



CITY OF MELISSA TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT

• FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2011



CITY OF MELISSA, TEXAS

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

September 30, 2011

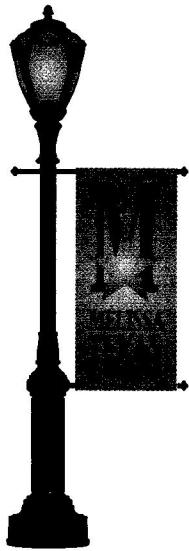
CITY OF MELISSA
 Annual Financial Report
 For the Year Ended September 30, 2011

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January 5, 2012

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

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

The accompanying CAFR 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 Manager's approval. Any amendments and adjustments to the annual budget need approval from the governing Council.

The City of Melissa

The City of Melissa is a fast growing North Texas community with a population of approximately 5,500. 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 2011 population estimate is roughly 5,500 residents. Even with the national economic slowdown, people continue to relocate to Melissa because it is a great place to live, attend exemplary schools, and raise a family, and the City has taken the initiative through comprehensive planning to define what it wants to look like in the face of the future growth.

The City continues to focus on the development of its infrastructure systems through a systematic and planned approach. The City felt that being prepared for the growth in the community will allow the City to grow at the pace and standards it wants. Beginning in 2006, the City adopted its first ever Comprehensive Plan to set the ground work for action planning in the future. In early 2007, staff began planning for the infrastructure that would be needed if the City grows at the pace the Comprehensive Plan anticipates. The City has since adopted Capital Improvement Programs (CIP's) for transportation and water/wastewater. The Park CIP is in development and has not been adopted by the City Council at this time.

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

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

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

A bond election approving \$19.1 million of new projects was approved by the voters in November 2007, with Collin County approving approximately \$10.0 million in matching funds for local transportation projects. During the budget process, the tax base or water customers did not increase to the extent anticipated in the model, so the City does not anticipate initiating any additional projects in FY12 unless an opportunity presents itself and the City Council directs project initiation. The one exception is the initiation and completion of the Southwest Water Mains project, which will extend water service to the SH 121 and SH 5 corridor. This project was a direct result of an unforeseen economic development opportunity for Racetrac Petroleum to construct a facility in Melissa. This facility is anticipated to be completed and operational in late 2012.

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 FY12 budget.

Comprehensive Plan:

Overview: The City adopted its first Comprehensive Plan in 2006 with the help of an outside consulting firm. The document reviewed many building blocks for community development including utilities, thoroughfares, parks, facilities, housing, and many other issues. The action steps that were to be considered in the future were outlined in a specific chapter within the document. These action steps were designed to help the City address any existing issues identified through the study or to help the City proceed in the desired direction. In 2012, the City will begin updating the Comprehensive Plan to reestablish the priorities for the community moving forward.

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 time lines 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.

Strategic Planning:

Overview: the City Council initiated a strategic planning process to develop a revised Vision, Mission, and Strategic Priorities for the next three years and ten year time period. These items are being compiled into a strategy map that will be used in the budget process to evaluate programs and services for funding. Completion of this project is estimated to be in January 2012 for use in the FY13 budget process.

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, 2011 for the second consecutive year and will be submitting the CAFR for the fiscal year ended September 30, 2012.

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, 2012. This is the fourth 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 2012 has been submitted for the Distinguished Budget Award for FY13.

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 Manager

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, 2010

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.



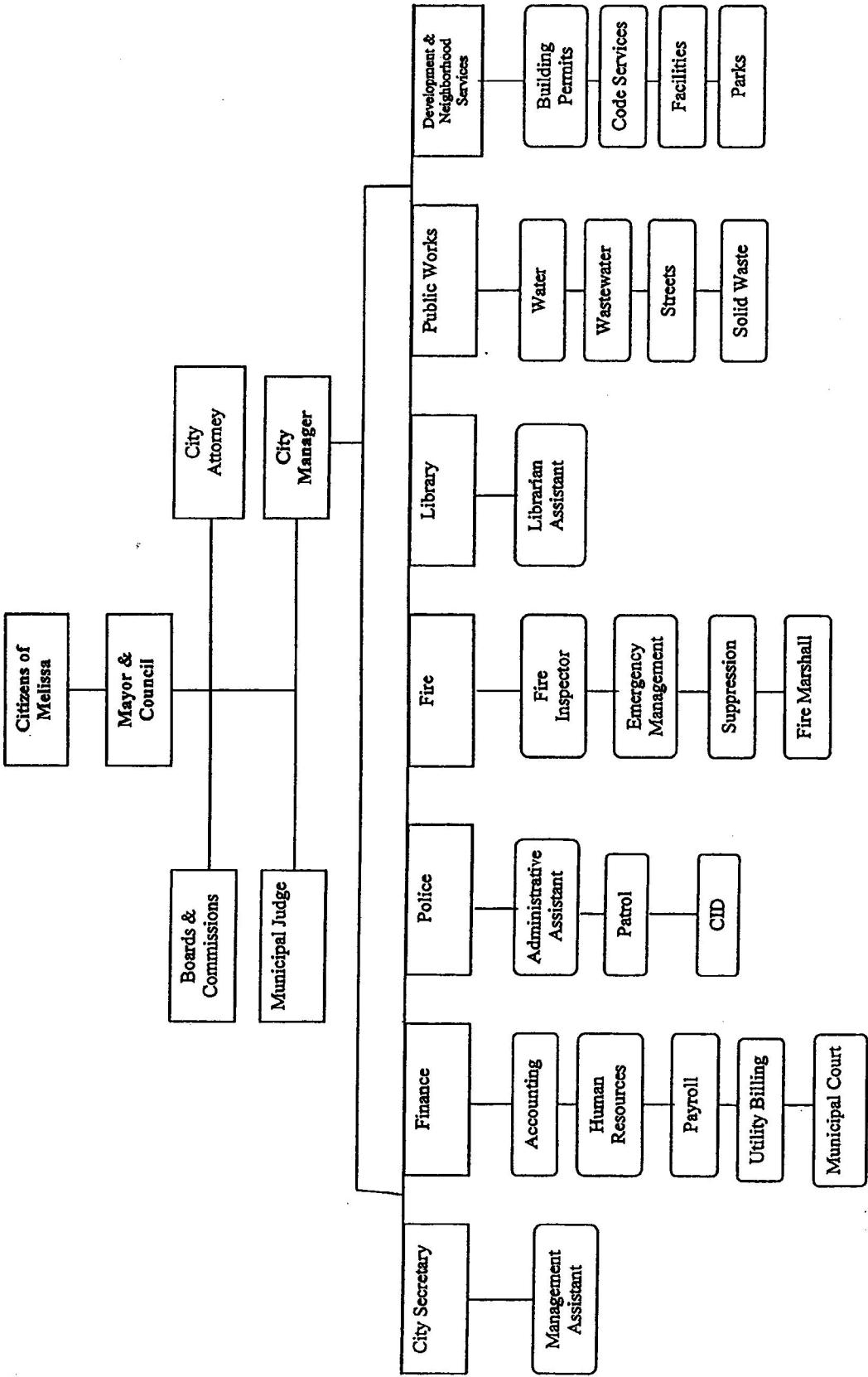
Linda C. Danison

President

Jeffrey P. Eman

Executive Director

City of Melissa Organizational Chart



CITY OF MELISSA, TEXAS



OPERATING BUDGET

FISCAL YEAR 2012
OCTOBER 1, 2011 - SEPTEMBER 30, 2012

AS APPROVED BY
THE MAYOR AND THE CITY COUNCIL

**MAYOR
REED GREER**

**MAYOR PRO TEM
SHARON WEIDEMAN**

CITY COUNCIL MEMBERS
WILLIAM FARMER
DAN TROTT
NICCO WARREN
KIM YOUNGBLOOD

STAFF:

City Manager – Jason Little
Finance Director – Gail Dansby
City Secretary – Linda Bannister
Police Chief – Duane Smith
Fire Chief – Harold Watkins
Development & Neighborhood Services Director – Dana Nixon
City Librarian – Lorelei Perkins
Public Works 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

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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, 2011, 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, 2011, 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.

Pungleton, Howard & Company, P.C.

December 8, 2011

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, 2011. 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 \$12,659,474 (net assets). Of this amount, \$2,937,487, (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 \$262,487. This was due primarily to an increase in water sales due to the drought.
- As of the close of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balances of \$2,857,538, a decrease of \$938,536 in comparison with the prior year. Most of the decrease is due to construction of streets. Of the fund balance, \$1,332,640 is available for spending at the government's discretion (*unassigned fund balance*), \$1,510,208 is restricted for construction, court, and debt service, and \$14,690 is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,332,640 or 42 percent of total general fund expenditures.
- The City of Melissa's long-term debt decreased by \$943,629 during the current fiscal year.
- The City of Melissa's capital assets increased \$2,881,559 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 40-70 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 72-73 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 \$12,659,474 at the close of the most recent fiscal year.

A portion of the City of Melissa's net assets (65 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Melissa uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Melissa's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Melissa's net assets (12% percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2,937,487 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 | |
|------------------------------------|-------------------------|------------|--------------------------|------------|------------|------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$ 5,269,698 | 6,837,168 | 2,871,808 | 4,667,674 | 8,141,506 | 11,504,842 |
| Capital assets | 25,446,997 | 25,561,832 | 14,349,741 | 12,456,515 | 39,796,738 | 38,018,347 |
| Total assets | 30,716,695 | 32,399,000 | 17,221,549 | 17,124,189 | 47,938,244 | 49,523,189 |
| Long-term liabilities | 18,993,244 | 19,538,324 | 12,656,398 | 13,054,947 | 31,649,642 | 32,593,271 |
| Other liabilities | 2,484,906 | 3,122,306 | 1,144,222 | 1,410,625 | 3,629,128 | 4,532,931 |
| Total liabilities | 21,478,150 | 22,660,630 | 13,800,620 | 14,465,572 | 35,278,770 | 37,126,202 |
| Net assets: | | | | | | |
| Invested in capital assets, net of | | | | | | |
| related debt | 6,510,038 | 6,075,795 | 1,701,741 | 1,390,423 | 8,211,779 | 7,466,218 |
| Restricted | 1,510,208 | 109,649 | | | 1,510,208 | 109,649 |
| Unrestricted | 1,218,299 | 3,552,926 | 1,719,188 | 1,268,194 | 2,937,487 | 4,821,120 |
| Total net assets | \$ 9,238,545 | 9,738,370 | 3,420,929 | 2,658,617 | 12,659,474 | 12,396,987 |

CITY OF MELISSA - Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 773,089 | 644,437 | 3,065,888 | 2,474,036 | 3,838,977 | 3,118,473 |
| Operating grants and contributions | 91,402 | 112,136 | | | 91,402 | 112,136 |
| Capital grants and contributions | 29,268 | 2,067,000 | | | 29,268 | 2,067,000 |
| General revenues: | | | | | | |
| Property taxes | 2,116,891 | 2,142,587 | | | 2,116,891 | 2,142,587 |
| Other taxes | 688,550 | 598,935 | | | 688,550 | 598,935 |
| Other | 400,815 | 578,311 | 429,477 | 420,358 | 830,292 | 998,669 |
| Total revenues | 4,100,015 | 6,143,406 | 3,495,365 | 2,894,394 | 7,595,380 | 9,037,800 |
| Expenses: | | | | | | |
| General government | 1,892,674 | 1,660,927 | | | 1,892,674 | 1,660,927 |
| Public Safety | 1,067,227 | 1,054,640 | | | 1,067,227 | 1,054,640 |
| Streets | 487,068 | 242,249 | | | 487,068 | 242,249 |
| Sanitation | | | 175,087 | 165,752 | 175,087 | 165,752 |
| Culture and recreation | 444,537 | 397,235 | | | 444,537 | 397,235 |
| Interest on long-term debt | 828,098 | 1,099,881 | | | 828,098 | 1,099,881 |
| Water & Sewer | | | 2,438,202 | 2,447,478 | 2,438,202 | 2,447,478 |
| Total expenses | 4,719,604 | 4,454,932 | 2,613,289 | 2,613,230 | 7,332,893 | 7,068,162 |
| Increase(decrease) in net assets | | | | | | |
| before transfers | (619,589) | 1,688,474 | 882,076 | 281,164 | 262,487 | 1,969,638 |
| Transfers | 119,764 | 203,498 | (119,764) | (203,498) | | |
| Increase(decrease) in net assets | (499,825) | 1,891,972 | 762,312 | 77,666 | 262,487 | 1,969,638 |
| Net assets - beginning | 9,738,370 | 7,846,398 | 2,658,617 | 2,580,951 | 12,396,987 | 10,427,349 |
| Net assets - ending | \$ 9,238,545 | 9,738,370 | 3,420,929 | 2,658,617 | 12,659,474 | 12,396,987 |

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

Governmental Activities:

- Capital grants decreased by \$2,037,732 from the previous year.
- Interest and fiscal charges decreased \$271,783 (25 percent) during the year.

