



# CITY OF MELISSA TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2009



**CITY OF MELISSA, TEXAS**

**Financial Statements  
(With Auditor's Report Thereon)**

**September 30, 2009**

**CITY OF MELISSA**  
Annual Financial Report  
For the Year Ended September 30, 2009

**TABLE OF CONTENTS**

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
Organizational Chart .....	7
List of Principal Officials. ....	8
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	9
Management's Discussion and Analysis .....	11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	20
Statement of Activities .....	22
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	30
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund .....	31
Statement of Net Assets - Proprietary Funds .....	34
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds .....	35
Statement of Cash Flows - Proprietary Funds .....	36
Notes to the Financial Statements .....	38
Individual Fund Schedule:	
Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual - Water and Sewer Fund .....	65

## TABLE OF CONTENTS

(continued)

Page  
Number

### STATISTICAL SECTION

Net Assets by Component .....	68
Changes in Net Assets .....	70
Governmental Activities Tax Revenues by Source .....	75
Fund Balances of Governmental Funds .....	76
Changes in Fund Balances of Governmental Funds .....	78
General Governmental Tax Revenues by Source .....	80
Assessed Value and Actual Value of Taxable Property .....	81
Property Tax Rates - Direct and Overlapping Governments .....	82
Principal Property Taxpayers .....	83
Property Tax Levies and Collections .....	84
Water, Sewer and Sanitation Revenues .....	85
Ratios of Outstanding Debt by Type .....	86
Ratios of General Bonded Debt Outstanding .....	88
Direct and Overlapping Governmental Activities Debt .....	89
Legal Debt Margin Information .....	90
Pledged-Revenue Coverage .....	92
Demographic and Economic Statistics .....	93
Principal Employers .....	95
Full-time Equivalent City Government Employees by Function .....	96
Operating Indicators by Function .....	98
Capital Asset Statistics by Function .....	99

March 9, 2010

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

The City's Management Staff is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Melissa (the "City") for the fiscal year ended September 30, 2009. The City's Management 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.

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 Pingleton, Howard & Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2009, 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, 2009, 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 auditor's 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 auditor's 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 General Law City operating under a Mayor-Council form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a five-member Council. The City Administrator is appointed by the City Council and is responsible for carrying out policies and for the daily management of the City. Council members serve two-year staggered terms and are elected in an “at-large” system. The Mayor is elected to serve a two-year term and is also elected at-large.

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

The accompanying CAFR includes 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 part of its financial entity. The City has included financial statements for Melissa Industrial and Economic Development Corporation (4A) and the Melissa Community and Economic Development Corporation (4B). The 4A and 4B Funds account for the local sales tax used to stimulate local economy, development, and redevelopment.

The annual budget serves as the foundation for the City’s financial planning and control. The budget is prepared by Fund and department (e.g. police). Department heads may transfer resources within a department with the City Administrator’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 5,000. It is located seven miles northeast of McKinney just off State Highway 75, in north central Collin County. Melissa is in a dynamic growth area with a region encompassing nine counties and spanning one hundred miles with a population of over four million. Melissa’s close proximity to Dallas and its suburbs offer easy access to all parts of the Metroplex.

From this community came many individuals and families who have been prominent in the business and professional life of Collin County. Some of the first settlers came from the old Highland community, which was located north of present day Melissa. It was here that C. H. Wysong settled as early as 1846. A Post Office was established and Isaac N. Foster became the first Postmaster on September 9, 1853. The 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 2009 population estimate is roughly 5,000 residents. Even with the national economic slowdown, people continue to relocate to Melissa because it is a great place to live, attend exemplary 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 and water/wastewater. The Park CIP is in development and has not been adopted by the City Council at this time.

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 hard and soft, 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.

A bond election approving \$19.1 million of new projects was approved by the voters in November 2007, with Collin County approving approximately \$10.0 million in matching funds for local transportation projects. Currently, the City has issued \$5.23 million in bonds in fiscal year 2008 for the first phase of Transportation Capital Improvement Plan. The City also issued \$2.2 million in Water and Sewer Revenue Bonds in August 2008 for the construction of water and wastewater projects. Since the tax base or water customers did not increase to the extent anticipated in the model, the City does not anticipate initiating any additional projects in FY10.

### **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.

#### **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.

#### **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.

#### **Service Summary Planning:**

Overview: About every other year, the City conducts a Services Summary with the City Council. The Summary is a tool that gauges City Council opinion on many different topics. The compiled results are then reviewed together to gauge the collective opinion of the City Council. These results help set the direction for the upcoming budget process and to identify those long term items that need to be addressed.



Due to declining revenues and the economy, the Council and Staff will monitor the costs incurred and resources available during the coming months. All equipment and vehicle replacements will be delayed and approved on a case by case basis. The City will continue to monitor and evaluate the City's priorities and allocate resources appropriately and work toward meeting the targeted objectives of the Council's long-term financial plan.

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.

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, 2009. This is the first 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 2010 has been submitted for the Distinguished Budget Award for FY10.

**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. Acknowledgment is also given to the representatives of Pingleton, Howard and Company, P.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.

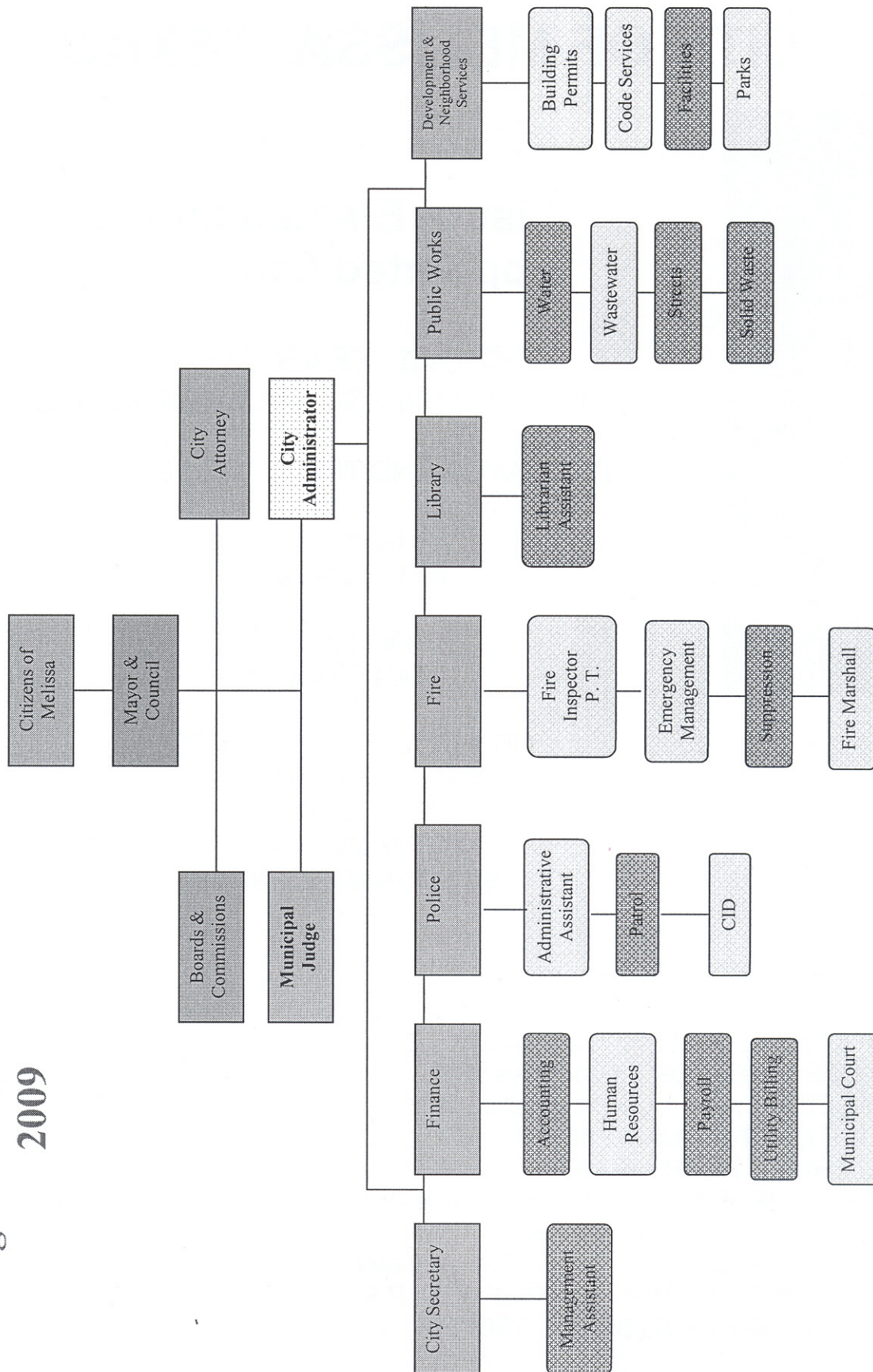
Respectfully submitted,

Jason Little, City Administrator

Gail Dansby, Finance Director

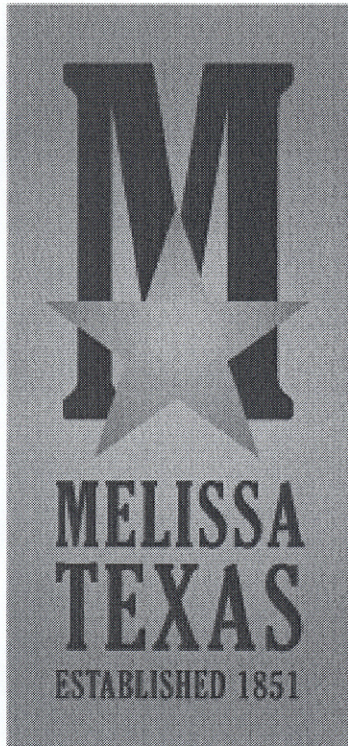
# City of Melissa Organizational Chart

2009





# **CITY OF MELISSA, TEXAS**



## **List of Elected and Appointed Officials**

**FISCAL YEAR 2009  
OCTOBER 1, 2008 - SEPTEMBER 30, 2009**

**THE MAYOR AND THE CITY COUNCIL**

**MAYOR  
REED GREER**

**MAYOR PRO TEM  
DAN TROTT**

**CITY COUNCIL MEMBERS  
WILLIAM FARMER  
RANDY KAISER  
STAN MERCER  
SHARON WEIDEMAN**

### **Appointed Officials and Staff:**

**CITY ADMINISTRATOR – JASON LITTLE  
FINANCE DIRECTOR – GAIL DANSBY  
CITY SECRETARY – LINDA BANNISTER  
POLICE CHIEF – DUANE SMITH  
FIRE CHIEF – PERRY ELLIOTT  
DEVELOPMENT & NEIGHBORHOOD SERVICES DIRECTOR – DANA NIXON  
CITY LIBRARIAN – JAN CLARK  
PUBLIC WORKS DIRECTOR – JEFF HOGAN, P.E.  
CITY ENGINEER – BOB HELMBERGER, P.E.  
CITY ATTORNEY – REBECCA BREWER**

***PINGLETON, HOWARD & COMPANY, P. C.***

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

FRISCO, TEXAS 75034

972-335-9754/FAX 972-335-9758

TOM W. PINGLETON, CPA  
RANDY HOWARD, CPA  
R. WAYNE NABORS, CPA  
ROBIN J. TURNBULL, CPA  
WHITNEY YOUNTS, CPA

MEMBERS  
AMERICAN INSTITUTE OF CPAs  
AICPA DIVISION FOR CPA FIRMS  
TEXAS SOCIETY OF CPAs

**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 the City of Melissa, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Melissa. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas, at September 30, 2009, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 11 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor  
and Members of the City Council  
Page Two

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, individual fund schedule and statistical section listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*/s/ Pingleton, Howard & Company, P.C.*

December 9, 2009



## 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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-5 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

### Financial Highlights

- The assets of the City of Melissa exceeded its liabilities at the close of the most recent fiscal year by \$10,427,349 (net assets). Of this amount, \$5,224,737, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$612,788. This was due primarily to depreciation expense.
- As of the close of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balances of \$11,565,779, an increase of \$5,390,994 in comparison with the prior year. Most of the increase is due to bond proceeds. Of the fund balance, \$2,228,993 is available for spending at the government's discretion (*unreserved fund balance*), and \$9,268,601 is reserved for construction.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$1,280,858 or 42.82 percent of total general fund expenditures.
- The City of Melissa's long-term debt increased by \$9,058,781 during the current fiscal year.
- The City of Melissa's capital assets increased \$6,267,859 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 assets* presents information on all of the City of Melissa's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Melissa is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of 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 20-23 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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 more narrow than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of 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 24-33 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 34-37 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 38-63 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 65-66 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Melissa, assets exceed liabilities by \$10,427,349 at the close of the most recent fiscal year.

