45,000	-
Road Impact Fees	-	123,243	157,404	34,161
Fines, Warrants & Seizures	529,500	549,500	546,095	(3,405)
Investment Income	10,000	19,000	20,687	1,687
Miscellaneous	108,329	247,397	247,438	41
Total Revenues	5,220,517	6,270,824	6,362,933	92,109
EXPENDITURES:				
<u>General Government</u>				
City Administration:				
Personnel	538,804	544,304	579,015	(34,711)
Materials & Supplies	36,221	58,221	35,597	22,624
Other Services	699,996	1,069,552	674,860	394,692
Total City Administration	1,275,021	1,672,077	1,289,472	382,605
Development & Neighborhood Services:				
Personnel Services	155,108	150,008	161,347	(11,339)
Materials & Supplies	7,035	11,035	6,565	4,470
Other Services	499,607	596,607	590,258	6,349
Total Development & Neighborhood Services	661,750	757,650	758,170	(520)
Building Maintenance:				
Materials & Supplies	2,450	2,450	3,256	(806)
Other Services	74,995	78,995	95,197	(16,202)
Total Building Maintenance	77,445	81,445	98,453	(17,008)

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2016

EXPENDITURES	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>General Government</u>				
Municipal Court:				
Personnel Services	125,205	121,905	119,923	1,982
Materials & Supplies	5,000	5,000	14,924	(9,924)
Other Services	193,762	205,262	233,394	(28,132)
Total Municipal Court	<u>323,967</u>	<u>332,167</u>	<u>368,241</u>	<u>(36,074)</u>
Total General Government	<u>2,338,183</u>	<u>2,843,339</u>	<u>2,514,336</u>	<u>329,003</u>
<u>Public Safety</u>				
Police Department:				
Personnel Services	841,358	859,558	899,228	(39,670)
Materials & Supplies	37,387	32,387	39,005	(6,618)
Other Services	95,480	104,580	98,820	5,760
Total Police Department	<u>974,225</u>	<u>996,525</u>	<u>1,037,053</u>	<u>(40,528)</u>
Fire Department:				
Personnel Services	548,598	521,468	491,458	30,010
Materials & Supplies	40,145	43,145	48,744	(5,599)
Other Services	249,993	315,293	303,623	11,670
Total Fire Department	<u>838,736</u>	<u>879,906</u>	<u>843,825</u>	<u>36,081</u>
Code Enforcement:				
Personnel Services	-	-	10,658	(10,658)
Materials & Supplies	-	4,800	5,499	(699)
Other Services	-	-	3,469	(3,469)
Total Code Enforcement	<u>-</u>	<u>4,800</u>	<u>19,626</u>	<u>(14,826)</u>
Total Public Safety	<u>1,812,961</u>	<u>1,881,231</u>	<u>1,900,504</u>	<u>(19,273)</u>
<u>Street Department</u>				
Personnel Services	33,106	25,186	23,758	1,428
Materials & Supplies	9,450	9,450	8,690	760
Other Services	147,350	211,350	248,680	(37,330)
Total Street Department	<u>189,906</u>	<u>245,986</u>	<u>281,128</u>	<u>(35,142)</u>
<u>Culture & Recreation</u>				
Parks & Grounds:				
Personnel Services	106,423	103,273	99,684	3,589
Materials & Supplies	39,650	39,650	24,741	14,909
Other Services	237,499	246,499	198,511	47,988
Total Parks & Grounds	<u>383,572</u>	<u>389,422</u>	<u>322,936</u>	<u>66,486</u>

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES				
<u>Culture & Recreation</u>				
Library:				
Personnel Services	163,297	164,897	133,557	31,340
Materials & Supplies	36,919	27,919	36,342	(8,423)
Other Services	20,414	21,914	17,815	4,099
Total Library	<u>220,630</u>	<u>214,730</u>	<u>187,714</u>	<u>27,016</u>
Total Culture & Recreation	<u>604,202</u>	<u>604,152</u>	<u>510,650</u>	<u>93,502</u>
Capital Outlay	<u>78,064</u>	<u>151,497</u>	<u>531,612</u>	<u>(380,115)</u>
Debt Service:				
Principal Retirement	97,715	153,706	113,595	40,111
Interest	15,251	21,608	17,754	3,854
Total Debt Service	<u>112,966</u>	<u>175,314</u>	<u>131,349</u>	<u>43,965</u>
Total Expenditures	<u>5,136,282</u>	<u>5,901,519</u>	<u>5,869,579</u>	<u>31,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>84,235</u>	<u>369,305</u>	<u>493,354</u>	<u>124,049</u>
OTHER FINANCING SOURCES/(USES):				
Insurance Proceeds	-	23,523	23,523	-
Capital Lease Proceeds	-	-	341,099	341,099
Transfers In	225,000	277,000	277,000	-
Transfers Out	(180,000)	(438,043)	(518,043)	(80,000)
Total Other Financing Sources (Uses)	<u>45,000</u>	<u>(137,520)</u>	<u>123,579</u>	<u>261,099</u>
Net Change in Fund Balances	129,235	231,785	616,933	385,148
Fund Balances - Beginning	<u>1,956,501</u>	<u>1,956,501</u>	<u>1,956,501</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,085,736</u>	<u>2,188,286</u>	<u>2,573,434</u>	<u>385,148</u>

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

CITY OF MELISSA
Statement of Net Position
Proprietary Fund
September 30, 2016

ASSETS

Current Assets:	
Cash & Cash Equivalents	\$ 2,248,400
Receivables (Net of Allowance of Uncollectibles):	
Utility Bills	67,942
Other	502,208
Restricted Cash & Cash Equivalents	2,233,157
Due from Other Funds	18,773
Prepays	27,797
Total Current Assets	5,098,277
Capital Assets:	
Land	442,095
Buildings & Systems	25,845,096
Equipment	404,435
Construction in Progress	381,463
Less: Accumulated Depreciation	(4,620,127)
Total Capital Assets (Net of Depreciation)	22,452,962
Total Noncurrent Assets	22,452,962
Total Assets	27,551,239

DEFERRED OUTFLOWS OF RESOURCES:

Deferred Outflows	55,114
Total Assets & Deferred Outflows of Resources	\$ 27,606,353

LIABILITIES

Current Liabilities:	
Accounts Payable	1,202,571
Accrued Interest Payable	906,527
Due to Other Funds	400
Deposits	354,130
Compensated Absences Payable	-
Current Portion of Lease Payable	25,141
Current Portion on Bonds Payable	972,500
Total Current Liabilities	3,461,269
Noncurrent Liabilities:	
Compensated Absences	15,886
Lease Payable	31,399
Bonds Payable	17,963,750
Net Pension Liability	73,668
Total Noncurrent Liabilities	18,084,703
Total Liabilities	21,545,972

DEFERRED INFLOWS OF RESOURCES:

Deferred Inflows	2,006
Total Liabilities & Deferred Inflows of Resources	21,547,978

NET POSITION

Net Invested in Capital Assets	3,460,172
Unrestricted	2,598,203
Total Net Position	\$ 6,058,375

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

CITY OF MELISSA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended September 30, 2016

OPERATING REVENUES

Water Sales	\$ 3,262,736
Sewer Charges	1,491,766
Sanitation	408,280
Tap Fees	186,000
Reconnect Fees	79,495
Meter Installation Fee	18,412
Capital Contributions	612,323
Intergovernmental	228,586
Miscellaneous	34,594
Total Operating Revenues	6,322,192

OPERATING EXPENSES

Personnel Services	508,000
Materials & Supplies	354,474
Other Services	3,069,364
Depreciation	635,136
Total Operating Expenses	4,566,974

Operating Income (Loss)	1,755,218
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NONOPERATING REVENUES (EXPENSES)

Interest Income	16,694
Interest Expense	(1,550,046)
Total Nonoperating Revenues (Expenses)	(1,533,352)

Net Income (Loss) Before Transfers	221,866
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TRANSFERS

Transfers (Out)	(423,000)
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Change in Net Position	(201,134)
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Net Position - Beginning	6,259,509
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Net Position - Ending	\$ 6,058,375
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The notes to the financial statements are an integral part of this statement.

CITY OF MELISSA
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2016

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 6,471,546
Cash Payments to Suppliers	(4,093,300)
Cash Payments to Employees	<u>(508,000)</u>
Net Cash Provided/(Used) by Operating Activities	<u>1,870,246</u>
Cash Flows from Noncapital Financing Activities:	
Transfers to Other Funds	<u>(423,000)</u>
Net Cash Provided/(Used) for Noncapital Financing Activities	<u>(423,000)</u>
Cash Flows from Capital & Related Financing Activities:	
Acquisition of Capital Assets	(1,554,879)
Principal Paid on Bonds & Leases	(912,818)
Interest Paid on Debt	<u>(782,184)</u>
Net Cash Provided/(Used) for Capital & Related Financing Activities	<u>(3,249,881)</u>
Cash Flows from Investing Activities:	
Interest on Deposits & Investments	<u>16,694</u>
Net Cash Provided/(Used) by Investing Activities	<u>16,694</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,785,941)
Cash & Cash Equivalents - Beginning	<u>6,267,498</u>
Cash & Cash Equivalents - Ending	<u>\$ 4,481,557</u>

CITY OF MELISSA
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2016
(continued)

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

Operating Income/(Loss)	<u>\$ 1,755,218</u>
Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) by Operating Activities	
Depreciation Expense	635,136
(Increase)/Decrease in Accounts Receivable	630,960
(Increase)/Decrease in Other Recievables	(490,046)
(Increase)/Decrease in Prepaids	23,999
(Increase)/Decrease in Due From	(16,134)
(Increase)/Decrease in Deferred Outflows	(33,279)
Increase/(Decrease) in Accounts Payable	(667,029)
Increase/(Decrease) in Compensated Absences	663
Increase/(Decrease) in Utility Deposits	8,440
Increase/(Decrease) in Due To	(21,970)
Increase/(Decrease) in Net Pension Liability	42,282
Increase/(Decrease) in Deferred Inflows	<u>2,006</u>
Total Adjustments	<u>115,028</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 1,870,246</u></u>

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

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Melissa, Texas, have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America 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

The government is a municipal corporation governed by an elected five-member council and mayor. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

Discretely Presented Component Units

The Melissa Economic Development Corporation (MEDC) serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the MEDC and affect the day-to-day operations of the MEDC by removing appointed board members at will. The scope of public service of the MEDC benefits the City and its citizens by developing economic resources and is operated primarily within the geographic boundaries of the City. The MEDC is presented as a governmental fund type.