Business-type Activities

Business-type activities increased the City of Melissa's net assets by \$762,312.

- Charges for services increased by \$591,852 (24%).
- Expenses increased by \$59.

Financial Analysis of the Government's Funds

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

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

As the end of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balance of \$2,857,538, a decrease of \$938,536 from the prior year. The decrease is primarily due to construction of \$614,377 of streets. Of the current combined ending fund balance, \$1,332,640 is unassigned and \$984,885 is restricted for construction.

The general fund is the operating fund of the City of Melissa. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,332,640. Total unassigned fund balance represents 42% of total general fund expenditures.

The debt service fund has a total fund balance of \$97,118, all of which is restricted for payment of debt services. The increase in fund balance of \$26,021 is due to assessment and collection of penalties for delinquent property taxes.

The Transportation CPF has a total fund balance of \$954,219, all of which is restricted for street construction. The decrease in fund balance of \$721,320 represents current year expenditures for various street projects (\$614,377) and a transfer of \$93,800 to the water and sewer fund for construction projects.

The City Hall CPF has a total fund balance of \$30,666, all of which is restricted for capital outlay. The decrease in fund balance of \$48,494 represents current year expenditures for minor improvements and additions to the new City Hall building.

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

Total net assets of the Enterprise Fund at the end of the year amounted to \$3,420,929. The total increase in net assets of the Enterprise Fund was \$762,312. 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 \$23,472 increase in unassigned general fund balance. The increase in unassigned general fund balance was actually \$4,161, a decrease of \$19,311 from budget projections.

- In total, actual general fund revenues were \$46,794 greater than budget. Of that amount, grant and donation revenues were \$29,244 greater than budget, and sales tax was \$17,926 greater than budget.

- Overall, actual general fund expenditures were \$66,274 greater than budget. Of that amount, street department expenditures were \$47,589 greater than budget due to street repair and maintenance.

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, 2011, amounts to \$39,796,738 (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 \$614,377.
- Fire station building improvements of \$56,927.
- Various construction on water and sewer lines, of \$2,250,290, were the major additions to the business-type activities.

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

Long-term debt. At the end of the current fiscal year, the City of Melissa had bonded debt outstanding of \$31,046,250. All of this amount comprises debt backed by the full faith and credit of the City.

The City of Melissa's long-term debt decreased by \$943,629 during the current fiscal year. This decrease was due to scheduled principal payments.

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 53-66 of this report.

Economic Factors and Next Year's Budgets and Rates

The budget document for fiscal year 2011 was submitted to the GFOA Distinguished Budget Award committee and was awarded its third Distinguished Budget Award. Comments submitted by the reviewers on items for improvement were addressed and the document has been resubmitted for the FY12 award. The goal of such an awards program is to rate the municipality's budget on the basis it serves as a policy guide, operations guide, financial plan and communication document. These components focus the content of the budget 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 implementation of the budget.

The property tax revenue within the FY12 budget is based on an ad valorem tax rate of \$.61. This is the same rate as the FY11 budget and was a result of debt issued for the first phase of the voter approved Transportation Program (2007).

The 2011 assessed property value of the City of Melissa is over \$350 million, an overall increase of \$8 million from the preceding year. Assessed property values have risen \$233 million since 2002. The top ten taxpayers for 2011 make up only 6.04% of the \$350 million taxable appraised value compared to 6.19% in 2010, 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 \$420,000 or 13% of total revenues. Sales Tax collections increased as the FY11 budget ended, but the annual revenue allocations were kept flat due to the volatility in sales tax collections.

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.

Overall, the City anticipates mild growth in meters in FY12 and assumes no increase in per meter usage. Over the past several years, revenues have been significantly impacted by the amount of rainfall in the heaviest water sale months and the City was able to utilize reserve funds 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. Now the regional drought has all cities concerned that these funds will struggle with additional water conservation measures being mandated upon all customers in order to protect the availability of water for the region and thus cities will be restricted on how much water it can sell its customers.

Capital Improvement Planning projects and expenditures are now captured in the Transportation Construction Fund and the Utility Construction Fund respectfully. The ten year planning program for the City's Water and Wastewater Capital Improvement Program will anticipate, plan, and construct the necessary improvements for the water and wastewater system. The program is based on tax base growth for transportation projects, meter growth in water/wastewater projects and general economic conditions. The plan is reviewed after the certified tax roll is received and for FY12, the tax base did not grow sufficient to fund any additional capital improvement projects. However, there will be one combination transportation rehabilitation project and water expansion project to facilitate the development of Racetrac near the intersection of State Highway 5 and Highway 121 which is scheduled to open in 2012.

Future debt sales for the Capital Improvements Plans are scheduled over the next ten years and will be reviewed each fiscal year and/or when the projects make sense from both a financial and economic development perspective.

All these factors were considered in preparing the City of Melissa's budget for the 2012 fiscal year.

The City has reached the original goal of securing 90 days of Unassigned Fund Balance and will begin FY12 with approximately 128 days of operating unassigned fund balance. In the FY12 budget, approximately \$30,000 is budgeted to be transferred to add to the Unassigned Fund Balance, and the City will end FY12 with approximately 133 days.

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.

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BASIC FINANCIAL STATEMENTS

CITY OF MELISSA
 Statement of Net Assets
 September 30, 2011

| | Primary Government | | |
|--|--------------------------------|---------------------------------|-------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,079,309 | 655,227 | 5,734,536 |
| Receivables (net of allowance for uncollectibles): | | | |
| Utility bills | | 437,568 | 437,568 |
| Property taxes | 40,031 | | 40,031 |
| Sales tax | 46,678 | | 46,678 |
| Other | 16,099 | 221,418 | 237,517 |
| Prepays | 14,690 | | 14,690 |
| Due (to)/from other funds | 4,523 | (4,523) | |
| Due from primary government | | | |
| Due from component unit | 68,368 | 28,248 | 96,616 |
| Restricted cash and cash equivalents | | 1,238,639 | 1,238,639 |
| Bond issuance costs | | 295,231 | 295,231 |
| Capital assets not being depreciated: | | | |
| Land | 415,873 | 435,015 | 850,888 |
| Construction in progress | 3,510,734 | 1,032,461 | 4,543,195 |
| Capital assets (net of accumulated depreciation): | | | |
| Building and system | 13,066,875 | 12,745,795 | 25,812,670 |
| Equipment | 1,177,195 | 136,470 | 1,313,665 |
| Infrastructure | <u>7,276,320</u> | | <u>7,276,320</u> |
| Total assets | <u>30,716,695</u> | <u>17,221,549</u> | <u>47,938,244</u> |
| LIABILITIES | | | |
| Accounts payable | 417,897 | 358,083 | 775,980 |
| Accrued interest payable | 112,777 | 570,694 | 683,471 |
| Deposits payable | | 195,445 | 195,445 |
| Due to primary government | | | |
| Due to component unit | | 20,000 | 20,000 |
| Unearned revenue | 1,954,232 | | 1,954,232 |
| Noncurrent liabilities: | | | |
| Due within one year | 587,441 | 496,272 | 1,083,713 |
| Due in more than one year | <u>18,405,803</u> | <u>12,160,126</u> | <u>30,565,929</u> |
| Total liabilities | <u>21,478,150</u> | <u>13,800,620</u> | <u>35,278,770</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 6,510,038 | 1,701,741 | 8,211,779 |
| Restricted for: | | | |
| Construction | 984,885 | | 984,885 |
| Court | 48,334 | | 48,334 |
| Debt service | 476,989 | | 476,989 |
| Unrestricted | <u>1,218,299</u> | <u>1,719,188</u> | <u>2,937,487</u> |
| Total net assets | <u>\$ 9,238,545</u> | <u>3,420,929</u> | <u>12,659,474</u> |

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

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

| | |
|---------|--------|
| 223,970 | 26,144 |
|---------|--------|

| | |
|--------|--------|
| 23,339 | 23,339 |
|--------|--------|

| | |
|--|--------|
| | 20,000 |
|--|--------|

| | |
|---------|--------|
| 247,309 | 69,483 |
|---------|--------|

| | |
|-----|--|
| 148 | |
|-----|--|

| | |
|--------|--------|
| 31,248 | 65,368 |
|--------|--------|

| | |
|--------|--------|
| 31,396 | 65,368 |
|--------|--------|

| | |
|----------------|--------------|
| <u>215,913</u> | <u>4,115</u> |
|----------------|--------------|

| | |
|----------------|--------------|
| <u>215,913</u> | <u>4,115</u> |
|----------------|--------------|

