



# CITY OF MELISSA TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT

• FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2014



**CITY OF MELISSA, TEXAS**

Financial Statements  
(With Auditor's Report Thereon)

September 30, 2014



**CITY OF MELISSA**  
 Annual Financial Report  
 For the Year Ended September 30, 2014

**TABLE OF CONTENTS**

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
GFOA Certificate of Achievement.....	7
Organizational Chart.....	8
List of Principal Officials.....	9
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	11
Management's Discussion and Analysis.....	13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	22
Statement of Activities.....	24
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	32
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund .....	33
Statement of Net Position - Proprietary Funds.....	36
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	37
Statement of Cash Flows - Proprietary Funds.....	38
Notes to the Financial Statements .....	40
Individual Fund Schedule:	
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual - Water and Sewer Fund .....	74

**TABLE OF CONTENTS**  
*(continued)*

	<u>Page</u> <u>Number</u>
<b>STATISTICAL SECTION</b>	
Net Position by Component.....	78
Changes in Net Position .....	80
Governmental Activities Tax Revenues by Source .....	85
Fund Balances of Governmental Funds .....	86
Changes in Fund Balances of Governmental Funds .....	88
General Governmental Tax Revenues by Source.....	90
Assessed Value and Actual Value of Taxable Property.....	91
Property Tax Rates - Direct and Overlapping Governments .....	92
Principal Property Taxpayers .....	93
Property Tax Levies and Collections .....	94
Water, Sewer and Sanitation Revenues .....	95
Ratios of Outstanding Debt by Type.....	96
Ratios of General Bonded Debt Outstanding .....	98
Direct and Overlapping Governmental Activities Debt .....	99
Legal Debt Margin Information .....	100
Pledged-Revenue Coverage .....	102
Demographic and Economic Statistics .....	104
Principal Employers.....	105
Full-time Equivalent City Government Employees by Function.....	106
Operating Indicators by Function.....	108
Capital Asset Statistics by Function .....	110



## City of Melissa

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March 26, 2015

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, 2014. 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, 2014, 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, 2014, 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 atlarge.

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 (48). The 4A and 48 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 7,800. 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 and 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 2015 population estimate is approximately 7,800 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 are under review and should be considered for adoption in the spring of 2015 and will 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, then 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.

During the budget process, the Council approved proceeding with the reconstruction of Milrany Lane under the Transportation CIP.

### **Financial Planning and 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 FY15 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. In 2014, the City began the update to the Comprehensive Plan to reestablish the priorities for the community moving forward. This update should be considered for adoption in the spring of 2015.

#### 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.

#### 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 and 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 five years and will be submitting the CAFR for the fiscal year ended September 30, 2014.

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, 2014. This is the sixth 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 2015 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, P.L.L.C. 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 Achievement for Excellence in Financial Reporting

Presented to

**City of Melissa  
Texas**

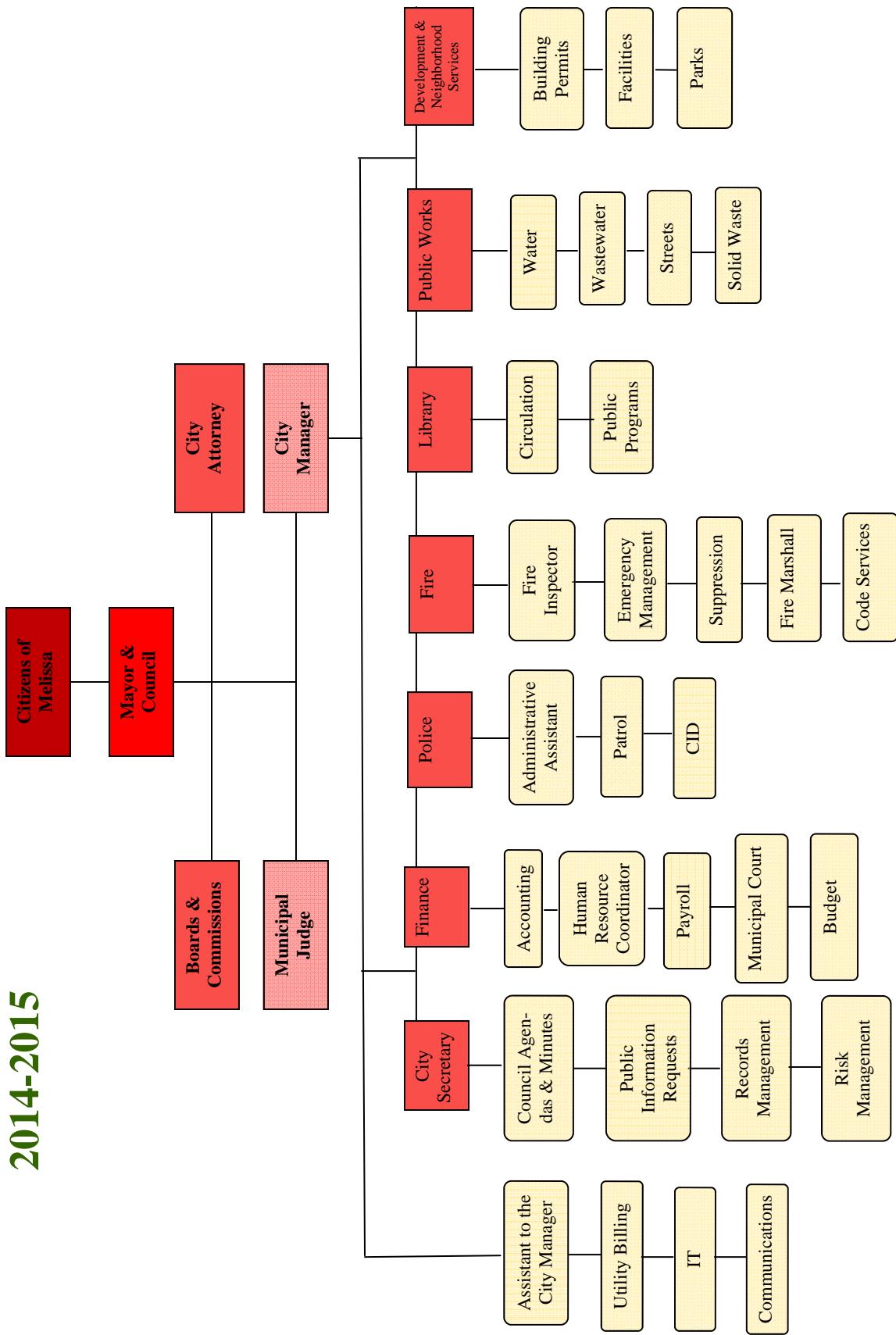
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

A handwritten signature in black ink, appearing to read "Jeffrey P. Evans".

Executive Director/CEO

# City of Melissa Organizational Chart 2014-2015



# CITY OF MELISSA, TEXAS



## List of Elected and Appointed Officials

**FISCAL YEAR 2014**  
**OCTOBER 1, 2013- SEPTEMBER 30, 2014**

### THE MAYOR AND THE CITY COUNCIL

**MAYOR  
REED GREER**

**MAYOR PRO TEM  
NICCO WARREN**

**CITY COUNCIL MEMBERS**  
**JULIE ANDERSON**  
**DICK HAYDEN**  
**JASON KAISER**  
**DAVID KASSON**  
**SHARON WEIDEMAN**

### **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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13-19 and 74 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*

The introductory section and statistical section are the responsibility of management and were 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 introductory section and statistical section are fairly stated, in all material respects, in relation to the basic financial statement as a whole.

*Evans, Pingleton and Howard, PLLC*

Evans, Pingleton and Howard, PLLC

Frisco, TX

March 26, 2015

## Management's Discussion and 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, 2014. 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 \$16,115,801 (net position). Of this amount, \$4,447,548, (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 \$1,350,398. 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 \$2,634,033, a increase of \$94,672 in comparison with the prior year. Of the fund balance, \$1,369,659 is available for spending at the government's discretion (*unassigned fund balance*), \$1,126,059 is restricted for construction, court, and debt service, \$9,460 is nonspendable, and \$128,855 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 \$1,369,659 or 31 percent of total general fund expenditures.
- The City of Melissa's long-term debt increased by \$601,847 during the current fiscal year.
- The City of Melissa's net capital assets increased \$1,935,631 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 40-72 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 74-75 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 \$16,115,801 at the close of the most recent fiscal year.

A portion of the City of Melissa's net position (65 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 (7 percent) represents resources that are subject to external restrictions on how it may be used. The board has assigned \$128,855 of net position for future cost of informational technology, city hall maintenance and capital projects. The remaining balance of *unrestricted net position* \$4,447,548 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	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 4,439,076	4,946,010	9,294,169	8,882,208	13,733,245	13,828,218
Capital Assets	26,637,397	26,823,449	17,027,302	14,905,619	43,664,699	41,729,068
Total Assets	31,076,473	31,769,459	26,321,471	23,787,827	57,397,944	55,557,286
Long-Term Liabilities	18,348,192	19,120,236	19,071,253	17,697,362	37,419,445	36,817,598
Other Liabilities	1,403,850	1,717,505	2,022,863	1,503,769	3,426,713	3,221,274
Total Liabilities	19,752,042	20,837,741	21,094,116	19,201,131	40,846,158	40,038,872
Deferred Inflows of Resources	435,985	703,010	-	-	435,985	703,010
Total Deferred Inflows	435,985	703,010	-	-	435,985	703,010
Net Position						
Investment in Capital Assets, Net of Related Debt	8,381,313	8,397,143	2,032,026	3,041,920	10,413,339	11,439,063
Restricted	1,126,059	1,118,460	-	-	1,126,059	1,118,460
Assigned	128,855	63,627	-	-	128,855	63,627
Unrestricted	1,252,219	649,478	3,195,329	1,494,775	4,447,548	2,144,253
Total Net Position	\$ 10,888,446	10,228,708	5,227,355	4,536,695	16,115,801	14,765,403

