



# CITY OF MELISSA TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT

• FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2010



**CITY OF MELISSA**  
 Annual Financial Report  
 For the Year Ended September 30, 2010

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## City of Melissa

901 State Hwy. 121  
P.O. Box 409  
Melissa, TX 75454

Phone: 972-838-2338  
Fax: 972-837-4524  
cityofmelissa.com

February 22, 2011

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, 2010. 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, 2010, 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, 2010, 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 GFOA Certificate of Achievement, 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 5,200. 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. The 2010 Census results are not anticipated until mid 2011. 83% of Melissa households participated in the 2010 Census, which is higher than the national average of 74%. 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 FY11 unless an opportunity presents itself and the City Council directs project initiation.

## **Financial Planning and Fiscal Policies**

The City maintains several master plans to guide the City's long-term financial planning process. The following is a list of the plans utilized by the City and how they may impact the FY11 budget.

### Comprehensive Plan:

Overview: The City adopted its first Comprehensive Plan in 2006 with the help of an outside consulting firm. The document reviewed many building blocks for community development including utilities, thoroughfares, parks, facilities, housing, and many other issues. The action steps that were to be considered in the future were outlined in a specific chapter within the document. These action steps were designed to help the City address any existing issues identified through the study or to help the City proceed in the desired direction.

### 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.

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

### **Accounting System and Budgetary Control**

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

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

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

### **Other Information**

#### **Certificate of Achievement:**

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to cities for its comprehensive annual financial report (CAFR) based on certain criteria. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports. The City submitted and received this award for the CAFR for the fiscal year ended September 30, 2009 for the first time and will be submitting the CAFR for the fiscal year ended September 30, 2010.

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, 2010. This is the second 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 FY11.

**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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Melissa  
Texas

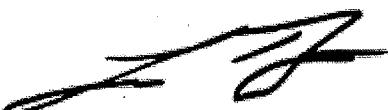
For its Comprehensive Annual  
Financial Report

for the Fiscal Year Ended

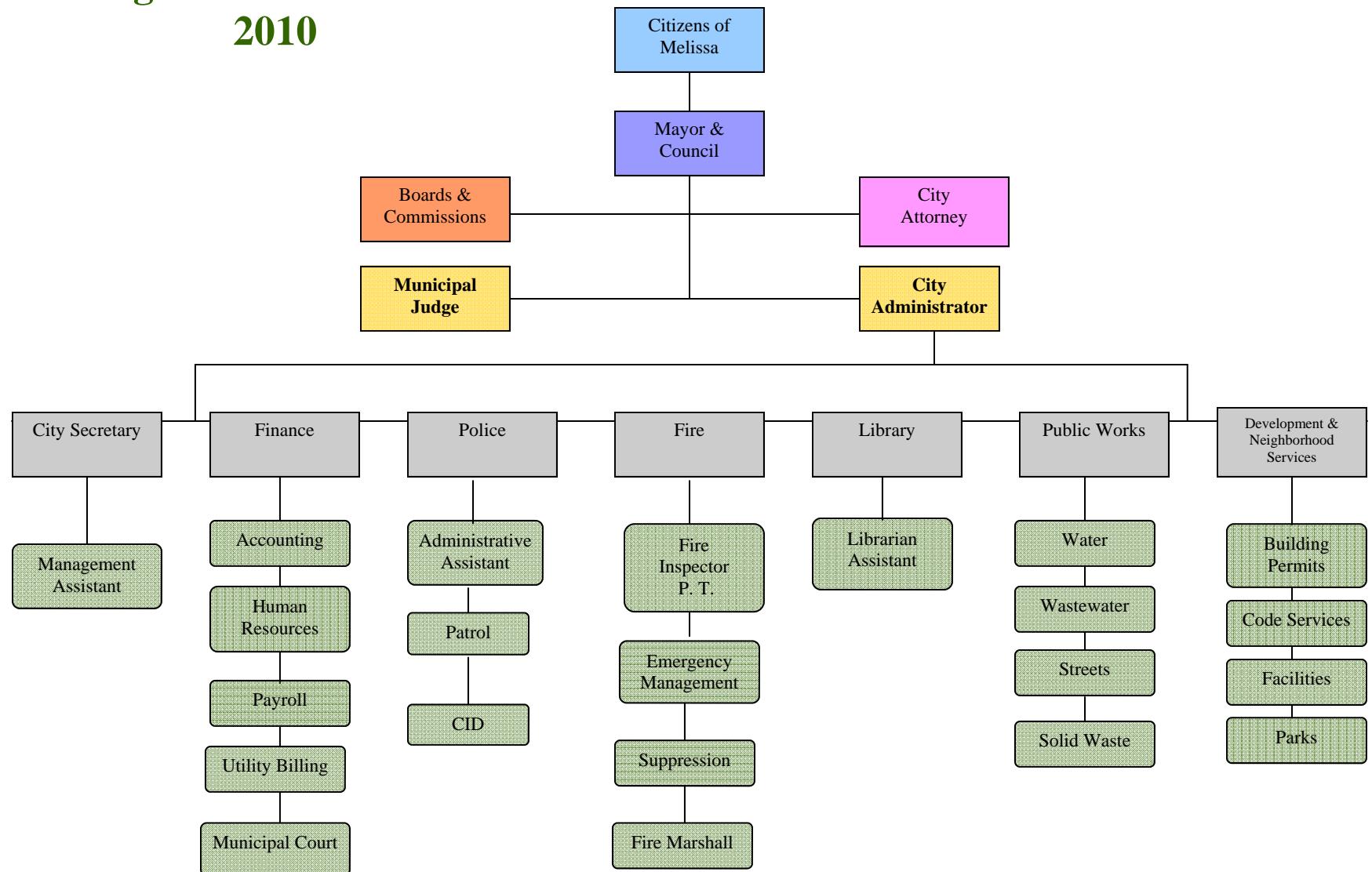
September 30, 2009

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



  
President  
  
Executive Director

# City of Melissa Organizational Chart 2010



# CITY OF MELISSA, TEXAS



## List of Elected and Appointed Officials

**FISCAL YEAR 2010**  
**OCTOBER 1, 2009 - SEPTEMBER 30, 2010**

THE MAYOR AND THE CITY COUNCIL

**MAYOR**  
**REED GREER**

**MAYOR PRO TEM**  
**SHARON WEIDEMAN**

CITY COUNCIL MEMBERS

**WILLIAM FARMER**  
**JILL FITCH**  
**DAN TROTT**  
**KIM YOUNGBLOOD**

### **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 – Lorelei Perkins  
Public Works Superintendent – Jeff Cartwright

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**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, 2010, 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, 2010, 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 13 through 20 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, 2010

## **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, 2010. 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 \$12,396,987 (net assets). Of this amount, \$4,821,120, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,969,638. This was due primarily to a capital grant from Collin County for streets.
- As of the close of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balances of \$3,796,074, a decrease of \$7,769,705 in comparison with the prior year. Most of the decrease is due to construction of streets and City Hall. Of the fund balance, \$1,931,726 is available for spending at the government's discretion (*unreserved fund balance*), \$1,754,699 is reserved for construction, and \$109,649 is reserved for other purposes.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$1,352,951 or 43 percent of total general fund expenditures.
- The City of Melissa's long-term debt increased by \$1,722,021 during the current fiscal year.
- The City of Melissa's capital assets increased \$10,152,822 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 22-25 of this report.

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

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

Because the focus of governmental funds is 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 26-35 of this report.

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-68 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 70-71 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 \$12,396,987 at the close of the most recent fiscal year.

A portion of the City of Melissa's net assets (60 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* \$4,821,120 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 6,837,168	16,623,927	4,667,674	2,705,575	11,504,842	19,329,502
Capital assets	25,561,832	16,346,745	12,456,515	12,107,380	38,018,347	28,454,125
Total assets	32,399,000	32,970,672	17,124,189	14,812,955	49,523,189	47,783,627
Long-term liabilities	19,538,324	20,036,413	13,054,947	10,834,837	32,593,271	30,871,250
Other liabilities	3,122,306	5,087,861	1,410,625	1,397,167	4,532,931	6,485,028
Total liabilities	22,660,630	25,124,274	14,465,572	12,232,004	37,126,202	37,356,278
Net assets:						
Invested in capital assets, net of						
related debt	6,075,795	3,250,108	1,390,423	1,884,319	7,466,218	5,134,427
Restricted	109,649	68,185			109,649	68,185
Unrestricted	3,552,926	4,528,105	1,268,194	696,632	4,821,120	5,224,737
Total net assets	\$ 9,738,370	7,846,398	2,658,617	2,580,951	12,396,987	10,427,349