A portion of the City of Melissa's net assets (49 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 assets (1% percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$5,224,737 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 assets for the government as a whole.

### CITY OF MELISSA - Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 16,623,927	8,119,068	2,705,575	6,144,352	19,329,502	14,263,420
Capital assets	16,346,745	11,912,749	12,107,380	10,273,517	28,454,125	22,186,266
Total assets	32,970,672	20,031,817	14,812,955	16,417,869	47,783,627	36,449,686
Long-term liabilities	20,036,413	10,654,209	10,834,837	11,158,260	30,871,250	21,812,469
Other liabilities	5,087,861	1,972,786	1,397,167	1,624,294	6,485,028	3,597,080
Total liabilities	25,124,274	12,626,995	12,232,004	12,782,554	37,356,278	25,409,549
Net assets:						
Invested in capital assets, net of						
related debt	3,250,108	1,304,128	1,884,319	2,374,300	5,134,427	3,678,428
Restricted	68,185	4,362,351			68,185	4,362,351
Unrestricted	4,528,105	1,738,343	696,632	1,261,015	5,224,737	2,999,358
Total net assets	\$ 7,846,398	7,404,822	2,580,951	3,635,315	10,427,349	11,040,137

## CITY OF MELISSA - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 694,617	758,296	1,987,248	2,277,999	2,681,865	3,036,295
Operating grants and contributions	67,019	419,780			67,019	419,780
Capital grants and contributions		304,102				304,102
General revenues:						
Property taxes	2,133,194	1,616,643			2,133,194	1,616,643
Other taxes	654,037	805,242			654,037	805,242
Other	634,879	276,515	93,525	149,714	728,404	426,229
Total revenues	4,183,746	4,180,578	2,080,773	2,427,713	6,264,519	6,608,291
Expenses:						
General government	1,696,089	1,736,327			1,696,089	1,736,327
Public Safety	990,338	919,398			990,338	919,398
Streets	384,072	520,431			384,072	520,431
Sanitation				133,250		133,250
Culture and recreation	370,979	381,155			370,979	381,155
Interest on long-term debt	494,653	335,368			494,653	335,368
Water & Sewer			2,941,176	1,619,055	2,941,176	1,619,055
Total expenses	3,936,131	3,892,679	2,941,176	1,752,305	6,877,307	5,644,984
Increase(decrease) in net assets						
before transfers	247,615	287,899	(860,403)	675,408	(612,788)	963,307
Transfers	193,961	195,203	(193,961)	(195,203)		
Increase(decrease) in net assets	441,576	483,102	(1,054,364)	480,205	(612,788)	963,307
Net assets - beginning	7,404,822	6,921,720	3,635,315	3,155,110	11,040,137	10,076,830
Net assets - ending	\$ 7,846,398	7,404,822	2,580,951	3,635,315	10,427,349	11,040,137

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

### Governmental Activities:

- Property tax increased by \$516,551 (31.95 percent) during the year.
- Charges for services decreased by \$63,679 (8.40 percent) during the year.

## Business-type Activities

Business-type activities decreased the City of Melissa's net assets by \$1,054,364.

- Charges for services decreased by \$290,751 (12.76%).
- 
- Expenses increased by \$1,188,871 (67.85%) due to system improvements.

## **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, *unreserved fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

As the end of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balance of \$11,565,779, an increase of \$5,390,994 from the prior year. Most of the increase is due to bond proceeds. Of the current combined ending fund balance, \$2,228,993 is unreserved and not designated and \$9,268,601 is reserved for construction.

The general fund is the operating fund of the City of Melissa. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,280,858. Total unreserved fund balance represents 42.82% of total general fund expenditures.

The debt service fund has a total fund balance of \$37,439, all of which is reserved for payment of debt services. The increase in fund balance of \$8,518 is due to transfers from the special revenue fund.

The capital projects funds have a total fund balance of \$9,268,601, all of which is reserved for construction. The increase in fund balance of \$4,906,791 is due to current year bond proceeds for capital projects.

**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 assets of the Enterprise Fund at the end of the year amounted to \$2,580,951. The total decrease in net assets of the Enterprise Fund was \$1,054,364. 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 were less than budgetary estimates. The budget had called for a \$579,239 decrease in unreserved general fund balance. The decrease in unreserved general fund balance was actually \$466,571, an increase of \$112,668 from budget projections.

- In total, actual general fund revenues were \$51,639 greater than budget. Of that amount, intergovernmental revenues were \$53,155 greater than budget.
- Overall, actual general fund expenditures were \$276,673 less than budget. Of that amount, general government department expenditures were \$289,876 less than budget.

## **Capital Asset and Debt Administration**

**Capital assets.** The City of Melissa's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$28,454,125 (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:

- City Hall construction in progress of \$4,365,493.
- Various construction on water and sewer lines, of \$2,085,835, 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 46-47 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Melissa had bonded debt outstanding of \$30,116,250. All of this amount comprises debt backed by the full faith and credit of the City.

The City of Melissa's long-term debt increased by \$9,058,781 during the current fiscal year. The City issued debt of \$9,840,000 for the construction of a new City Hall.

The City of Melissa has a bond rating of "A" from Standard & Poors and A3 from Moody's Investors Service.

Additional information on the City of Melissa's long-term debt can be found in note 3.H. on pages 50-60 of this report.

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

The budget document for fiscal year 2009 was submitted to the GFOA Distinguished Budget Award committee and was awarded one of four Distinguished Budget Awards in Collin County. This was the first year that Melissa had received the award. Comments submitted by the reviewers on items that could be improved upon were addressed and the document has been resubmitted for the FY 2010 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 fiscal year 2010 was the first full budget process since the operating funds have been properly segregated into appropriate categories. These budgets were created to more fully disclose and accurately account for all revenues and expenditures with the following budgets: General Fund, Water Fund, Tax Increment Financing No. 1, General Debt Service Fund, Utility Debt Service Fund, Transportation Construction Fund, Utility Construction Fund and City Hall Construction Fund.

The property tax revenue within the FY10 budget is based on an ad valorem tax rate of \$.61. This is the same rate as the FY 09 budget and was a result of debt issued for the first phase of the voter approved Transportation Program. The program is based on tax base growth and general economic conditions. The plan was reviewed after the certified tax roll was received and the tax base did not grow sufficient to fund any additional transportation projects. Future debt sales are scheduled over the next ten years and will be reviewed each fiscal year and/or when the projects make sense from both the financial side and economic development side. In addition, a conservative collection rate of 97% of the tax rate is assumed, although the City historically collects in excess of 100% which includes delinquent taxes from previous years.

The 2009 assessed property value of the City of Melissa is over \$341 million, an overall increase of \$1.5 million from the preceding year. Assessed property values have risen \$224 million since 2002. The top ten taxpayers for 2009 make up only 6.14% of the \$341 million taxable appraised value compared to 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 \$506,000 or 12% of total revenues. Sales Tax decreased significantly in the 2009 fiscal year and fell short of the budgeted amount. This was due in large part of the bankruptcy of one of the largest sales tax contributors to Melissa and the general economic conditions that has placed a strain on the building materials market. The City made the conscious decision more than ten years ago to focus its economic development recruitment strategies on attracting the building construction trade company to come to Melissa. Even though sales taxes are the most volatile to anticipate, the City hopes that these types of businesses will rebound and be a stable source of sales tax due to the future anticipation of building and development within and around Collin County.

The Melissa Town Center was officially approved in 2008 and is currently under construction. This 90 acre commercial site is scheduled to accommodate many uses, including a City Hall facility. The City issued debt of \$9,840,000 for the construction of the 40,000 square foot City Hall that will facilitate the Public Library, Municipal Court, Police Department, Utility Billing, Code Enforcement, Development and Neighborhood Services and General Administration for the City. This development is within the Melissa Tax Increment Financing District #1 and is anticipated to act as a stimulus for the development of area along the DART rail line and areas in and around the historical downtown area.

Due to the investment in the water and wastewater systems and the future needs of the community, the City Council 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. The City currently has two different systems; the general City system and the Country Ridge Water System (CRWS). The CRWS was purchased in 2006 and at the time of the sale, the City committed to freeze the rates for two years. 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. Due to the high volume of usage in the summer of 2008 and well repair in 2009, half of the CRWS users were able to be served using the City system, with no interruption of service. 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. Water and wastewater rates are reviewed by a water rate study each year.

In addition to the wholesale increases, the City also shifted to a unified rate structure for its two water systems. Over the past three years, the City system has supported the Country Ridge system in times of high demand or in times of well repair. This has now become an annual issue to deal with, so the rates were blended to ensure equity to all water customers.