## City of Melissa – Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,292,262	1,025,336	4,188,716	4,191,682	5,480,978	5,217,018
Operating Grants and Contributions	309,088	281,839	-	-	309,088	281,839
Capital Grants and Contributions	830,132	1,223,345	-	-	830,132	1,223,345
<b>General Revenues:</b>						
Property Taxes	2,560,604	2,274,804	-	-	2,560,604	2,274,804
Other Taxes	1,112,490	958,510	-	-	1,112,490	958,510
Other	124,745	241,039	28,166	168,144	152,911	409,183
<b>Total Revenues</b>	<b>6,229,321</b>	<b>6,004,873</b>	<b>4,216,882</b>	<b>4,359,826</b>	<b>10,446,203</b>	<b>10,364,699</b>
<b>Expenses:</b>						
General Government	2,253,740	2,300,477	-	-	2,253,740	2,300,477
Public Safety	1,482,700	1,376,790	-	-	1,482,700	1,376,790
Streets	843,268	771,883	-	-	843,268	771,883
Sanitation	-	-	211,437	193,833	211,437	193,833
Culture and Recreation	486,802	468,840	-	-	486,802	468,840
Interest on Long-Term Debt	770,743	815,199	-	-	770,743	815,199
Water & Sewer	-	-	3,047,115	3,154,363	3,047,115	3,154,363
<b>Total Expenses</b>	<b>5,837,253</b>	<b>5,733,189</b>	<b>3,258,552</b>	<b>3,348,196</b>	<b>9,095,805</b>	<b>9,081,385</b>
<b>Increase/(Decrease) in Net Position</b>						
Before Transfers	392,068	271,684	958,330	1,011,630	1,350,398	1,283,314
Transfers	267,670	236,474	(267,670)	(236,474)	-	-
<b>Increase/(Decrease) in Net Position</b>	<b>659,738</b>	<b>508,158</b>	<b>690,660</b>	<b>775,156</b>	<b>1,350,398</b>	<b>1,283,314</b>
Net Position - Beginning	10,228,708	9,720,550	4,536,695	3,761,539	14,765,403	13,482,089
<b>Net Position - Ending</b>	<b>\$ 10,888,446</b>	<b>10,228,708</b>	<b>5,227,355</b>	<b>4,536,695</b>	<b>16,115,801</b>	<b>14,765,403</b>

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

### Governmental Activities:

- Charges for Services increased by \$263,760 from the previous year.
- Property Taxes increased \$285,800 from the previous year.

### Business-Type Activities

Business-Type activities increased the City of Melissa's net position by \$690,660 which is consistent with the prior year.

- Revenues decreased by \$142,944 (3%).
- Expenses decreased by \$89,644 (3%).

## 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 \$2,634,033, an increase of \$94,672 from the prior year. The increase is primarily due to an increase in charges for services and property tax revenues. Of the current combined ending fund balance, \$1,369,659 is unassigned and \$1,126,059 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 \$1,369,659. Total unassigned fund balance represents 31% of total general fund expenditures.

The debt service fund has a total fund balance of \$243,370, all of which is restricted for payment of debt services. The increase in fund balance of \$46,037 is due to assessment and collection of penalties for delinquent property taxes.

The Transportation CPF has a total fund balance of \$577,995, all of which is restricted for street construction. The decrease in fund balance of \$43,338 represents current year expenditures for various street projects.

The City Hall CPF has a total fund balance of \$18,576, all of which is restricted for capital outlay. The decrease in fund balance of \$6,130 represents current year expenditures for minor improvements and additions to the new City Hall building.

**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 \$5,227,355. The total increase in net position of the Enterprise Fund was \$690,660 which is consistent with the prior year. 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 and expenditures exceeded budgetary estimates. The budget had called for a \$11,809 increase in unassigned general fund balance. The increase in unassigned general fund balance was actually \$98,519, an increase of \$86,710 from budget projections.

- In total, actual general fund revenues were \$570,897 greater than budget. Of that amount, road impact fees were \$465,707 greater than budget.
- Overall, actual general fund expenditures were \$111,496 greater than budget. Of that amount, capital outlay was \$117,325 greater than budgeted.

## **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, 2014, amounts to \$43,664,699 (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:

- Road construction in progress of \$1,912,584.
- Fire and Police vehicles purchased \$108,476.
- Various construction on water and sewer lines, of \$2,452,616, 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 \$36,910,000. 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 bonded debt increased by \$578,750. This increase was due to 2014 Certificate of Obligation Bonds issued during the year totaling \$2,150,000.

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 53-67 of this report.

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

The budget document for fiscal year 2014 was submitted to the Government Finance Officers Association of America (FGOA) Distinguished Budget Award committee and was awarded its sixth Distinguished Budget Award. Comments submitted by the reviewers on items for improvement were addressed and the document has been resubmitted for the FY 2015 award. The goal of such a program is for the budget to serve as a policy guide, operations guide, financial plan and communication document. These components focus the document to provide 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 FY15 budget is based on an ad valorum tax rate of \$0.61. The City has maintained the same tax rate for seven 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 2014 assessed property value of the City of Melissa is over \$475 million, an overall increase of \$73 million from the preceding year. Assessed property values have risen \$359 million since 2002. The top ten taxpayers for 2014 make up only 4.80% of the \$475 million taxable appraised value compared to 4.80% in 2013, 5.43% in 2012, 7.5% in 2008, 9.51% in 2007 and 15.15% in 2005.

Sales tax is the second largest source of revenue to the City's General Fund, making up \$725,000 or 16% of total revenues.

The City Council remains committed to conduct an annual water rate study to ensure the rate structure would pay 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 currently has two different water systems: the general City system and the Country Ridge Water System (CRWS). The CRWS was purchased in 2006 and obtains its water through ground water wells. In order to maximize the benefit of groundwater use, the City made an emergency connection to the CRWS in

the event the CRWS ever ran low of water or had to be taken offline to be repaired. The City is able to manage our minimum take or pay contracts with NTMWD by the connection between our well water supply and our ground surface water supplies. The North Texas Municipal Water District (NTMWD) delivers water to the City and treats its wastewater as well. Current wholesale rates were increased by NTMWD, and these increases were passed on to the customer to cover these delivery charges.

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 2015 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 117 days at 9/30/14. This exceeds the Council adopted financial policy of at least 90 days of operating expenses for the City's General Fund. The 2015 fiscal year budget provides for an approximate increase of \$21,000 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, 2014

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,271,266	6,801,333	11,072,599
Receivables (Net of Allowance for Uncollectibles):			
Utility Bills	-	486,567	486,567
Property Taxes	27,033	-	27,033
Sales Tax	82,112	-	82,112
Other	765	148,343	149,108
Prepays	9,460	1,779	11,239
Due (to)/from Other Funds	48,110	-	48,110
Due from Component Units	330	-	330
Restricted Cash and Cash Equivalents	-	1,856,147	1,856,147
Capital Assets Not Being Depreciated:			
Land	415,873	435,015	850,888
Construction in Progress	1,912,584	3,153,149	5,065,733
Capital Assets (Net of Accumulated Depreciation):			
Building and System	11,939,628	13,326,659	25,266,287
Equipment	1,055,824	112,479	1,168,303
Infrastructure	<u>11,313,488</u>	-	<u>11,313,488</u>
Total Assets	<u>31,076,473</u>	<u>26,321,471</u>	<u>57,397,944</u>
<b>LIABILITIES</b>			
Accounts Payable	1,342,025	932,606	2,274,631
Accrued Interest Payable	61,825	768,267	830,092
Deposits Payable	-	273,880	273,880
Due from/(to) Other Funds	-	48,110	48,110
Due to Primary Government	-	-	-
Noncurrent Liabilities:			
Due Within One Year	1,012,694	870,869	1,883,563
Due in More Than One Year	<u>17,335,498</u>	<u>18,200,384</u>	<u>35,535,882</u>
Total Liabilities	<u>19,752,042</u>	<u>21,094,116</u>	<u>40,846,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenue	<u>435,985</u>	-	<u>435,985</u>
Total Deferred Inflows	<u>435,985</u>	-	<u>435,985</u>
<b>NET POSITION</b>			
Net Invested in Capital Assets	8,381,313	2,032,026	10,413,339
Restricted for:			
Construction	596,571	-	596,571
Court	84,844	-	84,844
Debt Service	444,644	-	444,644
Assigned:			
Information Technology	63,855	-	63,855
City Hall Maintenance	25,000	-	25,000
Capital Projects	40,000	-	40,000
Unrestricted	<u>1,252,219</u>	<u>3,195,329</u>	<u>4,447,548</u>
Total Net Position	<u>\$10,888,446</u>	<u>5,227,355</u>	<u>16,115,801</u>

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

Component Units	
<u>Economic Development</u>	<u>Community Development</u>

453,344	420,165
-	-
-	-
41,056	41,056
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>494,400</u>	<u>461,221</u>

373	-
-	-
-	-
-	-
330	-
-	-
-	-
<u>703</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

493,697	461,221
<u>493,697</u>	<u>461,221</u>

**CITY OF MELISSA**  
 Statement of Activities  
 For the Fiscal Year Ended September 30, 2014

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 2,253,740	735,266	-	-	
Public Safety	1,482,700	552,216	93,433	-	
Streets	843,268	-	-	830,132	
Culture and Recreation	486,802	4,780	69,396	-	
Interest and Fiscal Charges	<u>770,743</u>	-	<u>146,259</u>	-	
Total Governmental Activities	<u>5,837,253</u>	<u>1,292,262</u>	<u>309,088</u>	<u>830,132</u>	
Business-Type Activities:					
Water and Sewer	3,047,115	3,908,154	-	-	
Sanitation	<u>211,437</u>	<u>280,562</u>	-	-	
Total Business-Type Activities	<u>3,258,552</u>	<u>4,188,716</u>	-	-	
Total Primary Government	<u>9,095,805</u>	<u>5,480,978</u>	<u>309,088</u>	<u>830,132</u>	
<b>Component Units:</b>					
Economic Development	228,259				
Community Development	<u>203,002</u>				
Total Component Units	<u>\$ 431,261</u>				

General Revenues:  
 Property Taxes  
 Sales Taxes  
 Franchise Taxes  
 Investment Earnings  
 Miscellaneous Revenue  
 Gain/(Loss) on Sale of Capital Asset Transfers  
 Total General Revenues and Transfers  
  
 Change in Net Position  
  
 Net Position - Beginning  
  
 Net Position - Ending

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Economic Development	Community Development
(1,518,474)	-	(1,518,474)		
(837,051)	-	(837,051)		
(13,136)	-	(13,136)		
(412,626)	-	(412,626)		
(624,484)	-	(624,484)		
<u>(3,405,771)</u>	<u>-</u>	<u>(3,405,771)</u>		
-	861,039	861,039		
-	69,125	69,125		
<u>-</u>	<u>930,164</u>	<u>930,164</u>		
<u>(3,405,771)</u>	<u>930,164</u>	<u>(2,475,607)</u>		
			(228,259)	-
			<u>-</u>	<u>(203,002)</u>
			<u>(228,259)</u>	<u>(203,002)</u>
2,560,604	-	2,560,604	-	-
830,163	-	830,163	415,022	415,022
282,327	-	282,327	-	-
11,267	22,457	33,724	961	781
111,841	5,709	117,550	-	-
1,637	-	1,637	2,100	-
<u>267,670</u>	<u>(267,670)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,065,509</u>	<u>(239,504)</u>	<u>3,826,005</u>	<u>418,083</u>	<u>415,803</u>
659,738	690,660	1,350,398	189,824	212,801
<u>10,228,708</u>	<u>4,536,695</u>	<u>14,765,403</u>	<u>303,873</u>	<u>248,420</u>
<u>10,888,446</u>	<u>5,227,355</u>	<u>16,115,801</u>	<u>493,697</u>	<u>461,221</u>