The Melissa Community Development Corporation (MCDC) serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the MCDC and affect the day-to-day operations of the MCDC by removing appointed board members at will. The scope of public service of the MCDC benefits the City and its citizens by developing recreational resources and is operated primarily within the geographic boundaries of the City. The MCDC is presented as a governmental fund type.

The MEDC and MCDC do not prepare separate financial statements; however, the presentations in the basic financial statements are a complete presentation.

B. Government – Wide & Fund Financial Statements

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

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government – Wide & Fund Financial Statements (continued)

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

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

C. Measurement Focus, Basis of Accounting & 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 major governmental funds:

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

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting & Financial Statement Presentation
(continued)

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

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

The government reports the following major proprietary fund:

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, sewer and sanitation operations.

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 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 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.

When both restricted and unrestricted resources are available for use, it the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities & Net Position or Equity

1. Deposits & Investments

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

2. Short-Term Interfund Receivables/Payables

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

3. Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because their use is limited.

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>Asset</u>	<u>Years</u>
Buildings	40
System Infrastructure	40
Equipment	5-10
Vehicles	5

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

D. Assets, Liabilities & Net Position or Equity *(continued)*

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. 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 position. 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

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

D. Assets, Liabilities & Net Position or Equity *(continued)*

7. Fund Equity *(continued)*

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2016.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to whom the City Council delegates this authority.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

As of September 30, 2016, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$ 55,383	-	-	-	55,383
Restricted:					
Construction	-	-	6,460,594	-	6,460,594
Court	76,417	-	-	-	76,417
Debt Service	-	378,847	-	47,840	426,687
Committed:					-
Assigned:					
Information Technology	114,962	-	-	-	114,962
City Hall Maintenance	55,000	-	-	-	55,000
Capital Projects	250,000	-	-	-	250,000
Unassigned:					
Designated	360,000	-	-	-	360,000
Undesignated	1,661,672	-	-	-	1,661,672
Total Fund Balances	\$ 2,573,434	378,847	6,460,594	47,840	9,460,715

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(2) STEWARDSHIP, COMPLIANCE & 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.

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

1. Prior to September 1, the City Council prepares a proposed operating 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. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. One supplemental appropriation was made during the fiscal year.
6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from generally accepted accounting principles by not including depreciation and amortization in the approved budget. These amounts are reported at year end as part of the "actual" column. One supplemental appropriation was made during the fiscal year.
7. The Debt Service and Capital Projects 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. The non-major governmental fund is not budgeted.

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

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(2) STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (continued)

B. Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual - Water and Sewer Fund to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds:

	Water & Sewer Fund
Net Position (Budget)	\$ 6,693,511
Depreciation	(635,136)
Net Position (GAAP)	\$ 6,058,375

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits & 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).

The MEDC and MCDC 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, 2016, the City's carrying amount of deposits was \$18,732,512 and the bank balance was \$17,195,111. Of the bank balance, \$750,000 was covered by federal depository insurance and \$16,445,111 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the MEDC, a discretely presented component unit, was \$932,106 and the bank balance was \$932,106. Of the bank balance, \$250,000 was covered by FDIC insurance and the remainder was covered by collateral held by the pledging institution's trust department or agent in the government's name.

The carrying amount of deposits for the MCDC, a discretely presented component unit, was \$523,045 and the bank balance was \$523,045. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder of the bank balance was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

A. Deposits & Investments *(continued)*

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC) and pledged securities. The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investments are with TexStar Investment Pool (“TexStar”). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission’s Rule 2a7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool shares. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The City is not exposed to custodial credit risk for its investments.
- c. **Credit Risk –** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City’s policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexStar at year end was Aaa by Moody’s Investor Service.
- d. **Interest Rate Risk –** This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the City’s investment in external investment pools is less than 60 days.
- e. **Foreign Currency Risk –** This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.
- f. **Concentration of Credit Risk –** This is the risk of loss attributed to the magnitude of the City’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the City’s policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The City is not exposed to concentration of credit risk.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

B. Receivables

Receivables at September 30, 2016 consisted of the following:

	General Fund	Enterprise Fund	Total
Receivables:			
Property Tax	\$ 35,501	-	35,501
Sales Tax	94,937	-	94,937
Other	843	502,208	503,051
Utility Bills	-	67,942	67,942
Net Receivables	<u>\$ 131,281</u>	<u>570,150</u>	<u>701,431</u>

No allowance for uncollectible accounts has been made.

Property taxes are based on the appraised values provided by the Collin County Central Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. 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 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City. The City's current policy is to write-off uncollectible personal property taxes after four years.

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2015, upon which the 2015/2016 levy was based, was approximately \$578,726,007. The tax rate for fiscal year 2015/2016 was \$0.61 per \$100 of assessed valuation.

At September 30, 2016, the MEDC and MCDC each had sales tax receivable of \$47,469. No allowance for uncollectibles has been made.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

C. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 415,873	-	-	415,873
Construction in Progress	431,144	4,368,823	-	4,799,967
Total Capital Assets Not Being Depreciated	847,017	4,368,823	-	5,215,840
Capital Assets Being Depreciated:				
Building	14,154,244	25,984	-	14,180,228
Equipment	2,103,130	531,612	(30,425)	2,604,317
Infrastructure	15,249,665	-	-	15,249,665
Total Capital Assets Being Depreciated	31,507,039	557,596	(30,425)	32,034,210
Less Accumulated Depreciation for:				
Building	(2,590,364)	(376,543)	-	(2,966,907)
Equipment	(953,130)	(215,096)	11,912	(1,156,314)
Infrastructure	(2,901,286)	(726,651)	-	(3,627,937)
Total Accumulated Depreciation	(6,444,780)	(1,318,290)	11,912	(7,751,158)
Total Capital Assets Being Depreciated, Net	25,062,259	(760,694)	(18,513)	24,283,052
Governmental Activities Capital Assets, Net	\$ 25,909,276	3,608,129	(18,513)	29,498,892
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 442,095	-	-	442,095
Construction in Progress	4,106,874	1,544,162	(5,269,573)	381,463
Total Capital Assets Not Being Depreciated	4,548,969	1,544,162	(5,269,573)	823,558
Capital Assets Being Depreciated:				
Building & System	20,575,523	5,269,573	-	25,845,096
Equipment	393,718	10,717	-	404,435
Total Capital Assets Being Depreciated	\$ 20,969,241	5,280,290	-	26,249,531

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

C. Capital Assets *(continued)*

	Beginning Balance	Additions	Retirements	Ending Balance
Less Accumulated Depreciation for:				
Building & System	\$ (3,691,959)	(600,232)		(4,292,191)
Equipment	(293,032)	(34,904)	-	(327,936)
Total Accumulated Depreciation	<u>(3,984,991)</u>	<u>(635,136)</u>	<u>-</u>	<u>(4,620,127)</u>
 Total Capital Assets Being Depreciated, Net	 <u>16,984,250</u>	 <u>4,645,154</u>	 <u>-</u>	 <u>21,629,404</u>
 Business-Type Activities Capital Assets, Net	 <u>\$ 21,533,219</u>	 <u>6,189,316</u>	 <u>(5,269,573)</u>	 <u>22,452,962</u>

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

Government Activities:

General Government	\$ 329,262
Public Safety	184,291
Street	727,540
Culture & Recreation	77,197
Total Depreciation Expense - Governmental Activities	<u>\$ 1,318,290</u>

Business Type Activities:

Water & Sewer	\$ 635,136
Total Depreciation Expense - Business-Type Activities	<u>\$ 635,136</u>

D. Construction Commitments

At September 30, 2016 the City had the following projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

Project Name	Schedule Completion Date	Contract Amount	Cost Incurred Through 09/30/16
Business-Type Activities:			
Stiff Creek Sewer	9/30/2017	\$ 486,610	165,802
Davis Road Sewer	9/30/2017	307,211	215,661
Governmental Activities:			
Park Improvements	9/30/2017	10,537,844	3,738,879
Road Improvements	9/30/2017	4,641,601	1,061,088

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

E. Interfund Receivables, Payables & Transfers:

Interfund balances at September 30, 2016 are as follows:

Due To/From Other Funds		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 12,083
Proprietary Fund	General Fund	18,373
General Fund	Transportation Construction	\$ 409

The outstanding balances between funds result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

	Transfers In:					Total
	General Fund	Tax Inc. Fin. Zone	Debt Ser. Fund	Capital Projects	Proprietary Fund	
Transfers Out:						
General Fund	\$ -	-	123,243	264,800	-	388,043
Tax Increment Fin. Zone	-	-	740,026	-	-	740,026
Capital Projects	-	-	-	-	4,000	4,000
Proprietary Fund	147,000	280,000	-	-	-	427,000
Total	\$ 147,000	280,000	863,269	264,800	4,000	1,559,069

Purpose of Transfers

The transfer from the general fund to the tax increment financing zone was to provide working capital. The transfer from the proprietary fund to the general fund was to pay its share of administrative costs. The transfer from the debt service fund to the transportation construction fund was to correct deposit of bond issue proceeds.