## CITY OF MELISSA - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 644,437	694,617	2,474,036	1,987,248	3,118,473	2,681,865
Operating grants and contributions	112,136	67,019			112,136	67,019
Capital grants and contributions	2,067,000				2,067,000	
<b>General revenues:</b>						
Property taxes	2,142,587	2,133,194			2,142,587	2,133,194
Other taxes	598,935	654,037			598,935	654,037
Other	578,311	634,879	420,358	93,525	998,669	728,404
<b>Total revenues</b>	<b>6,143,406</b>	<b>4,183,746</b>	<b>2,894,394</b>	<b>2,080,773</b>	<b>9,037,800</b>	<b>6,264,519</b>
<b>Expenses:</b>						
General government	1,660,927	1,696,089			1,660,927	1,696,089
Public Safety	1,054,640	990,338			1,054,640	990,338
Streets	242,249	384,072			242,249	384,072
Sanitation			165,752	193,933	165,752	193,933
Culture and recreation	397,235	370,979			397,235	370,979
Interest on long-term debt	1,099,881	494,653			1,099,881	494,653
Water & Sewer			2,447,478	2,747,243	2,447,478	2,747,243
<b>Total expenses</b>	<b>4,454,932</b>	<b>3,936,131</b>	<b>2,613,230</b>	<b>2,941,176</b>	<b>7,068,162</b>	<b>6,877,307</b>
<b>Increase(decrease) in net assets</b>						
before transfers	1,688,474	247,615	281,164	(860,403)	1,969,638	(612,788)
Transfers	203,498	193,961	(203,498)	(193,961)		
<b>Increase(decrease) in net assets</b>	<b>1,891,972</b>	<b>441,576</b>	<b>77,666</b>	<b>(1,054,364)</b>	<b>1,969,638</b>	<b>(612,788)</b>
Net assets - beginning	7,846,398	7,404,822	2,580,951	3,635,315	10,427,349	11,040,137
<b>Net assets - ending</b>	<b>\$ 9,738,370</b>	<b>7,846,398</b>	<b>2,658,617</b>	<b>2,580,951</b>	<b>12,396,987</b>	<b>10,427,349</b>

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

**Governmental Activities:**

- Capital grants increased by \$2,067,000 from the previous year.
- Interest and fiscal charges increased \$605,228 (122 percent) during the year.

## Business-type Activities

Business-type activities increased the City of Melissa's net assets by \$77,666.

- Charges for services increased by \$486,788 (24%).
- Expenses decreased by \$327,946 (11%) due to a decline in water department services.

## **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 \$3,796,074, a decrease of \$7,769,705 from the prior year. The decrease is due to construction of \$3.6MM of streets and completion of City Hall for \$5.8MM. Of the current combined ending fund balance, \$1,931,726 is unreserved and not designated and \$1,754,699 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 \$1,352,951. Total unreserved fund balance represents 43% of total general fund expenditures.

The debt service fund has a total fund balance of \$71,097, all of which is reserved for payment of debt services. The increase in fund balance of \$33,658 is due to transfers from the special revenue fund.

The Transportation CPF has a total fund balance of \$1,675,539, all of which is reserved for street construction. The decrease in fund balance of \$1,684,135 represents current year expenditures for various street projects in excess of the \$2MM capital grant received from Collin County.

The City Hall CPF has a total fund balance of \$79,160, all of which is reserved for capital outlay. The decrease in fund balance of \$5,829,767 represents current year expenditures for the completion and furnishing of the new City Hall building.

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

Total net assets of the Enterprise Fund at the end of the year amounted to \$2,658,617. The total increase in net assets of the Enterprise Fund was \$77,666. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Melissa's business type activities.

## **General Fund Budgetary Highlights**

During the year, revenues exceeded budgetary estimates and expenditures exceeded budgetary estimates. The budget had called for a \$94,049 increase in unreserved general fund balance. The increase in unreserved general fund balance was actually \$79,899, a decrease of \$14,150 from budget projections.

- In total, actual general fund revenues were \$1,758 greater than budget. Of that amount, intergovernmental revenues were \$11,156 greater than budget.

- Overall, actual general fund expenditures were \$54,358 greater than budget. Of that amount, capital outlay expenditures were \$53,813 greater than budget due to the lease purchase of a patrol vehicle and equipping of a fire brush truck.

## **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, 2010, amounts to \$38,018,347 (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:

- Street construction in progress of \$3,620,086.
- City Hall construction of \$5,298,672.
- Various construction on water and sewer lines, of \$446,233, 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 48-50 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Melissa had bonded debt outstanding of \$31,903,750. 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 \$1,722,021 during the current fiscal year. The City issued debt of \$2,485,000 for the construction of water and sewer improvements.

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 52-65 of this report.

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

The budget document for fiscal year 2010 was submitted to the GFOA Distinguished Budget Award committee and was awarded its second Distinguished Budget Award. Comments submitted by the reviewers on items for improvement were addressed and the document has been resubmitted for the FY11 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 by providing expanded information to anyone who reads the document, and at the same time, providing 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 FY11 budget is based on an ad valorem tax rate of \$.61. This is the same rate as the FY10 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 collection rate of 99% of the tax rate is assumed, although the City historically collects in excess of 100% which includes delinquent taxes from previous years.

The 2010 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 \$225 million since 2002. The top ten taxpayers for 2010 make up only 6.19% of the \$341 million taxable appraised value compared to 6.14% in 2009, 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 \$406,000 or 13% of total revenues. Sales Tax decreased significantly in the 2010 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.

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 while maintaining a stable and healthy fund reserve. The North Texas Municipal Water District (NTMWD) delivers water to the City and treats its wastewater as well. Current wholesale rates and/or anticipated flows for water and sewer will be increased by NTMWD, and these increases will be passed on to the customer to cover the delivery and treatment charges. Due to the fluidity in sales and costs paid by Melissa, water and wastewater rates are reviewed annually through a water rate study to ensure the rates generate the needed revenue to cover the costs of both the water and wastewater system.

Overall, the City anticipates mild growth in meters in FY11 and assumes no increase in per meter usage. Revenues have been significantly impacted by the amount of rainfall in the heaviest water sale months. In strong growth years during the past decade, the City was able to build significant reserves that were utilized to smooth the water and sewer rate increases; however, the utilization of these funds in this effort has resulted in the reduction in reserves for this fund. In FY11, the City must refocus on the building of the reserves and another increase in both water and sewer rates are needed.

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 2011 fiscal year.

The City has reached the original goal of securing 90 days of Undesignated Fund Balance and will begin FY11 with approximately 128 days of operating undesignated fund balance. In FY11, it is recommended that the continued contribution to the reserve fund be suspended and approximately \$115,000 or 11.5 days be transferred to the General Fund to minimize the impacts of the overall revenue loss to the City. Staff strongly recommends that this be seen as a one time policy and the City immediately focus on continued contributions to the undesignated reserves as soon as possible.

### **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, 2010

	<b>Primary Government</b>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,659,719	2,916,025	9,575,744
Receivables (net of allowance for uncollectibles):			
Utility bills		291,716	291,716
Property taxes	36,636		36,636
Sales tax	29,715		29,715
Other	4,936	24,481	29,417
Due (to)/from other funds	40,794	(40,794)	
Due from component unit	65,368		65,368
Restricted cash and cash equivalents		1,162,175	1,162,175
Bond issuance costs		314,071	314,071
Capital assets not being depreciated:			
Land	415,873	435,015	850,888
Construction in progress	5,492,123	1,702,978	7,195,101
Capital assets (net of accumulated depreciation):			
Building and system	13,383,711	10,146,621	23,530,332
Equipment	1,334,741	171,901	1,506,642
Infrastructure	<u>4,935,384</u>		<u>4,935,384</u>
Total assets	<u>32,399,000</u>	<u>17,124,189</u>	<u>49,523,189</u>
<b>LIABILITIES</b>			
Accounts payable	1,028,457	595,950	1,624,407
Accrued interest payable	117,848	628,130	745,978
Deposits payable		186,545	186,545
Due to primary government			
Unearned revenue	1,976,001		1,976,001
Noncurrent liabilities:			
Due within one year	589,962	368,389	958,351
Due in more than one year	<u>18,948,362</u>	<u>12,686,558</u>	<u>31,634,920</u>
Total liabilities	<u>22,660,630</u>	<u>14,465,572</u>	<u>37,126,202</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,075,795	1,390,423	7,466,218
Restricted for:			
Court	38,552		38,552
Debt service	71,097		71,097
Unrestricted	<u>3,552,926</u>	<u>1,268,194</u>	<u>4,821,120</u>
Total net assets	<u>\$ 9,738,370</u>	<u>2,658,617</u>	<u>12,396,987</u>

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

Component Units	
Economic Development	Community Development

193,116	103,986
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14,857	14,857
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<hr/> <u>207,973</u>	<hr/> <u>118,843</u>
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195	323
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	65,368
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<hr/> <u>195</u>	<hr/> <u>65,691</u>
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<u>207,778</u>	<u>53,152</u>
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<u><u>207,778</u></u>	<u><u>53,152</u></u>
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**CITY OF MELISSA**  
 Statement of Activities  
 For the Fiscal Year Ended September 30, 2010