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 2010 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 undesignated unreserved fund balance was \$1,280,858 at September 30, 2009. This exceeds our goal of 90 days of operating expenses for the City's General Fund. The 2010 fiscal year budget provides for a \$50,000 increase 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 Administrator, P. O. Box 409, Melissa, Texas 75454.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MELISSA**  
Statement of Net Assets  
September 30, 2009

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,408,155	1,179,532	17,587,687
Receivables (net of allowance for uncollectibles):			
Utility bills		228,049	228,049
Property taxes	61,423		61,423
Sales tax	41,215		41,215
Other	25,446	935	26,381
Due (to)/from other funds	15,177	(15,177)	
Due from component unit	72,511		72,511
Restricted cash and cash equivalents		1,094,746	1,094,746
Bond issuance costs		217,490	217,490
Capital assets not being depreciated:			
Land	415,873	224,988	640,861
Construction in progress	6,237,530	4,344,873	10,582,403
Capital assets (net of accumulated depreciation):			
Building and system	3,931,514	7,330,189	11,261,703
Equipment	798,342	207,330	1,005,672
Infrastructure	<u>4,963,486</u>		<u>4,963,486</u>
Total assets	<u>32,970,672</u>	<u>14,812,955</u>	<u>47,783,627</u>
<b>LIABILITIES</b>			
Accounts payable	1,572,761	608,671	2,181,432
Accrued interest payable	91,136	614,901	706,037
Deposits payable		173,595	173,595
Due to primary government			
Unearned revenue	3,423,964		3,423,964
Noncurrent liabilities:			
Due within one year	583,774	326,931	910,705
Due in more than one year	<u>19,452,639</u>	<u>10,507,906</u>	<u>29,960,545</u>
Total liabilities	<u>25,124,274</u>	<u>12,232,004</u>	<u>37,356,278</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,250,108	1,884,319	5,134,427
Restricted for:			
Court	30,746		30,746
Debt service	37,439		37,439
Unrestricted	<u>4,528,105</u>	<u>696,632</u>	<u>5,224,737</u>
Total net assets	<u>\$ 7,846,398</u>	<u>2,580,951</u>	<u>10,427,349</u>

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



<u>Component Units</u>	
<u>Economic Development</u>	<u>Community Development</u>
205,004	210,085
20,607	20,607
<u>225,611</u>	<u>230,692</u>
187	323
	72,511
<u>187</u>	<u>72,834</u>
<u>225,424</u>	<u>157,858</u>
<u>225,424</u>	<u>157,858</u>

**CITY OF MELISSA**  
Statement of Activities  
For the Fiscal Year Ended September 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,696,089	248,102		
Public safety	990,338	446,515	33,906	
Streets	384,072			
Culture and recreation	370,979		33,113	
Interest and fiscal charges	<u>494,653</u>			
Total governmental activities	<u>3,936,131</u>	<u>694,617</u>	<u>67,019</u>	
Business-type activities:				
Water and sewer	2,747,243	1,788,615		
Sanitation	<u>193,933</u>	<u>198,633</u>		
Total business-type activities	<u>2,941,176</u>	<u>1,987,248</u>		
Total primary government	\$ <u>6,877,307</u>	<u>2,681,865</u>	<u>67,019</u>	
<b>Component units:</b>				
Economic development	\$ 270,952			
Community development	<u>373,524</u>			
Total component units	\$ <u>644,476</u>			

General revenues:  
Property taxes  
Sales taxes  
Franchise taxes  
Mixed drink taxes  
Investment earnings  
Grants & contributions not restricted  
to specific programs  
Miscellaneous revenue  
Gain on sale of capital assets  
Transfers  
Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Economic Development	Community Development
(1,447,987)		(1,447,987)		
(509,917)		(509,917)		
(384,072)		(384,072)		
(337,866)		(337,866)		
<u>(494,653)</u>		<u>(494,653)</u>		
<u>(3,174,495)</u>		<u>(3,174,495)</u>		
	(958,628)	(958,628)		
	<u>4,700</u>	<u>4,700</u>		
	<u>(953,928)</u>	<u>(953,928)</u>		
<u>(3,174,495)</u>	<u>(953,928)</u>	<u>(4,128,423)</u>		
			(270,952)	
			<u>(270,952)</u>	<u>(373,524)</u>
				<u>(373,524)</u>
2,133,194		2,133,194		
506,854		506,854	253,427	253,427
146,387		146,387		
796		796		
301,313	72,812	374,125	4,435	7,240
271,121		271,121		
51,207	20,713	71,920		
11,238		11,238		
<u>193,961</u>	<u>(193,961)</u>			
<u>3,616,071</u>	<u>(100,436)</u>	<u>3,515,635</u>	<u>257,862</u>	<u>260,667</u>
441,576	(1,054,364)	(612,788)	(13,090)	(112,857)
<u>7,404,822</u>	<u>3,635,315</u>	<u>11,040,137</u>	<u>238,514</u>	<u>270,715</u>
<u>7,846,398</u>	<u>2,580,951</u>	<u>10,427,349</u>	<u>225,424</u>	<u>157,858</u>

**CITY OF MELISSA**

Balance Sheet  
Governmental Funds  
September 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,277,472	29,812
Receivables (net of allowance for uncollectibles):		
Property taxes	61,423	
Sales tax	41,215	
Other	25,446	
Due from other funds	33,916	7,627
Due from component unit	<u>72,511</u>	<u>          </u>
Total assets	<u>\$ 3,511,983</u>	<u>37,439</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 157,365	
Due to other funds	7,627	
Deferred revenue	<u>2,035,387</u>	
Total liabilities	<u>2,200,379</u>	
Fund balances:		
Reserved for:		
Construction		
Court	30,746	
Debt service		37,439
Unreserved and undesignated:		
Reported in the general fund	1,280,858	
Reported in Tax Increment Financing Zone	<u>          </u>	<u>          </u>
Total fund balances	<u>1,311,604</u>	<u>37,439</u>
Total liabilities and fund balances	<u>\$ 3,511,983</u>	<u>37,439</u>

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

-continued-

<u>Capital Projects Funds</u>		Other	Total
<u>Transportation</u>	<u>City Hall</u>	Governmental	Governmental
<u>Construction</u>	<u>Construction</u>	<u>Fund</u>	<u>Funds</u>
5,215,809	6,939,776	945,286	16,408,155
			61,423
			41,215
			25,446
		3,249	44,792
			<u>72,511</u>
<u>5,215,809</u>	<u>6,939,776</u>	<u>948,535</u>	<u>16,653,542</u>

387,684	1,027,312	400	1,572,761
18,451	3,537		29,615
<u>1,450,000</u>			<u>3,485,387</u>
<u>1,856,135</u>	<u>1,030,849</u>	<u>400</u>	<u>5,087,763</u>

3,359,674	5,908,927		9,268,601
			30,746
			37,439
			1,280,858
		948,135	<u>948,135</u>
<u>3,359,674</u>	<u>5,908,927</u>	<u>948,135</u>	<u>11,565,779</u>
<u>5,215,809</u>	<u>6,939,776</u>	<u>948,535</u>	<u>16,653,542</u>

This page left blank intentionally.

**CITY OF MELISS**  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
September 30, 2009

**Total Fund Balances - Governmental Funds**

\$ 11,565,779

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 \$12,994,607 and the accumulated depreciation was \$(1,081,858). In addition, long-term liabilities, including bonds payable of \$(10,020,000), note payable of \$(98,646). and capital leases of \$(489,975) are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

1,304,128

Current year capital outlays of \$4,713,158 and long-term debt principal payments of \$497,453 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.

5,210,611

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

(91,136)

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

(279,162)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$61,423 of deferred revenue as revenue, reclassifying the proceeds of bonds payable as an increase in bonds payable \$(9,840,000), reclassifying capital leases of \$(33,797) as an increase in capital leases payable and recognizing the liability associated with compensated absences of \$(51,448). The net effect of these reclassifications is to decrease net assets.

(9,863,822)

**Net Assets of Governmental Activities**

\$ 7,846,398

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

**CITY OF MELISSA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Taxes:		
Property	\$ 1,478,313	592,851
Sales	506,854	
Franchise	146,387	
Mixed drink	796	
License and permits	206,102	
Charges for services	1,943	
Intergovernmental	53,155	259,965
Grants and donations	67,019	
Fines, warrants and seizures	444,572	
Investment income	225,854	882
Miscellaneous	<u>42,058</u>	
Total revenues	<u>3,173,053</u>	<u>853,698</u>
 <b>EXPENDITURES</b>		
Current:		
General government	1,623,373	723
Public safety	858,562	
Street	125,881	
Culture and recreation	280,381	
Capital outlay		
Debt service:		
Principal	87,453	410,000
Interest and fiscal charges	<u>27,970</u>	<u>459,352</u>
Total expenditures	<u>3,003,620</u>	<u>870,075</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>169,433</u>	 <u>(16,377)</u>
 <b>OTHER FINANCIAL SOURCES (USES)</b>		
Capital leases	33,797	
Bond issuance		
Sale of capital assets	11,238	
Transfers in	193,961	24,895
Transfers out	<u>(875,000)</u>	
Total other financing sources (uses)	<u>(636,004)</u>	<u>24,895</u>
 Net change in fund balances	 (466,571)	 8,518
 Fund balances - beginning	 <u>1,778,175</u>	 <u>28,921</u>
 Fund balances - ending	 \$ <u><u>1,311,604</u></u>	 <u><u>37,439</u></u>

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



<u>Capital Projects Funds</u>		Other	Total
<u>Transportation</u>	<u>City Hall</u>	Governmental	Governmental
<u>Construction</u>	<u>Construction</u>	<u>Fund</u>	<u>Funds</u>
		55,909	2,127,073
			506,854
			146,387
			796
			206,102
			1,943
			313,120
			67,019
			444,572
		74,577	301,313
<u>9,150</u>			<u>51,208</u>
<u>9,150</u>		<u>130,486</u>	<u>4,166,387</u>
		38,335	1,662,431
			858,562
229,201			355,082
			280,381
782,085	3,931,073		4,713,158
			497,453
			<u>487,322</u>
<u>1,011,286</u>	<u>3,931,073</u>	<u>38,335</u>	<u>8,854,389</u>
(1,002,136)	(3,931,073)	<u>92,151</u>	<u>(4,688,002)</u>
			33,797
	9,840,000		9,840,000
			11,238
		875,000	1,093,856
		<u>(24,895)</u>	<u>(899,895)</u>
	<u>9,840,000</u>	<u>850,105</u>	<u>10,078,996</u>
(1,002,136)	5,908,927	942,256	5,390,994
<u>4,361,810</u>		<u>5,879</u>	<u>6,174,785</u>
<u>3,359,674</u>	<u>5,908,927</u>	<u>948,135</u>	<u>11,565,779</u>

**CITY OF MELISSA**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
September 30, 2009

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 5,390,994
---	--------------

Current year capital outlays of \$4,713,158 and long-term debt principal payments of \$497,453 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.	5,210,611
---	-----------

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets.	(7,331)
---	---------

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net assets.	(279,162)
---	-----------

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$6,121 as revenue, reclassifying the proceeds of bonds payable as an increase in bonds payable \$(9,840,000), reclassifying capital leases of \$(33,797) as an increase in capital leases payable and recognizing the increase in compensated absences payable of \$(5,860). The net effect of these reclassifications is to decrease net assets.	(9,873,536)
--	-------------

<b>Change in Net Assets of Governmental Activities</b>	\$ <u><u>441,576</u></u>
--	--------------------------