F. Capital Leases

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2016, the equipment and vehicles leased under capital leases had a carrying value of \$656,411 which is included in the governmental activities and \$56,540 which is included in the business-type activities on the Statement of Net Position. Capital lease expenditures for 2016 were \$165,797, of which \$28,134 represented interest. Effective interest rates range from 3.25% to 7.20%.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

F. Capital Leases *(continued)*

Pursuant to the terms of the capital lease agreements, the City will be required to make future minimum payments as follows:

Year Ending September 30.	Governmental Activities	Business-Type Activities
2017	\$ 159,738	27,473
2018	142,588	27,472
2019	101,085	5,501
2020	92,096	-
2021	92,364	-
Thereafter	160,758	-
Future Minimum Lease Payments	748,629	60,446
Less: Amount Representing Interest	(92,218)	(3,906)
Present Value of Future Minimum Lease Payments	<u>\$ 656,411</u>	<u>56,540</u>

G. Long-Term Debt

Long-term liability activity, for government activities for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	\$ 428,907	341,099	(113,595)	656,411	134,509
Bonds Payable	27,575,000	-	(880,000)	26,695,000	1,190,000
Compensated Absences	86,444	99,154	(88,053)	97,545	-
Totals	<u>\$ 28,090,351</u>	<u>440,253</u>	<u>(1,081,648)</u>	<u>27,448,956</u>	<u>1,324,509</u>

The capital leases, note payable and compensated absences will be repaid by the general fund. Bonds will be liquidated by the debt service fund.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

Bonds Payable at September 30, 2016 are comprised of the following individual issues for the governmental activities:

2005A Certificate of Obligation issued December 30, 2005 due in annual installments through February 15, 2026, bearing interest rates at 4.05%, payable February 15 and August 15.	\$ 495,000
2006 Certificate of Obligation issued May 31, 2006 due in annual installments through February 15, 2026, bearing interest rates ranging from 4.35% to 6.0%, payable February 15 and August 15.	1,040,000
2008 Certificate of Obligation issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest rates at 4.65%, payable February 15 and August 15.	3,695,000
2009 Certificate of Obligation issued February 1, 2009 due in annual installments through September 30, 2034, bearing interest rates ranging from 3.0% to 4.625%, payable February 15 and August 15.	8,580,000
2012 Certificate of Obligation issued January 19, 2012 due in annual installments through February 15, 2032, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 and August 15.	420,000
2013 General Obligation Refunding and Improvement Bonds issued January 1, 2013 due in annual installments through February 15, 2032, bearing interest at rates ranging from 1.0% to 3.0%, payable February 15 and August 15.	1,990,000
2015 Certificates of Obligation issued January 1, 2015 due in annual installments through February 15, 2040, bearing interest at rates ranging from 2.375% to 4%, payable February 15 and August 15.	8,390,000
2015 General Obligation Bonds issued January 15, 2015 due in annual installments through February 15, 2035, bearing interest at rates ranging from 2.3% to 4%, payable February 15 and August 15.	<u>2,085,000</u>
Combined Debt	<u>\$ 26,695,000</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2016 are as follows:

2005A Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 40,000	19,238	59,238
2018	45,000	17,516	62,516
2019	45,000	15,694	60,694
2020	45,000	13,871	58,871
2021	50,000	11,948	61,948
2022	50,000	9,922	59,922
2023	50,000	7,898	57,898
2024	55,000	5,771	60,771
2025	55,000	3,544	58,544
2026	60,000	1,215	61,215
Total	<u>\$ 495,000</u>	<u>106,617</u>	<u>601,617</u>

2006 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 85,000	44,934	129,934
2018	90,000	41,105	131,105
2019	90,000	37,145	127,145
2020	95,000	33,075	128,075
2021	100,000	28,760	128,760
2022	105,000	24,199	129,199
2023	110,000	19,360	129,360
2024	115,000	14,241	129,241
2025	120,000	8,835	128,835
2026	130,000	3,022	133,022
Total	<u>\$ 1,040,000</u>	<u>254,676</u>	<u>1,294,676</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2008 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 235,000	165,444	400,444
2018	250,000	154,229	404,229
2019	260,000	142,988	402,988
2020	270,000	131,722	401,722
2021	285,000	119,505	404,505
2022	295,000	106,455	401,455
2023	310,000	92,533	402,533
2024	325,000	77,610	402,610
2025	340,000	61,897	401,897
2026	355,000	45,391	400,391
2027	375,000	27,960	402,960
2028	395,000	9,480	404,480
Total	<u>\$ 3,695,000</u>	<u>1,135,214</u>	<u>4,830,214</u>

2009 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 340,000	358,819	698,819
2018	350,000	347,769	697,769
2019	360,000	335,519	695,519
2020	375,000	322,919	697,919
2021	385,000	309,325	694,325
2022	405,000	293,925	698,925
2023	420,000	277,725	697,725
2024	435,000	260,925	695,925
2025	455,000	243,525	698,525
2026	470,000	224,870	694,870
2027	490,000	205,130	695,130
2028	515,000	184,305	699,305
2029	535,000	162,417	697,417
2030	555,000	139,412	694,412
2031	580,000	114,437	694,437
2032	610,000	88,337	698,337
2033	635,000	60,125	695,125
2034	665,000	30,756	695,756
Total	<u>\$ 8,580,000</u>	<u>3,960,240</u>	<u>12,540,240</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2012 General Obligation Bonds			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 20,000	15,400	35,400
2018	20,000	15,000	35,000
2019	20,000	14,600	34,600
2020	20,000	14,000	34,000
2021	25,000	13,100	38,100
2022	25,000	12,100	37,100
2023	25,000	11,100	36,100
2024	25,000	10,100	35,100
2025	25,000	9,100	34,100
2026	25,000	8,100	33,100
2027	30,000	7,000	37,000
2028	30,000	5,800	35,800
2029	30,000	4,600	34,600
2030	30,000	3,400	33,400
2031	35,000	2,100	37,100
2032	35,000	700	35,700
Total	<u>\$ 420,000</u>	<u>146,200</u>	<u>566,200</u>

2013 General Obligation Refunding & Improvement Bonds			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 180,000	41,900	221,900
2018	185,000	39,200	224,200
2019	190,000	36,425	226,425
2020	195,000	33,575	228,575
2021	200,000	30,163	230,163
2022	205,000	26,163	231,163
2023	210,000	22,063	232,063
2024	215,000	17,863	232,863
2025	100,000	11,950	111,950
2026	40,000	9,200	49,200
2027	40,000	8,100	48,100
2028	45,000	6,900	51,900
2029	45,000	5,550	50,550
2030	45,000	4,200	49,200
2031	45,000	2,850	47,850
2032	50,000	1,500	51,500
Total	<u>\$ 1,990,000</u>	<u>297,602</u>	<u>2,287,602</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

Year Ending September 30,	2015 Certificates of Obligation		
	Principal	Interest	Total
2017	\$ 220,000	275,731	495,731
2018	230,000	266,011	496,011
2019	235,000	257,431	492,431
2020	245,000	247,831	492,831
2021	255,000	237,831	492,831
2022	265,000	227,431	492,431
2023	275,000	217,031	492,031
2024	285,000	205,431	490,431
2025	295,000	193,831	488,831
2026	305,000	184,309	489,309
2027	320,000	176,688	496,688
2028	335,000	167,663	502,663
2029	345,000	157,463	502,463
2030	355,000	146,963	501,963
2031	370,000	136,088	506,088
2032	385,000	124,763	509,763
2033	405,000	112,660	517,660
2034	415,000	99,847	514,847
2035	430,000	86,644	516,644
2036	450,000	72,613	522,613
2037	465,000	57,744	522,744
2038	485,000	42,307	527,307
2039	500,000	25,987	525,987
2040	520,000	8,775	528,775
Total	\$ 8,390,000	3,729,073	12,119,073

During the year ended September 30, 2016, the following changes occurred in long-term liabilities reported in the Water and Sewer Fund:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities:					
Capital Leases	\$ 80,608	-	(24,068)	56,540	25,141
Bonds Payable	19,825,000	-	(888,750)	18,936,250	972,500
Compensated Absences	15,223	30,791	(30,128)	15,886	-
Totals	\$ 19,920,831	30,791	(942,946)	19,008,676	997,641

The bonds, capital leases, and compensated absences will be paid by the Water and Sewer Fund.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

Bonds payable at September 30, 2016 are comprised of the following individual issues for the Water and Sewer Fund:

2005 Contract Revenue Bonds issued September 20, 2005 due in annual installments through October 1, 2028, bearing interest rates ranging from 2.29% to 5.74%, payable April 1 and October 1.	\$ 462,500
2006 Contract Revenue Bonds issued July 15, 2006 due in annual installments through February 1, 2040, bearing interest rates of 5.68% to 5.83%, payable February 1.	2,168,750
2006 Certificate of Obligation issued May 31, 2006, due in annual installments through February 15, 2026, bearing interest rates from 4.35% to 6.0%, payable February 15 and August 15.	380,000
2006 Contract Revenue Bonds issued November 1, 2006 due in annual installments through June 1, 2026, bearing interest rates ranging from 2.95% to 3.75%, payable June 1 and December 1.	1,030,000
2007 Contract Revenue Bonds issued February 20, 2007 due in annual installments through October 1, 2036, bearing interest rates from 2.67% to 5.62%, payable October 1 and April 1.	955,000
2007A Contract Revenue Bonds issued February 7, 2008 due in annual installments through June 1, 2028, bearing interest rates ranging from 2.95% to 4.10%, payable December 1 and June 1.	765,000
2008 Certificate of Obligations issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest rates at 4.56%, payable February 15 and August 15.	1,570,000
2009A Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 1.55% to 5.4%, payable June 1 and December 1.	870,000
2009B Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 0.66% to 4.45%, payable June 1 and December 1.	\$ 1,100,000