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,660,927	255,178		
Public safety	1,054,640	387,894	44,882	67,000
Streets	242,249			2,000,000
Culture and recreation	397,235	1,365	67,254	
Interest and fiscal charges	<u>1,099,881</u>			
Total governmental activities	<u>4,454,932</u>	<u>644,437</u>	<u>112,136</u>	<u>2,067,000</u>
Business-type activities:				
Water and sewer	2,447,478	2,264,441		
Sanitation	<u>165,752</u>	<u>209,595</u>		
Total business-type activities	<u>2,613,230</u>	<u>2,474,036</u>		
Total primary government	<u>\$ 7,068,162</u>	<u>3,118,473</u>	<u>112,136</u>	<u>2,067,000</u>
<b>Component units:</b>				
Economic development	\$ 227,293			
Community development	<u>314,401</u>			
Total component units	<u>\$ 541,694</u>			
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Investment earnings				
Grants & contributions not restricted to specific programs				
Miscellaneous revenue				
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			Component Units	
Primary Government			Economic Development	Community Development
Governmental Activities	Business-type Activities	Total		
(1,405,749)		(1,405,749)		
(554,864)		(554,864)		
1,757,751		1,757,751		
(328,616)		(328,616)		
<u>(1,099,881)</u>		<u>(1,099,881)</u>		
<u>(1,631,359)</u>		<u>(1,631,359)</u>		
	(183,037)	(183,037)		
	<u>43,843</u>	<u>43,843</u>		
	<u>(139,194)</u>	<u>(139,194)</u>		
<u>(1,631,359)</u>	<u>(139,194)</u>	<u>(1,770,553)</u>		
			(227,293)	
			<u>(227,293)</u>	<u>(314,401)</u>
				<u>(314,401)</u>
2,142,587		2,142,587		
406,061		406,061	203,031	203,031
192,874		192,874		
257,938	55,330	313,268	6,616	6,664
263,041	229,988	493,029		
57,332	135,040	192,372		
<u>203,498</u>	<u>(203,498)</u>			
<u>3,523,331</u>	<u>216,860</u>	<u>3,740,191</u>	<u>209,647</u>	<u>209,695</u>
1,891,972	77,666	1,969,638	(17,646)	(104,706)
<u>7,846,398</u>	<u>2,580,951</u>	<u>10,427,349</u>	<u>225,424</u>	<u>157,858</u>
<u>9,738,370</u>	<u>2,658,617</u>	<u>12,396,987</u>	<u>207,778</u>	<u>53,152</u>

**CITY OF MELISSA**  
 Balance Sheet  
 Governmental Funds  
 September 30, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,479,843	70,748
Receivables (net of allowance for uncollectibles):		
Property taxes	36,636	
Sales tax	29,715	
Other	4,936	
Due from other funds	40,794	349
Due from component unit	<u>65,368</u>	<u>      </u>
 Total assets	 \$ <u>3,657,292</u>	 <u>71,097</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:		
Accounts payable	\$ 251,421	
Due to other funds	1,731	
Deferred revenue	<u>2,012,637</u>	
Total liabilities	<u>2,265,789</u>	
 Fund balances:		
Reserved for:		
Construction	38,552	
Court	71,097	
Debt service	71,097	
Unreserved and undesignated:		
Reported in the general fund	1,352,951	
Reported in Tax Increment Financing Zone	<u>1,391,503</u>	<u>71,097</u>
Total fund balances	<u>3,657,292</u>	<u>71,097</u>
 Total liabilities and fund balances	 \$ <u>3,657,292</u>	 <u>71,097</u>

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

<u>Capital Projects Funds</u>		<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<u>Transportation Construction</u>	<u>City Hall Construction</u>		
2,015,589	514,617	578,922	6,659,719
			36,636
			29,715
			4,936
170	1,212	253	42,778
_____	_____	_____	65,368
<b><u>2,015,759</u></b>	<b><u>515,829</u></b>	<b><u>579,175</u></b>	<b><u>6,839,152</u></b>
340,220	436,416	400	1,028,457
	253		1,984
<b><u>340,220</u></b>	<b><u>436,669</u></b>	<b><u>400</u></b>	<b><u>2,012,637</u></b>
1,675,539	79,160		1,754,699
			38,552
			71,097
<b><u>1,675,539</u></b>	<b><u>79,160</u></b>	<b><u>578,775</u></b>	<b><u>1,352,951</u></b>
		<b><u>578,775</u></b>	<b><u>578,775</u></b>
			<b><u>3,796,074</u></b>
<b><u>2,015,759</u></b>	<b><u>515,829</u></b>	<b><u>579,175</u></b>	<b><u>6,839,152</u></b>

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**CITY OF MELISS**  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Assets  
 September 30, 2010

**Total Fund Balances - Governmental Funds** \$ 3,796,074

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 \$17,637,901 and the accumulated depreciation was \$(1,291,156). In addition, long-term liabilities, including bonds payable of \$(19,450,000), note payable of \$(94,006), and capital leases of \$(440,959) 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 decrease net assets.

(3,638,220)

Current year capital outlays of \$9,591,555 and long-term debt principal payments of \$537,553 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.

10,129,108

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.

(117,848)

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

(358,178)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$36,636 of deferred revenue as revenue, recognizing the disposition of capital assets at book value \$(18,290), reclassifying capital leases of \$(38,625) as an increase in capital leases payable and recognizing the liability associated with compensated absences of \$(52,287). The net effect of these reclassifications is to decrease net assets.

(72,566)

**Net Assets of Governmental Activities** \$ 9,738,370

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, 2010

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>
<b>REVENUES</b>		
Taxes:		
Property	\$ 1,427,096	614,847
Sales	406,061	
Franchise	192,874	
License and permits	220,011	
Platting & development	25,167	
Charges for services	1,949	
Intergovernmental	51,156	251,885
Grants and donations	149,136	
Fines, warrants and seizures	387,310	
Investment income	221,621	1,061
Miscellaneous	<u>52,332</u>	
Total revenues	<u>3,134,713</u>	<u>867,793</u>
<b>EXPENDITURES</b>		
Current:		
General government	1,560,731	
Public safety	903,110	
Street	144,210	
Culture and recreation	305,884	
Capital outlay	144,813	
Debt service:		
Principal	92,553	445,000
Interest and fiscal charges	<u>28,987</u>	<u>1,043,782</u>
Total expenditures	<u>3,180,288</u>	<u>1,488,782</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,575)</u>	<u>(620,989)</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>		
Capital leases	38,625	
Sale of capital assets	8,351	
Transfers in	203,498	654,647
Transfers out	<u>(125,000)</u>	
Total other financing sources (uses)	<u>125,474</u>	<u>654,647</u>
Net change in fund balances	79,899	33,658
Fund balances - beginning	<u>1,311,604</u>	<u>37,439</u>
Fund balances - ending	<u>\$ 1,391,503</u>	<u>71,097</u>

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

<u>Capital Projects Funds</u>		<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Transportation	City Hall		
<u>Construction</u>	<u>Construction</u>		
		125,431	2,167,374
			406,061
			192,874
			220,011
			25,167
			1,949
2,000,000			2,303,041
			149,136
			387,310
		35,256	257,938
<u>5,000</u>			<u>57,332</u>
<u>2,005,000</u>		<u>160,687</u>	<u>6,168,193</u>

	3,111		1,563,842
			903,110
69,049			213,259
			305,884
3,620,086	5,826,656		9,591,555
			537,553
<u>3,689,135</u>	<u>5,829,767</u>	<u>400</u>	<u>1,073,169</u>
		<u>400</u>	<u>14,188,372</u>
(1,684,135)	(5,829,767)	160,287	(8,020,179)

			38,625
			8,351
	125,000		983,145
	(654,647)		(779,647)
	<u>(529,647)</u>		<u>250,474</u>
(1,684,135)	(5,829,767)	(369,360)	(7,769,705)
<u>3,359,674</u>	<u>5,908,927</u>	<u>948,135</u>	<u>11,565,779</u>
<u>1,675,539</u>	<u>79,160</u>	<u>578,775</u>	<u>3,796,074</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, 2010

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (7,769,705)</b>
Current year capital outlays of \$9,591,555 and long-term debt principal payments of \$537,553 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.	10,129,108
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.	(26,712)
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.	(358,178)
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 \$(24,787) as revenue, recognizing the loss on sale of capital assets of \$(18,290), reclassifying capital leases of \$(38,625) as an increase in capital leases payable and recognizing the increase in compensated absences payable of \$(839). The net effect of these reclassifications is to decrease net assets.	<u>(82,541)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 1,891,972</u></b>