**CITY OF MELISSA**  
 Balance Sheet  
 Governmental Funds  
 September 30, 2014

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$3,240,283	230,218
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	27,033	-
Sales Tax	82,112	-
Other	765	-
Prepays	9,460	-
Due from Other Funds	48,210	13,152
Due from Component Units	330	-
Total Assets	<u>3,408,193</u>	<u>243,370</u>
<b>LIABILITIES</b>		
Accounts Payable	1,339,205	-
Due to Other Funds	<u>13,152</u>	-
Total Liabilities	<u>1,352,357</u>	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue	463,018	-
Total Deferred Inflows	<u>463,018</u>	-
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Items	9,460	-
Restricted:		
Construction	-	-
Court	84,844	-
Debt Service	-	243,370
Assigned		
Information Technology	63,855	-
City Hall Maintenance	25,000	-
Capital Projects	40,000	-
Unassigned	<u>1,369,659</u>	-
Total Fund Balances	<u>1,592,818</u>	<u>243,370</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$3,408,193</u>	<u>243,370</u>

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

Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
Transportation Construction	City Hall Construction		
579,995	19,500	201,270	4,271,266
-	-	-	27,033
-	-	-	82,112
-	-	-	765
-	-	-	9,460
-	-	4	61,366
-	-		330
<b><u>579,995</u></b>	<b><u>19,500</u></b>	<b><u>201,274</u></b>	<b><u>4,452,002</u></b>
1,900	920	-	1,342,025
100	4	-	13,256
<b><u>2,000</u></b>	<b><u>924</u></b>	<b><u>-</u></b>	<b><u>1,355,281</u></b>
<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>463,018</u></b>
<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>463,018</u></b>
-	-	-	9,460
577,995	18,576	-	596,571
-	-	-	84,844
-	-	201,274	444,644
-	-	-	63,855
-	-	-	25,000
-	-	-	40,000
-	-	-	1,369,659
<b><u>577,995</u></b>	<b><u>18,576</u></b>	<b><u>201,274</u></b>	<b><u>2,634,033</u></b>
<b><u>579,995</u></b>	<b><u>19,500</u></b>	<b><u>201,274</u></b>	<b><u>4,452,332</u></b>

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**CITY OF MELISSA**  
 Reconciliation of Balance Sheet of Governmental Funds  
 to Statement of Net Position  
 September 30, 2014

**Total Fund Balances - Governmental Funds** \$ 2,634,033

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 \$31,058,026 and the accumulated depreciation was \$(4,234,577). In addition, long-term liabilities, including bonds payable of \$(18,740,000), and capital leases of \$(307,639) 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.

7,775,810

Current year capital outlays of \$981,608 and long-term debt principal payments of \$900,031 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.

1,881,639

Current year bond and lease proceeds of \$(108,476) 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.

(108,476)

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.

(61,825)

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.

(1,167,660)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$27,033 of deferred revenue as revenue, and recognizing the liability associated with compensated absences of \$(92,108). The net effect of these reclassifications is to decrease net position.

(65,075)

**Net Position of Governmental Activities**

\$ 10,888,446

**CITY OF MELISSA**  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Fiscal Year Ended September 30, 2014

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Taxes:		
Property	\$1,630,371	690,686
Sales	830,163	-
Franchise	282,327	-
License and Permits	548,807	-
Platting & Development	186,459	-
Charges for Services	5,754	-
Intergovernmental	364,425	146,259
Grants and Donations	162,829	-
Fines, Warrants and Seizures	551,242	-
Road Impact Fees	465,707	-
Investment Income	10,014	474
Miscellaneous	<u>106,570</u>	<u>5,271</u>
Total Revenues	<u>5,144,668</u>	<u>842,690</u>
<b>EXPENDITURES</b>		
Current:		
General Government	1,856,673	723
Public Safety	1,342,581	-
Street	247,761	-
Culture and Recreation	405,066	-
Capital Outlay	439,880	-
Debt Service:		
Principal	90,030	810,000
Interest and Fiscal Charges	<u>15,896</u>	<u>727,294</u>
Total Expenditures	<u>4,397,887</u>	<u>1,538,017</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>746,781</u>	<u>(695,327)</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>		
Sale of Capital Assets	1,637	-
Issuance of Debt	108,476	-
Transfers In	267,671	741,364
Transfers Out	<u>(1,026,046)</u>	<u>-</u>
Total Other Financial Sources (Uses)	<u>(648,262)</u>	<u>741,364</u>
Net Change in Fund Balances	98,519	46,037
Fund Balances - Beginning	<u>1,494,299</u>	<u>197,333</u>
Fund Balances - Ending	<u>\$1,592,818</u>	<u>243,370</u>

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

Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
Transportation Construction	City Hall Construction		
-	-	212,514	2,533,571
-	-	-	830,163
-	-	-	282,327
-	-	-	548,807
-	-	-	186,459
-	-	-	5,754
-	-	-	510,684
-	-	-	162,829
-	-	-	551,242
-	-	-	465,707
-	-	779	11,267
-	-	-	111,841
<hr/>	<hr/>	<hr/>	<hr/>
-	-	213,293	6,200,651
-	6,130	-	1,863,526
-	-	-	1,342,581
-	-	-	247,761
-	-	-	405,066
541,728	-	-	981,608
-	-	-	900,030
-	-	-	743,190
<hr/>	<hr/>	<hr/>	<hr/>
541,728	6,130	-	6,483,762
<hr/>	<hr/>	<hr/>	<hr/>
(541,728)	(6,130)	213,293	(283,111)
-	-	-	1,637
-	-	-	108,476
498,390	-	202,874	1,710,299
-	-	(416,583)	(1,442,629)
<hr/>	<hr/>	<hr/>	<hr/>
498,390	-	(213,709)	377,783
(43,338)	(6,130)	(416)	94,672
<hr/>	<hr/>	<hr/>	<hr/>
621,333	24,706	201,690	2,539,361
<hr/>	<hr/>	<hr/>	<hr/>
577,995	18,576	201,274	2,634,033

**CITY OF MELISSA**  
 Reconciliation of Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to Statement of Activities  
 September 30, 2014

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 94,672
Current year capital outlays of \$981,608 and long-term debt principal payments of \$900,030 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.	1,881,638
Current year lease proceeds of \$(108,476) 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 a decrease to net position.	(108,476)
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.	(27,553)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,167,660)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$(27,033) of deferred revenue as revenue, and recognizing the liability associated with compensated absences of \$(39,916). The net effect of these reclassifications is to decrease net position.	<u>(12,883)</u>
<b>Net Change in Governmental Activities Financial Position</b>	<u>\$ 659,738</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, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,671,773	1,657,773	1,630,371	(27,402)
Sales	700,000	810,000	830,163	20,163
Franchise	240,000	282,000	282,327	327
License & Permits	227,500	502,740	548,807	46,067
Platting & Development	186,150	186,150	186,459	309
Charges for Services:				
Police Reports	-	1,000	974	(26)
Park Fees	4,000	5,000	4,780	(220)
Fire Training	-	22,705	22,025	(680)
Grants and Donations:				
Library	20,995	23,735	28,334	4,599
Park	47,082	47,082	46,600	(482)
Fire	57,776	65,481	68,683	3,202
Police	-	6,165	2,725	(3,440)
Intergovernmental	-	324,781	364,425	39,644
Road Impact Fees	-	-	465,707	465,707
Fines, Warrants and Seizures	506,000	544,000	551,242	7,242
Investment Income	30,000	10,000	10,014	14
Miscellaneous	-	-	15,873	15,873
Total Revenues	<u>3,691,276</u>	<u>4,488,612</u>	<u>5,059,509</u>	<u>570,897</u>
<b>EXPENDITURES:</b>				
<u>General Government</u>				
City Administration:				
Personnel	417,277	417,277	471,376	(54,099)
Materials and Supplies	17,306	17,306	24,772	(7,466)
Other Services	208,008	342,768	250,670	92,098
Total City Administration	<u>642,591</u>	<u>777,351</u>	<u>746,818</u>	<u>30,533</u>
Development & Neighborhood Services:				
Personnel Services	110,583	110,583	123,593	(13,010)
Materials and Supplies	2,350	2,350	4,698	(2,348)
Other Services	281,484	534,984	569,774	(34,790)
Total Development & Neighborhood Services	<u>394,417</u>	<u>647,917</u>	<u>698,065</u>	<u>(50,148)</u>
Building Maintenance:				
Materials and Supplies	2,000	2,000	9,346	(7,346)
Other Services	60,133	63,133	61,324	1,809
Total Building Maintenance	<u>62,133</u>	<u>65,133</u>	<u>70,670</u>	<u>(5,537)</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, 2014