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

**CITY OF MELISSA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Fiscal Year Ended September 30, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,395,995	1,471,995	1,478,313	6,318
Sales	650,000	500,000	506,854	6,854
Franchise	115,000	145,000	146,387	1,387
Mixed drink			796	796
License and permits	164,500	184,500	206,102	21,602
Platting & development	146,750			
Charges for services:				
Police reports			533	533
Park fees			1,410	1,410
Grants and donations:				
Library	17,693	20,173	20,080	(93)
Park	10,000	10,000	13,033	3,033
Fire	30,000	30,000	32,756	2,756
Police			1,150	1,150
Intergovernmental	42,000	42,000	53,155	11,155
Fines, warrants and seizures	480,000	430,000	444,572	14,572
Investment income	150,000	220,000	225,854	5,854
Miscellaneous	45,000	43,900	42,058	(1,842)
Total revenues	<u>3,246,938</u>	<u>3,097,568</u>	<u>3,173,053</u>	<u>75,485</u>
<b>EXPENDITURES:</b>				
<u>General Government</u>				
City administration:				
Personnel	369,296	358,446	368,677	(10,231)
Materials and supplies	23,000	29,000	24,671	4,329
Other services	<u>512,745</u>	<u>557,345</u>	<u>526,775</u>	<u>30,570</u>
Total city administration	<u>905,041</u>	<u>944,791</u>	<u>920,123</u>	<u>24,668</u>
Development & neighborhood services:				
Personnel services	146,136	151,061	152,049	(988)
Materials and supplies	9,000	9,000	3,328	5,672
Other services	<u>253,640</u>	<u>179,140</u>	<u>194,416</u>	<u>(15,276)</u>
Total development & neighborhood services	<u>408,776</u>	<u>339,201</u>	<u>349,793</u>	<u>(10,592)</u>
Building maintenance:				
Personnel services	47,392	28,792	22,859	5,933
Materials and supplies	6,250	6,250	2,130	4,120
Other services	<u>10,375</u>	<u>7,475</u>	<u>2,610</u>	<u>4,865</u>
Total building maintenance	<u>\$ 64,017</u>	<u>42,517</u>	<u>27,599</u>	<u>14,918</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, 2009  
-continued-

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive <u>(Negative)</u>
<b>EXPENDITURES</b> (continued):				
<u>General Government</u> (continued)				
Municipal court:				
Personnel services	\$ 132,464	137,964	139,947	(1,983)
Materials and supplies	2,800	2,800	5,544	(2,744)
Other services	<u>192,065</u>	<u>191,740</u>	<u>180,367</u>	<u>11,373</u>
Total municipal court	<u>327,329</u>	<u>332,504</u>	<u>325,858</u>	<u>6,646</u>
 Total general government	 <u>1,705,163</u>	 <u>1,659,013</u>	 <u>1,623,373</u>	 <u>35,640</u>
 <u>Public Safety</u>				
Police department:				
Personnel services	523,775	505,875	508,480	(2,605)
Materials and supplies	44,075	32,075	43,865	(11,790)
Other services	<u>77,064</u>	<u>76,509</u>	<u>83,973</u>	<u>(7,464)</u>
Total police department	<u>644,914</u>	<u>614,459</u>	<u>636,318</u>	<u>(21,859)</u>
 Fire department				
Personnel services	98,480	80,630	80,418	212
Materials and supplies	16,150	12,850	9,669	3,181
Other services	<u>144,631</u>	<u>126,331</u>	<u>132,157</u>	<u>(5,826)</u>
Total fire department	<u>259,261</u>	<u>219,811</u>	<u>222,244</u>	<u>(2,433)</u>
 Total public safety	 <u>904,175</u>	 <u>834,270</u>	 <u>858,562</u>	 <u>(24,292)</u>
 <u>Street department</u>				
Personnel services	43,309	46,809	48,029	(1,220)
Materials and supplies	7,000	1,000	1,205	(205)
Other services	<u>135,600</u>	<u>78,600</u>	<u>76,647</u>	<u>1,953</u>
Total street department	<u>185,909</u>	<u>126,409</u>	<u>125,881</u>	<u>528</u>
 <u>Culture and Recreation</u>				
Parks and grounds:				
Personnel services	42,725	41,725	41,655	70
Materials and supplies	3,500	1,800	6,839	(5,039)
Other services	<u>120,000</u>	<u>120,900</u>	<u>119,109</u>	<u>1,791</u>
Total parks and grounds	<u>166,225</u>	<u>164,425</u>	<u>167,603</u>	<u>(3,178)</u>
 Library				
Personnel services	97,380	95,680	95,868	(188)
Materials and supplies	12,452	12,452	9,184	3,268
Other services	<u>12,050</u>	<u>12,630</u>	<u>7,726</u>	<u>4,904</u>
Total library	<u>121,882</u>	<u>120,762</u>	<u>112,778</u>	<u>7,984</u>
 Total culture and recreation	 \$ <u>288,107</u>	 <u>285,187</u>	 <u>280,381</u>	 <u>4,806</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, 2009  
-continued-

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive (Negative)
<b>EXPENDITURES</b> (continued):				
Debt service:				
Principal retirement	81,651	81,651	87,453	(5,802)
Interest	<u>25,737</u>	<u>25,737</u>	<u>27,970</u>	<u>(2,233)</u>
Total debt service	<u>107,388</u>	<u>107,388</u>	<u>115,423</u>	<u>(8,035)</u>
 Total expenditures	 <u>3,190,742</u>	 <u>3,012,267</u>	 <u>3,003,620</u>	 <u>8,647</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>59,196</u>	 <u>85,301</u>	 <u>169,433</u>	 <u>84,132</u>
 <b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets		11,238	11,238	
Capital leases			33,797	33,797
Transfers out		(875,000)	(875,000)	
Transfers in	<u>199,222</u>	<u>199,222</u>	<u>193,961</u>	<u>(5,261)</u>
Total other financing sources (uses)	<u>199,222</u>	<u>(664,540)</u>	<u>(636,004)</u>	<u>28,536</u>
 Net change in fund balances	 258,418	 (579,239)	 (466,571)	 112,668
 Fund balances - beginning	 <u>1,778,175</u>	 <u>1,778,175</u>	 <u>1,778,175</u>	 _____
 Fund balances - ending	 \$ <u>2,036,593</u>	 <u>1,198,936</u>	 <u>1,311,604</u>	 <u>112,668</u>

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

**CITY OF MELISSA**  
Statement of Net Assets  
Proprietary Fund  
September 30, 2009

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 1,179,532
Receivables (net of allowance of uncollectibles):	
Utility bills	228,049
Other	935
Restricted cash and cash equivalents	<u>1,094,746</u>
Total current assets	<u>2,503,262</u>

Noncurrent assets:

Bond issuance costs (net of accumulated amortization)	<u>217,490</u>
---	----------------

Capital Assets:

Land	224,988
Buildings and systems	8,742,053
Equipment	412,027
Construction in progress	4,344,873
Less: accumulated depreciation	<u>(1,616,561)</u>
Total capital assets (net of depreciation)	<u>12,107,380</u>

Total noncurrent assets	<u>12,324,870</u>
-------------------------	-------------------

Total assets	<u>14,828,132</u>
--------------	-------------------

**LIABILITIES**

Current liabilities:

Accounts payable	608,671
Accrued interest payable	614,901
Due to other funds	15,177
Deposits	173,595
Compensated absences payable	5,118
Current portion of lease payable	15,563
Current portion on bonds payable	<u>306,250</u>
Total current liabilities	<u>1,739,275</u>

Noncurrent liabilities:

Lease payable	147,906
Bonds payable	<u>10,360,000</u>
Total noncurrent liabilities	<u>10,507,906</u>

Total liabilities	<u>12,247,181</u>
-------------------	-------------------

**NET ASSETS**

Invested in capital assets, net of related debt	1,884,319
Unrestricted	<u>696,632</u>
Total net assets	<u>\$ 2,580,951</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 Assets  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2009

**OPERATING REVENUES**

Water sales	\$ 1,187,779
Sewer charges	399,080
Sanitation	198,633
Tap fees	141,675
Reconnect fees	56,681
Meter installation fee	3,400
Miscellaneous	<u>20,713</u>

Total operating revenues	<u>2,007,961</u>
--------------------------	------------------

**OPERATING EXPENSES**

Personnel services	324,511
Materials and supplies	197,113
Other services	1,830,389
Amortization	12,046
Depreciation	<u>251,972</u>

Total operating expenses	<u>2,616,031</u>
--------------------------	------------------

Operating income (loss)	<u>(608,070)</u>
-------------------------	------------------

**NONOPERATING REVENUES (EXPENSES)**

Interest income	72,812
Interest expense	<u>(325,145)</u>

Total nonoperating revenues (expenses)	<u>(252,333)</u>
--	------------------

Net income (loss) before transfers	(860,403)
------------------------------------	-----------

**TRANSFERS**

Transfers out	<u>(193,961)</u>
---------------	------------------

Change in net assets	(1,054,364)
----------------------	-------------

Net assets - beginning	<u>3,635,315</u>
------------------------	------------------

Net assets - ending	<u>\$ 2,580,951</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, 2009

Cash flows from operating activities:	
Cash received from customers	\$ 1,987,859
Cash payments to suppliers	(917,163)
Cash payments to employees	<u>(1,253,245)</u>
Net cash provided by operating activities	<u>(182,549)</u>
 Cash flows from noncapital financing activities:	
Transfer to other funds	(193,961)
Advances from other funds	<u>17,612</u>
Net cash used for noncapital financing activities	<u>(176,349)</u>
 Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,703,353)
Principal paid on bonds and leases	(325,418)
Interest paid on debt	<u>(115,044)</u>
Net cash provided for capital and related financing activities	<u>(3,143,815)</u>
 Cash flows from investing activities:	
Interest on deposits and investments	<u>72,812</u>
Net cash provided by investing activities	<u>72,812</u>
 Net increase in cash and cash equivalents	(3,429,901)
 Cash and cash equivalents - beginning	<u>5,704,179</u>
 Cash and cash equivalents - ending	<u>\$ 2,274,278</u>



**CITY OF MELISSA**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2009  
-continued-

Reconciliation of Net Income to Net Cash Provided  
by Operating Activities

Operating income/(loss)	\$ <u>(608,070)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	251,972
Amortization expense	12,046
(Increase)/decrease in accounts receivable	(20,128)
Increase/(decrease) in accounts payable	179,610
Increase/(decrease) in compensated absences	1,995
Increase/(decrease) in utility deposits	680
Increase in other receivables	<u>(654)</u>
Total adjustments	<u>425,521</u>
Net cash provided by operating activities	\$ <u><u>(182,549)</u></u>

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

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2009

**(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 assets and the statement of activities) report information on all of the nonfiduciary 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, 2009  
-continued-

**(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, 2009  
-continued-

**NOTE 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.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund 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 Financial Statements  
September 30, 2009  
-continued-

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

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and Investments**

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at 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 is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
System infrastructure	40
Equipment	5-10
Vehicles	5

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**7. Fund equity**

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

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**A. Budgetary Information** (continued)

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 Administrator 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 in the approved budget. This amount is 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 nonmajor 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 reappropriated as part of the following year budget.

**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 assets (budget)	\$ 2,844,969
Depreciation	(251,972)
Amortization	(12,046)
Net assets (GAAP)	<u>\$ 2,580,951</u>

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

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, 2009, the City's carrying amount of deposits was \$18,682,433 and the bank balance was \$18,174,785. Of the bank balance, \$267,024 was covered by federal depository insurance and \$17,907,761 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 \$205,004 and the bank balance was \$206,342. The bank balance 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 \$210,085 and the bank balance was \$210,085. The bank balance was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

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. Administration of TexStar is performed by a Board of



**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**A. Deposits and Investments** (continued)

- b. Custodial Credit Risk - Investments: (continued) 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. 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.

At year end, the government had no investments.