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2010 General Obligation Refunding Bonds issued June 29, 2010 due in annual installments through August 15, 2021, bearing interest rates ranging from 2.00% to 3.50%, payable February 15 and August 15.	\$ 630,000
2012 Certificate of Obligation issued January 19, 2012 due in annual installments through February 15, 2032, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 and August 15.	1,175,000
2013 Certificate of Obligation issued February 12, 2013 due in annual installments through February 15, 2032, bearing interest rates from 2.0% to 3.0%, payable February 15 and August 15.	4,120,000
2014 Certificate of Obligation issued June 15, 2014 due in annual installments through February 15, 2034 bearing interest rates ranging from 2.0% to 3.75%, payable February 15 and August 15.	2,015,000
2015 Certificate of Obligation issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 and August 15.	<u>1,695,000</u>
Combined Debt	<u>\$ 18,936,250</u>

The annual requirements to amortize the bonded debt outstanding for the proprietary activities as of September 30, 2016 are as follows:

2005 Contract Revenue Bonds			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 27,500	25,259	52,759
2018	30,000	23,887	53,887
2019	31,250	22,360	53,610
2020	32,500	20,753	53,253
2021	35,000	19,050	54,050
2022	36,250	17,181	53,431
2023	38,750	15,227	53,977
2024	41,250	13,100	54,350
2025	43,750	10,815	54,565
2026	46,250	8,347	54,597
2027	48,750	5,716	54,466
2028	51,250	2,942	54,192
Total	<u>\$ 462,500</u>	<u>184,637</u>	<u>647,137</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2006 Contract Revenue Bonds			
Year Ending September 30,	Principal	Interest	Total
2017	\$ -	125,207	125,207
2018	-	125,207	125,207
2019	-	228,947	228,947
2020	-	228,947	228,947
2021	-	228,947	228,947
2022	-	228,947	228,947
2023	-	228,947	228,947
2024	-	228,947	228,947
2025	-	228,947	228,947
2026	95,000	125,206	220,206
2027	100,000	119,809	219,809
2028	106,250	114,080	220,330
2029	112,500	107,991	220,491
2030	118,750	101,545	220,295
2031	125,000	94,741	219,741
2032	133,750	87,578	221,328
2033	140,000	79,915	219,915
2034	148,750	71,823	220,573
2035	156,250	63,225	219,475
2036	166,250	54,193	220,443
2037	176,250	44,584	220,834
2038	185,000	34,397	219,397
2039	197,500	23,611	221,111
2040	207,500	12,097	219,597
Total	\$ 2,168,750	2,987,838	5,156,588

2006 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 30,000	16,442	46,442
2018	30,000	15,130	45,130
2019	35,000	13,700	48,700
2020	35,000	12,160	47,160
2021	35,000	10,611	45,611
2022	40,000	8,943	48,943
2023	40,000	7,143	47,143
2024	45,000	5,209	50,209
2025	45,000	3,139	48,139
2026	45,000	1,046	46,046
Total	\$ 380,000	93,523	473,523

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2006 Contract Revenue Bonds			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 85,000	37,343	122,343
2018	90,000	34,410	124,410
2019	95,000	31,260	126,260
2020	95,000	27,887	122,887
2021	100,000	24,515	124,515
2022	105,000	20,915	125,915
2023	110,000	17,082	127,082
2024	115,000	13,068	128,068
2025	115,000	8,813	123,813
2026	120,000	4,500	124,500
Total	<u>\$ 1,030,000</u>	<u>219,793</u>	<u>1,249,793</u>

2007 Contract Revenue Bonds			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 55,000	52,584	107,584
2018	11,250	49,961	61,211
2019	12,500	49,413	61,913
2020	13,750	48,792	62,542
2021	13,750	48,101	61,851
2022	15,000	47,397	62,397
2023	16,250	46,614	62,864
2024	16,250	45,758	62,008
2025	26,250	44,885	71,135
2026	27,500	43,462	70,962
2027	28,750	41,945	70,695
2028	31,250	40,343	71,593
2029	70,000	38,603	108,603
2030	75,000	34,704	109,704
2031	78,750	30,488	109,238
2032	82,500	26,063	108,563
2033	87,500	21,426	108,926
2034	92,500	16,509	109,009
2035	97,500	11,310	108,810
2036	103,750	5,831	109,581
Total	<u>\$ 955,000</u>	<u>744,189</u>	<u>1,699,189</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2007A Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
2017	\$ 50,000	29,668	79,668
2018	55,000	27,917	82,917
2019	55,000	25,938	80,938
2020	55,000	23,902	78,902
2021	60,000	21,840	81,840
2022	60,000	19,530	79,530
2023	65,000	17,220	82,220
2024	65,000	14,685	79,685
2025	70,000	12,118	82,118
2026	75,000	9,317	84,317
2027	75,000	6,318	81,318
2028	80,000	3,280	83,280
Total	<u>\$ 765,000</u>	<u>211,733</u>	<u>976,733</u>

2008 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2017	\$ 100,000	69,267	169,267
2018	105,000	64,990	169,990
2019	110,000	60,583	170,583
2020	115,000	55,797	170,797
2021	120,000	50,628	170,628
2022	125,000	45,237	170,237
2023	130,000	39,481	169,481
2024	140,000	33,237	173,237
2025	145,000	26,520	171,520
2026	150,000	19,440	169,440
2027	160,000	12,000	172,000
2028	170,000	4,080	174,080
Total	<u>\$ 1,570,000</u>	<u>481,260</u>	<u>2,051,260</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2009A Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 50,000	39,920	89,920
2018	50,000	38,320	88,320
2019	55,000	36,595	91,595
2020	55,000	34,588	89,588
2021	60,000	32,470	92,470
2022	60,000	29,920	89,920
2023	65,000	27,280	92,280
2024	70,000	24,322	94,322
2025	75,000	21,033	96,033
2026	75,000	17,432	92,432
2027	80,000	13,608	93,608
2028	85,000	9,407	94,407
2029	90,000	4,860	94,860
Total	<u>\$ 870,000</u>	<u>329,755</u>	<u>1,199,755</u>

2009B Contract Revenue Bonds			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 65,000	39,760	104,760
2018	70,000	38,298	108,298
2019	70,000	36,547	106,547
2020	75,000	34,658	109,658
2021	75,000	32,482	107,482
2022	80,000	30,008	110,008
2023	85,000	27,247	112,247
2024	85,000	24,188	109,188
2025	90,000	21,000	111,000
2026	95,000	17,535	112,535
2027	100,000	13,592	113,592
2028	105,000	9,293	114,293
2029	105,000	4,672	109,672
Total	<u>\$ 1,100,000</u>	<u>329,280</u>	<u>1,429,280</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2010 General Obligation Refunding Bonds

Year Ending September 30,	Principal	Interest	Total
2017	\$ 120,000	21,150	141,150
2018	120,000	17,550	137,550
2019	125,000	13,650	138,650
2020	130,000	9,275	139,275
2021	135,000	4,725	139,725
Total	<u>\$ 630,000</u>	<u>66,350</u>	<u>696,350</u>

2012 General Obligation Refunding Bonds

Year Ending September 30,	Principal	Interest	Total
2017	\$ 55,000	43,050	98,050
2018	55,000	41,950	96,950
2019	60,000	40,800	100,800
2020	60,000	39,000	99,000
2021	60,000	36,600	96,600
2022	65,000	34,100	99,100
2023	70,000	31,400	101,400
2024	70,000	28,600	98,600
2025	75,000	25,700	100,700
2026	75,000	22,700	97,700
2027	80,000	19,600	99,600
2028	85,000	16,300	101,300
2029	85,000	12,900	97,900
2030	90,000	9,400	99,400
2031	95,000	5,700	100,700
2032	95,000	1,900	96,900
Total	<u>\$ 1,175,000</u>	<u>409,700</u>	<u>1,584,700</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

2013 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 210,000	91,771	301,771
2018	215,000	87,521	302,521
2019	220,000	83,171	303,171
2020	225,000	78,721	303,721
2021	230,000	74,171	304,171
2022	240,000	69,471	309,471
2023	245,000	64,621	309,621
2024	250,000	59,671	309,671
2025	260,000	54,571	314,571
2026	265,000	49,056	314,056
2027	275,000	43,048	318,048
2028	280,000	36,629	316,629
2029	290,000	29,824	319,824
2030	295,000	22,472	317,472
2031	305,000	14,025	319,025
2032	315,000	4,725	319,725
Total	<u>\$ 4,120,000</u>	<u>863,468</u>	<u>4,983,468</u>

2014 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2017	\$ 80,000	63,256	143,256
2018	85,000	61,606	146,606
2019	85,000	59,694	144,694
2020	90,000	57,507	147,507
2021	95,000	55,194	150,194
2022	95,000	52,819	147,819
2023	100,000	50,257	150,257
2024	560,000	39,750	599,750
2025	-	30,618	30,618
2026	-	30,618	30,618
2027	-	30,618	30,618
2028	-	30,618	30,618
2029	125,000	28,353	153,353
2030	130,000	23,732	153,732
2031	135,000	18,844	153,844
2032	140,000	13,687	153,687
2033	145,000	8,344	153,344
2034	150,000	2,813	152,813
Total	<u>\$ 2,015,000</u>	<u>658,328</u>	<u>2,673,328</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(3) DETAILED NOTES ON ALL FUNDS *(continued)*

G. Long-Term Debt *(continued)*

Year Ending September 30,	2015 Certificates of Obligation		
<u> </u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 45,000	55,744	100,744
2018	45,000	53,944	98,944
2019	50,000	52,044	102,044
2020	50,000	50,044	100,044
2021	50,000	48,044	98,044
2022	55,000	45,944	100,944
2023	55,000	43,744	98,744
2024	60,000	41,444	101,444
2025	60,000	39,044	99,044
2026	60,000	37,131	97,131
2027	65,000	35,606	100,606
2028	65,000	33,819	98,819
2029	70,000	31,794	101,794
2030	70,000	29,694	99,694
2031	75,000	27,519	102,519
2032	80,000	25,194	105,194
2033	80,000	22,744	102,744
2034	85,000	20,166	105,166
2035	85,000	17,509	102,509
2036	90,000	14,719	104,719
2037	95,000	11,713	106,713
2038	100,000	8,544	108,544
2039	100,000	5,231	105,231
2040	105,000	1,772	106,772
Total	<u>\$ 1,695,000</u>	<u>753,151</u>	<u>2,448,151</u>

H. Restricted Assets

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

Customer Deposits	\$ 354,130
Accrued Interest Payable	906,527
Current Bonds Payable	<u>972,500</u>
Total Restricted Assets	<u>\$ 2,233,157</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(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 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 was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

(5) RETIREMENT SYSTEM

Plan Description

The City of Melissa participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained at www.tmr.com.