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
				<b>Positive (Negative)</b>
<b>General Government</b>				
Municipal Court:				
Personnel Services	136,411	137,011	125,768	11,243
Materials and Supplies	3,755	3,755	14,331	(10,576)
Other Services	195,378	207,678	201,021	6,657
Total Municipal Court	<u>335,544</u>	<u>348,444</u>	<u>341,120</u>	<u>7,324</u>
Total General Government	<u>1,434,685</u>	<u>1,838,845</u>	<u>1,856,673</u>	<u>(17,828)</u>
<b>Public Safety</b>				
Police Department:				
Personnel Services	655,621	670,621	677,959	(7,338)
Materials and Supplies	37,306	37,306	43,194	(5,888)
Other Services	82,233	88,883	73,389	15,494
Total Police Department	<u>775,160</u>	<u>796,810</u>	<u>794,542</u>	<u>2,268</u>
Fire Department:				
Personnel Services	270,848	270,848	262,633	8,215
Materials and Supplies	41,240	45,240	35,210	10,030
Other Services	210,131	255,556	250,196	5,360
Total Fire Department	<u>522,219</u>	<u>571,644</u>	<u>548,039</u>	<u>23,605</u>
Total Public Safety	<u>1,297,379</u>	<u>1,368,454</u>	<u>1,342,581</u>	<u>25,873</u>
<b>Street Department</b>				
Personnel Services	30,155	30,155	27,716	2,439
Materials and Supplies	10,000	10,000	11,645	(1,645)
Other Services	202,800	204,800	208,400	(3,600)
Total Street Department	<u>242,955</u>	<u>244,955</u>	<u>247,761</u>	<u>(2,806)</u>
<b>Culture and Recreation</b>				
Parks and Grounds:				
Personnel Services	47,723	47,723	51,515	(3,792)
Materials and Supplies	30,490	30,490	18,221	12,269
Other Services	177,774	173,185	181,851	(8,666)
Total Parks and Grounds	<u>255,987</u>	<u>251,398</u>	<u>251,587</u>	<u>(189)</u>
Library:				
Personnel Services	110,285	110,285	113,825	(3,540)
Materials and Supplies	22,313	22,313	28,858	(6,545)
Other Services	18,956	20,056	10,796	9,260
Total Library	<u>151,554</u>	<u>152,654</u>	<u>153,479</u>	<u>(825)</u>
Total Culture and Recreation	<u>407,541</u>	<u>404,052</u>	<u>405,066</u>	<u>(1,014)</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, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
Capital Outlay	<u>322,555</u>	<u>322,555</u>	<u>439,880</u>	<u>(117,325)</u>
Debt Service:				
Principal Retirement	90,030	90,030	90,030	-
Interest	<u>17,500</u>	<u>17,500</u>	<u>15,896</u>	<u>1,604</u>
Total Debt Service	<u>107,530</u>	<u>107,530</u>	<u>105,926</u>	<u>1,604</u>
Total Expenditures	<u>3,812,645</u>	<u>4,286,391</u>	<u>4,397,887</u>	<u>(111,496)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(121,369)</u>	<u>202,221</u>	<u>661,622</u>	<u>459,401</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Capital Assets	-	13,000	1,637	(11,363)
Rental Income	81,243	81,243	85,159	3,916
Capital Lease Proceeds	-	-	108,476	108,476
Transfers In	243,000	243,000	267,671	24,671
Transfers Out	<u>(202,874)</u>	<u>(527,655)</u>	<u>(1,026,046)</u>	<u>(498,391)</u>
Total Other Financing Sources (Uses)	<u>121,369</u>	<u>(190,412)</u>	<u>(563,103)</u>	<u>(372,691)</u>
Net Change in Fund Balances	-	11,809	98,519	86,710
Fund Balances - Beginning	<u>1,494,299</u>	<u>1,494,299</u>	<u>1,494,299</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,494,299</u>	<u>1,506,108</u>	<u>1,592,818</u>	<u>86,710</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, 2014

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 6,801,333
Receivables (Net of Allowance of Uncollectibles):	
Utility Bills	486,567
Other	148,343
Restricted Cash and Cash Equivalents	1,856,147
Due from Other Funds	-
Prepays	1,779
Total Current Assets	<u>9,294,169</u>

Capital Assets:

Land	435,015
Buildings and Systems	16,509,538
Equipment	416,256
Construction in Progress	3,153,149
Less: Accumulated Depreciation	(3,486,656)
Total Capital Assets (Net of Depreciation)	<u>17,027,302</u>
Total Noncurrent Assets	<u>17,027,302</u>
Total Assets	<u>26,321,471</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable	932,606
Accrued Interest Payable	768,267
Due to Other Funds	48,110
Deposits	273,880
Compensated Absences Payable	8,944
Current Portion of Lease Payable	11,925
Current Portion on Bonds Payable	850,000
Total Current Liabilities	<u>2,893,732</u>

Noncurrent Liabilities:

Compensated Absences	2,981
Lease Payable	67,403
Bonds Payable	18,130,000
Total Noncurrent Liabilities	<u>18,200,384</u>
Total Liabilities	<u>21,094,116</u>

**NET POSITION**

Net Invested in Capital Assets	2,032,026
Unrestricted	3,195,329
Total Net Position	<u>\$ 5,227,355</u>

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, 2014

**OPERATING REVENUES**

Water Sales	\$ 2,283,178
Sewer Charges	1,105,205
Sanitation	280,562
Tap Fees	212,152
Reconnect Fees	58,745
Meter Installation Fee	20,862
Miscellaneous	5,709
Total Operating Revenues	<u>3,966,413</u>

**OPERATING EXPENSES**

Personnel Services	429,294
Materials and Supplies	266,525
Other Services	1,426,777
Depreciation	441,158
Total Operating Expenses	<u>2,563,754</u>

Operating Income (Loss) 1,402,659

**NONOPERATING REVENUES (EXPENSES)**

Intergovernmental	228,012
Interest Income	22,457
Interest Expense	(694,798)
Total Nonoperating Revenues (Expenses)	<u>(444,329)</u>

Net Income (Loss) Before Transfers 958,330

**TRANSFERS**

Transfers (Out)	<u>(267,670)</u>
Change in Net Position	690,660
Net Position - Beginning	<u>4,536,695</u>
Net Position - Ending	<u>\$ 5,227,355</u>

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, 2014**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$ 3,934,329
Cash Payments to Suppliers	(1,293,304)
Cash Payments to Employees	(425,911)
Net Cash Provided/(Used) by Operating Activities	<u>2,215,114</u>

**Cash Flows from Noncapital Financing Activities:**

Transfers to Other Funds	(267,670)
Advances from Other Funds	39,311
Advances to Component Unit	(56,900)
Subsidy from Other Governments	228,012
Net Cash Provided/(Used) for Noncapital Financing Activities	<u>(57,247)</u>

**Cash Flows from Capital & Related Financing Activities:**

Acquisition of Capital Assets	(2,612,840)
Proceeds from Capital Debt	2,150,000
Principal Paid on Bonds and Leases	(779,492)
Interest Paid on Debt	(605,627)
Net Cash Provided/(Used) for Capital & Related Financing Activities	<u>(1,847,959)</u>

**Cash Flows from Investing Activities:**

Interest on Deposits and Investments	22,457
Net Cash Provided/(Used) by Investing Activities	<u>22,457</u>

Net Increase/(Decrease) in Cash and Cash Equivalents 332,365

Cash and Cash Equivalents - Beginning 8,325,115

Cash and Cash Equivalents - Ending \$ 8,657,480

**CITY OF MELISSA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended September 30, 2014**

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

Operating Income/(Loss)	<u>\$ 1,402,659</u>
Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) by Operating Activities	
Depreciation Expense	441,157
(Increase)/Decrease in Accounts Receivable	(26,575)
(Increase)/Decrease in Other Recievable	(42,443)
(Increase)/Decrease in Prepads	(1,779)
Increase/(Decrease) in Accounts Payable	401,778
Increase/(Decrease) in Compensated Absences	3,383
Increase/(Decrease) in Utility Deposits	36,934
Total Adjustments	<u>812,455</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 2,215,114</u>

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

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2014

**(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 and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. 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, 2014

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

**B. Government-Wide and 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, and Financial Statement Presentation**

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

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

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

The government reports the following 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, 2014

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

**C. Measurement Focus, Basis of Accounting, and 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, 2014

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

**D. Assets, Liabilities, and Net Assets 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:

Asset	Years
Buildings	40
System Infrastructure	40
Equipment	5-10
Vehicles	5

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2014

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

**D. Assets, Liabilities, and Net Assets 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 assets. Bond premiums and discounts 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.

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. 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, 2014

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

**D. Assets, Liabilities, and Net Assets 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, 2014.
- 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 the City Manager to whom the City Council delegates this authority. This delegation of authority was granted by ordinance.
- 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, 2014, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$ 9,460	-	-	-	9,460
Restricted:					
Construction	-	-	596,571	-	596,571
Court	84,844	-		-	84,844
Debt Service	-	243,370	-	201,274	444,644
Committed:	-	-	-	-	-
Assigned:					
Information Technology	63,855	-	-	-	63,855
City Hall Maintenance	25,000				25,000
Capital Projects	40,000				40,000
Unassigned:	<u>1,369,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,369,659</u>
Total Fund Balances	<u>\$1,592,818</u>	<u>243,370</u>	<u>596,571</u>	<u>201,274</u>	<u>2,634,033</u>

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2014

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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, 2014

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**B. Budget/GAAP Reconciliation**

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

	<u>Water and Sewer Fund</u>
Net Position (Budget)	<u>\$ 5,668,513</u>
Depreciation	<u>(441,158)</u>
Net Position (GAAP)	<u><u>\$ 5,227,355</u></u>

**C. Excess of Expenditures/Expenses Over Appropriations**

For the year ended September 30, 2014, expenditures exceeded appropriations in the General Fund by \$111,496. These over expenditures were funded by better than expected revenues and proceeds from sale of capital assets and lease proceeds.

**(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, 2014, the City's carrying amount of deposits was \$12,156,899 and the bank balance was \$12,927,376. Of the bank balance, \$631,404 was covered by federal depository insurance and \$12,259,972 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 \$453,344 and the bank balance was \$453,344. Of the bank balance, \$250,000 was covered by FDIC insurance and the remainder 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 MCDC, a discretely presented component unit, was \$420,165 and the bank balance was \$420,165. 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, 2014

**(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, 2014

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

**B. Receivables**

Receivables at September 30, 2014 consisted of the following:

	General Fund	Enterprise Fund	Total
Receivables:			
Property Tax	\$ 27,033	-	27,033
Sales Tax	82,112	-	82,112
Other	765	148,343	149,108
Utility Bills	-	486,567	486,567
Net Receivables	<u>\$ 109,910</u>	<u>634,910</u>	<u>744,820</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, 2013, upon which the 2013/2014 levy was based, was approximately \$479,149,146. The tax rate for fiscal year 2013/2014 was \$0.61 per \$100 of assessed valuation.

At September 30, 2014, the MEDC and MCDC each had sales tax receivable of \$41,056. No allowance for uncollectibles has been made.