CITY OF MELISSA
 Statement of Activities
 For the Fiscal Year Ended September 30, 2011

| Functions/Programs | <u>Expenses</u> | Program Revenues | | |
|---|---------------------|--------------------------------------|--|-----------------------------|
| | | Operating Charges for Services | Capital Grants and Contributions | Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,892,674 | 246,473 | | |
| Public safety | 1,067,227 | 525,041 | 23,367 | 4,500 |
| Streets | 487,068 | | | 24,768 |
| Culture and recreation | 444,537 | 1,575 | 68,035 | |
| Interest and fiscal charges | 828,098 | | | |
| Total governmental activities | <u>4,719,604</u> | <u>773,089</u> | <u>91,402</u> | <u>29,268</u> |
| Business-type activities: | | | | |
| Water and sewer | 2,438,202 | 2,845,999 | | |
| Sanitation | <u>175,087</u> | <u>219,889</u> | | |
| Total business-type activities | <u>2,613,289</u> | <u>3,065,888</u> | | |
| Total primary government | <u>\$ 7,332,893</u> | <u>3,838,977</u> | <u>91,402</u> | <u>29,268</u> |
| Component units: | | | | |
| Economic development | \$ 229,787 | | | |
| Community development | <u>286,059</u> | | | |
| Total component units | <u>\$ 515,846</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 | | | | |
|--|---------------------------------|--------------------|-----------------------------|------------------------------|
| Primary Government | | | Component Units | |
| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> | <u>Economic Development</u> | <u>Community Development</u> |
| (1,646,201) | | (1,646,201) | | |
| (514,319) | | (514,319) | | |
| (462,300) | | (462,300) | | |
| (374,927) | | (374,927) | | |
| (828,098) | | (828,098) | | |
| <u>(3,825,845)</u> | | <u>(3,825,845)</u> | | |
| | | | | |
| | 407,797 | 407,797 | | |
| | <u>44,802</u> | <u>44,802</u> | | |
| | <u>452,599</u> | <u>452,599</u> | | |
| <u>(3,825,845)</u> | <u>452,599</u> | <u>(3,373,246)</u> | | |
| | | | | |
| | | | (229,787) | |
| | | | <u>(229,787)</u> | <u>(286,059)</u> |
| | | | | |
| 2,116,891 | | 2,116,891 | | |
| 471,926 | | 471,926 | 235,963 | 235,963 |
| 216,624 | | 216,624 | | |
| 35,832 | 16,396 | 52,228 | 1,959 | 1,059 |
| 264,716 | 205,982 | 470,698 | | |
| 100,267 | 207,099 | 307,366 | | |
| <u>119,764</u> | <u>(119,764)</u> | | | |
| <u>3,326,020</u> | <u>309,713</u> | <u>3,635,733</u> | <u>237,922</u> | <u>237,022</u> |
| (499,825) | 762,312 | 262,487 | 8,135 | (49,037) |
| <u>9,738,370</u> | <u>2,658,617</u> | <u>12,396,987</u> | <u>207,778</u> | <u>53,152</u> |
| <u>9,238,545</u> | <u>3,420,929</u> | <u>12,659,474</u> | <u>215,913</u> | <u>4,115</u> |

CITY OF MELISSA
 Balance Sheet
 Governmental Funds
 September 30, 2011

| | <u>General</u> <u>Fund</u> | <u>Debt</u> <u>Service</u> <u>Fund</u> |
|--|-------------------------------|--|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,603,727 | 71,459 |
| Receivables (net of allowance for uncollectibles): | | |
| Property taxes | 40,031 | |
| Sales tax | 46,678 | |
| Other | 16,099 | |
| Prepays | 14,690 | |
| Due from other funds | 5,190 | 25,659 |
| Due from component unit | <u>68,368</u> | <u> </u> |
| Total assets | \$ <u>3,794,783</u> | <u>97,118</u> |

LIABILITIES AND FUND BALANCES

| | | |
|---|-------------------------|-------------------|
| Liabilities: | | |
| Accounts payable | \$ 379,197 | |
| Due to other funds | 25,659 | |
| Deferred revenue | 1,994,263 | |
| Total liabilities | <u>2,399,119</u> | |
| Fund balances: | | |
| Nonspendable: | | |
| Prepaid items | 14,690 | |
| Restricted: | | |
| Construction | 48,334 | |
| Court | 97,118 | |
| Debt service | 1,332,640 | |
| Unassigned | <u>1,395,664</u> | <u> </u> |
| Total fund balances | <u>1,395,664</u> | <u>97,118</u> |
| Total liabilities and fund balances | \$ <u>3,794,783</u> | <u>97,118</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> | | |
| 993,186 | 30,685 | 380,252 | 5,079,309 |
| | | | 40,031 |
| | | | 46,678 |
| | | | 16,099 |
| | | | 14,690 |
| | | 19 | 30,868 |
| | | | <u>68,368</u> |
| <u>993,186</u> | <u>30,685</u> | <u>380,271</u> | <u>5,296,043</u> |
| 38,300 | | 400 | 417,897 |
| 667 | 19 | | 26,345 |
| <u>38,967</u> | <u>19</u> | <u>400</u> | <u>1,994,263</u> |
| | | | <u>2,438,505</u> |
| 954,219 | 30,666 | | 984,885 |
| | | | 48,334 |
| | | 379,871 | 476,989 |
| <u>954,219</u> | <u>30,666</u> | <u>379,871</u> | <u>1,332,640</u> |
| <u>993,186</u> | <u>30,685</u> | <u>380,271</u> | <u>2,857,538</u> |
| | | | <u>5,296,043</u> |

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CITY OF MELISSA
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 September 30, 2011

Total Fund Balances - Governmental Funds \$ 2,857,538

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 \$27,134,463 and the accumulated depreciation was \$(1,572,631). In addition, long-term liabilities, including bonds payable of \$(19,005,000), note payable of \$(89,043), and capital leases of \$(391,994) are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

6,075,795

Current year capital outlays of \$676,950 and long-term debt principal payments of \$549,078 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.

1,226,028

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.

(112,777)

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

(791,785)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$40,031 of deferred revenue as revenue and recognizing the liability associated with compensated absences of \$(56,285). The net effect of these reclassifications is to decrease net assets.

(16,254)

Net Assets of Governmental Activities

\$ 9,238,545

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, 2011

| | <u>General</u> <u>Fund</u> | <u>Debt</u> <u>Service</u> <u>Fund</u> |
|--|-------------------------------|--|
| REVENUES | | |
| Taxes: | | |
| Property | \$ 1,412,970 | 614,279 |
| Sales | 471,926 | |
| Franchise | 216,624 | |
| License and permits | 232,417 | |
| Platting & development | 2,056 | |
| Charges for services | 2,270 | |
| Intergovernmental | 53,156 | 253,560 |
| Grants and donations | 90,670 | |
| Fines, warrants and seizures | 524,346 | |
| Investment income | 30,158 | 711 |
| Miscellaneous | <u>100,267</u> | |
| Total revenues | <u>3,136,860</u> | <u>868,550</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | 1,536,617 | |
| Public safety | 923,705 | |
| Street | 219,289 | |
| Culture and recreation | 354,475 | |
| Capital outlay | 62,573 | |
| Debt service: | | |
| Principal | 74,078 | 475,000 |
| Interest and fiscal charges | <u>25,526</u> | <u>807,243</u> |
| Total expenditures | <u>3,196,263</u> | <u>1,282,243</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(59,403)</u> | <u>(413,693)</u> |
| OTHER FINANCIAL SOURCES (USES) | | |
| Transfers in | 213,564 | 439,714 |
| Transfers out | <u>(150,000)</u> | |
| Total other financing sources (uses) | <u>63,564</u> | <u>439,714</u> |
| Net change in fund balances | 4,161 | 26,021 |
| Fund balances - beginning | <u>1,391,503</u> | <u>71,097</u> |
| Fund balances - ending | <u>\$ 1,395,664</u> | <u>97,118</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> | | |
| | | 86,247 | 2,113,496 |
| | | | 471,926 |
| | | | 216,624 |
| | | | 232,417 |
| | | | 2,056 |
| | | | 2,270 |
| | | | 306,716 |
| | | | 90,670 |
| | | | 524,346 |
| | | 4,963 | 35,832 |
| | | | <u>100,267</u> |
| | | <u>91,210</u> | <u>4,096,620</u> |
| | | | |
| | | 48,494 | 1,585,111 |
| | | | 923,705 |
| 13,143 | | | 232,432 |
| | | | 354,475 |
| 614,377 | | | 676,950 |
| | | | 549,078 |
| | | 400 | <u>833,169</u> |
| <u>627,520</u> | <u>48,494</u> | <u>400</u> | <u>5,154,920</u> |
| | | | |
| <u>(627,520)</u> | <u>(48,494)</u> | <u>90,810</u> | <u>(1,058,300)</u> |
| | | | |
| | | 150,000 | 803,278 |
| <u>(93,800)</u> | | <u>(439,714)</u> | <u>(683,514)</u> |
| <u>(93,800)</u> | | <u>(289,714)</u> | <u>119,764</u> |
| | | | |
| (721,320) | (48,494) | (198,904) | (938,536) |
| | | | |
| <u>1,675,539</u> | <u>79,160</u> | <u>578,775</u> | <u>3,796,074</u> |
| | | | |
| <u>954,219</u> | <u>30,666</u> | <u>379,871</u> | <u>2,857,538</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, 2011

| | |
|---|---------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (938,536) |
| Current year capital outlays of \$676,950 and long-term debt principal payments of \$549,078 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. | 1,226,028 |
| 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 increase net assets. | 5,071 |
| 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. | (791,785) |
| 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 \$3,395 as revenue and recognizing the increase in compensated absences payable of \$(3,998). The net effect of these reclassifications is to decrease net assets. | <u>(603)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ (499,825)</u> |

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

CITY OF MELISSA
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Fiscal Year Ended September 30, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | Variance With Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|---------------------------|--|
| REVENUES: | | | | |
| Taxes: | | | | |
| Property | \$ 1,456,184 | 1,421,184 | 1,412,970 | (8,214) |
| Sales | 420,000 | 454,000 | 471,926 | 17,926 |
| Franchise | 220,000 | 220,000 | 216,624 | (3,376) |
| License and permits | 108,800 | 223,800 | 232,417 | 8,617 |
| Platting & development | 18,150 | 6,150 | 2,056 | (4,094) |
| Charges for services: | | | | |
| Police reports | | 650 | 695 | 45 |
| Park fees | | 1,500 | 1,575 | 75 |
| Grants and donations: | | | | |
| Library | 21,500 | 23,095 | 23,114 | 19 |
| Park | 14,921 | 14,921 | 14,921 | |
| Fire | 35,000 | 22,300 | 26,756 | 4,456 |
| Police | | 1,110 | 1,111 | 1 |
| Streets | | | 24,768 | 24,768 |
| Intergovernmental | 42,000 | 42,000 | 42,000 | |
| Fines, warrants and seizures | 400,000 | 516,000 | 524,346 | 8,346 |
| Investment income | 65,000 | 31,000 | 30,158 | (842) |
| Miscellaneous | <u>61,700</u> | <u>101,200</u> | <u>100,267</u> | <u>(933)</u> |
| Total revenues | <u>2,863,255</u> | <u>3,078,910</u> | <u>3,125,704</u> | <u>46,794</u> |
| EXPENDITURES: | | | | |
| <u>General Government</u> | | | | |
| City administration: | | | | |
| Personnel | 394,913 | 393,013 | 374,143 | 18,870 |
| Materials and supplies | 25,290 | 20,990 | 22,069 | (1,079) |
| Other services | <u>499,018</u> | <u>424,203</u> | <u>431,906</u> | <u>(7,703)</u> |
| Total city administration | <u>919,221</u> | <u>838,206</u> | <u>828,118</u> | <u>10,088</u> |
| Development & neighborhood services: | | | | |
| Personnel services | 153,506 | 151,886 | 155,428 | (3,542) |
| Materials and supplies | 3,581 | 2,581 | 2,495 | 86 |
| Other services | <u>88,450</u> | <u>140,450</u> | <u>144,748</u> | <u>(4,298)</u> |
| Total development & neighborhood services | <u>245,537</u> | <u>294,917</u> | <u>302,671</u> | <u>(7,754)</u> |
| Building maintenance: | | | | |
| Materials and supplies | 2,500 | 2,500 | 5,768 | (3,268) |
| Other services | <u>35,612</u> | <u>45,312</u> | <u>41,405</u> | <u>3,907</u> |
| Total building maintenance | <u>\$ 38,112</u> | <u>47,812</u> | <u>47,173</u> | <u>639</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, 2011
 -continued-