**B. Receivables**

Receivables at September 30, 2009 consisted of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:			
Property tax	\$ 61,423		61,423
Sales tax	41,215		41,215
Other	25,446	935	26,381
Utility bills		<u>228,049</u>	<u>228,049</u>
Net receivables	<u>\$ 128,084</u>	<u>228,984</u>	<u>357,068</u>

No allowance for uncollectibles has been made.

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**B. Receivables** (continued)

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, 2008, upon which the 2008/2009 levy was based, was approximately \$395,041,346. The tax rate for fiscal year 2008/2009 was \$0.61 per \$100 of assessed valuation.

At September 30, 2009, the MEDC and MCDC each had sales tax receivable of \$20,607. No allowance for uncollectibles has been made.

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2009 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 415,873			415,873
Construction in progress	1,558,169	4,679,361		6,237,530
Total capital assets not being depreciated	1,974,042	4,679,361		6,653,403
Capital assets being depreciated:				
Building	4,480,878			4,480,878
Equipment	1,407,982	33,797	(69,864)	1,371,915
Infrastructure	5,131,705			5,131,705
Total capital assets being depreciated	11,020,565	33,797	(69,864)	10,984,498
Less accumulated depreciation for:				
Building	(416,088)	(133,276)		(549,364)
Equipment	(525,652)	(117,785)	69,864	(573,573)
Infrastructure	(140,118)	(28,101)		(168,219)
Total accumulated depreciation	(1,081,858)	(279,162)	69,864	(1,291,156)
Total capital assets being depreciated, net	9,938,707	(245,365)		9,693,342
Governmental activities capital assets, net	\$ 11,912,749	4,433,996		16,346,745

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**C. Capital Assets** (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 224,988			224,988
Construction in progress	<u>2,259,038</u>	<u>2,085,835</u>		<u>4,344,873</u>
Total capital assets not being depreciated	<u>2,484,026</u>	<u>2,085,835</u>		<u>4,569,861</u>
Capital assets being depreciated:				
Building and system	8,742,053			8,742,053
Equipment	<u>412,027</u>			<u>412,027</u>
Total capital assets being depreciated	<u>9,154,080</u>			<u>9,154,080</u>
Less accumulated depreciation for:				
Building and system	(1,195,323)	(216,541)		(1,411,864)
Equipment	<u>(169,266)</u>	<u>(35,431)</u>		<u>(204,697)</u>
Total accumulated depreciation	<u>(1,364,589)</u>	<u>(251,972)</u>		<u>(1,616,561)</u>
Total capital assets being depreciated, net	<u>7,789,491</u>	<u>(251,972)</u>		<u>7,537,519</u>
Business-type activities capital assets, net	<u>\$ 10,273,517</u>	<u>1,833,863</u>		<u>12,107,380</u>

Interest expense of \$353,486 has been capitalized in construction in progress.

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

Government activities:	
General government	\$ 27,798
Public safety	131,776
Street	28,990
Culture and recreation	<u>90,598</u>
Total depreciation expense - government activities	<u>\$ 279,162</u>
Business-type activities:	
Water and sewer	<u>\$ 251,972</u>
Total depreciation expense - business-type activities	<u>\$ 251,972</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**D. Construction Commitments**

At September 30, 2009 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:

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Amount</u>	<u>Costs Incurred Through 9/30/09</u>
Governmental activities:			
City Hall Bldg.	6/30/10	\$ 8,732,875	4,365,493
Road projects	9/30/10	\$ 2,929,356	1,872,037
Business-type activities:			
Water & sewer projects	9/30/10	\$ 7,059,873	4,344,873

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

Interfund balances at September 30, 2009 are as follows:

Due to/from other funds:		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer	\$ 20,466
General Fund	Transportation construction	13,356
General Fund	City hall construction	92
Debt Service Fund	General Fund	7,627
Tax Inc. Fin. Zone	City hall construction	3,249
Water and Sewer Fund	City hall construction	196
Water and Sewer Fund	Transportation construction	\$ 5,096

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:

	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Tax Increment Fin. Zone</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfers out:				
General Fund	\$	875,000		875,000
Tax Increment Fin. Zone			24,895	24,895
Proprietary Fund	<u>193,961</u>			<u>193,961</u>
Total	<u>\$ 193,961</u>	<u>875,000</u>	<u>24,895</u>	<u>1,093,856</u>

**Purpose of Transfers**

The transfer from the general fund to the tax increment financing zone was to provide working capital. All other transfers were to pay outstanding third party debt.

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**F. Capital Leases**

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2009, the equipment and vehicles leased under capital leases had a carrying value of \$657,429 which is included in the governmental activities and \$181,387 which is included in the business-type activities on the Statement of Net Assets. Capital lease expenditures for 2009 were \$126,239, of which \$25,508 represented interest. Effective interest rates range from 3.82% to 7.15%. Pursuant to the terms of the capital lease agreements, the City will be required to make future minimum payments as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2010	\$ 103,297	21,803
2011	74,209	21,803
2012	69,028	21,803
2013	62,830	21,803
2014	40,938	21,803
Thereafter	<u>211,731</u>	<u>87,212</u>
Future minimum lease payments	562,033	196,227
Less: amount representing interest	<u>(121,074)</u>	<u>(32,758)</u>
Present value of future minimum lease payments	\$ <u><u>440,959</u></u>	<u><u>163,469</u></u>

**G. Note Payable**

On March 29, 2007, the City borrowed \$105,000 from the depository bank. The funds were used to purchase property, and are to be repaid in monthly installments of \$930, including interest at 6.75%, beginning April 29, 2007. A final payment of approximately \$81,866 will be due on March 29, 2012.

The annual requirements to amortize the note payable as of September 30, 2009, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 4,963	6,193	11,156
2011	5,309	5,847	11,156
2012	<u>83,734</u>	<u>2,779</u>	<u>86,513</u>
Total	\$ <u><u>94,006</u></u>	<u><u>14,819</u></u>	<u><u>108,825</u></u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt**

Long-term liability activity, for government activities for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 489,975	33,797	(82,813)	440,959	81,133
Note payable	98,646		(4,640)	94,006	6,193
Bonds payable	10,020,000	9,840,000	(410,000)	19,450,000	445,000
Compensated absences	<u>45,588</u>	<u>51,448</u>	<u>(45,588)</u>	<u>51,448</u>	<u>51,448</u>
Totals	\$ <u>10,654,209</u>	<u>9,925,245</u>	<u>(543,041)</u>	<u>20,036,413</u>	<u>583,774</u>

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

Bonds payable at September 30, 2009 are comprised of the following individual issues for the governmental activities:

2001 Certificates of Obligation issued June 1, 2001 due in annual installments through August 15, 2011, bearing interest at rates ranging from 3.5% to 4.9%, payable February 15 and August 15.	\$ 195,000
2004 Certificates of Obligation issued September 29, 2004 due in annual installments through February 15, 2024, bearing interest at rates ranging from 2.2% to 4.69%, payable February 15 and August 15.	1,245,000
2005 Certificates of Obligation issued June 23, 2005 due in annual installments through February 15, 2025, bearing interest at 4.1%, payable February 15 and August 15.	820,000
2005A Certificates of Obligation issued December 30, 2005 due in annual installments through February 15, 2026, bearing interest at 4.05%, payable February 15 and August 15.	740,000
2006 Certificates of Obligation issued May 31, 2006, due in annual installments through February 15, 2026, bearing interest at rates ranging from 4.35% to 6.0%, payable February 15 and August 15.	\$ 1,535,000

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

2008 General Obligation bonds issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest at 4.65%, payable February 15 and August 15 .

\$ 5,075,000

2009 Certificates of Obligation issued February 1, 2009 due in annual installments through September 30, 2034 bearing interest at 3.0% to 4.625%, payable February 15 and August 15.

9,840,000

Combined debt

\$ 19,450,000

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2009, are as follows:

2001 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2010	\$ 95,000	9,460	104,460
2011	<u>100,000</u>	<u>4,900</u>	<u>104,900</u>
Total	<u>\$ 195,000</u>	<u>14,360</u>	<u>209,360</u>

2004 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2010	\$ 55,000	53,951	108,951
2011	60,000	50,703	110,703
2012	65,000	47,171	112,171
2013	65,000	44,149	109,149
2014	70,000	41,685	111,685
2015	75,000	38,908	113,908
2016	75,000	35,908	110,908
2017	80,000	32,768	112,768
2018	85,000	29,385	114,385
2019	90,000	25,708	115,708
2020	95,000	21,730	116,730
2021	100,000	17,438	117,438
2022	105,000	12,825	117,825
2023	110,000	7,905	117,905
2024	<u>115,000</u>	<u>2,674</u>	<u>117,674</u>
Total	<u>\$ 1,245,000</u>	<u>462,908</u>	<u>1,707,908</u>

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

2005 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 35,000	32,902	67,902
2011	40,000	31,365	71,365
2012	40,000	29,725	69,725
2013	40,000	28,085	68,085
2014	45,000	26,342	71,342
2015	45,000	24,498	69,498
2016	45,000	22,652	67,652
2017	50,000	20,705	70,705
2018	50,000	18,655	68,655
2019	55,000	16,502	71,502
2020	55,000	14,248	69,248
2021	60,000	11,890	71,890
2022	60,000	9,430	69,430
2023	65,000	6,868	71,868
2024	65,000	4,202	69,202
2025	<u>70,000</u>	<u>1,435</u>	<u>71,435</u>
Total	<u>\$ 820,000</u>	<u>299,504</u>	<u>1,119,504</u>

2005A Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 30,000	29,363	59,363
2011	30,000	28,147	58,147
2012	35,000	26,831	61,831
2013	35,000	25,414	60,414
2014	35,000	23,996	58,996
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	<u>60,000</u>	<u>1,215</u>	<u>61,215</u>
	<u>\$ 740,000</u>	<u>283,703</u>	<u>1,023,703</u>

-continued-



**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

2006 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 60,000	72,358	132,358
2011	65,000	68,607	133,607
2012	70,000	64,558	134,558
2013	70,000	60,357	130,357
2014	75,000	56,008	131,008
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	<u>130,000</u>	<u>3,022</u>	<u>133,022</u>
Total	<u>\$ 1,535,000</u>	<u>677,216</u>	<u>2,212,216</u>

2008 General Obligation Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	170,000	230,773	400,773
2011	180,000	222,679	402,679
2012	190,000	214,123	404,123
2013	195,000	205,219	400,219
2014	205,000	195,969	400,969
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	<u>395,000</u>	<u>9,480</u>	<u>404,480</u>
	<u>\$ 5,075,000</u>	<u>2,566,316</u>	<u>7,641,316</u>

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

2009 Certificates of Obligation

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	610,352	610,352
2011		396,619	396,619
2012		396,619	396,619
2013	300,000	396,619	696,619
2014	310,000	387,619	697,619
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
Total	\$ <u>9,840,000</u>	<u>6,895,106</u>	<u>16,735,106</u>

During the year ended September 30, 2009, the following changes occurred in long-term liabilities reported in the Water and Sewer Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Capital leases	\$ 181,387		(17,918)	163,469	15,563
Bonds payable	10,973,750		(307,500)	10,666,250	306,250
Compensated absences	<u>3,123</u>	<u>5,118</u>	<u>(3,123)</u>	<u>5,118</u>	<u>5,118</u>
Totals	\$ <u>11,158,260</u>	<u>5,118</u>	<u>(328,541)</u>	<u>10,834,837</u>	<u>326,931</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