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

**C. Capital Assets**

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 415,873	-	-	415,873
Construction in Progress	<u>2,017,561</u>	864,283	(969,260)	1,912,584
Total Capital Assets Not Being Depreciated	<u>2,433,434</u>	864,283	(969,260)	2,328,457
Capital Assets Being Depreciated:				
Building	14,154,244	-	-	14,154,244
Equipment	1,951,486	117,325	(52,978)	2,015,833
Infrastructure	<u>12,518,862</u>	969,260	-	13,488,122
Total Capital Assets Being Depreciated	<u>28,624,592</u>	1,086,585	(52,978)	29,658,199
Less Accumulated Depreciation for:				
Building	(1,838,867)	(375,749)	-	(2,214,616)
Equipment	(862,866)	(150,121)	52,978	(960,009)
Infrastructure	<u>(1,532,844)</u>	(641,790)	-	(2,174,634)
Total Accumulated Depreciation	<u>(4,234,577)</u>	(1,167,660)	52,978	(5,349,259)
Total Capital Assets Being Depreciated, Net	<u>24,390,015</u>	(81,075)	-	24,308,940
Governmental Activities Capital Assets, Net	<u>\$ 26,823,449</u>	<u>783,208</u>	<u>(969,260)</u>	<u>26,637,397</u>
 Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 435,015	-	-	435,015
Construction in Progress	<u>1,049,860</u>	2,452,616	(349,327)	3,153,149
Total Capital Assets Not Being Depreciated	<u>1,484,875</u>	2,452,616	(349,327)	3,588,164
Capital Assets Being Depreciated:				
Building and System	16,109,697	399,841	-	16,509,538
Equipment	356,546	59,710	-	416,256
Total Capital Assets Being Depreciated	<u>\$ 16,466,243</u>	<u>459,551</u>	<u>-</u>	<u>16,925,794</u>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

**C. Capital Assets (continued)**

	Beginning Balance	Additions	Retirements	Ending Balance
Less Accumulated Depreciation for:				
Building and System	\$ (2,772,587)	(410,293)	-	(3,182,880)
Equipment	(272,912)	(30,864)	-	(303,776)
Total Accumulated Depreciation	<u>(3,045,499)</u>	<u>(441,157)</u>	<u>-</u>	<u>(3,486,656)</u>
 Total Capital Assets Being Depreciated, Net	 <u>13,420,744</u>	 <u>18,394</u>	 <u>-</u>	 <u>13,439,138</u>
 Business-Type Activities Capital Assets, Net	 <u>\$ 14,905,619</u>	 <u>2,471,010</u>	 <u>(349,327)</u>	 <u>17,027,302</u>

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

Government Activities:

General Government	\$ 350,298
Public Safety	140,119
Street	595,507
Culture and Recreation	81,736
Total Depreciation Expense - Governmental Activities	<u>\$ 1,167,660</u>

Business Type Activities:

Water and Sewer	\$ 441,157
Total Depreciation Expense - Business-Type Activities	<u>\$ 441,157</u>

**D. Construction Commitments**

At September 30, 2014 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 9/30/2014
<b>Business-Type Activities:</b>			
Water and sewer line improvements, utility relocation and road improvements	6/30/2015	\$ 8,344,870	5,065,733

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

**E. Interfund Receivables, Payables & Transfers:**

Interfund balances at September 30, 2014 are as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 13,152
General Fund	Proprietary Fund	48,110
Tax Inc. Fin. Zone	City Hall Construction	4
Transportation Construction	General Fund	\$ 100

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:				<u>Total</u>
	<u>General Fund</u>	<u>Tax Inc. Fin. Zone</u>	<u>Debt Ser. Fund</u>	<u>Transportation Construction</u>	
<b>Transfers Out:</b>					
General Fund	\$ -	202,874	324,782	498,390	1,026,046
Tax Increment Fin. Zone	-	-	416,583	-	416,583
Proprietary Fund	<u>267,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,670</u>
<b>Total</b>	<b><u>\$ 267,670</u></b>	<b><u>202,874</u></b>	<b><u>741,365</u></b>	<b><u>498,390</u></b>	<b><u>1,710,299</u></b>

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 general fund to the transportation construction fund was to pay its share of construction cost. The transfers from the general fund and the tax increment financing zone was to pay their share of debt service.

**F. Capital Leases**

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2014, the equipment and vehicles leased under capital leases had a carrying value of \$351,147 which is included in the governmental activities and \$88,275 which is included in the business-type activities on the Statement of Net Assets. Capital lease expenditures for 2014 were \$105,916, of which \$15,866 represented interest. Effective interest rates range from 3.25% to 6.70%.

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

**(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 <u>September 30</u>	Governmental Activities	Business-Type Activities
2015	\$ 112,217	21,803
2016	91,410	21,803
2017	61,609	21,803
2018	48,903	21,658
2019	19,876	
Thereafter	<u>31,985</u>	-
Future Minimum Lease Payments	366,000	87,067
Less: Amount Representing Interest	<u>(39,916)</u>	<u>(7,739)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 326,084</u></u>	<u><u>79,328</u></u>

**G. Long-Term Debt**

Long-term liability activity, for government activities for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital Leases	\$ 307,639	108,476	(90,031)	326,084	98,613
Bonds Payable	18,740,000	-	(810,000)	17,930,000	845,000
Compensated Absences	72,597	73,233	(53,722)	92,108	69,081
<b>Totals</b>	<b><u>\$ 19,120,236</u></b>	<b><u>181,709</u></b>	<b><u>(953,753)</u></b>	<b><u>18,348,192</u></b>	<b><u>1,012,694</u></b>

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, 2014

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

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

Bonds Payable at September 30, 2014 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.	\$ 575,000
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.	1,195,000
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.	4,135,000
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.	9,230,000
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.	460,000
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.	2,335,000
Combined Debt	\$ 17,930,000

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

**(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, 2014 are as follows:

**2005A Certificates of Obligation**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 40,000	22,478	62,478
2016	40,000	20,857	60,857
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>\$ 575,000</u>	<u>149,952</u>	<u>724,952</u>

**2006 Certificates of Obligation**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 75,000	52,070	127,070
2016	80,000	48,582	128,582
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>\$ 1,195,000</u>	<u>355,328</u>	<u>1,550,328</u>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

**2008 Certificates of Obligation**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 215,000	186,257	401,257
2016	225,000	176,082	401,082
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
<b>Total</b>	<b>\$ 4,135,000</b>	<b>1,497,553</b>	<b>5,632,553</b>

**2009 Certificates of Obligation**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 320,000	378,319	698,319
2016	330,000	368,719	698,719
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
<b>Total</b>	<b>\$ 9,230,000</b>	<b>4,707,278</b>	<b>13,937,278</b>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

**2012 General Obligation Bonds**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 20,000	16,200	36,200
2016	20,000	15,800	35,800
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
<b>Total</b>	<b>\$ 460,000</b>	<b>178,200</b>	<b>638,200</b>

**2013 General Obligation Refunding & Improvement Bonds**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 175,000	45,350	220,350
2016	170,000	43,600	213,600
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
<b>Total</b>	<b>\$ 2,335,000</b>	<b>386,552</b>	<b>2,721,552</b>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

During the year ended September 30, 2014, 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
<b>Business-Type Activities:</b>					
Capital Leases	\$ 97,570	-	(18,242)	79,328	11,925
Bonds Payable	17,591,250	2,150,000	(761,250)	18,980,000	850,000
Compensated Absences	8,542	9,789	(6,406)	11,925	8,944
<b>Totals</b>	<b><u>\$ 17,697,362</u></b>	<b><u>2,159,789</u></b>	<b><u>(785,898)</u></b>	<b><u>19,071,253</u></b>	<b><u>870,869</u></b>

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

Bonds payable at September 30, 2014 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. \$ 513,750

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. 440,000

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. 1,195,000

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. 1,057,500

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. \$ 860,000

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

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.	\$ 1,765,000
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.	960,000
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.	1,220,000
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.	850,000
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.	1,285,000
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.	4,515,000
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.	<u>2,150,000</u>
Combined Debt	<u><u>\$ 18,980,000</u></u>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

The annual requirements to amortize the bonded debt outstanding for the proprietary activities as of September 30, 2014 are as follows:

2005 Contract Revenue Bonds				
Year Ending September 30,	Principal	Interest	Total	
2015	\$ 25,000	27,740	52,740	
2016	26,250	26,542	52,792	
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	
<b>Total</b>	<b>\$ 513,750</b>	<b>238,919</b>	<b>752,669</b>	

2006 Contract Revenue Bonds				
Year Ending September 30,	Principal	Interest	Total	
2015	\$ -	106,425	106,425	
2016	-	125,207	125,207	
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	

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

**2006 Contract Revenue Bonds (continued)**

Year Ending September 30,	Principal	Interest	Total
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	<u>\$ 2,168,750</u>	<u>3,219,470</u>	<u>5,388,220</u>

**2006 Certificates of Obligation**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 30,000	19,120	49,120
2016	30,000	17,770	47,770
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	<u>\$ 440,000</u>	<u>130,413</u>	<u>570,413</u>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

**2006 Contract Revenue Bonds**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 80,000	42,913	122,913
2016	85,000	40,232	125,232
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
	<u>\$ 1,195,000</u>	<u>302,938</u>	<u>1,497,938</u>

**2007 Contract Revenue Bonds**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 50,000	57,296	107,296
2016	52,500	55,036	107,536
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	<u>103,750</u>	<u>5,831</u>	<u>109,581</u>
	<u>\$ 1,057,500</u>	<u>856,521</u>	<u>1,914,021</u>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

**2007A Contract Revenue Bonds**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 45,000	32,875	77,875
2016	50,000	31,367	81,367
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>\$ 860,000</u>	<u>275,975</u>	<u>1,135,975</u>

**2008 Certificates of Obligation**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 95,000	77,661	172,661
2016	100,000	73,518	173,518
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
	<u>\$ 1,765,000</u>	<u>632,439</u>	<u>2,397,439</u>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

**2009A Certificates of Obligation**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 45,000	42,553	87,553
2016	45,000	41,247	86,247
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
	<u>\$ 960,000</u>	<u>413,555</u>	<u>1,373,555</u>

**2009B Contract Revenue Bonds**

Year Ending September 30,	Principal	Interest	Total
2015	\$ 60,000	42,130	102,130
2016	60,000	40,960	100,960
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
	<u>\$ 1,220,000</u>	<u>412,370</u>	<u>1,632,370</u>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

2010 General Obligation Refunding Bonds

Year Ending September 30,	Principal	Interest	Total
2015	\$ 110,000	27,200	137,200
2016	110,000	24,450	134,450
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><u>\$ 850,000</u></u>	<u><u>118,000</u></u>	<u><u>968,000</u></u>

2012 General Obligation Refunding Bonds

Year Ending September 30,	Principal	Interest	Total
2015	\$ 55,000	45,250	100,250
2016	55,000	44,150	99,150
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><u>\$ 1,285,000</u></u>	<u><u>499,100</u></u>	<u><u>1,784,100</u></u>

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

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

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

2013 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2015	\$ 195,000	99,821	294,821
2016	200,000	95,871	295,871
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>\$ 4,515,000</u>	<u>1,059,160</u>	<u>5,574,160</u>