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, 2010

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,436,884	1,441,884	1,427,096	(14,788)
Sales	534,136	415,136	406,061	(9,075)
Franchise	145,000	193,000	192,874	(126)
License and permits	89,200	213,000	220,011	7,011
Platting & development	18,150	25,150	25,167	17
Charges for services:				
Police reports			584	584
Park fees		630	1,365	735
Grants and donations:				
Library	20,202	23,209	23,309	100
Park	13,945	13,945	13,945	
Fire	32,000	110,768	110,768	
Police		1,114	1,114	
Intergovernmental	40,000	40,000	51,156	11,156
Fines, warrants and seizures	450,000	384,905	387,310	2,405
Investment income	175,000	220,000	221,621	1,621
Miscellaneous	49,700	50,214	52,332	2,118
Total revenues	<u>3,004,217</u>	<u>3,132,955</u>	<u>3,134,713</u>	<u>1,758</u>
<b>EXPENDITURES:</b>				
<u>General Government</u>				
City administration:				
Personnel	356,648	364,448	366,256	(1,808)
Materials and supplies	16,750	17,050	22,142	(5,092)
Other services	<u>539,393</u>	<u>516,748</u>	<u>508,320</u>	<u>8,428</u>
Total city administration	<u>912,791</u>	<u>898,246</u>	<u>896,718</u>	<u>1,528</u>
Development & neighborhood services:				
Personnel services	149,347	148,447	152,004	(3,557)
Materials and supplies	4,500	4,300	3,007	1,293
Other services	<u>85,858</u>	<u>201,170</u>	<u>200,608</u>	<u>562</u>
Total development & neighborhood services	<u>239,705</u>	<u>353,917</u>	<u>355,619</u>	<u>(1,702)</u>
Building maintenance:				
Personnel services			4,130	(4,130)
Materials and supplies	2,500	2,500	201	2,299
Other services	<u>16,500</u>	<u>16,500</u>	<u>12,516</u>	<u>3,984</u>
Total building maintenance	<u>\$ 19,000</u>	<u>19,000</u>	<u>16,847</u>	<u>2,153</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, 2010  
 -continued-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
<b>EXPENDITURES</b> (continued):				
<u>General Government</u> (continued)				
Municipal court:				
Personnel services	\$ 133,447	132,197	133,123	(926)
Materials and supplies	5,900	5,300	5,107	193
Other services	<u>191,215</u>	<u>145,965</u>	<u>153,317</u>	<u>(7,352)</u>
Total municipal court	<u>330,562</u>	<u>283,462</u>	<u>291,547</u>	<u>(8,085)</u>
Total general government	<u>1,502,058</u>	<u>1,554,625</u>	<u>1,560,731</u>	<u>(6,106)</u>
<u>Public Safety</u>				
Police department:				
Personnel services	523,085	519,685	507,491	12,194
Materials and supplies	36,450	36,450	36,467	(17)
Other services	<u>80,725</u>	<u>83,825</u>	<u>89,258</u>	<u>(5,433)</u>
Total police department	<u>640,260</u>	<u>639,960</u>	<u>633,216</u>	<u>6,744</u>
Fire department				
Personnel services	101,513	105,663	107,089	(1,426)
Materials and supplies	18,416	14,416	13,618	798
Other services	<u>149,160</u>	<u>157,435</u>	<u>149,187</u>	<u>8,248</u>
Total fire department	<u>269,089</u>	<u>277,514</u>	<u>269,894</u>	<u>7,620</u>
Total public safety	<u>909,349</u>	<u>917,474</u>	<u>903,110</u>	<u>14,364</u>
<u>Street department</u>				
Personnel services	43,619	41,769	42,516	(747)
Materials and supplies	1,500	1,500	4,112	(2,612)
Other services	<u>102,978</u>	<u>106,478</u>	<u>97,582</u>	<u>8,896</u>
Total street department	<u>148,097</u>	<u>149,747</u>	<u>144,210</u>	<u>5,537</u>
<u>Culture and Recreation</u>				
Parks and grounds:				
Personnel services	44,303	43,953	42,957	996
Materials and supplies	14,500	14,500	9,460	5,040
Other services	<u>99,500</u>	<u>105,500</u>	<u>138,090</u>	<u>(32,590)</u>
Total parks and grounds	<u>158,303</u>	<u>163,953</u>	<u>190,507</u>	<u>(26,554)</u>
Library				
Personnel services	98,885	98,585	87,921	10,664
Materials and supplies	11,992	13,382	15,710	(2,328)
Other services	<u>10,036</u>	<u>13,036</u>	<u>11,746</u>	<u>1,290</u>
Total library	<u>120,913</u>	<u>125,003</u>	<u>115,377</u>	<u>9,626</u>
Total culture and recreation	\$ 279,216	288,956	305,884	(16,928)

**CITY OF MELISSA**  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual - General Fund  
 For the Fiscal Year Ended September 30, 2010  
 -continued-

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>EXPENDITURES</b> (continued):				
Capital outlay	\$ 40,000	91,000	144,813	(53,813)
Debt service:				
Principal retirement	92,553	92,553	92,553	
Interest	31,575	31,575	28,987	2,588
Total debt service	<u>124,128</u>	<u>124,128</u>	<u>121,540</u>	<u>2,588</u>
Total expenditures	<u>3,002,848</u>	<u>3,125,930</u>	<u>3,180,288</u>	<u>(54,358)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,369</u>	<u>7,025</u>	<u>(45,575)</u>	<u>(52,600)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets		13,395	8,351	(5,044)
Capital leases			38,625	38,625
Transfers out	(150,000)	(125,000)	(125,000)	
Transfers in	<u>198,629</u>	<u>198,629</u>	<u>203,498</u>	<u>4,869</u>
Total other financing sources (uses)	<u>48,629</u>	<u>87,024</u>	<u>125,474</u>	<u>38,450</u>
Net change in fund balances	49,998	94,049	79,899	(14,150)
Fund balances - beginning	<u>1,311,604</u>	<u>1,311,604</u>	<u>1,311,604</u>	_____
Fund balances - ending	<u>\$ 1,361,602</u>	<u>1,405,653</u>	<u>1,391,503</u>	<u>(14,150)</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, 2010

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 2,916,025
Receivables (net of allowance of uncollectibles):	
Utility bills	291,716
Other	24,481
Restricted cash and cash equivalents	<u>1,162,175</u>
Total current assets	<u>4,394,397</u>

Noncurrent assets:

Bond issuance costs (net of accumulated amortization)	<u>314,071</u>
Capital Assets:	
Land	435,015
Buildings and systems	11,830,180
Equipment	412,028
Construction in progress	1,702,978
Less: accumulated depreciation	<u>(1,923,686)</u>
Total capital assets (net of depreciation)	<u>12,456,515</u>
Total noncurrent assets	<u>12,770,586</u>
Total assets	<u>17,164,983</u>

**LIABILITIES**

Current liabilities:

Accounts payable	595,950
Accrued interest payable	628,130
Due to other funds	40,794
Deposits	186,545
Compensated absences payable	4,732
Current portion of lease payable	16,157
Current portion on bonds payable	<u>347,500</u>
Total current liabilities	<u>1,819,808</u>

Noncurrent liabilities:

Compensated absences	3,559
Lease payable	131,749
Bonds payable	<u>12,551,250</u>
Total noncurrent liabilities	<u>12,686,558</u>
Total liabilities	<u>14,506,366</u>

**NET ASSETS**

Invested in capital assets, net of related debt	1,390,423
Unrestricted	<u>1,268,194</u>
Total net assets	<u>\$ 2,658,617</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, 2010

**OPERATING REVENUES**

Water sales	\$ 1,427,711
Sewer charges	460,111
Sanitation	209,595
Tap fees	323,444
Reconnect fees	52,825
Meter installation fee	350
Miscellaneous	<u>135,040</u>
 Total operating revenues	 <u>2,609,076</u>

**OPERATING EXPENSES**

Personnel services	350,226
Materials and supplies	214,726
Other services	1,423,765
Amortization	12,373
Depreciation	<u>307,125</u>
 Total operating expenses	 <u>2,308,215</u>
 Operating income (loss)	 <u>300,861</u>

**NONOPERATING REVENUES (EXPENSES)**

Intergovernmental	229,988
Interest income	55,330
Interest expense	<u>(305,015)</u>
 Total nonoperating revenues (expenses)	 <u>(19,697)</u>

Net income (loss) before transfers

281,164

**TRANSFERS**

Transfers out	<u>(203,498)</u>
Change in net assets	77,666
Net assets - beginning	<u>2,580,951</u>
Net assets - ending	<u>\$ 2,658,617</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, 2010

Cash flows from operating activities:	
Cash received from customers	\$ 2,534,813
Cash payments to suppliers	(1,651,212)
Cash payments to employees	<u>(347,053)</u>
Net cash provided by operating activities	<u>536,548</u>
 Cash flows from noncapital financing activities:	
Transfer to other funds	(203,498)
Advances from other funds	25,617
Subsidy from other governments	<u>229,988</u>
Net cash used for noncapital financing activities	<u>52,107</u>
 Cash flows from capital and related financing activities:	
Proceeds from bond issuance	3,740,000
Acquisition of capital assets	(656,260)
Principal paid on bonds and leases	<u>(1,523,063)</u>
Interest paid on debt	<u>(400,740)</u>
Net cash provided for capital and related financing activities	<u>1,159,937</u>
 Cash flows from investing activities:	
Interest on deposits and investments	<u>55,330</u>
Net cash provided by investing activities	<u>55,330</u>
 Net increase in cash and cash equivalents	1,803,922
 Cash and cash equivalents - beginning	<u>2,274,278</u>
 Cash and cash equivalents - ending	<u>\$ 4,078,200</u>

**CITY OF MELISSA**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2010  
-continued-

Reconciliation of Net Income to Net Cash Provided  
by Operating Activities

Operating income/(loss)	<u>\$ 300,861</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	307,125
Amortization expense	12,373
(Increase)/decrease in accounts receivable	(63,667)
(Increase)/decrease in other receivables	(23,546)
Increase/(decrease) in accounts payable	(12,721)
Increase/(decrease) in compensated absences	3,173
Increase/(decrease) in utility deposits	<u>12,950</u>
Total adjustments	<u>235,687</u>
Net cash provided by operating activities	<u>\$ 536,548</u>

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

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2010

**(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, 2010

-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.