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | Variance With Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|---------------------------|--|
| EXPENDITURES (continued): | | | | |
| <u>General Government</u> (continued) | | | | |
| Municipal court: | | | | |
| Personnel services | \$ 140,149 | 135,994 | 138,050 | (2,056) |
| Materials and supplies | 6,715 | 10,615 | 12,625 | (2,010) |
| Other services | <u>140,740</u> | <u>204,540</u> | <u>207,980</u> | <u>(3,440)</u> |
| Total municipal court | <u>287,604</u> | <u>351,149</u> | <u>358,655</u> | <u>(7,506)</u> |
| Total general government | <u>1,490,474</u> | <u>1,532,084</u> | <u>1,536,617</u> | <u>(4,533)</u> |
| <u>Public Safety</u> | | | | |
| Police department: | | | | |
| Personnel services | 527,938 | 514,988 | 525,278 | (10,290) |
| Materials and supplies | 35,494 | 42,894 | 41,072 | 1,822 |
| Other services | <u>71,421</u> | <u>90,075</u> | <u>92,819</u> | <u>(2,744)</u> |
| Total police department | <u>634,853</u> | <u>647,957</u> | <u>659,169</u> | <u>(11,212)</u> |
| Fire department | | | | |
| Personnel services | 131,690 | 109,265 | 110,082 | (817) |
| Materials and supplies | 16,268 | 19,118 | 17,792 | 1,326 |
| Other services | <u>136,769</u> | <u>141,469</u> | <u>136,662</u> | <u>4,807</u> |
| Total fire department | <u>284,727</u> | <u>269,852</u> | <u>264,536</u> | <u>5,316</u> |
| Total public safety | <u>919,580</u> | <u>917,809</u> | <u>923,705</u> | <u>(5,896)</u> |
| <u>Street department</u> | | | | |
| Personnel services | 46,917 | 42,722 | 42,649 | 73 |
| Materials and supplies | 1,500 | 1,500 | 7,372 | (5,872) |
| Other services | <u>124,978</u> | <u>127,478</u> | <u>169,268</u> | <u>(41,790)</u> |
| Total street department | <u>173,395</u> | <u>171,700</u> | <u>219,289</u> | <u>(47,589)</u> |
| <u>Culture and Recreation</u> | | | | |
| Parks and grounds: | | | | |
| Personnel services | 45,006 | 41,060 | 44,076 | (3,016) |
| Materials and supplies | 26,950 | 27,650 | 21,944 | 5,706 |
| Other services | <u>145,717</u> | <u>176,117</u> | <u>174,795</u> | <u>1,322</u> |
| Total parks and grounds | <u>217,673</u> | <u>244,827</u> | <u>240,815</u> | <u>4,012</u> |
| Library | | | | |
| Personnel services | 88,681 | 81,851 | 81,582 | 269 |
| Materials and supplies | 14,250 | 21,251 | 24,828 | (3,577) |
| Other services | <u>7,450</u> | <u>7,450</u> | <u>7,250</u> | <u>200</u> |
| Total library | <u>110,381</u> | <u>110,552</u> | <u>113,660</u> | <u>(3,108)</u> |
| Total culture and recreation | <u>\$ 328,054</u> | <u>355,379</u> | <u>354,475</u> | <u>904</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, 2011
 -continued-

| | Original Budget | Final Budget | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--|---------------------|------------------|-------------------|--|
| EXPENDITURES (continued): | | | | |
| Capital oulay | \$ 40,000 | 53,646 | 62,573 | (8,927) |
| Debt service: | | | | |
| Principal retirement | 68,769 | 68,769 | 68,769 | |
| Interest | 19,446 | 19,446 | 19,679 | (233) |
| Total debt service | <u>88,215</u> | <u>88,215</u> | <u>88,448</u> | <u>(233)</u> |
| Total expenditures | <u>3,039,718</u> | <u>3,118,833</u> | <u>3,185,107</u> | <u>(66,274)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(176,463)</u> | <u>(39,923)</u> | <u>(59,403)</u> | <u>(19,480)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (150,000) | (150,000) | (150,000) | |
| Transfers in | <u>211,395</u> | <u>213,395</u> | <u>213,564</u> | <u>169</u> |
| Total other financing sources (uses) | <u>61,395</u> | <u>63,395</u> | <u>63,564</u> | <u>169</u> |
| Net change in fund balances | (115,068) | 23,472 | 4,161 | (19,311) |
| Fund balances - beginning | <u>1,391,503</u> | <u>1,391,503</u> | <u>1,391,503</u> | <u> </u> |
| Fund balances - ending | <u>\$ 1,276,435</u> | <u>1,414,975</u> | <u>1,395,664</u> | <u>(19,311)</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, 2011

ASSETS

Current assets:

| | |
|---|------------------|
| Cash and cash equivalents | \$ 655,227 |
| Receivables (net of allowance of uncollectibles): | |
| Utility bills | 437,568 |
| Other | 221,418 |
| Restricted cash and cash equivalents | 1,238,639 |
| Due from component unit | <u>28,248</u> |
| Total current assets | <u>2,581,100</u> |

Noncurrent assets:

| | |
|---|--------------------|
| Bond issuance costs (net of accumulated amortization) | <u>295,231</u> |
| Capital Assets: | |
| Land | 435,015 |
| Buildings and systems | 14,750,987 |
| Equipment | 402,362 |
| Construction in progress | 1,032,461 |
| Less: accumulated depreciation | <u>(2,271,084)</u> |
| Total capital assets (net of depreciation) | <u>14,349,741</u> |
| Total noncurrent assets | <u>14,644,972</u> |
| Total assets | <u>17,226,072</u> |

LIABILITIES

Current liabilities:

| | |
|----------------------------------|------------------|
| Accounts payable | 358,083 |
| Accrued interest payable | 570,694 |
| Due to other funds | 4,523 |
| Due to component unit | 20,000 |
| Deposits | 195,445 |
| Compensated absences payable | 6,998 |
| Current portion of lease payable | 16,774 |
| Current portion on bonds payable | <u>472,500</u> |
| Total current liabilities | <u>1,645,017</u> |

Noncurrent liabilities:

| | |
|------------------------------|-------------------|
| Compensated absences | 1,400 |
| Lease payable | 114,976 |
| Bonds payable | <u>12,043,750</u> |
| Total noncurrent liabilities | <u>12,160,126</u> |
| Total liabilities | <u>13,805,143</u> |

NET ASSETS

| | |
|---|---------------------|
| Invested in capital assets, net of related debt | 1,701,741 |
| Unrestricted | <u>1,719,188</u> |
| Total net assets | <u>\$ 3,420,929</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, 2011

OPERATING REVENUES

| | |
|------------------------------|----------------|
| Water sales | \$ 1,972,265 |
| Sewer charges | 590,184 |
| Sanitation | 219,889 |
| Tap fees | 232,500 |
| Reconnect fees | 49,500 |
| Meter installation fee | 1,550 |
| Miscellaneous | <u>207,099</u> |
| Total operating revenues | 3,272,987 |

OPERATING EXPENSES

| | |
|------------------------------|----------------------|
| Personnel services | 355,803 |
| Materials and supplies | 219,844 |
| Other services | 1,320,365 |
| Amortization | 18,840 |
| Depreciation | <u>357,064</u> |
| Total operating expenses | <u>2,271,916</u> |
| Operating income (loss) | 1,001,071 |

NONOPERATING REVENUES (EXPENSES)

| NONOPERATING REVENUES (EXPENSES) | |
|--|-----------|
| Intergovernmental | 205,982 |
| Interest income | 16,396 |
| Interest expense | (341,373) |
| Total nonoperating revenues (expenses) | (118,995) |

EDUCATIONAL

| TRANSFERS | |
|------------------------|------------------|
| Transfers in | 93,800 |
| Transfers (out) | <u>(213,564)</u> |
| Change in net assets | 762,312 |
| Net assets - beginning | <u>2,658,617</u> |
| Net assets - ending | \$ 3,420,929 |

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, 2011

| | |
|--|---------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 3,136,035 |
| Cash payments to suppliers | (1,975,013) |
| Cash payments to employees | <u>(355,696)</u> |
| Net cash provided by operating activities | <u>805,326</u> |
| Cash flows from noncapital financing activities: | |
| Transfers from other funds | 93,800 |
| Transfer to other funds | (213,564) |
| Advances to other funds | (36,271) |
| Advances to component unit | (28,248) |
| Advances from component unit | 20,000 |
| Subsidy from other governments | <u>205.982</u> |
| Net cash used for noncapital financing activities | <u>41,699</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (2,250,290) |
| Principal paid on bonds and leases | (398,656) |
| Interest paid on debt | <u>(398,809)</u> |
| Net cash provided for capital and related financing activities | <u>(3,047,755)</u> |
| Cash flows from investing activities: | |
| Interest on deposits and investments | <u>16,396</u> |
| Net cash provided by investing activities | <u>16,396</u> |
| Net increase in cash and cash equivalents | (2,184,334) |
| Cash and cash equivalents - beginning | <u>4,078,200</u> |
| Cash and cash equivalents - ending | <u>\$ 1,893,866</u> |

CITY OF MELISSA
 Statement of Cash Flows
 Proprietary Fund
 For the Fiscal Year Ended September 30, 2011
 -continued-

Reconciliation of Net Income to Net Cash Provided
 by Operating Activities

| | |
|---|---------------------|
| Operating income/(loss) | \$ <u>1,001,071</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 357,064 |
| Amortization expense | 18,840 |
| (Increase)/decrease in accounts receivable | (145,852) |
| (Increase)/decrease in other receivables | (196,937) |
| Increase/(decrease) in accounts payable | (237,867) |
| Increase/(decrease) in compensated absences | 107 |
| Increase/(decrease) in utility deposits | <u>8,900</u> |
| Total adjustments | <u>(195,745)</u> |
| Net cash provided by operating activities | \$ <u>805,326</u> |

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

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2011

(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 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, 2011
-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund financial statements (continued)

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

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

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

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

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

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

The government reports the following major governmental funds:

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

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2011
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The government reports the following major proprietary fund:

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

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

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

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

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

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

CITY OF MELISSA
Notes to Financial Statements
September 30, 2011
-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, 2011
-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

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

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

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Fund equity (continued)

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2011.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the City Council delegates this authority.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

As of September 30, 2011, fund balances are composed of the following:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Funds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------|---------------------|--------------------------|-------------------------------|------------------------------------|---------------------------------|
| Nonspendable: | | | | | |
| Prepaid items | 14,690 | | | | 14,690 |
| Restricted: | | | | | |
| Construction | | | 984,885 | | 984,885 |
| Court | 48,334 | | | | 48,334 |
| Debt Service | | 97,118 | | 379,871 | 476,989 |
| Committed: | | | | | |
| Assigned: | | | | | |
| Unassigned: | <u>1,332,640</u> | _____ | _____ | _____ | <u>1,332,640</u> |
| Total fund balances | <u>\$ 1,395,664</u> | <u>97,118</u> | <u>984,885</u> | <u>379,871</u> | <u>2,857,538</u> |

-continued-

CITY OF MELISSA
Notes to Financial Statements
September 30, 2011
-continued-

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.

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.

CITY OF MELISSA
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Budget/GAAP Reconciliation

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

| | <u>Water and Sewer Fund</u> |
|---------------------|-----------------------------|
| Net assets (budget) | \$ 3,796,833 |
| Depreciation | (357,064) |
| Amortization | (18,840) |
| Net assets (GAAP) | <u>\$ 3,420,929</u> |

C. Excess of Expenditures/Expenses Over Appropriations

For the year ended September 30, 2011, expenditures exceeded appropriations in the General Fund by \$66,274. These overexpenditures were funded by available fund balance.