2014 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2015	\$ 60,000	77,282	137,282
2016	75,000	64,806	139,806
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>\$ 2,150,000</u>	<u>800,416</u>	<u>2,950,416</u>

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2014

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

**H. Restricted Assets**

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

Customer Deposits	\$ 237,880
Accured Interest Payable	768,267
Current Bonds Payable	850,000
Total Restricted Assets	<u>\$ 1,856,147</u>

**(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.

**B. Retirement System**

***Plan Description***

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

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

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

	Plan Year 2014	Plan Year 2013
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
Update Service Credit	0%	0%
Annuity Increase (to Retirees)	0% of CPI	0% of CPI

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2014

**(4) OTHER INFORMATION (continued)**

**B. Retirement System (continued)**

***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 one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

**Three-Year Trend Information for TMRS**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage Of APC Contributed</b>	<b>Net Pension Obligation</b>
9/30/2012	\$66,498	100%	\$0
9/30/2013	\$68,719	100%	\$0
9/30/2014	\$76,622	100%	\$0

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

**(4) OTHER INFORMATION (continued)**

**B. Retirement System (continued)**

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

Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level % Of Payroll	Level % Of Payroll	Level % Of Payroll
GASB 25 Equivalent Single Amortization Period	21.8 Years; Closed Period	21.1 Years; Closed Period	30.0 Years; Closed Period
Amortization Period for New Gains/Losses	25 Years	25 Years	19 Years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

**CITY OF MELISSA**  
 Notes to the Financial Statements  
 September 30, 2014

**(4) OTHER INFORMATION (continued)**

**B. Retirement System (continued)**

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

Schedule of Funding Progress for TMRS  
 (Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/08	\$ 596	721	125	88.50%	\$ 1,086	11.50%
12/31/09	\$ 831	1,041	210	79.90%	\$ 1,416	14.80%
12/31/10	\$ 1,051	1,301	250	80.80%	\$ 1,450	17.20%
12/31/11	\$ 1,286	1,515	229	84.90%	\$ 1,465	15.60%
12/31/12	\$ 1,528	1,771	243	86.28%	\$ 1,588	15.38%
12/31/13	\$ 1,777	1,984	207	89.57%	\$ 1,666	12.42%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**(5) EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through March 26, 2015, the date which the financial statements were available to be issued.

## **INDIVIDUAL FUND SCHEDULE**

**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, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>				
Collections:				
Water	\$ 2,898,401	2,248,401	2,283,178	34,777
Sewer	1,073,912	1,103,912	1,105,205	1,293
Sanitation	190,000	210,000	280,562	70,562
Tap Fees	-	-	212,152	212,152
Reconnect Fees	45,000	60,000	58,745	(1,255)
Meter Installation Fees	-	18,000	20,862	2,862
Miscellaneous	65,000	71,000	5,709	(65,291)
Total Operating Revenues	<u>4,272,313</u>	<u>3,711,313</u>	<u>3,966,413</u>	<u>255,100</u>
<b>OPERATING EXPENSES:</b>				
Water Department:				
Personnel Services	264,095	264,095	272,014	(7,919)
Materials and Supplies	289,015	289,015	173,602	115,413
Other Services	<u>1,034,885</u>	<u>1,130,885</u>	<u>996,405</u>	<u>134,480</u>
Total Water Department	<u>1,587,995</u>	<u>1,683,995</u>	<u>1,442,021</u>	<u>241,974</u>
Sewer Department:				
Materials and Supplies	3,500	2,000	1,572	428
Other Services	<u>500,273</u>	<u>387,273</u>	<u>214,290</u>	<u>172,983</u>
Total Sewer Department	<u>503,773</u>	<u>389,273</u>	<u>215,862</u>	<u>173,411</u>
Sanitation Department:				
Other Services	247,000	272,000	211,437	60,563
Total Sanitation Department	<u>247,000</u>	<u>272,000</u>	<u>211,437</u>	<u>60,563</u>
Billing Department:				
Personnel Services	169,003	15,003	157,280	(142,277)
Materials and Supplies	62,953	214,423	91,351	123,072
Other Services	<u>28,000</u>	<u>49,000</u>	<u>4,645</u>	<u>44,355</u>
Total Billing Department	<u>259,956</u>	<u>278,426</u>	<u>253,276</u>	<u>25,150</u>
Total Operating Expenses	<u>2,598,724</u>	<u>2,623,694</u>	<u>2,122,596</u>	<u>501,098</u>
Operating Income/(Loss)	\$ 1,673,589	1,087,619	1,843,817	756,198

**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, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Intergovernmental	\$ 12,000	12,000	228,012	216,012
Interest Income	5,000	5,000	22,457	17,457
Interest Expense	<u>(743,046)</u>	<u>(743,046)</u>	<u>(694,798)</u>	<u>48,248</u>
Total Nonoperating Revenues (Expenses)	<u>(726,046)</u>	<u>(726,046)</u>	<u>(444,329)</u>	<u>281,717</u>
Net Income (Loss) Before Transfers	947,543	361,573	1,399,488	1,037,915
Transfers Out	<u>(267,670)</u>	<u>(267,670)</u>	<u>(267,670)</u>	<u>-</u>
Change in Net Position	679,873	93,903	1,131,818	1,037,915
Net Position - Beginning	<u>4,536,695</u>	<u>4,536,695</u>	<u>4,536,695</u>	<u>-</u>
Net Position - Ending	<u><u>\$ 5,216,568</u></u>	<u><u>4,630,598</u></u>	<u><u>5,668,513</u></u>	<u><u>1,037,915</u></u>

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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.

### Contents

Financial Trends.....	76
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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 .....	83
------------------------	----

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.....	94
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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.....	102
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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 .....	106
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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			
	2005	2006	2007	2008
<b>Governmental Activities</b>				
Net Invested in Capital Assets	\$ 394	2,052	4,614	1,304
Restricted	1,435	3,507	751	4,362
Assigned	-	-	-	-
Unrestricted	375	251	1,556	1,738
Total Governmental Activities Net Position	<u><u>\$ 2,204</u></u>	<u><u>5,810</u></u>	<u><u>6,921</u></u>	<u><u>7,404</u></u>
<b>Business-Type Activities</b>				
Net Invested in Capital Assets	\$ 1,126	1,014	1,888	2,374
Assigned	\$ -	-	-	-
Unrestricted	449	1,524	1,267	1,261
Total Business-Type Activities Net Position	<u><u>\$ 1,575</u></u>	<u><u>2,538</u></u>	<u><u>3,155</u></u>	<u><u>3,635</u></u>
<b>Primary Government</b>				
Net Invested in Capital Assets	\$ 1,520	3,066	6,502	3,678
Restricted	1,435	3,507	751	4,362
Assigned	-	-	-	-
Unrestricted	824	1,775	2,823	2,999
Total Primary Government Net Position	<u><u>\$ 3,779</u></u>	<u><u>8,348</u></u>	<u><u>10,076</u></u>	<u><u>11,039</u></u>

2009	2010	2011	2012	2013	2014
3,250	6,076	6,510	7,054	8,397	8,381
68	109	1,510	1,328	1,118	1,126
-	-	-	57	64	129
4,528	3,553	1,218	1,281	649	1,252
<b>7,846</b>	<b>9,738</b>	<b>9,238</b>	<b>9,720</b>	<b>10,228</b>	<b>10,888</b>
1,884	1,391	1,702	1,562	3,042	2,032
-	-	-	13	-	-
697	1,268	1,719	2,513	1,385	3,195
<b>2,581</b>	<b>2,659</b>	<b>3,421</b>	<b>4,088</b>	<b>4,427</b>	<b>5,227</b>
5,134	7,467	8,212	8,616	11,439	10,413
68	109	1,510	1,328	1,118	1,126
-	-	-	70	64	129
5,225	4,821	2,937	3,794	2,034	4,447
<b>10,427</b>	<b>12,397</b>	<b>12,659</b>	<b>13,808</b>	<b>14,655</b>	<b>16,115</b>

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

	Fiscal Year			
	2005	2006	2007	2008
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 1,614	1,831	1,596	1,736
Public Safety	699	891	859	919
Streets	172	209	182	520
Culture and Recreation	263	306	280	381
Interest on Long-Term Debt	<u>136</u>	<u>181</u>	<u>256</u>	<u>335</u>
Total Governmental Activities Expenses	<u>2,884</u>	<u>3,418</u>	<u>3,173</u>	<u>3,891</u>
Business-Type Activities:				
Water and Sewer	1,305	1,122	1,332	1,619
Sanitation	<u>124</u>	<u>79</u>	<u>103</u>	<u>133</u>
Total Business-Type Activities Expenses	<u>1,429</u>	<u>1,201</u>	<u>1,435</u>	<u>1,752</u>
Total Primary Government Expenses	<u>4,313</u>	<u>4,619</u>	<u>4,608</u>	<u>5,643</u>
<b>PROGRAM REVENUES</b>				
Governmental Activities:				
Charges for Services:				
General Government	508	671	392	294
Public Safety	339	394	477	463
Culture and Recreation	-	-	-	1
Operating Grants and Contributions	<u>614</u>	<u>351</u>	<u>422</u>	<u>420</u>
Capital Grants and Contributions	<u>-</u>	<u>3,233</u>	<u>264</u>	<u>304</u>
Total Governmental Activities Program Revenues	<u>1,461</u>	<u>4,649</u>	<u>1,555</u>	<u>1,482</u>
Business-Type Activities:				
Charges for Services:				
Water and Sewer	1,496	2,156	1,845	2,102
Sanitation	<u>136</u>	<u>108</u>	<u>144</u>	<u>176</u>
Total Business-Type Activities Program Revenues	<u>1,632</u>	<u>2,264</u>	<u>1,989</u>	<u>2,278</u>
Total Primary Government Program Revenues	<u>3,093</u>	<u>6,913</u>	<u>3,544</u>	<u>3,760</u>
Net (Expense)/Revenue				
Governmental Activities	(1,423)	1,231	(1,618)	(2,409)
Business-Type Activities	<u>203</u>	<u>1,063</u>	<u>554</u>	<u>526</u>
Total Primary Government Net Expense	<u>\$ (1,220)</u>	<u>2,294</u>	<u>(1,064)</u>	<u>(1,883)</u>