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**CITY OF MELISSA**

Notes to the Financial Statements  
September 30, 2010  
-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, if 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, 2010  
-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

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2010  
-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, 2010  
-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 and amortization in the approved budget. These amounts are reported at year end as part of the "actual" column. One supplemental appropriation was made during the fiscal year.
7. The Debt Service and Capital Projects Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The 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)	\$ 2,978,115
Depreciation	(307,125)
Amortization	(12,373)
Net assets (GAAP)	<u>\$ 2,658,617</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2010  
-continued-

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

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

For the year ended September 30, 2010, expenditures exceeded appropriations in the General Fund by \$54,358. These overexpenditures were funded by available fund balance.

For the year ended September 30, 2010, expenses exceeded appropriations in the Water and Sewer Fund by \$69,000. This expense overage was funded by available net assets.

**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, 2010, the City's carrying amount of deposits was \$10,227,534 and the bank balance was \$10,594,706. Of the bank balance, \$359,943 was covered by federal depository insurance and \$10,744,249 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 \$193,116 and the bank balance was \$193,310. 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 \$103,986 and the bank balance was \$103,986. 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.

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2010  
-continued-

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

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

- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are with TexStar Investment Pool ("TexStar"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool shares. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The City is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City's policy to limit its investments to those investments rated at least AAA. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the City's investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the City's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The City is not exposed to concentration of credit risk.

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

TexStar Investment Pool	\$ <u>509,486</u>
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**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

**B. Receivables**

Receivables at September 30, 2010 consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Enterprise</u> <u>Fund</u>	<u>Total</u>
Receivables:			
Property tax	\$ 36,636		36,636
Sales tax	29,714		29,714
Other	4,936	24,481	29,417
Utility bills		291,716	291,716
Net receivables	<u>\$ 71,286</u>	<u>316,197</u>	<u>387,483</u>

No allowance for uncollectibles has been made.

Property taxes are based on the appraised values provided by the Collin County Central Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City. The City's current policy is to write-off uncollectible personal property taxes after four years.

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2009, upon which the 2009/2010 levy was based, was approximately \$371,302,524. The tax rate for fiscal year 2009/2010 was \$0.61 per \$100 of assessed valuation.

At September 30, 2010, the MEDC and MCDC each had sales tax receivable of \$14,857. No allowance for uncollectibles has been made.

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2010 was as follows:

	<u>Primary Government</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 415,873			415,873
Construction in progress	<u>6,237,530</u>	<u>8,918,758</u>	<u>(9,664,165)</u>	<u>5,492,123</u>
Total capital assets not being depreciated	<u>\$ 6,653,403</u>	<u>8,918,758</u>	<u>(9,664,165)</u>	<u>5,907,996</u>

-continued-

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

**C. Capital Assets** (continued)

	<b>Primary Government</b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Building	\$ 4,480,878	9,664,165	(45,726)	14,099,317
Equipment	1,371,915	672,797	(49,267)	1,995,445
Infrastructure	<u>5,131,705</u>			<u>5,131,705</u>
Total capital assets being depreciated	<u>10,984,498</u>	<u>10,336,962</u>	<u>(94,993)</u>	<u>21,226,467</u>
Less accumulated depreciation for:				
Building	(549,364)	(193,678)	27,436	(715,606)
Equipment	(573,573)	(136,398)	49,267	(660,704)
Infrastructure	<u>(168,219)</u>	<u>(28,102)</u>		<u>(196,321)</u>
Total accumulated depreciation	<u>(1,291,156)</u>	<u>(358,178)</u>	<u>76,703</u>	<u>(1,572,631)</u>
Total capital assets being depreciated, net	<u>9,693,342</u>	<u>9,978,784</u>	<u>(18,290)</u>	<u>19,653,836</u>
Governmental activities capital assets, net	<u>\$ 16,346,745</u>	<u>18,897,542</u>	<u>(9,682,455)</u>	<u>25,561,832</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 224,988	210,027		435,015
Construction in progress	<u>4,344,872</u>	<u>344,194</u>	<u>(2,986,088)</u>	<u>1,702,978</u>
Total capital assets not being depreciated	<u>4,569,860</u>	<u>554,221</u>	<u>(2,986,088)</u>	<u>2,137,993</u>
Capital assets being depreciated:				
Building and system	8,742,053	3,088,127		11,830,180
Equipment	<u>412,028</u>			<u>412,028</u>
Total capital assets being depreciated	<u>9,154,081</u>	<u>3,088,127</u>		<u>12,242,208</u>
Less accumulated depreciation for:				
Building and system	(1,411,864)	(271,695)		(1,683,559)
Equipment	<u>(204,697)</u>	<u>(35,430)</u>		<u>(240,127)</u>
Total accumulated depreciation	<u>(1,616,561)</u>	<u>(307,125)</u>		<u>(1,923,686)</u>
Total capital assets being depreciated, net	<u>7,537,520</u>	<u>2,781,002</u>		<u>10,318,522</u>
Business-type activities capital assets, net	<u>\$ 12,107,380</u>	<u>3,335,223</u>	<u>(2,986,088)</u>	<u>12,456,515</u>

Interest expense of \$161,904 has been capitalized in construction in progress.

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

**C. Capital Assets** (continued)

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

Government activities:

General government	\$ 96,246
Public safety	141,591
Street	28,990
Culture and recreation	<u>91,351</u>
 Total depreciation expense - government activities	 <u>\$ 358,178</u>

Business-type activities:

Water and sewer	\$ 307,125
 Total depreciation expense - business-type activities	 <u>\$ 307,125</u>

**D. Construction Commitments**

At September 30, 2010 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>
<b>Governmental activities:</b>			
Road projects	9/30/11	\$ 8,325,719	5,492,123
<b>Business-type activities:</b>			
Water & sewer projects	9/30/11	\$ 4,070,211	1,702,978

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

Interfund balances at September 30, 2010 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer	\$ 40,794
Transportation construction	General Fund	170
City hall construction	General Fund	1,212
Debt Service Fund	General Fund	349
Tax Inc. Fin. Zone	City hall construction	\$ 253

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.

-continued-

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

**E. Interfund Receivables, Payables and Transfers:** (continued)

Interfund transfers:

	Transfers In:			
	<u>General Fund</u>	<u>Tax Increment Fin. Zone</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Transfers out:</b>				
General Fund	\$	125,000		125,000
Tax Increment Fin. Zone			654,647	654,647
Proprietary Fund	<u>203,498</u>			<u>203,498</u>
Total	<u>\$ 203,498</u>	<u>125,000</u>	<u>654,647</u>	<u>983,145</u>

Purpose of Transfers

The transfer from the general fund to the tax increment financing zone was to provide working capital. The transfer from the tax increment financing zone to the debt service fund was to pay bonded debt. The transfer from the proprietary fund to the general fund was to pay its share of administrative costs.

**F. Capital Leases**

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2010, the equipment and vehicles leased under capital leases had a carrying value of \$563,150 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 2010 were \$132,187, of which \$29,034 represented interest. Effective interest rates range from 3.82% to 7.20%. 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>
2011	\$ 88,384	21,803
2012	77,005	21,803
2013	63,720	21,803
2014	40,938	21,803
2015	40,938	21,803
Thereafter	<u>170,792</u>	<u>65,408</u>
Future minimum lease payments	481,777	174,423
Less: amount representing interest	<u>(89,783)</u>	<u>(26,517)</u>
Present value of future minimum lease payments	<u>\$ 391,994</u>	<u>147,906</u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

**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, 2010, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,309	5,847	11,156
2012	<u>83,734</u>	<u>2,779</u>	<u>86,513</u>
Total	<u>\$ 89,043</u>	<u>8,626</u>	<u>97,669</u>

**H. Long-term Debt**

Long-term liability activity, for government activities for the year ended September 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Capital leases	\$ 440,959	38,625	(87,590)	391,994	68,769
Note payable	94,006		(4,963)	89,043	5,309
Bonds payable	19,450,000		(445,000)	19,005,000	475,000
Compensated absences	<u>51,448</u>	<u>48,963</u>	<u>(48,124)</u>	<u>52,287</u>	<u>40,884</u>
<b>Totals</b>	<b><u>\$ 20,036,413</u></b>	<b><u>87,588</u></b>	<b><u>(585,677)</u></b>	<b><u>19,538,324</u></b>	<b><u>589,962</u></b>

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

Bonds payable at September 30, 2010 are comprised of the following individual issues for the governmental activities:

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

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.	\$ 100,000
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.	1,190,000
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.	785,000
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.	710,000
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.	1,475,000
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 .	4,905,000
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.	<u>9,840,000</u>
Combined debt	<u>\$ 19,005,000</u>

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2010, are as follows:

2001 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>100,000</u>	4,900	104,900
Total	<u>\$ 100,000</u>	<u>4,900</u>	<u>104,900</u>

-continued-

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

2004 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,190,000</u>	<u>408,957</u>	<u>1,598,957</u>

2005 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 785,000</u>	<u>266,602</u>	<u>1,051,602</u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

2005A Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 710,000</u>	<u>254,340</u>	<u>964,340</u>