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, 2011, the City's carrying amount of deposits was \$6,398,623 and the bank balance was \$6,510,359. Of the bank balance, \$363,736 was covered by federal depository insurance and \$6,146,623 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 \$223,970 and the bank balance was \$224,900. 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 \$26,144 and the bank balance was \$26,144. 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:

CITY OF MELISSA
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- a. Custodial Credit Risk - Deposits: In the case of deposits this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC) and pledged securities. The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are with TexStar Investment Pool ("TexStar"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool shares. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The City is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City's policy to limit its investments to those investments rated at least 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.

CITY OF MELISSA
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

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

| | |
|-------------------------|-------------------|
| TexStar Investment Pool | <u>\$ 573,452</u> |
|-------------------------|-------------------|

B. Receivables

Receivables at September 30, 2011 consisted of the following:

| | <u>General Fund</u> | <u>Enterprise Fund</u> | <u>Total</u> |
|-----------------|-------------------------|----------------------------|----------------|
| Receivables: | | | |
| Property tax | \$ 40,031 | | 40,031 |
| Sales tax | 46,678 | | 46,678 |
| Other | 16,099 | 221,418 | 237,517 |
| Utility bills | _____ | <u>437,568</u> | <u>437,568</u> |
| Net receivables | <u>\$ 102,808</u> | <u>658,986</u> | <u>761,794</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, 2010, upon which the 2010/2011 levy was based, was approximately \$373,571,845. The tax rate for fiscal year 2010/2011 was \$0.61 per \$100 of assessed valuation.

At September 30, 2011, the MEDC and MCDC each had sales tax receivable of \$23,339. No allowance for uncollectibles has been made.

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

| | Primary Government | | | |
|---|---------------------------|------------------|--------------------|-----------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 415,873 | | | 415,873 |
| Construction in progress | <u>5,492,123</u> | <u>614,377</u> | <u>(2,595,766)</u> | <u>3,510,734</u> |
| Total capital assets not being depreciated | <u>5,907,996</u> | <u>614,377</u> | <u>(2,595,766)</u> | <u>3,926,607</u> |
| Capital assets being depreciated: | | | | |
| Building | 14,099,317 | 56,927 | | 14,156,244 |
| Equipment | 1,995,445 | 5,646 | (36,015) | 1,965,076 |
| Infrastructure | <u>5,131,705</u> | <u>2,595,766</u> | | <u>7,727,471</u> |
| Total capital assets being depreciated | <u>21,226,467</u> | <u>2,658,339</u> | <u>(36,015)</u> | <u>23,848,791</u> |
| Less accumulated depreciation for: | | | | |
| Building | (715,606) | (373,763) | | (1,089,369) |
| Equipment | (660,704) | (163,192) | 36,015 | (787,881) |
| Infrastructure | <u>(196,321)</u> | <u>(254,830)</u> | | <u>(451,151)</u> |
| Total accumulated depreciation | <u>(1,572,631)</u> | <u>(791,785)</u> | <u>36,015</u> | <u>(2,328,401)</u> |
| Total capital assets being depreciated, net | <u>19,653,836</u> | <u>1,866,554</u> | | <u>21,520,390</u> |
| Governmental activities capital assets, net | <u>\$ 25,561,832</u> | <u>2,480,931</u> | <u>(2,595,766)</u> | <u>25,446,997</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 435,015 | | | 435,015 |
| Construction in progress | <u>1,702,978</u> | <u>2,250,290</u> | <u>(2,920,807)</u> | <u>1,032,461</u> |
| Total capital assets not being depreciated | <u>2,137,993</u> | <u>2,250,290</u> | <u>(2,920,807)</u> | <u>1,467,476</u> |
| Capital assets being depreciated: | | | | |
| Building and system | 11,830,180 | 2,920,807 | | 14,750,987 |
| Equipment | <u>412,028</u> | | <u>(9,666)</u> | <u>402,362</u> |
| Total capital assets being depreciated | <u>12,242,208</u> | <u>2,920,807</u> | <u>(9,666)</u> | <u>15,153,349</u> |

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|--------------------|---------------------------|
| Less accumulated depreciation for: | | | | |
| Building and system | (1,683,559) | (321,633) | | (2,005,192) |
| Equipment | <u>(240,127)</u> | <u>(35,431)</u> | <u>9,666</u> | <u>(265,892)</u> |
| Total accumulated depreciation | <u>(1,923,686)</u> | <u>(357,064)</u> | <u>9,666</u> | <u>(2,271,084)</u> |
| Total capital assets being depreciated, net | <u>10,318,522</u> | <u>2,563,743</u> | | <u>12,882,265</u> |
| Business-type activities capital assets, net | <u>\$ 12,456,515</u> | <u>4,814,033</u> | <u>(2,920,807)</u> | <u>14,349,741</u> |

Interest expense of \$86,438 has been capitalized in construction in progress.

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

Government activities:

| | |
|--|-------------------|
| General government | \$ 306,259 |
| Public safety | 140,703 |
| Street | 254,830 |
| Culture and recreation | <u>89,993</u> |
| Total depreciation expense - government activities | <u>\$ 791,785</u> |

Business-type activities:

| | |
|---|-------------------|
| Water and sewer | \$ 357,064 |
| Total depreciation expense - business-type activities | <u>\$ 357,064</u> |

D. Construction Commitments

At September 30, 2011 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 9/30/11</u> |
|---------------------------|--|----------------------------|---|
| Governmental activities: | | | |
| Road projects | 9/30/12 | \$ 6,529,909 | 3,510,734 |
| Business-type activities: | | | |
| Water & sewer projects | 9/30/12 | \$ 3,409,697 | 1,032,461 |

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables and Transfers:

Interfund balances at September 30, 2011 are as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General Fund | Water and Sewer | \$ 4,523 |
| General Fund | Transportation construction | 667 |
| Debt Service Fund | General Fund | 25,659 |
| Tax Inc. Fin. Zone | City hall construction | \$ 19 |

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

Interfund transfers:

| | Transfers In: | | | | <u>Total</u> |
|-------------------------|---------------------|--------------------------------|--------------------------|-------------------------|----------------|
| | <u>General Fund</u> | <u>Tax Increment Fin. Zone</u> | <u>Debt Service Fund</u> | <u>Proprietary Fund</u> | |
| Transfers out: | | | | | |
| General Fund | \$ | 150,000 | | | 150,000 |
| Transportation Fund | | | | 93,800 | 93,800 |
| Tax Increment Fin. Zone | | | 439,714 | | 439,714 |
| Proprietary Fund | 213,564 | | | | 213,564 |
| Total | \$ 213,564 | <u>150,000</u> | <u>439,714</u> | <u>93,800</u> | <u>897,078</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. The transfer from the transportation fund to the proprietary fund was for capital improvements.

F. Capital Leases

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2011, the equipment and vehicles leased under capital leases had a carrying value of \$505,752 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 2011 were \$110,251, of which \$25,325 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:

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

F. Capital Leases (continued)

| <u>Year Ending</u> <u>September 30,</u> | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> |
|--|--|---|
| 2012 | \$ 77,005 | 21,803 |
| 2013 | 63,720 | 21,803 |
| 2014 | 40,938 | 21,803 |
| 2015 | 40,938 | 21,803 |
| 2016 | 40,938 | 21,803 |
| Thereafter | <u>129,854</u> | <u>43,605</u> |
| Future minimum lease payments | 393,393 | 152,620 |
| Less: amount representing interest | <u>(70,168)</u> | <u>(20,870)</u> |
| Present value of future minimum lease payments | <u>\$ 323,225</u> | <u>131,750</u> |

G. Note Payable

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

The annual requirements to amortize the note payable as of September 30, 2011, are as follows:

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|------------------|-----------------|---------------|
| 2012 | <u>\$ 83,734</u> | <u>2,779</u> | <u>86,513</u> |
| Total | <u>\$ 83,734</u> | <u>2,779</u> | <u>86,513</u> |

H. Long-term Debt

Long-term liability activity, for government activities for the year ended September 30, 2011, was as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> |
|--------------------------|------------------------------------|------------------|--------------------|---------------------------------|--------------------------------------|
| Governmental activities: | | | | | |
| Capital leases | \$ 391,994 | | (68,769) | 323,225 | 61,173 |
| Note payable | 89,043 | | (5,309) | 83,734 | 83,734 |
| Bonds payable | 19,005,000 | | (475,000) | 18,530,000 | 400,000 |
| Compensated absences | <u>52,287</u> | <u>54,414</u> | <u>(50,416)</u> | <u>56,285</u> | <u>42,534</u> |
| Totals | <u>\$ 19,538,324</u> | <u>54,414</u> | <u>(599,494)</u> | <u>18,993,244</u> | <u>587,441</u> |

CITY OF MELISSA
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

H. Long-term Debt (continued)

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, 2011 are comprised of the following individual issues for the governmental activities:

| | |
|--|----------------------|
| 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. | \$ 1,130,000 |
| 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. | 745,000 |
| 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. | 680,000 |
| 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. | 1,410,000 |
| 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. | 4,725,000 |
| 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>\$ 18,530,000</u> |

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2011, are as follows:

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -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> |
|--|----------------------------|-----------------------|-------------------------|
| 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>\$ 1,130,000</u> | <u>358,254</u> | <u>1,488,254</u> |

2005 Certificates of Obligation

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|--------------------------|-----------------------|-----------------------|
| 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>\$ 745,000</u> | <u>235,237</u> | <u>980,237</u> |

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -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> |
|--|--------------------------|-----------------------|-----------------------|
| 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><u>\$ 680,000</u></u> | <u><u>226,193</u></u> | <u><u>906,193</u></u> |

2006 Certificates of Obligation

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|----------------------------|-----------------------|-------------------------|
| 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><u>\$ 1,410,000</u></u> | <u><u>536,251</u></u> | <u><u>1,946,251</u></u> |

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -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> |
|--|----------------------------|-------------------------|-------------------------|
| 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><u>\$ 4,725,000</u></u> | <u><u>2,112,864</u></u> | <u><u>6,837,864</u></u> |

2009 Certificates of Obligation

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|-------------------|-----------------|----------------|
| 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, 2011
 -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>5,888,135</u> | <u>15,728,135</u> |

During the year ended September 30, 2011, the following changes occurred in long-term liabilities reported in the Water and Sewer Fund:

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> |
|----------------------------------|------------------------------------|----------------------|-------------------------|---------------------------------|--------------------------------------|
| Business-type activities: | | | | | |
| Capital leases | \$ 147,906 | | (16,156) | 131,750 | 16,774 |
| Bonds payable | 12,898,750 | | (382,500) | 12,516,250 | 472,500 |
| Compensated absences | <u>8,291</u> | <u>11,745</u> | <u>(11,638)</u> | <u>8,398</u> | <u>6,998</u> |
| Totals | <u>\$ 13,054,947</u> | <u>11,745</u> | <u>(410,294)</u> | <u>12,656,398</u> | <u>496,272</u> |

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

Bonds payable at September 30, 2011 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. \$ 581,250

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, 2011
 -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. | \$ 515,000 |
| 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. | 1,420,000 |
| 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. | 1,191,250 |
| 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. | 990,000 |
| 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. | 2,025,000 |
| 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. | 1,075,000 |
| 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. | 1,390,000 |
| 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>1,160,000</u> |
| Combined Debt | <u>\$ 12,516,250</u> |