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

Bonds payable at September 30, 2009 are comprised of the following individual issues for the Water and Sewer Fund:

2000 Certificates of Obligation issued December 19, 2000 due in annual installments through August 15, 2021, bearing interest at rates ranging from 5.5% to 6.5%, payable February 15 and August 15.	\$ 1,265,000
--	--------------

2005 Contract Revenue Bonds issued January 20, 2005 due in annual installments through October 1, 2028, bearing interest at rates ranging from 2.29% to 5.74%, payable April 1 and October 1.	620,000
---	---------

2006 Contract Revenue Bonds issued July 15, 2006, due in annual installments through February 1, 2040, bearing interest at rates ranging from 5.68% to 5.83%, payable February 1.	2,168,750
---	-----------

2006 Certificates of Obligation issued May 31, 2006, due in annual installments through February 15, 2006, bearing interest at rates ranging from 4.35% to 6.0%, payable February 15 and August 15.	565,000
---	---------

2006 Contract Revenue Bonds issued November 1, 2006 due in annual installments through June 1, 2026, bearing interest at rates ranging from 2.95% to 3.75%, payable June 1 and December 1.	1,555,000
--	-----------

2007 Contract Revenue Bonds issued February 20, 2007 due in annual installments through October 1, 2036, bearing interest at rates ranging from 2.67% to 5.62%, payable October 1 and April 1.	1,242,500
--	-----------

2007A Contract Revenue Bonds issued February 7, 2008 due in annual installments through June 1, 2028, bearing interest at rates ranging from 2.95% to 4.10%, payable December 1 and June 1.	1,070,000
---	-----------

2008 Certificates of Obligation issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest at 4.56%, payable February 15 and August 15.	<u>2,180,000</u>
---	------------------

Combined Debt	\$ <u><u>10,666,250</u></u>
---------------	-----------------------------

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

The annual requirements to amortize the bonded debt outstanding for the Water and Sewer Fund as of September 30, 2009, are as follows:

2000 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	65,000	73,330	138,330
2011	80,000	69,105	149,105
2012	85,000	64,105	149,105
2013	90,000	59,430	149,430
2014	95,000	54,480	149,480
2015	100,000	49,160	149,160
2016	105,000	43,560	148,560
2017	115,000	37,575	152,575
2018	120,000	31,020	151,020
2019	130,000	24,060	154,060
2020	135,000	16,520	151,520
2021	<u>145,000</u>	<u>8,555</u>	<u>153,555</u>
Total	<u>\$ 1,265,000</u>	<u>530,900</u>	<u>1,795,900</u>

2005 Contract Revenue Bonds (continued)

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 18,750	32,392	51,142
2011	20,000	31,644	51,644
2012	21,250	30,796	52,046
2013	22,500	29,863	52,363
2014	23,750	28,842	52,592
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	<u>51,250</u>	<u>2,942</u>	<u>54,192</u>
Total	<u>\$ 620,000</u>	<u>392,456</u>	<u>1,012,456</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

2006 Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	25,041	25,041
2011		37,562	37,562
2012		50,082	50,082
2013		68,863	68,863
2014		87,644	87,644
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
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	<u>207,500</u>	<u>12,097</u>	<u>219,597</u>
Total	\$ <u>2,168,750</u>	<u>3,488,662</u>	<u>5,657,412</u>

2006 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 25,000	26,545	51,545
2011	25,000	25,045	50,045
2012	25,000	23,545	48,545
2013	25,000	22,045	47,045
2014	\$ 25,000	20,545	45,545

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

2006 Certificates of Obligation (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>45,000</u>	<u>1,046</u>	<u>46,046</u>
Total	\$ <u>565,000</u>	<u>248,138</u>	<u>813,138</u>

2006 Contract Revenue Bonds (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 65,000	56,252	121,252
2010	65,000	54,270	119,270
2011	70,000	52,288	122,288
2012	70,000	50,117	120,117
2013	75,000	47,913	122,913
2014	80,000	45,512	125,512
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	<u>120,000</u>	<u>4,500</u>	<u>124,500</u>
	\$ <u>1,555,000</u>	<u>553,038</u>	<u>2,108,038</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

2007 Contract Revenue Bonds

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 18,750	64,962	83,712
2011	32,500	64,274	96,774
2012	41,250	63,016	104,266
2013	45,000	61,317	106,317
2014	47,500	59,395	106,895
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>\$ 1,242,500</u>	<u>1,169,485</u>	<u>2,411,985</u>

2007A Contract Revenue Bonds

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 40,000	39,378	79,378
2011	40,000	38,197	78,197
2012	40,000	36,998	76,998
2013	45,000	35,777	80,777
2014	45,000	34,338	79,338
2015	45,000	32,875	77,875
2016	\$ 50,000	31,367	81,367

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**H. Long-term Debt** (continued)

2007A Contract Revenue Bonds (continued)

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>80,000</u>	<u>3,280</u>	<u>83,280</u>
Total	\$ <u>1,070,000</u>	<u>460,663</u>	<u>1,530,663</u>

2008 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 75,000	95,724	170,724
2011	80,000	92,430	172,430
2012	85,000	88,924	173,924
2013	85,000	85,311	170,311
2014	90,000	81,593	171,593
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	<u>170,000</u>	<u>4,080</u>	<u>174,080</u>
	\$ <u>2,180,000</u>	<u>1,076,421</u>	<u>3,256,421</u>



**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

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

**I. Restricted Assets**

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

Customer deposits	\$ 173,595
Accrued interest payable	614,901
Current bonds payable	<u>306,250</u>
Total restricted assets	\$ <u>1,094,746</u>

**NOTE 4. OTHER INFORMATION**

**A. Risk Management**

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

**B. Retirement System**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. Each of the municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2008 valuations are contained in the 2008 TMRS Comprehensive Annual Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 4. OTHER INFORMATION** (continued)

**B. Retirement System** (continued)

**Plan Description** (continued)

year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

***Contributions***

The contribution rate for the employees is 6%, and the government matching ratio is currently 2 to 1, both as adopted by the governing body of the government. Under the state law governing TMRS, the government contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to government matching percent, which are the obligation of the government as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the government to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year - closed period - amortization period, using the level percent of payroll amortization method. When the government periodically adopts updated service credits and increases its annuities in effect, the increased unfunded (overfunded) actuarial liability (asset) is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January, 2008. The projected unit credit actuarial cost method is used for determining the government contribution rate. Contributions are made monthly by both the employees and the government. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

***Annual Pension Cost***

For the year ended September 30, 2009, the City's annual pension cost of \$95,932 for TMRS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) no projected salary increases, and (c) no cost-of-living adjustments. A 3.0% inflation rate was used to computing (a) and (b). The actuarial value of TMRS assets was determined using amortized cost.

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2009  
-continued-

**NOTE 4. OTHER INFORMATION** (continued)

**B. Retirement System** (continued)

Three Year Trend Information for TMRS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Contributions Made</u>	<u>Net Pension Obligation</u>
09/30/07	\$ 72,608	72,608	0
09/30/08	\$ 82,418	82,418	0
09/30/09	\$ 95,932	95,932	0

Schedule of Funding Progress for TMRS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)(b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>U.A.A.L. as a Percentage of Covered Payroll [(b)-(a)/(c)]</u>
12/31/06	\$ 321,311	376,176	54,865	85.4%	\$ 1,034,167	5.3%
12/31/07	\$ 461,689	610,368	148,679	75.6%	\$ 1,143,550	13.0%
12/31/08	\$ 596,055	720,602	124,547	88.5%	\$ 1,085,587	11.5%

## INDIVIDUAL FUND SCHEDULE

**CITY OF MELISSA**  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual - Water and Sewer Fund  
For the Fiscal Year Ended September 30, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive <u>(Negative)</u>
<b>OPERATING REVENUES:</b>				
Collections:				
Water	\$ 1,296,182	1,206,182	1,187,779	(18,403)
Sewer	407,517	407,517	399,080	(8,437)
Sanitation	183,840	190,170	198,633	8,463
Tap fees	400,500	178,000	141,675	(36,325)
Reconnect fees	40,000	58,000	56,681	(1,319)
Meter installation fee		3,400	3,400	
Miscellaneous			<u>20,713</u>	<u>20,713</u>
Total operating revenues	<u>2,328,039</u>	<u>2,043,269</u>	<u>2,007,961</u>	<u>(35,308)</u>
 <b>OPERATING EXPENSES:</b>				
Water department:				
Personnel services	198,557	191,077	192,089	(1,012)
Materials and supplies	216,616	170,116	154,530	15,586
Other services	<u>582,624</u>	<u>598,123</u>	<u>1,058,688</u>	<u>(460,565)</u>
Total water department	<u>997,797</u>	<u>959,316</u>	<u>1,405,307</u>	<u>(445,991)</u>
 Sewer department:				
Materials and supplies	7,000	7,000	9,662	(2,662)
Other services	<u>272,276</u>	<u>467,276</u>	<u>571,850</u>	<u>(104,574)</u>
Total sewer department	<u>279,276</u>	<u>474,276</u>	<u>581,512</u>	<u>(107,236)</u>
 Sanitation department:				
Other services	<u>183,840</u>	<u>183,840</u>	<u>193,933</u>	<u>(10,093)</u>
Total sanitation department	<u>183,840</u>	<u>183,840</u>	<u>193,933</u>	<u>(10,093)</u>
 Billing department:				
Personnel services	134,315	134,315	132,422	1,893
Materials and supplies	20,205	24,205	32,921	(8,716)
Other services	<u>18,200</u>	<u>18,200</u>	<u>5,918</u>	<u>12,282</u>
Total billing department	<u>172,720</u>	<u>176,720</u>	<u>171,261</u>	<u>5,459</u>
 Total operating expenses	<u>1,633,633</u>	<u>1,794,152</u>	<u>2,352,013</u>	<u>(557,861)</u>
 Operating income (loss)	\$ <u>694,406</u>	<u>249,117</u>	<u>(344,052)</u>	<u>(593,169)</u>

**CITY OF MELISSA**  
Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual - Water and Sewer Fund  
For the Fiscal Year Ended September 30, 2009  
-continued-

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	\$ 42,000	50,000	72,812	22,812
Interest expense	<u>(368,000)</u>	<u>(368,000)</u>	<u>(325,145)</u>	<u>42,855</u>
Total nonoperating revenues (expenses)	<u>(326,000)</u>	<u>(318,000)</u>	<u>(252,333)</u>	<u>65,667</u>
Net income (loss) before transfers	368,406	(68,883)	(596,385)	(527,502)
Transfers (out)/in	<u>(347,391)</u>	<u>212,112</u>	<u>(193,961)</u>	<u>(406,073)</u>
Change in net assets	21,015	143,229	(790,346)	(933,575)
Net assets - beginning	<u>3,635,315</u>	<u>3,635,315</u>	<u>3,635,315</u>	_____
Net assets - ending	\$ <u>3,656,330</u>	<u>3,778,544</u>	<u>2,844,969</u>	<u>(933,575)</u>

## 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 .....	68
------------------------	----

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 .....	81
------------------------	----