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

Benefits Provided

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

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

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(5) RETIREMENT SYSTEM *(continued)*

Plan Description *(continued)*

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

	<u>Plan Year 2016</u>	<u>Plan Year 2015</u>
Employee Deposit Rate	7%	7%
Matching Ratio (city to employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%, Transfers	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	10
Inactive Employees Entitled to but Not Yet Receiving Benefits	22
Active Employees	<u>49</u>
	81

Contributions

Under the state law governing TMRS, the contribution rate for each government is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that government. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The government contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the government make contributions monthly. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a oneyear delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Employees for the City of Melissa were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.71% and 6.35% in calendar years 2015 and 2016 respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$141,014, and were equal to the required contributions.

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(5) RETIREMENT SYSTEM *(continued)*

Net Pension Liability

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

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 2,340,021	\$ 2,146,878	\$ 193,143
Changes for the Year:			-
Service Cost	273,760	-	273,760
Interest	171,825	-	171,825
Change in benefit terms	-	-	-
Diff between expected/actual experience	(14,746)	-	(14,746)
Changes of assumptions	89,627	-	89,627
Contributions - Employer	-	114,584	(114,584)
Contributions - Employee	-	144,519	(144,519)
Net Investment Income	-	3,169	(3,169)
Benefit payments, including refunds of employee contributions	(44,530)	(44,530)	-
Administrative expenses	-	(1,930)	1,930
Other charges	-	(95)	95
Net changes	475,936	215,717	260,219
Balance at 12/31/2015	<u>\$ 2,815,957</u>	<u>\$ 2,362,595</u>	<u>\$ 453,362</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

City's Net Pension Liability	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
	<u>\$ 904,256</u>	<u>\$ 453,362</u>	<u>\$ 85,887</u>

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2016

(5) RETIREMENT SYSTEM *(continued)*

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense of \$205,463. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	\$ 26,212	12,344
Changes in Actuarial Assumptions	75,030	-
Difference Between Projected & Actual Investment Earnings (net of current year amortization)	132,029	-
Contributions Subsequent to the Measurement Date	105,909	-
Total	\$ 339,180	12,344

\$105,909 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2016	\$ 52,653
2017	52,653
2018	52,652
2019	47,871
2020	13,387
Thereafter	\$ 1,711

(6) EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 21, 2017, the date which the financial statements were available to be issued.

(7) RESTATEMENT OF NET POSITION

To comply with GASB 68, which became effective during the prior fiscal year, an adjustment was made to true up the calculated deferred outflows, deferred inflows, and net pension liability for both the Governmental and Business-Type activities. The net position, as of September 30, 2016, has been restated to reflect these changes.

	Governmental Activities	Business-Type Activities	Total
Net Position - As Originally Reported	\$ 10,758,342	5,975,179	16,733,521
GASB 68 Changes:			
Deferred Outflows	67,587	6,335	73,922
Deferred Inflows	143,750	48,493	192,243
Net Pension Liability	(177,032)	(31,386)	(208,418)
Decrease in Infrastructure	(360,030)	-	(360,030)
Decrease in A/P	-	121,812	121,812
Change in GTUA Assets	-	139,076	139,076
Net Position - Restated	\$ 10,432,617	6,259,509	16,692,126

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INDIVIDUAL FUND SCHEDULES

CITY OF MELISSA
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual - Water and Sewer Fund
For the Fiscal Year Ended September 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Collections:				
Water	\$ 2,756,137	3,381,731	3,262,736	(118,995)
Sewer	1,375,394	1,481,471	1,491,766	10,295
Sanitation	300,000	405,000	408,280	3,280
Tap Fees	-	-	186,000	186,000
Reconnect Fees	75,000	75,000	79,495	4,495
Meter Installation Fees	-	17,000	18,412	1,412
Capital Contributions	-	-	612,323	612,323
Intergovernmental	228,586	228,586	228,586	-
Miscellaneous	17,000	26,300	34,594	8,294
Total Operating Revenues	<u>4,752,117</u>	<u>5,615,088</u>	<u>6,322,192</u>	<u>707,104</u>
OPERATING EXPENSES:				
Water Department:				
Personnel Services	296,484	297,484	298,213	(729)
Materials & Supplies	291,006	332,822	319,781	13,041
Other Services	938,361	1,113,357	1,165,432	(52,075)
Total Water Department	<u>1,525,851</u>	<u>1,743,663</u>	<u>1,783,426</u>	<u>(39,763)</u>
Sewer Department:				
Materials & Supplies	2,450	2,450	2,335	115
Other Services	868,542	1,398,791	1,311,109	87,682
Total Sewer Department	<u>870,992</u>	<u>1,401,241</u>	<u>1,313,444</u>	<u>87,797</u>
Sanitation Department:				
Other Services	233,000	331,000	337,546	(6,546)
Total Sanitation Department	<u>233,000</u>	<u>331,000</u>	<u>337,546</u>	<u>(6,546)</u>
Billing Department:				
Personnel Services	185,439	195,939	209,787	(13,848)
Materials & Supplies	11,755	34,343	32,358	1,985
Other Services	210,364	268,158	255,277	12,881
Total Billing Department	<u>407,558</u>	<u>498,440</u>	<u>497,422</u>	<u>1,018</u>
Total Operating Expenses	<u>3,037,401</u>	<u>3,974,344</u>	<u>3,931,838</u>	<u>42,506</u>
Operating Income/(Loss)	<u>\$ 1,714,716</u>	<u>1,640,744</u>	<u>2,390,354</u>	<u>749,610</u>

CITY OF MELISSA
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual - Water and Sewer Fund
For the Fiscal Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest Income	5,000	3,000	16,694	13,694
Interest Expense	<u>(1,696,662)</u>	<u>(1,683,241)</u>	<u>(1,550,046)</u>	<u>133,195</u>
Total Nonoperating Revenues (Expenses)	<u>(1,691,662)</u>	<u>(1,680,241)</u>	<u>(1,533,352)</u>	<u>146,889</u>
Net Income/(Loss) Before Transfers	23,054	(39,497)	857,002	896,499
Transfers Out	<u>(270,000)</u>	<u>(377,000)</u>	<u>(423,000)</u>	<u>(46,000)</u>
Change in Net Position	(246,946)	(416,497)	434,002	850,499
Net Position - Beginning	<u>6,259,509</u>	<u>6,259,509</u>	<u>6,259,509</u>	<u>-</u>
Net Position - Ending	<u><u>\$ 6,012,563</u></u>	<u><u>5,843,012</u></u>	<u><u>6,693,511</u></u>	<u><u>850,499</u></u>

CITY OF MELISSA
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended September 30, 2016

Total Pension Liability	<u>2015</u>	<u>2014</u>
Service Cost	\$ 273,760	\$ 214,284
Interest (on the Total Pension Liability)	171,825	144,926
Changes of Benefit Terms	-	-
Difference Between Expected & Actual Experience	(14,746)	38,722
Change of Assumptions	89,627	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(44,530)</u>	<u>(42,295)</u>
Net Change in Total Pension Liability	475,936	355,637
 Total Pension Liability - Beginning	 <u>2,340,021</u>	 <u>1,984,384</u>
 Total Pension Liability - Ending (a)	 <u><u>\$ 2,815,957</u></u>	 <u><u>\$ 2,340,021</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 114,584	\$ 81,796
Contributions - Employee	144,519	130,197
Net Investment Income	3,169	107,092
Benefit Payments, Including Refunds of Employee Contributions	(44,530)	(42,295)
Administrative Expense	(1,930)	(1,118)
Other	<u>(95)</u>	<u>(92)</u>
Net Change in Plan Fiduciary Net Position	215,717	275,580
 Plan Fiduciary Net Position - Beginning	 <u>2,146,878</u>	 <u>1,871,298</u>
 Plan Fiduciary Net Position - Ending (b)	 <u><u>\$ 2,362,595</u></u>	 <u><u>\$ 2,146,878</u></u>
 Net Pension Liability - Ending (a) - (b)	 \$ 453,362	 \$ 193,143
 Plan Fiduciary Net Position as Percentage of Total Pension Liability	 83.90%	 91.75%
 Covered Employee Payroll	 \$ 2,064,559	 \$ 1,859,951
 Net Pension Liability as Percentage of Covered Employee Payroll	 21.96%	 10.38%

CITY OF MELISSA
Schedule of Pension Contributions
For the Year Ended September 30, 2016

	2016	2015
Actuarially Determined Contribution	\$ 141,014	\$ 105,230
Contributions in Relation to the Actuarially Determined Contribution	(141,014)	(105,230)
Contribution Deficiency/(Excess)	-	-
Covered Employee Payroll	\$ 2,282,657	\$ 1,942,041
Contributions as Percentage of Covered Employee Payroll	6.18%	5.42%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods & Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

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STATISTICAL SECTION

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

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

Revenue Capacity	87
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These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water & sewer revenues.