2006 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,475,000</u>	<u>604,858</u>	<u>2,079,858</u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

**2008 General Obligation Bonds**

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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><b>\$ 4,905,000</b></u>	<u><b>2,335,543</b></u>	<u><b>7,240,543</b></u>

**2009 Certificates of Obligation**

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 435,000</u>	<u>260,925</u>	<u>695,925</u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

2009 Certificates of Obligation (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>665,000</u>	<u>30,756</u>	<u>695,756</u>
Total	<u>\$ 9,840,000</u>	<u>6,284,754</u>	<u>16,124,754</u>

During the year ended September 30, 2010, 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>
<b>Business-type activities:</b>					
Capital leases	\$ 163,469		(15,563)	147,906	16,157
Bonds payable	10,666,250	3,740,000	(1,507,500)	12,898,750	347,500
Compensated absences	<u>5,118</u>	<u>10,258</u>	<u>(7,085)</u>	<u>8,291</u>	<u>4,732</u>
<b>Totals</b>	<b><u>\$ 10,834,837</u></b>	<b><u>3,750,258</u></b>	<b><u>(1,530,148)</u></b>	<b><u>13,054,947</u></b>	<b><u>368,389</u></b>

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

Bonds payable at September 30, 2010 are comprised of the following individual issues for the Water and Sewer Fund:

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. \$ 601,250

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

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

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.	\$ 540,000
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.	1,490,000
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.	1,223,750
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.	1,030,000
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.	2,105,000
2009A Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest at rates ranging from 1.55% to 5.4% payable June 1 and December 1.	1,085,000
2009B Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029 bearing interest at rates ranging from 0.6% to 4.45% payable June 1 and December 1.	1,400,000
2010 General Obligation Refunding Bonds issued June 29, 2010 due in annual installments through August 15, 2021, bearing interest at rates ranging from 2.00% to 3.50%, payable February 15 and August 15.	<u>1,255,000</u>
Combined Debt	<u>\$ 12,898,750</u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -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, 2010, are as follows:

2005 Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>
<b>Total</b>	<b>\$ 601,250</b>	<b>360,064</b>	<b>961,314</b>

2006 Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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

-continued-

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

2006 Contract Revenue Bonds (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$	228,947	228,947
2024		228,947	228,947
2025		228,947	228,947
2026	95,000	125,206	220,206
2027	100,000	119,809	219,809
2028	106,250	114,080	220,330
2029	112,500	107,991	220,491
2030	118,750	101,545	220,295
2031	125,000	94,741	219,741
2032	133,750	87,578	221,328
2033	140,000	79,915	219,915
2034	148,750	71,823	220,573
2035	156,250	63,225	219,475
2036	166,250	54,193	220,443
2037	176,250	44,584	220,834
2038	185,000	34,397	219,397
2039	197,500	23,611	221,111
2040	207,500	12,097	219,597
Total	<u>\$ 2,168,750</u>	<u>3,463,621</u>	<u>5,632,371</u>

2006 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
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>\$ 540,000</u>	<u>221,593</u>	<u>761,593</u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

**2006 Contract Revenue Bonds**

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,490,000</u>	<u>498,768</u>	<u>1,988,768</u>

**2007 Contract Revenue Bonds**

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 27,500</u>	<u>43,462</u>	<u>70,962</u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

2007 Contract Revenue Bonds (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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><u>\$ 1,223,750</u></u>	<u><u>1,104,523</u></u>	<u><u>2,328,273</u></u>

2007A Contract Revenue Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
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><u>\$ 1,030,000</u></u>	<u><u>421,285</u></u>	<u><u>1,451,285</u></u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

2008 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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><u>\$ 2,105,000</u></u>	<u><u>980,697</u></u>	<u><u>3,085,697</u></u>

2009A Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,000	45,445	55,445
2012	35,000	45,290	80,290
2013	40,000	44,573	84,573
2014	40,000	43,632	83,632
2015	45,000	42,553	87,553
2016	45,000	41,247	86,247
2017	50,000	39,920	89,920
2018	50,000	38,320	88,320
2019	55,000	36,595	91,595
2020	55,000	34,588	89,588
2021	60,000	32,470	92,470
2022	60,000	29,920	89,920
2023	65,000	27,280	92,280
2024	70,000	24,322	94,322
2025	75,000	21,033	96,033

-continued-

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

2009A Contract Revenue Bonds (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	75,000	17,432	92,432
2027	80,000	13,608	93,608
2028	85,000	9,407	94,407
2009	<u>90,000</u>	<u>4,860</u>	<u>94,860</u>
	<u><u>\$ 1,085,000</u></u>	<u><u>592,495</u></u>	<u><u>1,677,495</u></u>

2009B Contract Revenue Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,000	44,615	54,615
2012	55,000	44,555	99,555
2013	55,000	43,950	98,950
2014	60,000	43,180	103,180
2015	60,000	42,130	102,130
2016	60,000	40,960	100,960
2017	65,000	39,760	104,760
2018	70,000	38,298	108,298
2019	70,000	36,547	106,547
2020	75,000	34,658	109,658
2021	75,000	32,482	107,482
2022	80,000	30,008	110,008
2023	85,000	27,247	112,247
2024	85,000	24,188	109,188
2025	90,000	21,000	111,000
2026	95,000	17,535	112,535
2027	100,000	13,592	113,592
2028	105,000	9,293	114,293
2029	<u>105,000</u>	<u>4,672</u>	<u>109,672</u>
	<u><u>\$ 1,400,000</u></u>	<u><u>588,670</u></u>	<u><u>1,988,670</u></u>

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

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

2010 General Obligation Refunding Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 95,000	40,107	135,107
2012	100,000	33,662	133,662
2013	105,000	31,662	136,662
2014	105,000	29,563	134,563
2015	110,000	27,200	137,200
2016	110,000	24,450	134,450
2017	120,000	21,150	141,150
2018	120,000	17,550	137,550
2019	125,000	13,650	138,650
2020	130,000	9,275	139,275
2021	<u>135,000</u>	<u>4,725</u>	<u>139,725</u>
Total	<u>\$ 1,255,000</u>	<u>252,994</u>	<u>1,507,994</u>

On June 29, 2010, the government issued general obligation refunding bonds of \$1,255,000 (par value) with an effective interest rate of 3.23 percent to advance refund the Certificates of Obligations Series 2000 (refunded bonds), with an effective interest rate of 5.78 percent and par value of \$1,200,000. The refunding bonds were issued at par and, after paying issuance costs of \$62,116, receiving a premium of \$7,116, and contributing \$34,553 from the Water and Sewer Fund, the net proceeds were \$1,234,553. All of the net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. All of the refunded bonds were called on August 15, 2010. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the government's Long-Term Debt Payable.

As a result of the advance refunding, the government decreased its total debt service requirements by \$149,576, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$121,269. Inasmuch as the debt was that of a proprietary fund, accounting standards established by Government Accounting Standards Board Statement Number 23 were observed, and a loss on refunding of \$34,553 has been reported. This amount was reported as interest expense since the refunded bonds were called on August 15, 2010.

**I. Restricted Assets**

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

Customer deposits	\$ 186,545
Accrued interest payable	628,130
Current bonds payable	<u>347,500</u>
Total restricted assets	<u>\$ 1,162,175</u>

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2010  
-continued-

**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, 2009 valuations are contained in the 2009 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 year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2010  
-continued-

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

**B. Retirement System** (continued)

***Contributions***

The contribution rate for the employees is 7%, and the government matching ratio is currently 2 to 1, both as adopted by the governing body of the government. Under the state law governing TMRS, the government contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to government matching percent, which are the obligation of the government as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the government to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 24-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 24-year period. Currently, the unfunded actuarial liability is being amortized over the 24-year period which began January, 2009. 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, 2010, the City's annual pension cost of \$86,115 for TMRS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5% 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.