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 .....	86
---------------------	----

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 .....	93
--	----

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 .....	96
-----------------------------	----

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 Assets by Component  
Last Six Fiscal Years  
(Accrual basis of accounting)  
(Amounts expressed in thousands)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 568	394	2,052	4,614
Restricted		1,435	3,507	751
Unrestricted	<u>1,282</u>	<u>375</u>	<u>251</u>	<u>1,556</u>
Total governmental activities net assets	\$ <u>1,850</u>	<u>2,204</u>	<u>5,810</u>	<u>6,921</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 1,118	1,126	1,014	1,888
Unrestricted	<u>357</u>	<u>449</u>	<u>1,524</u>	<u>1,267</u>
Total business-type activities net assets	\$ <u>1,475</u>	<u>1,575</u>	<u>2,538</u>	<u>3,155</u>
Primary government				
Invested in capital assets, net of related debt	\$ 1,686	1,520	3,066	6,502
Restricted		1,435	3,507	751
Unrestricted	<u>1,639</u>	<u>824</u>	<u>1,775</u>	<u>2,823</u>
Total primary government net assets	\$ <u>3,325</u>	<u>3,779</u>	<u>8,348</u>	<u>10,076</u>

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



<u>2008</u>	<u>2009</u>
1,304	3,250
4,362	68
<u>1,738</u>	<u>4,528</u>
<u>7,404</u>	<u>7,846</u>

2,374	1,884
<u>1,261</u>	<u>697</u>
<u>3,635</u>	<u>2,581</u>

3,678	5,134
4,362	68
<u>2,999</u>	<u>5,225</u>
<u>11,039</u>	<u>10,427</u>

**CITY OF MELISSA**  
Changes in Net Assets  
Last Six Fiscal Years  
(Accrual basis of accounting)  
(Amounts expressed in thousands)

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>EXPENSES</b>				
Governmental activities				
General government	\$ 1,231	1,614	1,831	1,596
Public safety	575	699	891	859
Streets	98	172	209	182
Culture and recreation	212	263	306	280
Interest on long-term debt	<u>89</u>	<u>136</u>	<u>181</u>	<u>256</u>
Total governmental activities expenses	<u>2,205</u>	<u>2,884</u>	<u>3,418</u>	<u>3,173</u>
Business-type activities:				
Water and sewer	854	1,305	1,122	1,332
Sanitation	<u>119</u>	<u>124</u>	<u>79</u>	<u>103</u>
Total business-type activities expenses	<u>973</u>	<u>1,429</u>	<u>1,201</u>	<u>1,435</u>
Total primary government expenses	<u>3,178</u>	<u>4,313</u>	<u>4,619</u>	<u>4,608</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
General government	518	508	671	392
Public safety	291	339	394	477
Culture and recreation				
Operating grants and contributions	177	614	351	422
Capital grants and contributions	<u>      </u>	<u>      </u>	<u>3,233</u>	<u>264</u>
Total governmental activities program revenues	<u>986</u>	<u>1,461</u>	<u>4,649</u>	<u>1,555</u>
Business-type activities:				
Charges for services:				
Water and sewer	1,080	1,496	2,156	1,845
Sanitation	<u>130</u>	<u>136</u>	<u>108</u>	<u>144</u>
Total business-type activities program revenues	<u>1,210</u>	<u>1,632</u>	<u>2,264</u>	<u>1,989</u>
Total primary government program revenues	<u>2,196</u>	<u>3,093</u>	<u>6,913</u>	<u>3,544</u>
Net (expense)/revenue				
Governmental activities	(1,219)	(1,423)	1,231	(1,618)
Business-type activities	<u>237</u>	<u>203</u>	<u>1,063</u>	<u>554</u>
Total primary government net expense	\$ <u>(982)</u>	<u>(1,220)</u>	<u>2,294</u>	<u>(1,064)</u>

<u>2008</u>	<u>2009</u>
1,736	1,696
919	990
520	384
381	371
<u>335</u>	<u>495</u>
<u>3,891</u>	<u>3,936</u>
1,619	2,747
<u>133</u>	<u>194</u>
<u>1,752</u>	<u>2,941</u>
<u>5,643</u>	<u>6,877</u>
294	248
463	447
1	
420	67
<u>304</u>	<u>      </u>
<u>1,482</u>	<u>762</u>
2,102	1,789
<u>176</u>	<u>199</u>
<u>2,278</u>	<u>1,988</u>
<u>3,760</u>	<u>2,750</u>
(2,409)	(3,174)
<u>526</u>	<u>(953)</u>
<u>(1,883)</u>	<u>(4,127)</u>

**CITY OF MELISSA**  
Changes in Net Assets  
Last Six Fiscal Years  
(Accrual basis of accounting)  
(Amounts expressed in thousands)  
(continued)

	<u>Fiscal Year</u>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 604	741	1,042	1,272
Sales taxes	551	602	650	564
Franchise taxes	85	92	116	128
Alcoholic beverage taxes	4	4	3	2
Investment earnings	5	58	176	205
Miscellaneous	17	144	212	52
Gain on sale of capital asset		6		608
Transfers	<u>142</u>	<u>133</u>	<u>175</u>	<u>170</u>
Total governmental activities	<u>1,408</u>	<u>1,780</u>	<u>2,374</u>	<u>3,001</u>
Business-type activities:				
Investment earnings	2	31	74	180
Miscellaneous				62
Gain on sale of capital asset				
Transfers	<u>(142)</u>	<u>(133)</u>	<u>(175)</u>	<u>(170)</u>
Total business-type activities	<u>(140)</u>	<u>(102)</u>	<u>(101)</u>	<u>72</u>
Total primary government	<u>1,268</u>	<u>1,678</u>	<u>2,273</u>	<u>3,073</u>
 <b>CHANGE IN NET ASSETS</b>				
Governmental activities	189	357	3,605	1,383
Business-type activities	<u>97</u>	<u>101</u>	<u>962</u>	<u>626</u>
Total primary government	\$ <u>286</u>	<u>458</u>	<u>4,567</u>	<u>2,009</u>

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

<u>2008</u>	<u>2009</u>
1,617	2,133
672	507
132	147
1	1
134	301
141	322
1	11
<u>195</u>	<u>194</u>
<u>2,893</u>	<u>3,616</u>
126	73
2	21
21	
<u>(195)</u>	<u>(194)</u>
<u>(46)</u>	<u>(100)</u>
<u>2,847</u>	<u>3,516</u>
484	441
<u>480</u>	<u>(1,053)</u>
<u>964</u>	<u>(612)</u>

This page left blank intentionally.

**CITY OF MELISSA**  
Governmental Activities Tax Revenues By Source  
Last Six 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>
2004	\$ 604	551	85	4	1,244
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

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

**CITY OF MELISSA**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(Amounts expressed in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Fiscal</u> <u>2003</u>
General fund				
Unreserved	\$ <u>373</u>	<u>326</u>	<u>261</u>	<u>113</u>
Total general fund	\$ <u><u>373</u></u>	<u><u>326</u></u>	<u><u>261</u></u>	<u><u>113</u></u>
All other governmental funds				
Reserved	\$			
Unreserved, reported in:				
Special revenue funds	—	—	—	—
Total all other governmental funds	\$ <u><u>373</u></u>	<u><u>326</u></u>	<u><u>261</u></u>	<u><u>113</u></u>



<u>Year</u>					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>292</u>	<u>240</u>	<u>254</u>	<u>1,582</u>	<u>1,797</u>	<u>1,281</u>
<u>292</u>	<u>240</u>	<u>254</u>	<u>1,582</u>	<u>1,797</u>	<u>1,281</u>
973	1,435	3,291	751	4,378	9,337
—	<u>140</u>	<u>217</u>	—	—	<u>948</u>
<u>973</u>	<u>1,575</u>	<u>3,508</u>	<u>751</u>	<u>4,378</u>	<u>10,285</u>

**CITY OF MELISSA**  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(Amounts expressed in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Fiscal</u> <u>2003</u>
<b>REVENUES</b>				
Taxes	\$ 510	662	767	1,045
Licenses and permits	52	80	218	280
Intergovernmental	85	42	498	179
Charges for services				
Fines	108	166	163	220
Investments earnings	10	10	12	10
Contributions	10	83	180	40
Miscellaneous	<u>59</u>	<u>10</u>	<u>62</u>	<u>76</u>
Total revenues	<u>834</u>	<u>1,053</u>	<u>1,900</u>	<u>1,850</u>
<b>EXPENDITURES</b>				
General government	322	585	766	950
Public safety	261	332	367	509
Streets	216	56	118	284
Culture and recreation	47			55
Capital outlay	24	368	772	350
Debt service:				
Principal		25	110	78
Interest		<u>2</u>	<u>56</u>	<u>40</u>
Total expenditures	<u>870</u>	<u>1,368</u>	<u>2,189</u>	<u>2,266</u>
Excess of revenues over/(under) expenditures	<u>(36)</u>	<u>(315)</u>	<u>(289)</u>	<u>(416)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			154	267
Transfers out		(715)		
Note issued				
Bonds issued		835		
Insurance recoveries				
Capital leases	23	148	72	
Sale of capital assets				
Total other financing sources (uses)	<u>23</u>	<u>268</u>	<u>226</u>	<u>267</u>
Net change in fund balances	\$ <u>(13)</u>	<u>(47)</u>	<u>(63)</u>	<u>(149)</u>
Debt service as a percentage of noncapital expenditures	0.0%	2.7%	11.7%	5.7%

<u>Year</u>					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1,245	1,432	1,790	1,966	2,440	2,781
518	508	671	392	294	206
137	522		300	505	313
		1	2	1	2
290	339	394	476	463	445
5	58	176	205	134	301
40	92	3,584	385	218	67
<u>17</u>	<u>144</u>	<u>212</u>	<u>43</u>	<u>124</u>	<u>51</u>
<u>2,252</u>	<u>3,095</u>	<u>6,828</u>	<u>3,769</u>	<u>4,179</u>	<u>4,166</u>
1,212	1,587	4,210	1,556	1,631	1,662
500	628	691	735	804	859
91	144	181	150	258	355
177	201	445	208	290	280
461	969	1,090	2,883	2,511	4,713
123	141	112	289	310	497
<u>89</u>	<u>109</u>	<u>162</u>	<u>277</u>	<u>311</u>	<u>487</u>
<u>2,653</u>	<u>3,779</u>	<u>6,891</u>	<u>6,098</u>	<u>6,115</u>	<u>8,853</u>
<u>(401)</u>	<u>(684)</u>	<u>(63)</u>	<u>(2,329)</u>	<u>(1,936)</u>	<u>(4,687)</u>
142	133	175	170	195	1,094
			105		(900)
1,400	950	1,635		5,230	9,840
		15	9	17	
27	145	182		331	34
	<u>6</u>	<u>1</u>	<u>696</u>	<u>3</u>	<u>11</u>
<u>1,569</u>	<u>1,234</u>	<u>2,008</u>	<u>980</u>	<u>5,776</u>	<u>10,079</u>
<u>1,168</u>	<u>550</u>	<u>1,945</u>	<u>(1,349)</u>	<u>3,840</u>	<u>5,392</u>
9.6%	8.8%	5.1%	17.5%	15.9%	23.9%

**CITY OF MELISSA**  
General Governmental Tax Revenues By Source  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(Amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2000	\$ 191	268	51	1	511
2001	329	265	64	4	662
2002	406	283	75	4	768
2003	509	453	79	4	1,045
2004	606	551	85	4	1,246
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

**CITY OF MELISSA**  
Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years

<u>Fiscal Year Ended September 30</u>		<u>Gross Property Value</u>	<u>Less: Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2000	\$	N/A	N/A	78,041,130	.324400
2001		N/A	N/A	96,533,057	.420000
2002		N/A	N/A	116,164,686	.420000
2003		N/A	N/A	130,271,946	.430000
2004		N/A	N/A	150,556,320	.437969
2005		N/A	N/A	197,353,650	.490215
2006		N/A	N/A	236,507,398	.520000
2007		325,222,277	17,032,635	308,189,642	.520000
2008		357,481,685	17,127,033	340,354,652	.520000
2009	\$	374,662,296	30,283,053	344,379,243	.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 assessed value.