Debt Capacity.....	93
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information.....	106
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information	110
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

CITY OF MELISSA
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities				
Net Invested in Capital Assets	4,614	1,304	3,250	6,076
Restricted	751	4,362	68	109
Unrestricted	1,556	1,738	4,528	3,553
Total Governmental Activities Net Position	<u>6,921</u>	<u>7,404</u>	<u>7,846</u>	<u>9,738</u>
Business-Type Activities				
Net Invested in Capital Assets	1,888	2,374	1,884	1,391
Unrestricted	1,267	1,261	697	1,268
Total Business-Type Activities Net Position	<u>3,155</u>	<u>3,635</u>	<u>2,581</u>	<u>2,659</u>
Primary Government				
Net Invested in Capital Assets	6,502	3,678	5,134	7,467
Restricted	751	4,362	68	109
Unrestricted	2,823	2,999	5,225	4,821
Total Primary Government Net Position	<u>10,076</u>	<u>11,039</u>	<u>10,427</u>	<u>12,397</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
6,510	7,054	8,397	8,381	8,834	2,148
1,510	1,328	1,118	1,126	440	503
<u>1,218</u>	<u>1,338</u>	<u>713</u>	<u>1,381</u>	<u>1,484</u>	<u>8,652</u>
<u><u>9,238</u></u>	<u><u>9,720</u></u>	<u><u>10,228</u></u>	<u><u>10,888</u></u>	<u><u>10,758</u></u>	<u><u>11,303</u></u>
1,702	1,562	3,042	2,032	1,350	3,460
<u>1,719</u>	<u>2,513</u>	<u>1,385</u>	<u>3,195</u>	<u>4,625</u>	<u>2,598</u>
<u><u>3,421</u></u>	<u><u>4,075</u></u>	<u><u>4,427</u></u>	<u><u>5,227</u></u>	<u><u>5,975</u></u>	<u><u>6,058</u></u>
8,212	8,616	11,439	10,413	10,184	5,608
1,510	1,328	1,118	1,126	440	503
<u>2,937</u>	<u>3,864</u>	<u>2,098</u>	<u>4,576</u>	<u>6,109</u>	<u>11,250</u>
<u><u>12,659</u></u>	<u><u>13,808</u></u>	<u><u>14,655</u></u>	<u><u>16,115</u></u>	<u><u>16,733</u></u>	<u><u>17,361</u></u>

CITY OF MELISSA
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental Activities:				
General Government	1,596	1,736	1,696	1,661
Public Safety	859	919	990	1,055
Streets	182	520	384	242
Culture and Recreation	280	381	371	397
Interest on Long-Term Debt	256	335	495	1,100
Total Governmental Activities Expenses	<u>3,173</u>	<u>3,891</u>	<u>3,936</u>	<u>4,455</u>
Business-Type Activities:				
Water & Sewer	1,332	1,619	2,747	2,447
Sanitation	103	133	194	166
Total Business-Type Activities Expenses	<u>1,435</u>	<u>1,752</u>	<u>2,941</u>	<u>2,613</u>
Total Primary Government Expenses	<u>4,608</u>	<u>5,643</u>	<u>6,877</u>	<u>7,068</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	392	294	248	255
Public Safety	477	463	447	388
Streets	-	-	-	-
Culture & Recreation	-	1	-	2
Operating Grants & Contributions	422	420	67	112
Capital Grants & Contributions	264	304	-	2,067
Total Governmental Activities	<u>2,625</u>	<u>2,482</u>	<u>762</u>	<u>2,824</u>
Program Revenues	<u>1,555</u>	<u>1,482</u>	<u>762</u>	<u>2,824</u>
Business-Type Activities:				
Charges for Services:				
Water & Sewer	1,845	2,102	1,789	2,264
Sanitation	144	176	199	210
Grants & Contributions	-	-	-	-
Total Business-Type Activities	<u>1,989</u>	<u>2,278</u>	<u>1,988</u>	<u>2,474</u>
Program Revenues	<u>1,989</u>	<u>2,278</u>	<u>1,988</u>	<u>2,474</u>
Total Primary Government Program Revenues	<u>3,544</u>	<u>3,760</u>	<u>2,750</u>	<u>5,298</u>
Net (Expense)/Revenue				
Governmental Activities	(1,618)	(2,409)	(3,174)	(1,631)
Business-Type Activities	<u>554</u>	<u>526</u>	<u>(953)</u>	<u>(139)</u>
Total Primary Government Net Expense	<u>(1,064)</u>	<u>(1,883)</u>	<u>(4,127)</u>	<u>(1,770)</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1,893	2,054	2,300	2,253	2,917	2,849
1,067	1,238	1,377	1,483	1,726	2,135
487	789	772	843	909	1,010
445	441	469	487	689	593
828	762	815	771	867	1,120
<u>4,720</u>	<u>5,284</u>	<u>5,733</u>	<u>5,837</u>	<u>7,108</u>	<u>7,707</u>
2,438	3,011	3,154	3,047	4,178	5,779
175	169	194	211	233	338
<u>2,613</u>	<u>3,180</u>	<u>3,348</u>	<u>3,258</u>	<u>4,411</u>	<u>6,117</u>
<u>7,333</u>	<u>8,464</u>	<u>9,081</u>	<u>9,095</u>	<u>11,519</u>	<u>13,824</u>
247	417	549	735	958	1,192
525	573	467	552	560	546
-	-	-	-	22	157
2	5	9	5	-	-
91	100	282	309	158	203
29	1,008	1,223	830	400	579
<u>894</u>	<u>2,103</u>	<u>2,530</u>	<u>2,431</u>	<u>2,098</u>	<u>2,677</u>
2,846	3,196	3,932	3,908	4,478	5,133
220	234	260	281	314	314
-	-	-	-	228	841
<u>3,066</u>	<u>3,430</u>	<u>4,192</u>	<u>4,189</u>	<u>5,020</u>	<u>6,288</u>
<u>3,960</u>	<u>5,533</u>	<u>6,722</u>	<u>6,620</u>	<u>7,118</u>	<u>8,965</u>
(3,826)	(3,181)	(3,203)	(3,406)	(5,010)	(5,030)
<u>453</u>	<u>250</u>	<u>844</u>	<u>931</u>	<u>609</u>	<u>171</u>
<u>(3,373)</u>	<u>(2,931)</u>	<u>(2,359)</u>	<u>(2,475)</u>	<u>(4,401)</u>	<u>(4,859)</u>

CITY OF MELISSA
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)
continued

	Fiscal Year			
	2007	2008	2009	2010
GENERAL REVENUES & OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes				
Property Taxes	1,272	1,617	2,133	2,143
Sales Taxes	564	672	507	406
Franchise Taxes	128	132	147	193
Alcoholic Beverage Taxes	2	1	1	-
Investment Earnings	205	134	301	258
Miscellaneous	52	141	51	57
Gain On Sale of Capital Asset	608	1	11	-
Transfers	170	195	194	203
Total Governmental Activities	<u>3,001</u>	<u>2,893</u>	<u>3,345</u>	<u>3,260</u>
Business-Type Activities:				
Investment Earnings	180	126	73	55
Miscellaneous	62	2	21	135
Transfers	(170)	(195)	(194)	(203)
Total Business-Type Activities	<u>72</u>	<u>(67)</u>	<u>(100)</u>	<u>(13)</u>
Total Primary Government	<u>3,073</u>	<u>2,826</u>	<u>3,245</u>	<u>3,247</u>
 CHANGE IN NET POSITION				
Governmental Activities	1,383	484	171	1,629
Business-Type Activities	<u>626</u>	<u>459</u>	<u>(1,053)</u>	<u>(152)</u>
Total Primary Government	<u><u>2,009</u></u>	<u><u>943</u></u>	<u><u>(882)</u></u>	<u><u>1,477</u></u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
2,117	2,217	2,275	2,561	3,059	3,699
472	641	704	830	822	1,128
216	247	255	282	306	339
-	-	-	-	-	-
36	33	20	11	139	40
100	82	177	112	161	271
-	(12)	44	2	-	-
120	219	236	268	441	423
<u>3,061</u>	<u>3,427</u>	<u>3,711</u>	<u>4,066</u>	<u>4,928</u>	<u>5,900</u>
17	35	22	22	27	17
207	353	145	6	167	34
<u>(120)</u>	<u>(219)</u>	<u>(236)</u>	<u>(268)</u>	<u>(441)</u>	<u>(423)</u>
<u>104</u>	<u>169</u>	<u>(69)</u>	<u>(240)</u>	<u>(247)</u>	<u>(372)</u>
<u>3,165</u>	<u>3,596</u>	<u>3,642</u>	<u>3,826</u>	<u>4,681</u>	<u>5,528</u>
(765)	246	508	660	(82)	870
<u>557</u>	<u>419</u>	<u>775</u>	<u>691</u>	<u>362</u>	<u>(201)</u>
<u>(208)</u>	<u>665</u>	<u>1,283</u>	<u>1,351</u>	<u>280</u>	<u>669</u>

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CITY OF MELISSA
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2007	\$ 1,272	564	128	2	1,966
2008	1,617	672	132	1	2,422
2009	2,133	507	146	1	2,787
2010	2,143	406	193	-	2,742
2011	2,117	472	216	-	2,805
2012	2,217	641	247	-	3,105
2013	2,275	704	255	-	3,234
2014	2,561	830	282	-	3,673
2015	3,059	822	306	-	4,187
2016	\$ 3,699	1,128	339	-	5,166

CITY OF MELISSA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund					
Nonspendable	-	-	-	-	15
Restricted	-	16	31	39	48
Assigned	-	-	-	-	-
Unassigned	<u>1,582</u>	<u>1,797</u>	<u>1,281</u>	<u>1,353</u>	<u>1,333</u>
Total General Fund	<u><u>1,582</u></u>	<u><u>1,813</u></u>	<u><u>1,312</u></u>	<u><u>1,392</u></u>	<u><u>1,396</u></u>
All Other Governmental Funds					
Restricted	<u>751</u>	<u>4,362</u>	<u>10,254</u>	<u>2,404</u>	<u>1,462</u>
Total All Other Governmental Funds	<u><u>751</u></u>	<u><u>4,362</u></u>	<u><u>10,254</u></u>	<u><u>2,404</u></u>	<u><u>1,462</u></u>

Note:

- (1) The City of Melissa implemented Governmental Accounting Standards Board Statement Number 54 for the fiscal year ended September 30, 2011. Years 2006-2010 have been restated to comply with GASB Statement Number 54.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
17	2	9	38	55
64	73	85	100	76
57	64	129	414	420
<u>1,319</u>	<u>1,355</u>	<u>1,370</u>	<u>1,404</u>	<u>2,022</u>
<u>1,457</u>	<u>1,494</u>	<u>1,593</u>	<u>1,956</u>	<u>2,573</u>
<u>1,264</u>	<u>1,045</u>	<u>1,041</u>	<u>14,148</u>	<u>6,887</u>
<u>1,264</u>	<u>1,045</u>	<u>1,041</u>	<u>14,148</u>	<u>6,887</u>

CITY OF MELISSA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES				
Taxes	1,966	2,440	2,781	2,766
Licenses & Permits	392	294	206	245
Intergovernmental	300	505	313	2,303
Charges for Services	2	1	2	2
Fines	476	463	445	387
Investments Earnings	205	134	301	258
Contributions	385	218	67	149
Miscellaneous	43	124	51	58
Total Revenues	<u>3,769</u>	<u>4,179</u>	<u>4,166</u>	<u>6,168</u>
EXPENDITURES				
General Government	1,556	1,631	1,662	1,564
Public Safety	735	804	859	903
Streets	150	258	355	213
Culture & Recreation	208	290	280	306
Capital Outlay	2,883	2,511	4,713	9,592
Debt Service:				
Principal	289	310	497	537
Interest	<u>277</u>	<u>311</u>	<u>487</u>	<u>1,073</u>
Total Expenditures	<u>6,098</u>	<u>6,115</u>	<u>8,853</u>	<u>14,188</u>
Excess of Revenues Over/(Under) Expenditures	<u>(2,329)</u>	<u>(1,936)</u>	<u>(4,687)</u>	<u>(8,020)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	170	195	1,094	983
Transfers Out	-	-	(900)	(780)
Note Issued	105	-	-	-
Bonds Issued	-	5,230	9,840	-
Insurance Recoveries	9	17	-	-
Capital Leases	-	331	34	39
Sale of Capital Assets	696	3	11	8
Bond Principal Refunded	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Other Financing Sources (Uses)	<u>980</u>	<u>5,776</u>	<u>10,079</u>	<u>250</u>
Net Change in Fund Balances	<u>(1,349)</u>	<u>3,840</u>	<u>5,392</u>	<u>(7,770)</u>
Debt Service as a Percentage of Noncapital Expenditures	17.6%	17.2%	23.8%	35.0%

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
2,802	3,068	3,275	3,646	4,182	5,159
235	417	549	1,201	976	1,342
307	236	546	511	400	578
2	6	10	6	4	8
524	573	466	551	560	546
36	33	20	11	140	40
91	1,107	959	163	157	203
100	82	177	112	161	247
<u>4,097</u>	<u>5,522</u>	<u>6,002</u>	<u>6,201</u>	<u>6,580</u>	<u>8,123</u>
1,585	1,740	1,974	1,864	2,489	2,515
924	1,121	1,256	1,342	1,572	1,901
232	279	230	248	257	281
355	353	376	405	600	511
677	1,640	1,874	982	909	4,901
549	568	803	900	971	994
833	813	735	743	681	1,242
<u>5,155</u>	<u>6,514</u>	<u>7,248</u>	<u>6,484</u>	<u>7,479</u>	<u>12,345</u>
<u>(1,058)</u>	<u>(992)</u>	<u>(1,246)</u>	<u>(283)</u>	<u>(899)</u>	<u>(4,222)</u>
803	844	1,898	1,710	1,368	1,685
(684)	(625)	(1,662)	(1,443)	(927)	(1,262)
-	-	-	-	-	-
-	500	2,430	-	10,490	-
-	-	-	-	-	24
-	109	38	108	229	341
-	27	48	2	-	-
-	-	(1,595)	-	-	-
-	-	(93)	-	-	-
<u>119</u>	<u>855</u>	<u>1,064</u>	<u>377</u>	<u>11,160</u>	<u>788</u>
<u>(939)</u>	<u>(137)</u>	<u>(182)</u>	<u>94</u>	<u>10,261</u>	<u>(3,434)</u>
30.9%	28.3%	28.6%	29.9%	25.1%	30.0%

CITY OF MELISSA
 General Governmental Tax Revenue by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2007	\$ 1,272	564	128	2	1,966
2008	1,635	672	132	1	2,440
2009	2,127	507	146	1	2,781
2010	2,167	406	193	-	2,766
2011	2,113	472	217	-	2,802
2012	2,181	640	247	-	3,068
2013	2,316	704	255	-	3,275
2014	2,534	830	282	-	3,646
2015	3,054	822	306	-	4,182
2016	\$ 3,692	1,128	339	-	5,159

CITY OF MELISSA
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

Fiscal Year Ended September 30	Real Property		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential	Commercial			
2007	\$ 189,676	61,481	14,650	236,507	0.520000
2008	253,408	71,814	17,033	308,189	0.520000
2009	277,679	75,976	17,097	336,558	0.610000
2010	283,842	87,460	29,637	341,665	0.610000
2011	289,495	84,077	31,807	341,765	0.610000
2012	299,967	84,719	32,018	352,668	0.610000
2013	310,017	88,489	35,219	363,287	0.610000
2014	420,978	101,533	41,884	480,627	0.610000
2015	428,704	128,724	125,900	431,528	0.610000
2016	\$ 663,465	105,965	74,304	695,126	0.610000

Source: Collin County Central Appraisal District

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

CITY OF MELISSA
Property Tax Rates
Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	City of Melissa		Total	Melissa Independent School District	Collin County	Collin County College District	Total
	General Fund	Debt Service Fund					
2007	0.439795	0.080205	0.520000	1.780000	0.245000	0.087683	2.632683
2008	0.459435	0.060565	0.520000	1.535000	0.245000	0.086984	2.386984
2009	0.436756	0.173244	0.610000	1.540000	0.242500	0.086493	2.478993
2010	0.435000	0.175000	0.610000	1.540000	0.242500	0.086300	2.478800
2011	0.431322	0.178678	0.610000	1.540000	0.240000	0.086300	2.476300
2012	0.437740	0.172260	0.610000	1.540000	0.240000	0.086300	2.476300
2013	0.441731	0.168269	0.610000	1.540000	0.237500	0.083643	2.471143
2014	0.463642	0.146358	0.610000	1.540000	0.235000	0.081960	2.466960
2015	0.478910	0.131090	0.610000	1.670000	0.225000	0.081960	2.586960
2016	0.462173	0.147827	0.610000	1.670000	0.208395	0.081222	2.569617

Source: Collin County Central Appraisal District.

CITY OF MELISSA
Principal Property Taxpayers
September 30, 2016

<u>Taxpayer</u>	2016		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
D.R. HORTON - Texas LTD	\$ 7,539,612	1	1.08%
Hillwood RLD LP	7,063,030	2	1.01%
Alpha Steel Fab Inc.	3,544,126	3	0.51%
Ed Bell Construction	2,821,418	4	0.41%
MC Melissa TX Landlord LLC	2,700,160	5	0.39%
JESSH Enterprises Inc.	2,410,788	6	0.34%
First National Bank of Trenton	2,325,611	7	0.33%
ONCOR Electric Delivery Company	2,291,699	8	0.33%
Harlan Properties	2,271,600	9	0.32%
CMC Rebar	<u>2,194,563</u>	10	<u>0.31%</u>
	<u>\$ 35,162,607</u>		<u>5.03%</u>

Source: Collin County Central Appraisal District

CITY OF MELISSA
Property Tax Levies and Collections (1)
Last Ten Fiscal Years

Fiscal Year	Levy Year	Total Adjusted Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percent of Levy		Amount	Percent of Levy
2007	2006	\$1,230,154	1,222,950	99.41%	6,665	1,229,615	99.95%
2008	2007	1,603,175	1,585,293	98.88%	17,585	1,602,878	99.98%
2009	2008	2,089,744	2,035,210	97.39%	52,767	2,087,977	99.91%
2010	2009	2,095,958	2,068,894	98.71%	24,245	2,093,139	99.86%
2011	2010	2,084,767	2,058,297	98.73%	25,598	2,083,895	99.95%
2012	2011	2,135,747	2,122,966	99.40%	11,909	2,134,875	99.88%
2013	2012	2,222,902	2,206,941	99.28%	10,686	2,217,627	99.74%
2014	2013	2,473,949	2,463,639	99.58%	6,479	2,470,118	99.28%
2015	2014	2,941,989	2,932,886	99.69%	-	2,932,886	99.69%
2016	2015	\$3,585,389	3,570,609	99.59%	-	3,570,609	99.59%

Notes: (1) Includes general and debt service funds

CITY OF MELISSA
 Water, Sewer and Sanitation Revenues
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
2007	\$ 962	341	144	1,447
2008	1,243	363	176	1,782
2009	1,188	399	199	1,786
2010	1,428	460	210	2,098
2011	1,972	590	220	2,782
2012	2,079	688	234	3,001
2013	2,358	857	261	3,476
2014	2,580	1,105	281	3,966
2015	3,332	1,313	314	4,959
2016	\$ 4,422	1,492	408	6,322

CITY OF MELISSA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts Expressed in Thousands, Except per Capita Amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	General Obligation Bonds	Notes	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases	
2007	\$ 5,035	103	220	7,738	75	-	13,171
2008	10,020	99	490	10,939	35	181	21,764
2009	19,450	94	441	10,666	-	163	30,814
2010	19,005	89	392	11,644	1,255	148	32,533
2011	18,530	84	323	11,356	1,160	132	31,585
2012	18,630	-	348	12,374	1,060	115	32,527
2013	18,740	-	308	16,636	955	98	36,737
2014	17,930	-	326	18,130	850	79	37,315
2015	27,575	-	429	19,085	740	81	47,910
2016	\$ 26,695	-	656	18,306	630	57	46,344

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

¹See the Schedule of Demographic and Economic Statistics on page 106 for personal income and population data.