**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>
09/30/08	\$ 82,418	82,418	0
09/30/09	\$ 95,932	95,932	0
09/30/10	\$ 86,115	86,115	0

-continued-

**CITY OF MELISSA**  
 Notes to Financial Statements  
 September 30, 2010  
 -continued-

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

**B. Retirement System (continued)**

Actuarial Valuation Date	Schedule of Funding Progress for TMRS					U.A.A.L. as a Percentage of Covered Payroll [(b)-(a)/(c)]
	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	
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%
12/31/09	\$ 831,223	1,040,588	209,365	79.9%	\$ 1,416,379	14.8%

**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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance With Final Budget
				Positive (Negative)
<b>OPERATING REVENUES:</b>				
Collections:				
Water	\$ 1,541,241	1,483,885	1,427,711	(56,174)
Sewer	428,146	483,382	460,111	(23,271)
Sanitation	162,230	217,113	209,595	(7,518)
Tap fees	169,300	318,844	323,444	4,600
Reconnect fees	40,000	40,000	52,825	12,825
Meter installation fee			350	350
Miscellaneous		132,662	135,040	2,378
Total operating revenues	<u>2,340,917</u>	<u>2,675,886</u>	<u>2,609,076</u>	<u>(66,810)</u>
<b>OPERATING EXPENSES:</b>				
Water department:				
Personnel services	193,163	216,633	211,458	5,175
Materials and supplies	170,800	172,700	167,561	5,139
Other services	<u>613,182</u>	<u>575,282</u>	<u>554,689</u>	<u>20,593</u>
Total water department	<u>977,145</u>	<u>964,615</u>	<u>933,708</u>	<u>30,907</u>
Sewer department:				
Materials and supplies	7,500	7,500	4,784	2,716
Other services	<u>303,590</u>	<u>598,434</u>	<u>698,019</u>	<u>(99,585)</u>
Total sewer department	<u>311,090</u>	<u>605,934</u>	<u>702,803</u>	<u>(96,869)</u>
Sanitation department:				
Other services	<u>122,930</u>	<u>165,930</u>	<u>165,752</u>	<u>178</u>
Total sanitation department	<u>122,930</u>	<u>165,930</u>	<u>165,752</u>	<u>178</u>
Billing department:				
Personnel services	131,303	135,553	138,768	(3,215)
Materials and supplies	28,385	42,285	42,381	(96)
Other services	<u>8,100</u>	<u>5,400</u>	<u>5,305</u>	<u>95</u>
Total billing department	<u>167,788</u>	<u>183,238</u>	<u>186,454</u>	<u>(3,216)</u>
Total operating expenses	<u>1,578,953</u>	<u>1,919,717</u>	<u>1,988,717</u>	<u>(69,000)</u>
Operating income (loss)	\$ <u>761,964</u>	<u>756,169</u>	<u>620,359</u>	<u>(135,810)</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, 2010  
 -continued-

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
				Positive (Negative)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Intergovernmental	\$ 229,988	229,988	229,988	
Interest income	62,000	55,000	55,330	330
Interest expense	<u>(472,763)</u>	<u>(472,763)</u>	<u>(305,015)</u>	<u>167,748</u>
Total nonoperating revenues (expenses)	<u>(180,775)</u>	<u>(187,775)</u>	<u>(19,697)</u>	<u>168,078</u>
Net income (loss) before transfers	581,189	568,394	600,662	32,268
Transfers (out)/in	<u>(198,630)</u>	<u>(244,002)</u>	<u>(203,498)</u>	<u>40,504</u>
Change in net assets	382,559	324,392	397,164	72,772
Net assets - beginning	<u>2,580,951</u>	<u>2,580,951</u>	<u>2,580,951</u>	_____
Net assets - ending	<u>\$ 2,963,510</u>	<u>2,905,343</u>	<u>2,978,115</u>	<u>72,772</u>

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## STATISTICAL SECTION

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

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Financial Trends .....	74
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

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

Debt Capacity .....	92
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information .....	99
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information .....	102
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

**CITY OF MELISSA**  
 Net Assets by Component  
 Last Seven Fiscal Years  
 (Accrual basis of accounting)  
 (Amounts expressed in thousands)

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Governmental activities</b>				
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><u>\$ 1,850</u></u>	<u><u>2,204</u></u>	<u><u>5,810</u></u>	<u><u>6,921</u></u>
<b>Business-type activities</b>				
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><u>\$ 1,475</u></u>	<u><u>1,575</u></u>	<u><u>2,538</u></u>	<u><u>3,155</u></u>
<b>Primary government</b>				
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><u>\$ 3,325</u></u>	<u><u>3,779</u></u>	<u><u>8,348</u></u>	<u><u>10,076</u></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>	<u>2010</u>
1,304	3,250	6,076
4,362	68	109
<u>1,738</u>	<u>4,528</u>	<u>3,553</u>
<u>7,404</u>	<u>7,846</u>	<u>9,738</u>
2,374	1,884	1,391
<u>1,261</u>	<u>697</u>	<u>1,268</u>
<u>3,635</u>	<u>2,581</u>	<u>2,659</u>
3,678	5,134	7,467
4,362	68	109
<u>2,999</u>	<u>5,225</u>	<u>4,821</u>
<u>11,039</u>	<u>10,427</u>	<u>12,397</u>

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

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<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	89	136	181	256
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	119	124	79	103
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>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>	<u>2010</u>
1,736	1,696	1,661
919	990	1,055
520	384	242
381	371	397
<u>335</u>	<u>495</u>	<u>1,100</u>
<u>3,891</u>	<u>3,936</u>	<u>4,455</u>
1,619	2,747	2,447
<u>133</u>	<u>194</u>	<u>166</u>
<u>1,752</u>	<u>2,941</u>	<u>2,613</u>
<u>5,643</u>	<u>6,877</u>	<u>7,068</u>
294	248	255
463	447	388
1		2
420	67	112
<u>304</u>	<u>—</u>	<u>2,067</u>
<u>1,482</u>	<u>762</u>	<u>2,824</u>
2,102	1,789	2,264
<u>176</u>	<u>199</u>	<u>210</u>
<u>2,278</u>	<u>1,988</u>	<u>2,474</u>
<u>3,760</u>	<u>2,750</u>	<u>5,298</u>
(2,409)	(3,174)	(1,631)
<u>526</u>	<u>(953)</u>	<u>(139)</u>
<u>(1,883)</u>	<u>(4,127)</u>	<u>(1,770)</u>

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

	<b>Fiscal Year</b>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>GENERAL REVENUES AND OTHER CHANGES</b>				
<b>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
Grants not restricted				
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
Grants not restricted				
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
Business-type activities		<u>97</u>	<u>101</u>	<u>962</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>	<u>2010</u>
1,617	2,133	2,143
672	507	406
132	147	193
1	1	
134	301	258
	271	263
141	51	57
1	11	
<u>195</u>	<u>194</u>	<u>203</u>
<u>2,893</u>	<u>3,616</u>	<u>3,523</u>
126	73	55
		230
2	21	135
21		
<u>(195)</u>	<u>(194)</u>	<u>(203)</u>
<u>(46)</u>	<u>(100)</u>	<u>217</u>
<u>2,847</u>	<u>3,516</u>	<u>3,740</u>
484	441	1,892
<u>480</u>	<u>(1,053)</u>	<u>78</u>
<u>964</u>	<u>(612)</u>	<u>1,970</u>

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**CITY OF MELISSA**  
 Governmental Activities Tax Revenues By Source  
 Last Seven 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
2010	\$ 2,143	406	193		2,742

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>Fiscal</u>			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General fund				
Reserved				
Unreserved	\$ <u>326</u>	<u>261</u>	<u>113</u>	<u>292</u>
Total general fund	<u>326</u>	<u>261</u>	<u>113</u>	<u>292</u>
All other governmental funds				
Reserved	\$			973
Unreserved, reported in:				
Special revenue funds	—	—	—	—
Total all other governmental funds	<u>326</u>	<u>261</u>	<u>113</u>	<u>973</u>

Year	2005	2006	2007	2008	2009	2010
	<u>240</u>	<u>254</u>	<u>1,582</u>	<u>1,797</u>	<u>31</u>	<u>39</u>
	<u><u>240</u></u>	<u><u>254</u></u>	<u><u>1,582</u></u>	<u><u>1,813</u></u>	<u><u>1,312</u></u>	<u><u>1,392</u></u>
	1,435	3,291	751	4,362	9,306	1,826
	<u>140</u>	<u>217</u>	—	—	<u>948</u>	<u>578</u>
	<u><u>1,575</u></u>	<u><u>3,508</u></u>	<u><u>751</u></u>	<u><u>4,362</u></u>	<u><u>10,254</u></u>	<u><u>2,404</u></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>2001</u>	<u>2002</u>	<u>2003</u>	<u>Fiscal</u> <u>2004</u>
<b>REVENUES</b>				
Taxes	\$ 662	767	1,045	1,245
Licenses and permits	80	218	280	518
Intergovernmental	42	498	179	137
Charges for services				
Fines	166	163	220	290
Investments earnings	10	12	10	5
Contributions	83	180	40	40
Miscellaneous	<u>10</u>	<u>62</u>	<u>76</u>	<u>17</u>
Total revenues	<u>1,053</u>	<u>1,900</u>	<u>1,850</u>	<u>2,252</u>
<b>EXPENDITURES</b>				
General government	585	766	950	1,212
Public safety	332	367	509	500
Streets	56	118	284	91
Culture and recreation			55	177
Capital outlay	368	772	350	461
Debt service:				
Principal	25	110	78	123
Interest	<u>2</u>	<u>56</u>	<u>40</u>	<u>89</u>
Total expenditures	<u>1,368</u>	<u>2,189</u>	<u>2,266</u>	<u>2,653</u>
Excess of revenues over/(under) expenditures	<u>(315)</u>	<u>(289)</u>	<u>(416)</u>	<u>(401)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		154	267	142
Transfers out	(715)			
Note issued				
Bonds issued	835			1,400
Insurance recoveries				
Capital leases	148	72		27
Sale of capital assets				
Total other financing sources (uses)	<u>268</u>	<u>226</u>	<u>267</u>	<u>1,569</u>
Net change in fund balances	\$ <u>(47)</u>	<u>(63)</u>	<u>(149)</u>	<u>1,168</u>
Debt service as a percentage of noncapital expenditures	2.7%	11.7%	5.7%	9.6%