-continued-

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -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, 2011, are as follows:

2005 Contract Revenue Bonds

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|-------------------|-----------------|----------------|
| 2012 | \$ 21,250 | 30,796 | 52,046 |
| 2013 | 22,500 | 29,863 | 52,363 |
| 2014 | 23,750 | 28,842 | 52,592 |
| 2015 | 25,000 | 27,740 | 52,740 |
| 2016 | 26,250 | 26,542 | 52,792 |
| 2017 | 27,500 | 25,259 | 52,759 |
| 2018 | 30,000 | 23,887 | 53,887 |
| 2019 | 31,250 | 22,360 | 53,610 |
| 2020 | 32,500 | 20,753 | 53,253 |
| 2021 | 35,000 | 19,050 | 54,050 |
| 2022 | 36,250 | 17,181 | 53,431 |
| 2023 | 38,750 | 15,227 | 53,977 |
| 2024 | 41,250 | 13,100 | 54,350 |
| 2025 | 43,750 | 10,815 | 54,565 |
| 2026 | 46,250 | 8,347 | 54,597 |
| 2027 | 48,750 | 5,716 | 54,466 |
| 2028 | <u>51,250</u> | <u>2,942</u> | <u>54,192</u> |
| Total | <u>\$ 581,250</u> | <u>328,420</u> | <u>909,670</u> |

2006 Contract Revenue Bonds

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

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -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>3,426,059</u> | <u>5,594,809</u> |

2006 Certificates of Obligation

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|-------------------|-----------------|----------------|
| 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 | 45,000 | 1,046 | 46,046 |
| Total | <u>\$ 515,000</u> | <u>196,548</u> | <u>711,548</u> |

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CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -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> |
|--|---------------------|-----------------|------------------|
| 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>\$ 1,420,000</u> | <u>446,480</u> | <u>1,866,480</u> |

2007 Contract Revenue Bonds

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|------------------|-----------------|---------------|
| 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, 2011
 -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>\$ 1,191,250</u></u> | <u><u>1,040,249</u></u> | <u><u>2,231,499</u></u> |

2007A Contract Revenue Bonds

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|--------------------------|-----------------------|-------------------------|
| 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>\$ 990,000</u></u> | <u><u>383,088</u></u> | <u><u>1,373,088</u></u> |

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -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> |
|--------------------------------------|----------------------------|-----------------------|-------------------------|
| 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>\$ 2,025,000</u></u> | <u><u>888,267</u></u> | <u><u>2,913,267</u></u> |

2009A Contract Revenue Bonds

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|------------------|-----------------|---------------|
| 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 | <u>\$ 75,000</u> | <u>21,033</u> | <u>96,033</u> |

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -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>\$ 1,075,000</u></u> | <u><u>547,050</u></u> | <u><u>1,622,050</u></u> |

2009B Contract Revenue Bonds

| <u>Year Ending</u> <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|----------------------------|-----------------------|-------------------------|
| 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>\$ 1,390,000</u></u> | <u><u>544,055</u></u> | <u><u>1,934,055</u></u> |

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

H. Long-term Debt (continued)

2010 General Obligation Refunding Bonds

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|---------------------|-----------------|------------------|
| 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>\$ 1,160,000</u> | <u>212,887</u> | <u>1,372,887</u> |

I. Restricted Assets

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

| | |
|--------------------------|---------------------|
| Customer deposits | \$ 195,445 |
| Accrued interest payable | 570,694 |
| Current bonds payable | 472,500 |
| Total restricted assets | <u>\$ 1,238,639</u> |

NOTE 4. OTHER INFORMATION

A. Risk Management

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

CITY OF MELISSA
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System

Plan Description

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

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

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

| | <u>Plan Year 2010</u> | <u>Plan Year 2011</u> |
|--|-----------------------|-----------------------|
| Employee deposit rate | 7% | 7% |
| Matching ratio (city to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility (expressed as age/ years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated Service Credit | 0% | 0% |
| Annuity increase (to retirees) | 0% of CPI | 0% of CPI |

Contributions:

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

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

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Contributions: (continued)

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

Three-Year Trend Information for TMRS

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|----------------------------------|--------------------------------------|--|-----------------------------------|
| 09/30/09 | \$ 95,932 | 100% | \$ 0 |
| 09/30/10 | \$ 86,115 | 100% | \$ 0 |
| 09/30/11 | \$ 86,115 | 100% | \$ 0 |

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the lastest actuarial valuation, December 31, 2010, also follows:

| <u>Valuation Date</u> | | | <u>12/31/2010- prior to Restructuring</u> | <u>12/31/2010- Restructured</u> |
|--|------------------------------|------------------------------|---|-------------------------------------|
| | <u>12/31/2008</u> | <u>12/31/2009</u> | <u>Projected Unit Credit</u> | <u>Projected Unit Credit</u> |
| Actuarial Cost Method | | | | |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll |
| GASB 25 Equivalent Single Amortization Period | 24.0 years; closed period | 23.7 years; closed period | 22.9 years; closed period | 22.7 years; closed period |
| Amortization Period for new Gains/Losses | 25 years | 25 years | 25 years | 25 years |
| Asset Valuation Method | Amortized Cost | 10-year Smoothed Market | 10-year Smoothed Market | 10-year Smoothed Market |
| Actuarial Assumptions: | | | | |
| Investment Rate of Return* | 7.5% | 7.5% | 7.5% | 7.0% |
| Projected Salary Increases* | Varies by age and service | Varies by age and service | Varies by age and service | Varies by age and service |
| * Includes Inflation at | 3.00% | 3.00% | 3.00% | 3.00% |
| Cost-of-Living Adjustments | 0.0% | 0.0% | 0.0% | 0.0% |

CITY OF MELISSA
 Notes to Financial Statements
 September 30, 2011
 -continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Funded Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------|-------------------------------|---------------------------------------|-------------------------------|----------------------|---------------------|---|
| 12/31/08 | \$ 596 | 721 | 125 | 88.5% | \$ 1,086 | 11.5% |
| 12/31/09 | \$ 831 | 1,041 | 209 | 79.9% | \$ 1,416 | 14.8% |
| 12/31/10 (1) | \$ 954 | 1,174 | 220 | 81.3% | \$ 1,450 | 15.2% |
| 12/31/10 (2) | \$ 1,051 | 1,301 | 249 | 80.8% | \$ 1,450 | 17.2% |

(1) Actuarial valuation performed under the original fund structure.
 (2) Actuarial valuation performed under the new fund structure.

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

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

CITY OF MELISSA
Notes to Financial Statements
September 30, 2011
-continued-

NOTE 4. OTHER INFORMATION (continued)

C. Supplemental Death Benefits Fund

Plan Description

The government also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The government elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The government may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The government contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The government's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$3,491, \$2,835 and \$2,841, respectively, which equaled the required contributions each year.

**Schedule of Contributions Rates:
(RETIREE - only portion of the rate)**

| Fiscal Year Ended | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
|-------------------------|---|---------------------------------------|-------------------------------------|
| 9/30/2009 | 0.22% | 0.22% | 100.0% |
| 9/30/2010 | 0.20% | 0.20% | 100.0% |
| 9/30/2011 | 0.24% | 0.24% | 100.0% |

NOTE 5. EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 8, 2011, the date which the financial statements were available to be issued.

INDIVIDUAL FUND SCHEDULE

CITY OF MELISSA
 Schedule of Revenues, Expenses, and Changes in Fund Net Assets
 Budget and Actual - Water and Sewer Fund
 For the Fiscal Year Ended September 30, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | Variance With Final Budget |
|-----------------------------|----------------------------|-------------------------|---------------------------|-------------------------------|
| | | | | Positive (Negative) |
| OPERATING REVENUES: | | | | |
| Collections: | | | | |
| Water | \$ 1,854,477 | 1,892,477 | 1,972,265 | 79,788 |
| Sewer | 613,921 | 606,819 | 590,184 | (16,635) |
| Sanitation | 178,265 | 210,465 | 219,889 | 9,424 |
| Tap fees | 148,800 | 162,800 | 232,500 | 69,700 |
| Reconnect fees | 45,000 | 45,000 | 49,500 | 4,500 |
| Meter installation fee | | 150 | 1,550 | 1,400 |
| Miscellaneous | <u>68,670</u> | <u>314,703</u> | <u>207,099</u> | <u>(107,604)</u> |
| Total operating revenues | <u>2,909,133</u> | <u>3,232,414</u> | <u>3,272,987</u> | <u>40,573</u> |
| OPERATING EXPENSES: | | | | |
| Water department: | | | | |
| Personnel services | 202,013 | 209,843 | 210,561 | (718) |
| Materials and supplies | 178,860 | 170,860 | 149,941 | 20,919 |
| Other services | <u>562,698</u> | <u>508,665</u> | <u>530,479</u> | <u>(21,814)</u> |
| Total water department | <u>943,571</u> | <u>889,368</u> | <u>890,981</u> | <u>(1,613)</u> |
| Sewer department: | | | | |
| Materials and supplies | 7,500 | 7,500 | 4,538 | 2,962 |
| Other services | <u>541,053</u> | <u>777,736</u> | <u>608,855</u> | <u>168,881</u> |
| Total sewer department | <u>548,553</u> | <u>785,236</u> | <u>613,393</u> | <u>171,843</u> |
| Sanitation department: | | | | |
| Other services | <u>130,979</u> | <u>155,979</u> | <u>175,087</u> | <u>(19,108)</u> |
| Total sanitation department | <u>130,979</u> | <u>155,979</u> | <u>175,087</u> | <u>(19,108)</u> |
| Billing department: | | | | |
| Personnel services | 136,778 | 144,383 | 145,242 | (859) |
| Materials and supplies | 41,351 | 61,951 | 65,365 | (3,414) |
| Other services | <u>5,800</u> | <u>5,800</u> | <u>5,944</u> | <u>(144)</u> |
| Total billing department | <u>183,929</u> | <u>212,134</u> | <u>216,551</u> | <u>(4,417)</u> |
| Total operating expenses | <u>1,807,032</u> | <u>2,042,717</u> | <u>1,896,012</u> | <u>146,705</u> |
| Operating income (loss) | <u>\$ 1,102,101</u> | <u>1,189,697</u> | <u>1,376,975</u> | <u>187,278</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, 2011
 -continued-

| | Original Budget | Final Budget | Actual Amounts | Variance With Final Budget |
|--|---------------------|------------------|-------------------|-------------------------------|
| | | | | Positive (Negative) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Intergovernmental | \$ 225,982 | 225,982 | 205,982 | (20,000) |
| Interest income | 10,000 | 5,000 | 16,396 | 11,396 |
| Interest expense | <u>(510,446)</u> | <u>(493,044)</u> | <u>(341,373)</u> | <u>151,671</u> |
| Total nonoperating revenues (expenses) | <u>(274,464)</u> | <u>(262,062)</u> | <u>(118,995)</u> | <u>143,067</u> |
| Net income (loss) before transfers | 827,637 | 927,635 | 1,257,980 | 330,345 |
| Transfers in | | | 93,800 | 93,800 |
| Transfers (out) | <u>(211,395)</u> | <u>(213,395)</u> | <u>(213,564)</u> | <u>(169)</u> |
| Change in net assets | 616,242 | 714,240 | 1,138,216 | 423,976 |
| Net assets - beginning | <u>2,658,617</u> | <u>2,658,617</u> | <u>2,658,617</u> | _____ |
| Net assets - ending | <u>\$ 3,274,859</u> | <u>3,372,857</u> | <u>3,796,833</u> | <u>423,976</u> |