2009	2010	2011	2012	2013	2014
1,696	1,661	1,893	2,054	2,300	2,253
990	1,055	1,067	1,238	1,377	1,483
384	242	487	789	772	843
371	397	445	441	469	487
<u>495</u>	<u>1,100</u>	<u>828</u>	<u>762</u>	<u>815</u>	<u>771</u>
<u>3,936</u>	<u>4,455</u>	<u>4,720</u>	<u>5,284</u>	<u>5,733</u>	<u>5,837</u>
2,747	2,447	2,438	3,011	3,154	3,047
<u>194</u>	<u>166</u>	<u>175</u>	<u>169</u>	<u>194</u>	<u>211</u>
<u>2,941</u>	<u>2,613</u>	<u>2,613</u>	<u>3,180</u>	<u>3,348</u>	<u>3,258</u>
6,877	7,068	7,333	8,464	9,081	9,095
248	255	247	417	549	735
447	388	<u>525</u>	<u>573</u>	467	552
-	2	2	5	9	5
67	112	91	100	282	309
-	<u>2,067</u>	<u>29</u>	<u>1,008</u>	<u>1,223</u>	<u>830</u>
<u>762</u>	<u>2,824</u>	<u>894</u>	<u>2,103</u>	<u>2,530</u>	<u>2,431</u>
1,789	2,264	2,846	3,196	3,932	3,908
<u>199</u>	<u>210</u>	<u>220</u>	<u>234</u>	<u>260</u>	<u>281</u>
<u>1,988</u>	<u>2,474</u>	<u>3,066</u>	<u>3,430</u>	<u>4,192</u>	<u>4,189</u>
<u>2,750</u>	<u>5,298</u>	<u>3,960</u>	<u>5,533</u>	<u>6,722</u>	<u>6,620</u>
(3,174)	(1,631)	(3,826)	(3,181)	(3,203)	(3,406)
(953)	(139)	453	250	844	931
(4,127)	(1,770)	(3,373)	(2,931)	(2,359)	(2,475)

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

*continued*

	Fiscal Year			
	2005	2006	2007	2008
<b>GENERAL REVENUES &amp; OTHER CHANGES IN</b>				
<b>NET POSITION</b>				
Governmental Activities:				
Taxes				
Property Taxes	\$ 741	1,042	1,272	1,617
Sales Taxes	602	650	564	672
Franchise Taxes	92	116	128	132
Alcoholic Beverage Taxes	4	3	2	1
Investment Earnings	58	176	205	134
Miscellaneous	144	212	52	141
Gain On Sale of Capital Asset	6	-	608	1
Transfers	<u>133</u>	<u>175</u>	<u>170</u>	<u>195</u>
Total Governmental Activities	<u>1,780</u>	<u>2,374</u>	<u>3,001</u>	<u>2,893</u>
Business-Type Activities:				
Investment Earnings	31	74	180	126
Miscellaneous	-	-	62	2
Transfers	<u>(133)</u>	<u>(175)</u>	<u>(170)</u>	<u>(195)</u>
Total Business-Type Activities	<u>(102)</u>	<u>(101)</u>	<u>72</u>	<u>(67)</u>
Total Primary Government	<u>1,678</u>	<u>2,273</u>	<u>3,073</u>	<u>2,826</u>
<b>CHANGE IN NET POSITION</b>				
Governmental Activities	357	3,605	1,383	484
Business-Type Activities	<u>101</u>	<u>962</u>	<u>626</u>	<u>459</u>
Total Primary Government	<u>\$ 458</u>	<u>4,567</u>	<u>2,009</u>	<u>943</u>

2009	2010	2011	2012	2013	2014
2,133	2,143	2,117	2,217	2,275	2,561
507	406	472	641	704	830
147	193	216	247	255	282
1	-	-	-	-	-
301	258	36	33	20	11
51	57	100	82	177	112
11	-	-	(12)	44	2
<u>194</u>	<u>203</u>	<u>120</u>	<u>219</u>	<u>236</u>	<u>268</u>
<u>3,345</u>	<u>3,260</u>	<u>3,061</u>	<u>3,427</u>	<u>3,711</u>	<u>4,066</u>
73	55	17	35	22	22
21	135	207	353	145	6
<u>(194)</u>	<u>(203)</u>	<u>(120)</u>	<u>(219)</u>	<u>(236)</u>	<u>(268)</u>
<u>(100)</u>	<u>(13)</u>	<u>104</u>	<u>169</u>	<u>(69)</u>	<u>(240)</u>
<u>3,245</u>	<u>3,247</u>	<u>3,165</u>	<u>3,596</u>	<u>3,642</u>	<u>3,826</u>
171	1,629	(765)	246	508	660
<u>(1,053)</u>	<u>(152)</u>	<u>557</u>	<u>419</u>	<u>775</u>	<u>691</u>
<u>(882)</u>	<u>1,477</u>	<u>(208)</u>	<u>665</u>	<u>1,283</u>	<u>1,351</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>
2005	\$ 741	602	92	4	1,439
2006	1,042	650	116	3	1,811
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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Fund</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	16	31
Assigned	-	-	-	-	-
Unassigned	<u>240</u>	<u>254</u>	<u>1,582</u>	<u>1,797</u>	<u>1,281</u>
<b>Total General Fund</b>	<b><u>240</u></b>	<b><u>254</u></b>	<b><u>1,582</u></b>	<b><u>1,813</u></b>	<b><u>1,312</u></b>
<b>All Other Governmental Funds</b>					
Restricted	<u>1,575</u>	<u>3,508</u>	<u>751</u>	<u>4,362</u>	<u>10,254</u>
<b>Total All Other Governmental Funds</b>	<b><u>1,575</u></b>	<b><u>3,508</u></b>	<b><u>751</u></b>	<b><u>4,362</u></b>	<b><u>10,254</u></b>

Note:

(1) The City of Melissa implemented Governmental Accounting Standards Board Statement Number 54 for the fiscal year ended September 30, 2011. Years 2005-2010 have been restated to comply with GASB Statement Number 54.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
-	15	17	2	9	
39	48	64	73	85	
-	-	57	64	129	
<u>1,353</u>	<u>1,333</u>	<u>1,319</u>	<u>1,355</u>	<u>1,370</u>	
<u>1,392</u>	<u>1,396</u>	<u>1,457</u>	<u>1,494</u>	<u>1,593</u>	
<u>2,404</u>	<u>1,462</u>	<u>1,264</u>	<u>1,045</u>	<u>1,041</u>	
<u>2,404</u>	<u>1,462</u>	<u>1,264</u>	<u>1,045</u>	<u>1,041</u>	

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

	2005	2006	2007	2008
<b>REVENUES</b>				
Taxes	1,432	1,790	1,966	2,440
Licenses and Permits	508	671	392	294
Intergovernmental	522	-	300	505
Charges for Services	-	1	2	1
Fines	339	394	476	463
Investments Earnings	58	176	205	134
Contributions	92	3,584	385	218
Miscellaneous	144	212	43	124
Total Revenues	<u>3,095</u>	<u>6,828</u>	<u>3,769</u>	<u>4,179</u>
<b>EXPENDITURES</b>				
General Government	1,587	4,210	1,556	1,631
Public Safety	628	691	735	804
Streets	144	181	150	258
Culture and Recreation	201	445	208	290
Capital Outlay	969	1,090	2,883	2,511
Debt Service:				
Principal	141	112	289	310
Interest	109	162	277	311
Total Expenditures	<u>3,779</u>	<u>6,891</u>	<u>6,098</u>	<u>6,115</u>
Excess of Revenues Over/(Under) Expenditures	<u>(684)</u>	<u>(63)</u>	<u>(2,329)</u>	<u>(1,936)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	133	175	170	195
Transfers Out	-	-	-	-
Note Issued	-	-	105	-
Bonds Issued	950	1,635	-	5,230
Insurance Recoveries	-	15	9	17
Capital Leases	145	182	-	331
Sale of Capital Assets	6	1	696	3
Bond Principal Refunded	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,234</u>	<u>2,008</u>	<u>980</u>	<u>5,776</u>
Net Change in Fund Balances	<u><u>550</u></u>	<u><u>1,945</u></u>	<u><u>(1,349)</u></u>	<u><u>3,840</u></u>
Debt Service as a Percentage of Noncapital Expenditures	8.8%	5.1%	17.5%	15.9%

2009	2010	2011	2012	2013	2014
2,781	2,766	2,802	3,068	3,275	3,646
206	245	235	417	549	1,201
313	2,303	307	236	546	511
2	2	2	6	10	6
445	387	524	573	466	551
301	258	36	33	20	11
67	149	91	1,107	959	163
51	58	100	82	177	112
<u>4,166</u>	<u>6,168</u>	<u>4,097</u>	<u>5,522</u>	<u>6,002</u>	<u>6,201</u>
1,662	1,564	1,585	1,740	1,974	1,864
859	903	924	1,121	1,256	1,342
355	213	232	279	230	248
280	306	355	353	376	405
4,713	9,592	677	1,640	1,874	982
497	537	549	568	803	900
487	1,073	833	813	735	743
<u>8,853</u>	<u>14,188</u>	<u>5,155</u>	<u>6,514</u>	<u>7,248</u>	<u>6,484</u>
<u>(4,687)</u>	<u>(8,020)</u>	<u>(1,058)</u>	<u>(992)</u>	<u>(1,246)</u>	<u>(283)</u>
1,094	983	803	844	1,898	1,710
(900)	(780)	(684)	(625)	(1,662)	(1,443)
-	-	-	-	-	-
9,840	-	-	500	2,430	-
-	-	-	-	-	-
34	39	-	109	38	108
11	8	-	27	48	2
-	-	-	-	(1,595)	-
-	-	-	-	(93)	-
<u>10,079</u>	<u>250</u>	<u>119</u>	<u>855</u>	<u>1,064</u>	<u>377</u>
<u>5,392</u>	<u>(7,770)</u>	<u>(939)</u>	<u>(137)</u>	<u>(182)</u>	<u>94</u>
23.9%	35.0%	30.9%	28.3%	28.6%	29.9%

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Total
2005	\$ 735	602	92	4	1,433
2006	1,021	650	116	3	1,790
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

**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			
2005	N/A	N/A	N/A	150,556	0.490215
2006	N/A	N/A	N/A	197,354	0.520000
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

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

N/A: Data not available at the time of this publication

**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					
2005	0.447532	0.042683	0.490215	1.990000	0.250000	0.090646	2.820861
2006	0.452110	0.067890	0.520000	1.910000	0.250000	0.089422	2.769422
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

Source: Collin County Central Appraisal District.