Year	2005	2006	2007	2008	2009	2010
	1,432	1,790	1,966	2,440	2,781	2,766
	508	671	392	294	206	245
	522		300	505	313	2,303
		1	2	1	2	2
	339	394	476	463	445	387
	58	176	205	134	301	258
	92	3,584	385	218	67	149
	<u>144</u>	<u>212</u>	<u>43</u>	<u>124</u>	<u>51</u>	<u>58</u>
	<u>3,095</u>	<u>6,828</u>	<u>3,769</u>	<u>4,179</u>	<u>4,166</u>	<u>6,168</u>
	1,587	4,210	1,556	1,631	1,662	1,564
	628	691	735	804	859	903
	144	181	150	258	355	213
	201	445	208	290	280	306
	969	1,090	2,883	2,511	4,713	9,592
	141	112	289	310	497	537
	<u>109</u>	<u>162</u>	<u>277</u>	<u>311</u>	<u>487</u>	<u>1,073</u>
	<u>3,779</u>	<u>6,891</u>	<u>6,098</u>	<u>6,115</u>	<u>8,853</u>	<u>14,188</u>
	<u>(684)</u>	<u>(63)</u>	<u>(2,329)</u>	<u>(1,936)</u>	<u>(4,687)</u>	<u>(8,020)</u>
	133	175	170	195	1,094 (900)	983 (780)
			105			
	950	1,635		5,230	9,840	
		15	9	17		
	145	182		331	34	39
	<u>6</u>	<u>1</u>	<u>696</u>	<u>3</u>	<u>11</u>	<u>8</u>
	<u>1,234</u>	<u>2,008</u>	<u>980</u>	<u>5,776</u>	<u>10,079</u>	<u>250</u>
	<u>550</u>	<u>1,945</u>	<u>(1,349)</u>	<u>3,840</u>	<u>5,392</u>	<u>(7,770)</u>
	8.8%	5.1%	17.5%	15.9%	23.9%	35.0%

**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>
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
2010	\$ 2,167	406	193		2,766

**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>
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
2010		\$ 371,948,462	30,283,053	341,665,409	.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>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>	<u>Total</u>				
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
2010	\$ .435000	.175000	.610000	1.540000	.242500	.086300	2.478800

Source: Applicable taxing entities.

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

<u>Taxpayer</u>	<u>2010</u>		Percentage of Total Taxable Assessed <u>Value</u> <u>0.96%</u>
	Taxable Assessed <u>Value</u>	<u>Rank</u>	
Hillwood RLD LP	\$ 3,265,810	1	
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	0.60
Engibous, Thomas J Etux	2,021,723	6	0.59
First National Bank of Trenton	2,004,845	7	0.59
Oncor Electric Delivery Company	1,899,120	8	0.56
Holigan Land Development	1,789,693	9	0.52
Phillips Properties LTD	<u>1,708,848</u>	10	<u>0.50%</u>
	<u>\$ 21,140,687</u>		<u>6.19%</u>

Source: Collin County Central Appraisal District

Note: Data not available for the year 2001 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>(2) Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>
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
2010	\$ 2,095,958	2,068,894	98.71%	\$ 53,169	2,122,063	101.25%

Notes: (1) Includes general and debt service funds.

(2) Delinquent tax collections include taxes from previous years levy.

**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>
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
2010	\$ 1,428	460	210	2,098

**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>	
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
2010	\$ 19,005	89	392	11,644	1,255	148	32,533

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 99 for personal income and population data.

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

<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>1</sup></u>
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
10.36%	4,946
N/A	6,163
N/A	\$ 6,256

**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>
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
2010	\$ 19,005	71	18,934	5.09%	\$ 3,641

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 87 for property value data.

<sup>2</sup>Population data can be found in the Schedule of Demographic and Economic Statistics on page 99.

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

**CITY OF MELISSA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2010**  
**(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.	\$ 39,571	81.75%	\$ 32,349
Collin County	160,020	0.46%	736
Collin County College District	48,345	0.46%	<u>222</u>
Total overlapping debt			33,307
City of Melissa direct debt			<u>19,486</u>
Total direct and overlapping debt			\$ <u>52,793</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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	Fiscal
Debt limit	N/A	N/A	N/A	N/A	N/A
Total net debt applicable to limit	N/A	N/A	N/A	N/A	N/A
Legal debt margin	N/A	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	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 2001-2006 at the time of this publication.

<b>Year</b>		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
		N/A	N/A	\$ 32,522	35,748	37,466	37,195
		N/A	N/A	<u>5,035</u>	<u>10,020</u>	<u>19,413</u>	<u>18,934</u>
		N/A	N/A	<u>\$ 27,487</u>	<u>25,728</u>	<u>18,053</u>	<u>18,261</u>
		N/A	N/A	15.48%	28.03%	51.81%	50.90%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed value	\$ 341,665
Add back: exempt real property	<u>30,283</u>
Total assessed value	371,948
Debt limit (10% of total assessed value)	37,195
Debt applicable to limit:	
General obligation bonds	19,005
Less: Amount set aside for repayment	
of general obligation debt	<u>(71)</u>
Total net debt applicable to limit	<u>18,934</u>
Legal debt margin	\$ <u>18,261</u>

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

Fiscal Year	Water and Sewer Revenue Bonds						
	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
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		
2010	\$ 2,894	1,989	905	308	418	1.25	

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 and amortization.

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

Fiscal Year	Personal Income		Per Capita Personal Income	(1) Average Age	(4) School Enrollment	(3) Unemployment Rate
	(1) Estimated Population	(Amounts expressed in Thousands)				
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	43,676	N/A	1,001	3.9%
2008	4,400	\$ 210,060	47,741	N/A	1,256	4.6%
2009	5,000	N/A	N/A	36.9	1,370	7.2%
2010	5,200	N/A	N/A	33.7	1,453	7.4%

**Data sources:**

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

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

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**CITY OF MELISSA**  
 Principal Employers  
 Current Year

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Melissa ISD	186	1	26.72%
Calhar Utility Contractors	76	2	10.92
Kirk Concrete Construction, Inc.	75	3	10.78
Alpha Industries Fabricated Structural Steel	57	4	8.19
City of Melissa	32	5	4.60
Mudpies & Lullabies	26	6	3.74
Sonic Drive-In	25	7	3.59
CMC Construction Services	21	8	3.02
McKinney Lumber	20	9	2.87
Bee Builder Supply	<u>19</u>	10	<u>2.73</u>
Total	<u>537</u>		<u>77.16%</u>

Source: City of Melissa

Note: Data not available for the year 2001 at the time of this publication.

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

	Fiscal			
	<u>2004</u>	<u>2005</u>	<u>2006</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><u>25.0</u></u>	<u><u>29.5</u></u>	<u><u>32.5</u></u>	<u><u>31.0</u></u>

Source: Finance Department

Note: Data for fiscal years 2001-2003 not available at the time of this publication.

Year		
<u>2008</u>	<u>2009</u>	<u>2010</u>
6.0	6.0	6.0
9.5	9.5	9.5
2.5	2.5	2.5
0.5	1.5	1.5
1.0	1.0	1.0
1.0	1.0	1.0
2.0	1.0	1.0
2.5	2.0	2.0
4.0	4.0	4.0
<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
<u><u>32.0</u></u>	<u><u>31.5</u></u>	<u><u>31.5</u></u>

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

	<u>Fiscal</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>

**FUNCTION/PROGRAM**

General Government:

Building permits issued:

Commercial:

Number issued	12	11	7
Total dollar value of permits issued	\$ 15,846,039	1,123,200	294,668
Residential:			
Number issued	95	73	115
Total dollar value of permits issued	\$ 16,036,530	10,277,213	16,350,334

Public Safety:

Police:

Physical arrests	413	319	157
Accidents	99	167	199
Citations	3,855	3,536	2,662

Fire:

Calls for service - Fire & EMS	223	230	249
Number of fire safety programs	1	1	2
Number of calls answered	407	441	447
Inspections	10	50	67
Fires extinguished	57	58	40

Municipal Court:

Number of cases filed	4,207	4,224	3,014
Number of cases closed	2,919	2,960	2,657

Culture and recreation:

Parks and recreation:

Athletic field reservations issued	2	5	18
Park facilities reservations issued	17	17	19

Public Works:

Water & Sewer:

New water connections	64	47	113
Average daily consumption of water (thousands of gallons)	541,369	587,638	639,611
Average daily treatment of wastewater (thousands of gallons)	449,989	528,750	589,816

Streets:

Potholes repaired (tons of material)	25	32	84
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Sources: Various government departments

Note: Data for fiscal years 2001-2007 not available at the time of this publication.

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

	<u>Fiscal Year</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>FUNCTION</b>			
Public safety			
Police stations	1	1	1
Fire stations	1	1	1
Streets and drainage:			
Streets (miles)	49.6	51.1	52.8
Storm sewers (miles)	14.95	15.45	16.92
Culture and recreation			
Parks acreage	31	31	31
Water			
Water mains (miles)	24.17	25.67	45.95
Fire hydrants	270	300	366
Storage capacity (millions of gallons)	1,375	1,375	1,375
Sewer			
Sanitary sewers (miles)	34.99	36.49	42.94

Sources: Various city departments.

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

Data not available for years 2001-2007 at the time of this publication.