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STATISTICAL SECTION

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

Contents

| | |
|------------------------|----|
| Financial Trends | 76 |
|------------------------|----|

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 | 89 |
|------------------------|----|

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

| | |
|---------------------|----|
| Debt Capacity | 94 |
|---------------------|----|

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 | 101 |
|--|-----|

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 | 104 |
|-----------------------------|-----|

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 Eight Fiscal Years
 (Accrual basis of accounting)
 (Amounts expressed in thousands)

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

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

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---------------|---------------|---------------|---------------|
| 1,304 | 3,250 | 6,076 | 6,510 |
| 4,362 | 68 | 109 | 1,510 |
| <u>1,738</u> | <u>4,528</u> | <u>3,553</u> | <u>1,218</u> |
| <u>7,404</u> | <u>7,846</u> | <u>9,738</u> | <u>9,238</u> |
| | | | |
| 2,374 | 1,884 | 1,391 | 1,702 |
| <u>1,261</u> | <u>697</u> | <u>1,268</u> | <u>1,719</u> |
| <u>3,635</u> | <u>2,581</u> | <u>2,659</u> | <u>3,421</u> |
| | | | |
| 3,678 | 5,134 | 7,467 | 8,212 |
| 4,362 | 68 | 109 | 1,510 |
| <u>2,999</u> | <u>5,225</u> | <u>4,821</u> | <u>2,937</u> |
| <u>11,039</u> | <u>10,427</u> | <u>12,397</u> | <u>12,659</u> |

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

| | Fiscal Year | | | |
|---|-----------------|----------------|--------------|----------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| EXPENSES | | | | |
| 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> |
| PROGRAM REVENUES | | | | |
| 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 | 130 | 136 | 108 | 144 |
| 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> |

-continued-

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|----------------|----------------|----------------|----------------|
| 1,736 | 1,696 | 1,661 | 1,893 |
| 919 | 990 | 1,055 | 1,067 |
| 520 | 384 | 242 | 487 |
| 381 | 371 | 397 | 445 |
| <u>335</u> | <u>495</u> | <u>1,100</u> | <u>828</u> |
| <u>3,891</u> | <u>3,936</u> | <u>4,455</u> | <u>4,720</u> |
| 1,619 | 2,747 | 2,447 | 2,438 |
| <u>133</u> | <u>194</u> | <u>166</u> | <u>175</u> |
| <u>1,752</u> | <u>2,941</u> | <u>2,613</u> | <u>2,613</u> |
| <u>5,643</u> | <u>6,877</u> | <u>7,068</u> | <u>7,333</u> |
| 294 | 248 | 255 | 247 |
| 463 | 447 | 388 | 525 |
| 1 | | 2 | 2 |
| 420 | 67 | 112 | 91 |
| <u>304</u> | — | <u>2,067</u> | <u>29</u> |
| <u>1,482</u> | <u>762</u> | <u>2,824</u> | <u>894</u> |
| 2,102 | 1,789 | 2,264 | 2,846 |
| <u>176</u> | <u>199</u> | <u>210</u> | <u>220</u> |
| <u>2,278</u> | <u>1,988</u> | <u>2,474</u> | <u>3,066</u> |
| <u>3,760</u> | <u>2,750</u> | <u>5,298</u> | <u>3,960</u> |
| (2,409) | (3,174) | (1,631) | (3,826) |
| <u>526</u> | <u>(953)</u> | <u>(139)</u> | <u>453</u> |
| <u>(1,883)</u> | <u>(4,127)</u> | <u>(1,770)</u> | <u>(3,373)</u> |

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

| | Fiscal Year | | | |
|---|---------------|--------------|--------------|--------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS | | | | |
| 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> |
| CHANGE IN NET ASSETS | | | | |
| Governmental activities | 189 | 357 | 3,605 | 1,383 |
| Business-type activities | <u>97</u> | <u>101</u> | <u>962</u> | <u>626</u> |
| Total primary government | <u>\$ 286</u> | <u>458</u> | <u>4,567</u> | <u>2,009</u> |

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

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--------------|----------------|--------------|--------------|
| 1,617 | 2,133 | 2,143 | 2,117 |
| 672 | 507 | 406 | 472 |
| 132 | 147 | 193 | 216 |
| 1 | 1 | | |
| 134 | 301 | 258 | 36 |
| | 271 | 263 | 265 |
| 141 | 51 | 57 | 100 |
| 1 | 11 | | |
| <u>195</u> | <u>194</u> | <u>203</u> | <u>120</u> |
| <u>2,893</u> | <u>3,616</u> | <u>3,523</u> | <u>3,326</u> |
| 126 | 73 | 55 | 17 |
| | | 230 | 206 |
| 2 | 21 | 135 | 207 |
| 21 | | | |
| <u>(195)</u> | <u>(194)</u> | <u>(203)</u> | <u>(120)</u> |
| <u>(46)</u> | <u>(100)</u> | <u>217</u> | <u>310</u> |
| <u>2,847</u> | <u>3,516</u> | <u>3,740</u> | <u>3,636</u> |
| 484 | 441 | 1,892 | (500) |
| <u>480</u> | <u>(1,053)</u> | <u>78</u> | <u>762</u> |
| <u>964</u> | <u>(612)</u> | <u>1,970</u> | <u>262</u> |

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CITY OF MELISSA
 Governmental Activities Tax Revenues By Source
 Last Eight 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 |
| 2011 | \$ 2,117 | 472 | 216 | | 2,805 |

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>2002</u> | <u>2003</u> | <u>2004</u> | <u>Fiscal</u> <u>2005</u> |
|------------------------------------|---------------|-------------|-------------|------------------------------|
| General fund | | | | |
| Nonspendable | | | | |
| Restricted | | | | |
| Unassigned | <u>\$ 261</u> | <u>113</u> | <u>292</u> | <u>240</u> |
| Total general fund | <u>\$ 261</u> | <u>113</u> | <u>292</u> | <u>240</u> |
| All other governmental funds | | | | |
| Restricted | \$ | | <u>973</u> | <u>1,575</u> |
| Total all other governmental funds | \$ | | <u>973</u> | <u>1,575</u> |

Note:

(1) The City of Melissa implemented Governmental Accounting Standards Board Statement Number 54 for the fiscal year ended September 30, 2011. Years 2002-2010 have been restated to comply with GASB Statement Number 54.

| Year | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--------------|--------------|--------------|---------------|--------------|--------------|-----------------|
| <u>254</u> | <u>1,582</u> | <u>1,797</u> | <u>16</u> | <u>31</u> | <u>39</u> | <u>15</u> 48 |
| <u>254</u> | <u>1,582</u> | <u>1,813</u> | <u>1,312</u> | <u>1,392</u> | <u>1,396</u> | |
| <u>3,508</u> | <u>751</u> | <u>4,362</u> | <u>10,254</u> | <u>2,404</u> | <u>1,462</u> | |
| <u>3,508</u> | <u>751</u> | <u>4,362</u> | <u>10,254</u> | <u>2,404</u> | <u>1,462</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>2002</u> | <u>2003</u> | <u>2004</u> | <u>Fiscal 2005</u> |
|--|----------------|--------------|--------------|------------------------|
| REVENUES | | | | |
| Taxes | \$ 767 | 1,045 | 1,245 | 1,432 |
| Licenses and permits | 218 | 280 | 518 | 508 |
| Intergovernmental | 498 | 179 | 137 | 522 |
| Charges for services | | | | |
| Fines | 163 | 220 | 290 | 339 |
| Investments earnings | 12 | 10 | 5 | 58 |
| Contributions | 180 | 40 | 40 | 92 |
| Miscellaneous | <u>62</u> | <u>76</u> | <u>17</u> | <u>144</u> |
| Total revenues | <u>1,900</u> | <u>1,850</u> | <u>2,252</u> | <u>3,095</u> |
| EXPENDITURES | | | | |
| General government | 766 | 950 | 1,212 | 1,587 |
| Public safety | 367 | 509 | 500 | 628 |
| Streets | 118 | 284 | 91 | 144 |
| Culture and recreation | | 55 | 177 | 201 |
| Capital outlay | 772 | 350 | 461 | 969 |
| Debt service: | | | | |
| Principal | 110 | 78 | 123 | 141 |
| Interest | <u>56</u> | <u>40</u> | <u>89</u> | <u>109</u> |
| Total expenditures | <u>2,189</u> | <u>2,266</u> | <u>2,653</u> | <u>3,779</u> |
| Excess of revenues over/(under) expenditures | <u>(289)</u> | <u>(416)</u> | <u>(401)</u> | <u>(684)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 154 | 267 | 142 | 133 |
| Transfers out | | | | |
| Note issued | | | | |
| Bonds issued | | | 1,400 | 950 |
| Insurance recoveries | | | | |
| Capital leases | 72 | | 27 | 145 |
| Sale of capital assets | | | | <u>6</u> |
| Total other financing sources (uses) | <u>226</u> | <u>267</u> | <u>1,569</u> | <u>1,234</u> |
| Net change in fund balances | \$ <u>(63)</u> | <u>(149)</u> | <u>1,168</u> | <u>550</u> |
| Debt service as a percentage of noncapital expenditures | 11.7% | 5.7% | 9.6% | 8.8% |

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|------|--------------|----------------|----------------|----------------|----------------|----------------|
| | 1,790 | 1,966 | 2,440 | 2,781 | 2,766 | 2,802 |
| | 671 | 392 | 294 | 206 | 245 | 235 |
| | | 300 | 505 | 313 | 2,303 | 307 |
| | 1 | 2 | 1 | 2 | 2 | 2 |
| | 394 | 476 | 463 | 445 | 387 | 524 |
| | 176 | 205 | 134 | 301 | 258 | 36 |
| | 3,584 | 385 | 218 | 67 | 149 | 91 |
| | <u>212</u> | <u>43</u> | <u>124</u> | <u>51</u> | <u>58</u> | <u>100</u> |
| | <u>6,828</u> | <u>3,769</u> | <u>4,179</u> | <u>4,166</u> | <u>6,168</u> | <u>4,097</u> |
| | 4,210 | 1,556 | 1,631 | 1,662 | 1,564 | 1,585 |
| | 691 | 735 | 804 | 859 | 903 | 924 |
| | 181 | 150 | 258 | 355 | 213 | 232 |
| | 445 | 208 | 290 | 280 | 306 | 355 |
| | 1,090 | 2,883 | 2,511 | 4,713 | 9,592 | 677 |
| | 112 | 289 | 310 | 497 | 537 | 549 |
| | <u>162</u> | <u>277</u> | <u>311</u> | <u>487</u> | <u>1,073</u> | <u>833</u> |
| | <u>6,891</u> | <u>6,098</u> | <u>6,115</u> | <u>8,853</u> | <u>14,188</u> | <u>5,155</u> |
| | <u>(63)</u> | <u>(2,329)</u> | <u>(1,936)</u> | <u>(4,687)</u> | <u>(8,020)</u> | <u>(1,058)</u> |
| | 175 | 170 | 195 | 1,094 (900) | 983 (780) | 803 (684) |
| | | 105 | | | | |
| | 1,635 | | 5,230 | 9,840 | | |
| | 15 | 9 | 17 | | | |
| | 182 | | 331 | 34 | 39 | |
| | <u>1</u> | <u>696</u> | <u>3</u> | <u>11</u> | <u>8</u> | |
| | <u>2,008</u> | <u>980</u> | <u>5,776</u> | <u>10,079</u> | <u>250</u> | <u>119</u> |
| | <u>1,945</u> | <u>(1,349)</u> | <u>3,840</u> | <u>5,392</u> | <u>(7,770)</u> | <u>(939)</u> |
| | 5.1% | 17.5% | 15.9% | 23.9% | 35.0% | 30.9% |