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

<u>Fiscal Year</u>	<u>City of Melissa</u>		<u>Total</u>	<u>Melissa Independent School District</u>	<u>Collin County</u>	<u>Collin County College District</u>	<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Funds</u>					
2000	\$ .324400	.000000	.324400	1.598000	.250000	.096723	2.269123
2001	.420000	.000000	.420000	1.592445	.250000	.094049	2.356494
2002	.420000	.000000	.420000	1.711273	.250000	.092843	2.474116
2003	.430000	.000000	.430000	1.695624	.250000	.091946	2.467570
2004	.437969	.000000	.437969	1.878870	.250000	.091932	2.658771
2005	.447532	.042683	.490215	1.990000	.250000	.090646	2.820861
2006	.452110	.067890	.520000	1.910000	.250000	.089422	2.769422
2007	.439795	.080205	.520000	1.780000	.245000	.087683	2.632683
2008	.459435	.060565	.520000	1.535000	.245000	.086984	2.386984
2009	\$ .436756	.173244	.610000	1.540000	.242500	.086493	2.478993

Source: Applicable taxing entities.

**CITY OF MELISSA**  
Principal Property Taxpayers  
September 30, 2009

	2009		
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Hillwood RLD LP	\$ 3,265,810	1	0.95%
HFG VOM LP	2,162,000	2	0.63
Alpha Industries Inc.	2,153,088	3	0.63
McKinney Lumber Company LLC	2,087,836	4	0.61
Zenith Finance and Construction Co.	2,047,724	5	0.59
Engibous, Thomas J Etux	2,021,723	6	0.59
First National Bank of Trenton	2,004,845	7	0.58
Oncor Electric Delivery Company	1,899,120	8	0.55
Holigan Land Development	1,789,693	9	0.52
Phillips Properties LTD	<u>1,708,848</u>	10	<u>0.50%</u>
	<u>\$ 21,0140,687</u>		<u>6.14%</u>

Source: Collin County Central Appraisal District

Note: Data not available for the year 2000 at the time of this publication.

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>
2000	\$ 194,274	189,290	97.43%	\$ 1,568	190,858	98.24%
2001	327,804	318,911	97.29	3,566	322,477	98.38
2002	405,439	396,174	97.71	3,778	399,952	98.65
2003	499,508	493,940	98.88	7,659	501,599	100.41
2004	595,570	589,238	98.94	9,616	598,854	100.50
2005	738,048	723,108	97.98	6,081	729,189	98.80
2006	1,027,282	1,005,165	97.85	10,133	1,015,298	98.83
2007	1,230,154	1,222,950	99.41	30,825	1,253,775	101.92
2008	1,603,175	1,585,293	98.88	32,904	1,618,197	100.94
2009	\$ 2,089,744	2,035,210	97.39%	\$ 41,874	2,077,084	99.39%

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>
2000	\$ 130	72	80	282
2001	160	75	97	332
2002	184	75	115	374
2003	293	158	135	586
2004	322	110	130	562
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

**CITY OF MELISSA**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(Amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Primary Government</u>
	<u>General Obligation Bonds</u>	<u>Notes</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	
2000	\$		23	325			348
2001	835		147	1,475	300		2,757
2002	770		173	1,475	250		2,668
2003	700		127	1,475	210	12	2,524
2004	2,025		106	1,465	175	6	3,777
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

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 Demographic and Economic Statistics on page 93 for personal income and population data.

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

Percentage of Personal <u>Income</u> <sup>1</sup>	Per <u>Capita</u> <sup>1</sup>
0.57%	\$ 258
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
8.36	3,779
8.22	3,878
9.14%	3,991
N/A	4,946
N/A	\$ 6,163

**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>
2000	\$			N/A	N/A
2001	835		835	N/A	N/A
2002	770		770	N/A	N/A
2003	700		700	N/A	N/A
2004	2,025		2,025	N/A	N/A
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

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 81 for property value data.

<sup>2</sup>Population data can be found in the Schedule of Demographic and Economic Statistics on page 93.

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

**CITY OF MELISSA**  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2009  
(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.	\$ 73,259	79.60%	\$ 58,314
Collin County	409,395	0.47%	1,924
Collin County College District	48,345	0.46%	<u>222</u>
Total overlapping debt			60,460
City of Melissa direct debt			<u>19,985</u>
Total direct and overlapping debt			\$ <u>77,955</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>2000</u>	<u>2001</u>	<u>2002</u>	<u>Fiscal</u> <u>2003</u>
Debt limit	N/A	N/A	N/A	N/A
Total net debt applicable to limit	N/A	N/A	N/A	N/A
Legal debt margin	N/A	N/A	N/A	N/A
Total net debt applicable to the limit as a percentage of debt limit	N/A	N/A	N/A	N/A

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 2000-2006 at the time of this publication.

<u>Year</u>					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
N/A	N/A	N/A	\$ 32,522	35,748	37,466
N/A	N/A	N/A	<u>5,035</u>	<u>10,020</u>	<u>19,413</u>
N/A	N/A	N/A	\$ <u>27,487</u>	<u>25,728</u>	<u>18,053</u>
N/A	N/A	N/A	15.48%	28.03%	51.81%

#### **Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed value	\$ 344,379
Add back: exempt real property	<u>30,283</u>
Total assessed value	374,662
Debt limit (10% of total assessed value)	37,466
Debt applicable to limit:	
General obligation bonds	19,450
Less: Amount set aside for repayment of general obligation debt	<u>(37)</u>
Total net debt applicable to limit	<u>19,413</u>
Legal debt margin	\$ <u>18,053</u>

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

<u>Fiscal Year</u>	<u>Water and Sewer Revenue Bonds</u>					
	<u>Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2000	\$ 417	255	162	50	31	2.00
2001	434	318	116	50	28	1.49
2002	433	378	55	50	17	0.82
2003	622	477	145	40	101	1.03
2004	1,212	765	447	45	99	3.10
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	

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges and other includes investment earnings. Operating expenses do not include depreciation.



**CITY OF MELISSA**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	(1) <u>Estimated Population</u>	Personal Income (Amounts expressed <u>in Thousands</u> )	(2) Per Capita Personal <u>Income</u>	(1) Average <u>Age</u>	(4) <u>School Enrollment</u>	(3) Unemployment <u>Rate</u>
2000	1,350	\$ 61,304	45,410	35.3	382	3.4%
2001	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A	N/A
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	48,044	N/A	1,001	3.9%
2008	4,400	N/A	N/A	N/A	1,256	4.6%
2009	5,000	N/A	N/A	36.9	1,370	7.2%

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.

This page left blank intentionally.

**CITY OF MELISSA**  
Principal Employers  
Current Year

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Melissa ISD	165	1
Calhar Utility Contractors	88	2
Kirk Concrete Construction, Inc.	75	3
Alpha Industries Fabricated Structural Steel	55	4
City of Melissa	30	5
McKinney Lumber	30	6
Sonic Drive-In	25	7
Bee Builder Supply	23	8
Mudpies & Lullabies	22	9
CMC Construction Services	15	10

Source: City of Melissa

Note: Data not available for the year 2000 at the time of this publication.

**CITY OF MELISSA**  
Full-time Equivalent City Government Employees by Function  
Last Six Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Fiscal</u> <u>2007</u>
<b>FUNCTION</b>				
General government	6.0	7.0	6.0	6.0
Public safety:				
Police	8.5	10.0	10.0	9.0
Municipal Court	3.0	3.0	2.5	2.5
Fire	0.0	0.0	0.0	0.5
Code Enforcement	0.0	0.0	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	1.5	2.0	2.0	2.0
Water, Wastewater	2.0	3.0	5.0	4.0
Utility Administration	<u>1.0</u>	<u>1.5</u>	<u>3.0</u>	<u>3.0</u>
Total	<u>25.0</u>	<u>29.5</u>	<u>32.5</u>	<u>31.0</u>

Source: Finance Department

Note: Data for fiscal years 2000-2003 not available at the time of this publication.

Year	
<u>2008</u>	<u>2009</u>
6.0	6.0
9.5	9.5
2.5	2.5
0.5	1.5
1.0	1.0
1.0	1.0
2.0	1.0
2.5	2.0
4.0	4.0
<u>3.0</u>	<u>3.0</u>
<u>32.0</u>	<u>31.5</u>

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

	<u>Fiscal</u>	
	<u>2008</u>	<u>2009</u>
<b>FUNCTION/PROGRAM</b>		
General Government:		
Building permits issued:		
Commercial:		
Number issued	12	11
Total dollar value of permits issued	\$ 15,846,039	1,123,200
Residential:		
Number issued	95	73
Total dollar value of permits issued	\$ 16,036,530	10,277,213
Public Safety:		
Police:		
Physical arrests	413	319
Accidents	99	167
Citations	3,855	3,536
Fire:		
Calls for service - Fire & EMS	223	230
Number of fire safety programs	1	1
Number of calls answered	407	441
Inspections	10	50
Fires extinguished	57	58
Municipal Court:		
Number of cases filed	4,207	4,224
Number of cases closed	2,919	2,960
Culture and recreation:		
Parks and recreation:		
Athletic field reservations issued	2	5
Park facilities reservations issued	17	17
Public Works:		
Water & Sewer:		
New water connections	64	47
Average daily consumption of water (thousands of gallons)	541,369	587,638
Average daily treatment of wastewater (thousands of gallons)	449,989	528,750
Streets:		
Potholes repaired (tons of material)	25	32

Sources: Various government departments

Note: Data for fiscal years 2000-2007 not available at the time of this publication.

**CITY OF MELISSA**  
Capital Asset Statistics by Function  
Last Two Fiscal Years

	<u>Fiscal Year</u>	
	<u>2008</u>	<u>2009</u>
<b>FUNCTION</b>		
Public safety		
Police stations	1	1
Fire stations	1	1
Streets and drainage:		
Streets (miles)	49.6	51.1
Storm sewers (miles)	14.95	15.45
Culture and recreation		
Parks acreage	31	31
Water		
Water mains (miles)	24.17	25.67
Fire hydrants	270	300
Storage capacity (millions of gallons)	1,375	1,375
Sewer		
Sanitary sewers (miles)	34.99	36.49

Sources: Various city departments.

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

Data not available for years 2000-2007 at the time of this publication.