**CITY OF MELISSA**  
 Principal Property Taxpayers  
 September 30, 2014

<u>Taxpayer</u>	<u>2014</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Zachry Construction Co.	\$ 3,019,973	1	0.63%
CMC Rebar	2,519,695	2	0.53%
JESSH Enterprises Inc.	2,429,010	3	0.51%
Alpha Steel Fab Inc.	2,425,922	4	0.51%
First National Bank of Trenton	2,316,572	5	0.49%
Mesquite Creek Development, Inc.	2,214,456	6	0.47%
CMC Steel Fabricators, Inc.	2,037,193	7	0.43%
ONCOR Electric	1,983,566	8	0.42%
Lattimore Materials Co, LP	1,952,878	9	0.41%
McKinney Lumber Company, LLC	<u>1,902,668</u>	10	<u>0.40%</u>
	<u><u>\$ 22,801,933</u></u>		<u><u>4.80%</u></u>

Source: Collin County Central Appraisal District

Note: Information concerning principal tax payers is not available for the period nine years prior to the current period.

**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
2005	2004	\$ 738,048	723,108	97.98%	14,602	737,710	99.95%
2006	2005	1,027,282	1,005,165	97.85%	21,431	1,026,596	99.93%
2007	2006	1,230,154	1,222,950	99.41%	6,627	1,229,577	99.95%
2008	2007	1,603,175	1,585,293	98.88%	17,547	1,602,840	99.98%
2009	2008	2,089,744	2,035,210	97.39%	52,723	2,087,933	99.91%
2010	2009	2,095,958	2,068,894	98.71%	24,201	2,093,095	99.86%
2011	2010	2,084,767	2,058,297	98.73%	25,526	2,083,823	99.95%
2012	2011	2,135,747	2,122,966	99.40%	10,214	2,133,180	99.88%
2013	2012	2,222,902	2,206,941	99.28%	10,111	2,217,052	99.74%
2014	2013	\$2,473,949	2,463,639	99.58%	-	2,463,639	99.28%

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>
2005	\$ 545	164	136	845
2006	947	242	108	1,297
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

**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	
2005	\$ 2,895	-	191	2,131	145	1	5,363
2006	4,425	-	291	4,870	110	-	9,696
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

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

<sup>1</sup>See the Schedule of Demographic and Economic Statistics on page 104 for personal income and population data.

N/A: Data not available at the time of this publication.

<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>1</sup></u>
8.36%	\$ 3,779
8.22%	3,878
9.14%	3,991
10.36%	4,946
N/A	6,163
N/A	6,256
N/A	5,743
N/A	5,421
N/A	5,652
20.36%	5,330

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Gross Property Value<sup>1</sup> of Property</u>	<u>Per Capita<sup>2</sup></u>
2005	\$ 2,895	-	2,895	N/A	\$ 2,040
2006	4,425	-	4,425	N/A	1,770
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

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

<sup>1</sup>See the Schedule of Assessed Value and Actual Value of Taxable Property on page 91 for property value data

<sup>2</sup>Population data can be found in the Schedule of Demographic and Economic Statistics on Page 104

N/A: Data not available at the time of this publication

**CITY OF MELISSA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2014**  
**(Amounts Expressed in Thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Melissa I.S.D.	\$ 54,384	86.26%	\$ 46,912
Collin County	391,410	0.50%	1,957
Collin County College District	34,595	0.50%	<u>173</u>
Total Overlapping Debt			49,042
City of Melissa Direct Debt			<u>28,935</u>
Total Direct and Overlapping Debt			<u><u>\$ 77,977</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.

<sup>1</sup>The 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	N/A	N/A	\$ 32,522	35,748
Total Net Debt Applicable to Limit	N/A	N/A	<u>5,035</u>	<u>10,020</u>
Legal Debt Margin	N/A	N/A	<u>\$ 27,487</u>	<u>25,728</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	N/A	N/A	15.48%	28.03%

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.

N/A: Data not available for years 2005-2006 at the time of this publication.

2009	2010	2011	2012	2013	2014
37,466	37,195	37,357	35,267	39,851	52,251
19,413	18,934	18,433	18,514	17,687	17,687
<u>18,053</u>	<u>18,261</u>	<u>18,924</u>	<u>16,753</u>	<u>22,164</u>	<u>34,564</u>
51.81%	50.90%	49.34%	52.50%	44.38%	33.85%

#### **Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed Value	\$480,627
Add Back: Exempt Real Property	<u>41,884</u>
Total Assessed Value	<u>522,511</u>
Debt Limit (10% of Total Assessed Value)	<u>52,251</u>
Debt Applicable to Limit:	
General Obligation Bonds	17,930
Less: Amount Set Aside for Repayment	
of General Obligation Debt	<u>(243)</u>
Total Net Debt Applicable to Limit	<u>17,687</u>
Legal Debt Margin	<u>\$ 34,564</u>

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

Fiscal Year	Water and Sewer Revenue Bonds						Coverage
	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
			Principal	Interest			
2005	\$ 1,663	1,195	468	64	120		2.54
2006	2,339	939	1,400	80	126		6.80
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

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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
2005	1,419	\$ 64,152	45,209	N/A	649	4.6%
2006	2,500	118,005	47,202	N/A	804	4.3%
2007	3,300	144,132	43,676	N/A	1,001	3.9%
2008	4,400	\$ 210,060	47,741	N/A	1,256	4.6%
2009	5,000	N/A	N/A	36.9	1,370	7.2%
2010	5,200	N/A	N/A	33.7	1,453	7.3%
2011	5,500	N/A	N/A	32.4	1,586	7.0%
2012	6,000	N/A	N/A	32.9	1,707	6.1%
2013	6,500	N/A	N/A	32.9	1,895	5.5%
2014	7,000	183,351	26,193	32.4	1,921	4.4%

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.

N/A: Data not available at the time of this publication.

**CITY OF MELISSA**  
 Principal Employers  
 As of September 30, 2014

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Melissa ISD	239	1	25.90%
Kirk Concrete Construction, Inc.	130	2	14.09%
Calhar Utility Contractors	80	3	8.67%
Alpha Industries Fabricated Structural Steel	71	4	7.70%
NTMWD Regional Disposal Activities	47	5	5.10%
City of Melissa	44	6	4.77%
Mudpies & Lullabies	34	7	3.69%
First Melissa Church	28	8	3.04%
CMC Rebar	28	9	3.04%
Sonic Drive-In	<u>24</u>	10	<u>2.60%</u>
Total	<u><u>725</u></u>		<u><u>78.60%</u></u>

Source: City of Melissa

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>FUNCTION</b>				
General Government	7.0	6.0	6.0	6.0
Public Safety:				
Police	10.0	10.0	9.0	9.5
Municipal Court	3.0	2.5	2.5	2.5
Fire	0.0	0.0	0.5	0.5
Code Enforcement	0.0	1.0	1.0	1.0
Streets	1.0	1.0	1.0	1.0
Culture and Recreation:				
Parks and Recreation	2.0	2.0	2.0	2.0
Libraries	2.0	2.0	2.0	2.5
Water, Wastewater	3.0	5.0	4.0	4.0
Utility Administration	<u>1.5</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Total	<u><u>29.5</u></u>	<u><u>32.5</u></u>	<u><u>31.0</u></u>	<u><u>32.0</u></u>

Source: Finance Department

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
6.0	6.0	6.0	6.5	6.5	7.0
9.5	9.5	9.5	9.0	9.0	10.0
2.5	2.5	2.5	2.5	2.5	1.5
1.5	1.5	2.0	2.0	3.0	3.5
1.0	1.0	1.0	1.0	-	-
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0	2.5	3.0
4.0	4.0	4.0	4.0	4.0	4.0
<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.5</u>
<b><u>31.5</u></b>	<b><u>31.5</u></b>	<b><u>32.0</u></b>	<b><u>32.0</u></b>	<b><u>32.5</u></b>	<b><u>34.5</u></b>

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

FUNCTION/PROGRAM	2008	2009	2010
General Government:			
Building Permits Issued:			
Commercial:			
Number Issued	12	11	7
Total Dollar Value of Permits Issued	\$ 15,846,039	1,123,200	294,668
Residential:			
Number Issued	95	73	115
Total Dollar Value of Permits Issued	\$ 16,036,530	\$ 10,277,213	16,350,334
Public Safety:			
Police:			
Physical Arrests	413	319	157
Accidents	99	167	199
Citations	3,855	3,536	2,662
Fire:			
Calls for Service - Fire & EMS	223	230	249
Number of Fire Safety Programs	1	1	2
Number of Calls Answered	407	441	447
Inspections	10	50	67
Fires Extinguished	57	58	40
Municipal Court:			
Number of Cases Filed	4,207	4,224	3,014
Number of Cases Closed	2,919	2,960	2,657
Culture and Recreation:			
Parks and Recreation:			
Athletic Field Reservations Issued	2	5	18
Park Facilities Reservations Issued	17	17	19
Public Works:			
Water and Sewer:			
New Water Connections	64	47	113
Average Daily Consumption of Water (Thousands of Gallons)	541,369	587,638	639,611
Average Daily Treatment of Wastewater (Thousands of Gallons)	44,998	528,750	589,816
Streets:			
Potholes Repaired (Tons of Material)	25	32	84

Sources: Various government departments

Note: Data for fiscal years 2005-2007 not available at the time of this publication

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
6 986,743	1 1,013,460	3 909,760	6 12,125,016
101 18,458,520	205 37,994,370	158 29,256,927	267 51,138,518
135 121 2,973	154 223 2,623	119 272 2,578	151 302 3,277
300 3 521 50 70	775 30 900 70 125	750 25 925 105 130	825 30 850 375 65
2,932 8,538	2,871 2,980	2,534 4,106	3,609 3,205
8 19	15 12	52 32	21 28
71	193	154	258
609,694	764,688	696,847	611,156
665,422	654,121	718,830	793,123
60.15	62.8	48.5	22.7

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>FUNCTION</b>				
Public Safety				
Police Stations	1	1	1	1
Fire Stations	1	1	1	1
Streets and Drainage:				
Streets (Miles)	49.6	51.1	52.8	53
Storm Sewers (Miles)	14.95	15.45	16.92	16.95
Culture and Recreation				
Parks Acreage	31	31	31	31
Water				
Water Mains (Miles)	24.17	25.67	45.95	46
Fire Hydrants	270	300	366	368
Storage Capacity (Millions of Gallons)	1375	1375	1375	1375
Sewer				
Sanitary Sewers (Miles)	34.99	36.49	42.94	42.94

Sources: Various city departments.

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

<u>2012</u>	<u>2013</u>	<u>2014</u>
1	1	1
1	1	1
53	54.42	58.16
16.95	18.54	19.57
31	31	31
47.25	50.31	54.31
370	400	-
1375	1375	1375
42.94	44.75	47.24