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

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Franchise Tax</u> | <u>Alcoholic Beverage Tax</u> | <u>Total</u> |
|--------------------|---------------------|------------------|----------------------|-------------------------------|--------------|
| 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 |
| 2011 | \$ 2,113 | 472 | 217 | | 2,802 |

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

| Fiscal Year Ended <u>September 30</u> | <u>Real Property</u> | | Less: Tax Exempt Property | <u>Total Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> |
|---|----------------------|-------------------|------------------------------------|---|--|
| | <u>Residential</u> | <u>Commercial</u> | | | |
| 2002 | \$ N/A | N/A | N/A | 96,533 | .420000 |
| 2003 | N/A | N/A | N/A | 116,165 | .430000 |
| 2004 | N/A | N/A | N/A | 130,272 | .437969 |
| 2005 | N/A | N/A | N/A | 150,556 | .490215 |
| 2006 | N/A | N/A | N/A | 197,354 | .520000 |
| 2007 | 189,676 | 61,481 | 14,650 | 236,507 | .520000 |
| 2008 | 253,408 | 71,814 | 17,033 | 308,189 | .520000 |
| 2009 | 277,679 | 75,976 | 17,097 | 336,558 | .610000 |
| 2010 | 283,842 | 87,460 | 29,637 | 341,665 | .610000 |
| 2011 | \$ 289,495 | 84,077 | 31,807 | 341,765 | .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> | | | | |
| 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 |
| 2011 | \$.431322 | .178678 | .610000 | 1.540000 | .240000 | .086300 | 2.476300 |

Source: Applicable taxing entities.

CITY OF MELISSA
 Principal Property Taxpayers
 September 30, 2011

| <u>Taxpayer</u> | <u>2011</u> | | |
|-------------------------------------|---------------------------------------|-------------|---|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> |
| Hillwood RLD LP | \$ 2,793,740 | 1 | 0.82% |
| Independent Bank | 2,479,989 | 2 | 0.72% |
| Lattimore Materials Co, LP | 2,398,462 | 3 | 0.70% |
| Phillips Properties LTD | 2,149,292 | 4 | 0.63% |
| Alpha Industries Inc. | 2,049,282 | 5 | 0.60% |
| HFG VOM LP | 2,009,400 | 6 | 0.59% |
| Zenith Finance and Construction Co. | 1,955,963 | 7 | 0.57% |
| McKinney Lumber Company LLC | 1,904,366 | 8 | 0.56% |
| Oncor Electric Delivery Company | 1,743,970 | 9 | 0.51% |
| First National Bank of Trenton | <u>1,666,895</u> | 10 | <u>0.49%</u> |
| | <u>\$ 21,151,359</u> | | <u>6.19%</u> |

Source: Collin County Central Appraisal District

Note: Data not available for the year 2002 at the time of this publication.

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

| <u>Fiscal Year</u> | <u>Levy Year</u> | Total Tax Levy for Fiscal Year | Collected within the <u>Fiscal Year of the Levy</u> | Collections in Subsequent Years | Total Collections to Date | Percent Of Levy |
|--------------------|------------------|--------------------------------|---|---------------------------------|---------------------------|------------------------|
| | | <u>Amount</u> | <u>Percent Of Levy</u> | | <u>Amount</u> | <u>Percent Of Levy</u> |
| 2002 | 2001 | \$ 405,439 | 396,174 | 97.71% | \$ 3,778 | 98.65% |
| 2003 | 2002 | 499,508 | 493,940 | 98.88 | 7,659 | 100.41 |
| 2004 | 2003 | 595,570 | 589,238 | 98.94 | 9,616 | 100.50 |
| 2005 | 2004 | 738,048 | 723,108 | 97.98 | 6,081 | 98.80 |
| 2006 | 2005 | 1,027,282 | 1,005,165 | 97.85 | 10,326 | 98.85 |
| 2007 | 2006 | 1,230,154 | 1,222,950 | 99.41 | 30,825 | 101.92 |
| 2008 | 2007 | 1,603,175 | 1,585,293 | 98.88 | 32,905 | 100.94 |
| 2009 | 2008 | 2,089,744 | 2,035,210 | 97.39 | 42,800 | 99.44 |
| 2010 | 2009 | 2,095,958 | 2,068,894 | 98.71 | 73,646 | 102.22 |
| 2011 | 2010 | \$ 2,084,767 | 2,058,297 | 98.73% | \$ 2,058,297 | 98.73% |

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

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

| <u>Fiscal Year</u> | <u>Water</u> | <u>Sewer</u> | <u>Sanitation</u> | <u>Total</u> |
|--------------------|--------------|--------------|-------------------|--------------|
| 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 |
| 2011 | \$ 1,972 | 590 | 220 | 2,782 |

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

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | | Total Primary Government |
|-------------|--------------------------|-------|----------------|--------------------------|--------------------------|----------------|--------------------------|
| | General Obligation Bonds | Notes | Capital Leases | Revenue Bonds | General Obligation Bonds | Capital Leases | |
| 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 |
| 2011 | \$ 18,530 | 84 | 323 | 11,356 | 1,160 | 132 | 31,585 |

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

¹See the Schedule of Demographic and Economic Statistics on page 101 for personal income and population data.

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

| Percentage of Personal <u>Income</u> ¹ | Per <u>Capita</u> ¹ |
|---|-----------------------------------|
| 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 |
| N/A | \$ 5,743 |

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 Value¹ of Property</u> | <u>Per Capita²</u> |
|--------------------|---------------------------------|---|--------------|---|-------------------------------|
| 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 |
| 2011 | \$ 18,530 | 97 | 18,433 | 5.05% | \$ 3,351 |

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

¹See the Schedule of Assessed Value and Actual Value of Taxable Property on page 89 for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics on page 101.

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

CITY OF MELISSA
Direct and Overlapping Governmental Activities Debt
As of September 30, 2011
(Amounts expressed in thousands)

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable¹</u> | <u>Estimated Share of Overlapping Debt</u> |
|-----------------------------------|-------------------------|--|--|
| Debt repaid with property taxes | | | |
| Melissa I. S. D. | \$ 68,354 | 81.28% | \$ 55,558 |
| Collin County | 387,580 | 0.49% | 1,899 |
| Collin County College District | 51,014 | 0.47% | <u>240</u> |
| Total overlapping debt | | | 57,697 |
| City of Melissa direct debt | | | <u>18,937</u> |
| Total direct and overlapping debt | | | \$ <u>76,634</u> |

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

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

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

CITY OF MELISSA
Legal Debt Margin Information
Last Ten Fiscal Years
(Amounts expressed in thousands)

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</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 2002-2006 at the time of this publication.

| Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|------|------------------|------|---------------|---------------|---------------|---------------|
| N/A | \$ 32,522 | | 35,748 | 37,466 | 37,195 | 37,357 |
| N/A | <u>5,035</u> | | <u>10,020</u> | <u>19,413</u> | <u>18,934</u> | <u>18,433</u> |
| N/A | \$ <u>27,487</u> | | <u>25,728</u> | <u>18,053</u> | <u>18,261</u> | <u>18,924</u> |
| N/A | 15.48% | | 28.03% | 51.81% | 50.90% | 49.34% |

Legal Debt Margin Calculation for Fiscal Year 2011

| | |
|--|------------------|
| Assessed value | \$ 341,765 |
| Add back: exempt real property | <u>31,807</u> |
| Total assessed value | 373,572 |
| Debt limit (10% of total assessed value) | 37,357 |
| Debt applicable to limit: | |
| General obligation bonds | 18,530 |
| Less: Amount set aside for repayment of general obligation debt | <u>(97)</u> |
| Total net debt applicable to limit | <u>18,433</u> |
| Legal debt margin | \$ <u>18,924</u> |

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

| <u>Fiscal Year</u> | <u>Water and Sewer Revenue Bonds</u> | | | | | | <u>Coverage</u> |
|--------------------|--------------------------------------|---------------------------------|------------------------------|-----------------------|-------------------------|--|-----------------|
| | <u>Charges and Other</u> | <u>Less: Operating Expenses</u> | <u>Net Available Revenue</u> | <u>Debt Principal</u> | <u>Service Interest</u> | | |
| 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 |
| 2011 | \$ 3,495 | 1,896 | 1,599 | 288 | 430 | | 2.23 |

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) | | | | |
| 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% |
| 2011 | 5,500 | N/A | N/A | 32.4 | 1,586 | 3.8% |

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 | 198 | 1 | 26.61% |
| Calhar Utility Contractors | 90 | 2 | 12.10% |
| Beam Concrete Construction, Inc. | 86 | 3 | 11.56% |
| Alpha Industries Fabricated Structural Steel | 60 | 4 | 8.06% |
| City of Melissa | 33 | 5 | 4.44% |
| Mudpies & Lullabies | 26 | 6 | 3.49% |
| McKinney Lumber | 25 | 7 | 3.36% |
| Sonic Drive-In | 22 | 8 | 2.96% |
| CMC Construction Services | 21 | 9 | 2.82% |
| B Hip | <u>15</u> | 10 | <u>2.02%</u> |
| Total | <u>576</u> | | <u>77.42%</u> |

Source: City of Melissa

Note: Data not available for the year 2002 at the time of this publication.

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

| FUNCTION | Fiscal | | | |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| 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 2002-2003 not available at the time of this publication.

| Year | | | |
|--------------------|--------------------|--------------------|--------------------|
| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| 6.0 | 6.0 | 6.0 | 6.0 |
| 9.5 | 9.5 | 9.5 | 9.5 |
| 2.5 | 2.5 | 2.5 | 2.5 |
| 0.5 | 1.5 | 1.5 | 2.0 |
| 1.0 | 1.0 | 1.0 | 1.0 |
| 1.0 | 1.0 | 1.0 | 1.0 |
| 2.0 | 1.0 | 1.0 | 1.0 |
| 2.5 | 2.0 | 2.0 | 2.0 |
| 4.0 | 4.0 | 4.0 | 4.0 |
| <u>3.0</u> | <u>3.0</u> | <u>3.0</u> | <u>3.0</u> |
| <u><u>32.0</u></u> | <u><u>31.5</u></u> | <u><u>31.5</u></u> | <u><u>32.0</u></u> |

CITY OF MELISSA
 Operating Indicators by Function/Program
 Last Four 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 |

Sources: Various government departments

Note: Data for fiscal years 2002-2007 not available at the time of this publication.

Year
2011

6
\$ 986,743

101
\$ 18,458,520

135
121
2,973

300
3
521
50
70

2,932
8,538

8
19

71

609,694

665,422

60

CITY OF MELISSA
 Capital Asset Statistics by Function
 Last Four Fiscal Years

| | <u>Fiscal Year</u> | | |
|---|--------------------|-------------|-------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| FUNCTION | | | |
| 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 2002-2007 at the time of this publication.

Year
2011

1
1

53
16.95

31

46
368
1,375

42.94