<u>Percentage of Personal Income¹</u>	<u>Per Capital¹</u>
9.14%	3,991
10.36%	4,946
10.45%	6,163
10.29%	6,256
11.21%	5,743
11.88%	5,421
10.98%	5,652
11.64%	5,330
16.15%	5,323
12.40%	4,633

CITY OF MELISSA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Amounts Expressed in Thousands, Except per Capita Amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Gross Property Value ¹ of Property	Per Capita ²
2007	\$ 5,035	-	5,035	1.55%	1,526
2008	10,020	-	10,020	2.80%	2,277
2009	19,450	37	19,413	5.18%	3,883
2010	19,005	71	18,934	5.09%	3,641
2011	18,530	97	18,433	5.05%	3,351
2012	18,630	116	18,514	5.32%	3,124
2013	18,740	197	18,543	4.65%	2,853
2014	17,930	243	17,687	3.68%	2,527
2015	27,575	304	27,271	4.74%	3,030
2016	\$ 26,695	379	26,316	3.79%	2,632

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

¹See the Schedule of Assessed Value and Actual Value of Taxable Property on page 93 for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics on Page 106.

CITY OF MELISSA
Direct and Overlapping Governmental Activities Debt
As of September 30, 2016
(Amounts Expressed in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Melissa I.S.D.	\$ 88,783	86.26%	\$ 76,584
Collin County	395,590	0.50%	1,978
Collin County College District	19,366	0.50%	<u>97</u>
Total Overlapping Debt			78,659
City of Melissa Direct Debt			<u>26,695</u>
Total Direct and Overlapping Debt			<u><u>\$ 105,354</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Collin County Central Appraisal District. Debt outstanding data provided by the governmental units.

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

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

CITY OF MELISSA
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 32,522	35,748	37,466	37,195
Total Net Debt Applicable to Limit	<u>5,035</u>	<u>10,020</u>	<u>19,413</u>	<u>18,934</u>
Legal Debt Margin	<u>\$ 27,487</u>	<u>25,728</u>	<u>18,053</u>	<u>18,261</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	15.48%	28.03%	51.81%	50.90%

Note: Under state finance law, the City of Melissa's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
37,357	35,267	39,851	52,251	54,166	76,943
<u>18,433</u>	<u>18,514</u>	<u>27,271</u>	<u>17,687</u>	<u>27,271</u>	<u>26,316</u>
<u>18,924</u>	<u>16,753</u>	<u>12,580</u>	<u>34,564</u>	<u>26,895</u>	<u>50,627</u>
49.34%	52.50%	68.43%	33.85%	50.35%	34.20%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed Value	\$695,126
Add Back: Exempt Real Property	<u>74,304</u>
Total Assessed Value	<u>769,430</u>
Debt Limit (10% of Total Assessed Value)	<u>76,943</u>
Debt Applicable to Limit:	
General Obligation Bonds	26,695
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>(379)</u>
Total Net Debt Applicable to Limit	<u>26,316</u>
Legal Debt Margin	<u>\$ 50,627</u>

CITY OF MELISSA
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year	Water & Sewer Revenue Bonds					
	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 2,231	1,113	1,118	163	193	3.14
2008	2,407	1,346	1,061	194	248	2.40
2009	2,081	2,352	(271)	308	469	-
2010	2,894	1,989	905	308	418	1.25
2011	3,495	1,896	1,599	288	430	2.23
2012	4,066	2,225	1,841	473	530	1.84
2013	3,950	2,822	1,128	548	525	1.05
2014	4,217	2,564	1,653	761	695	1.14
2015	5,214	3,228	1,986	850	739	1.25
2016	\$ 6,110	3,932	2,178	889	1,550	0.89

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CITY OF MELISSA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Estimated Population	Personal Income (Amounts Expressed in Thousands)	(2) Per Capita Personal Income	(1) Average Age	(4) School Enrollment	(3) Unemployment Rate
2007	4,000	\$ 174,704	43,676	N/A	1,001	3.9%
2008	4,400	210,060	47,741	N/A	1,256	4.6%
2009	4,700	146,541	31,179	36.9	1,370	7.2%
2010	5,200	162,130	31,179	33.7	1,453	7.3%
2011	5,500	171,845	31,179	32.4	1,586	7.0%
2012	6,000	187,074	31,179	32.9	1,707	6.1%
2013	6,500	214,292	32,968	32.9	1,895	5.5%
2014	7,000	230,776	32,968	32.4	1,921	4.4%
2015	9,000	296,712	32,968	31	2,159	4.4%
2016	10,000	\$ 373,620	37,362	31.1	2,399	3.6%

Data Sources:

- (1) North Central Texas Council of Governments (NCTCOG) & staff estimates
- (2) Texas Workforce Commission (data for Collin County)
- (3) US Bureau of Labor & Real Estate Center at Texas A&M University (data for Collin County)
- (4) Melissa I.S.D.

CITY OF MELISSA
Principal Employers
As of September 30, 2016

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Melissa ISD	280	1	25.0%
Kirk Concrete Construction, Inc.	135	2	12.1%
SteelFab Texas Fabricated Structural Steel	84	3	7.5%
Calhar Utility Contractors	80	4	7.1%
NTMWD Regional Disposal Activities	48	5	4.3%
City of Melissa	43.5	6	3.9%
Sonic Drive-In	36	7	3.2%
CMC Rebar	28	8	2.5%
Mudpies & Lullabies	21	9	1.9%
CVS Pharmacy	<u>14</u>	10	<u>1.3%</u>
Total	<u><u>769.5</u></u>		<u><u>68.7%</u></u>

Source: City of Melissa

CITY OF MELISSA
 Full-Time Equivalent City Government Employees by Function
 Last Ten Fiscal Years

FUNCTION	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government	6.0	6.0	6.0	6.0
Public Safety:				
Police	9.0	9.5	9.5	9.5
Municipal Court	2.5	2.5	2.5	2.5
Fire	0.5	0.5	1.5	1.5
Code Enforcement	1.0	1.0	1.0	1.0
Streets	1.0	1.0	1.0	1.0
Culture & Recreation:				
Parks & Recreation	2.0	2.0	1.0	1.0
Libraries	2.0	2.5	2.0	2.0
Water, Wastewater	4.0	4.0	4.0	4.0
Utility Administration	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Total	<u><u>31.0</u></u>	<u><u>32.0</u></u>	<u><u>31.5</u></u>	<u><u>31.5</u></u>

Source: Finance Department

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
6.0	6.5	6.5	7.0	7.5	7.5
9.5	9	9.0	10.0	11.0	11.0
2.5	2.5	2.5	1.5	1.5	1.5
2	2.0	3.0	3.5	9.0	9.5
1.0	1.0	-	-	-	1.0
1.0	1.0	1.0	1.0	0.5	0.5
1.0	1.0	1.0	1.0	2.0	2.0
2.0	2.0	2.5	3.0	4.0	3.5
4.0	4.0	4.0	4.0	4.5	3.5
<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.5</u>	<u>3.5</u>	<u>3.5</u>
<u><u>32.0</u></u>	<u><u>32.0</u></u>	<u><u>32.5</u></u>	<u><u>34.5</u></u>	<u><u>43.5</u></u>	<u><u>43.5</u></u>

CITY OF MELISSA
 Operating Indicators by Function/Program
 Last Five Fiscal Years

FUNCTION/PROGRAM	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government:			
Building Permits Issued			
Commercial:			
Number Issued	1	3	6
Total Dollar Value of Permits Issued	\$ 1,013,460	909,760	12,125,016
Residential:			
Number Issued	205	158	267
Total Dollar Value of Permits Issued	\$ 37,994,370	29,256,927	51,138,518
Public Safety:			
Police:			
Physical Arrests	154	119	151
Accidents	223	272	302
Citations	2,623	2,578	3,277
Fire:			
Calls for Service - Fire & EMS	775	750	825
Number of Fire Safety Programs	30	25	30
Number of Calls Answered	900	925	850
Inspections	70	105	375
Fires Extinguished	125	130	65
Municipal Court:			
Number of Cases Filed	2,871	2,534	3,609
Number of Cases Closed	2,980	4,106	3,205
Culture & Recreation:			
Parks & Recreation:			
Athletic Field Reservations Issued	15	52	21
Park Facilities Reservations Issued	12	32	28
Public Works:			
Water & Sewer:			
New Water Connections	193	154	258
Average Daily Consumption of Water (Thousands of Gallons)	764,688	696,847	611,156
Average Daily Treatment of Wastewater (Thousands of Gallons)	654,121	718,830	793,123
Streets:			
Potholes Repaired (Tons of Material)	62.8	48.5	227.0

Sources: Various government departments

2015	2016
4	23
3,425,350	3,641,774
334	238
72,037,803	60,904,323
128	162
234	259
3,461	2,799
920	1,120
30	30
950	1,120
450	400
150	95
3,461	-
3,077	-
60	22
15	26
295	284
915,316	835,180
1,557,289	1,395,918
195.0	310.0

CITY OF MELISSA
 Capital Asset Statistics by Function/Program
 Last Eight
 Fiscal Years

FUNCTION	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety				
Police Stations	1	1	1	1
Fire Stations	1	1	1	1
Streets and Drainage:				
Streets (Miles)	51.1	52.8	53	53
Storm Sewers (Miles)	15.45	16.92	16.95	16.95
Culture and Recreation				
Parks Acreage	31	31	31	31
Melissa Sports Facility - Acreage	-	-	-	-
Water				
Water Mains (Miles)	25.67	45.95	46	47.25
Fire Hydrants	300	366	368	370
Storage Capacity (Millions of Gallons)	1375	1375	1375	1375
Sewer				
Sanitary Sewers (Miles)	36.49	42.94	42.94	42.94

Sources: Various city departments.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1	1	1	1
1	1	1	1
54.42	58.16	61.46	62.94
18.54	19.57	21.13	22.32
31	31	31	31
-	-	-	100
50.31	54.31	57.5	61.54
400	439	478	515
1375	1375	1750	1750
44.75	47.24	50.6	52.78