



CITY OF MELISSA TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2012



CITY OF MELISSA, TEXAS

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

September 30, 2012

CITY OF MELISSA
Annual Financial Report
For the Year Ended September 30, 2012

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City of Melissa

3411 Barker Avenue
Melissa, TX 75454

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

February 13, 2013

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

The City's Management Team is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Melissa (the "City") for the fiscal year ending September 30, 2012. The City's Management Team assumes responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

In accordance with the City's Charter, bond covenants and Chapter 103 of the Texas Local Government Code, the City is required to obtain an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. The City's financial statements have been audited by Evans, Pingleton & Howard, P.L.L.C., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 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 City's organizational chart, and a list of principal officials. The financial section includes the management's discussion and analysis (MD&A), the government-wide and fund financial statements, notes to basic financial statements, required supplemental information, other supplemental information, as well as the independent auditors' report on the basic financial statements. The statistical section includes selected financial and demographic information which is presented on a multi-year basis.

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

The Reporting Entity

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

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

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

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

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

The City of Melissa

The City of Melissa is a fast growing North Texas community with a population of approximately 6,000. It is located seven miles northeast of McKinney just off State Highway 75, in north central Collin County. Melissa is in a dynamic growth area with a region encompassing nine counties and spanning one hundred miles with a population of over four million. Melissa's close proximity to Dallas and its suburbs offer easy access to all parts of the Metroplex.

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

In 1886 Melissa had a flourmill, two cotton gins that shipped 3,000 bales of cotton annually and several business houses. It became a stop on the Interurban (The Texas Electric Railway), linking Dallas and Denison in 1908. Due to this transportation network, it made Melissa a commercial and community center for area farmers. By 1914, Melissa's population had reached 400. Unlike many rural communities in Texas, Melissa had electric lights, a telephone exchange, and paved roads before 1920. It also had five churches, a large school, and a number of businesses, including a bank. A tornado struck the town on April 13, 1921, killing thirteen people, injuring fifty-four, and demolishing many homes and businesses. Eight years later, on August 8, 1929, a fire destroyed many of the buildings that had been rebuilt after the tornado.

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

Economic Condition 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 2012 population estimate is roughly 6,000 residents. Even with the national economic slowdown, people continue to relocate to Melissa because it is a great place to live, attend quality schools, and raise a family, and the City has taken the initiative through comprehensive planning to define what it wants to look like in the face of the future growth.

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

During the budget process, the Council approved proceeding with the following capital projects in the FY 13 year: Berry Farms road rehabilitation, South Take Point Project, US 75 Utility Relocation Project, and the Davis Road Sewer Project.

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 FY13 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 2013, the City will begin the updating of 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 timelines on what infrastructure needs to be in place if certain growth occurs. If the growth does not occur, the projects are not constructed until the need exists.

Strategic Planning:

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

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

Accounting System and Budgetary Control

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

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

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

Other Information

Certificate of Achievement:

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to cities for its comprehensive annual financial report (CAFR) based on certain criteria. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports. The City submitted and received this award for the CAFR for the fiscal years ended September 30, 2009, September 30, 2010, and September 30, 2011 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 2013 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. Acknowledgement is also given to the representatives of Evans, Pingleton, & Howard, P.L.L.C. for their assistance in producing the final product.

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

Respectfully submitted,

Jason Little, City Manager

Gail Dansby, Finance Director

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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, 2011

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.



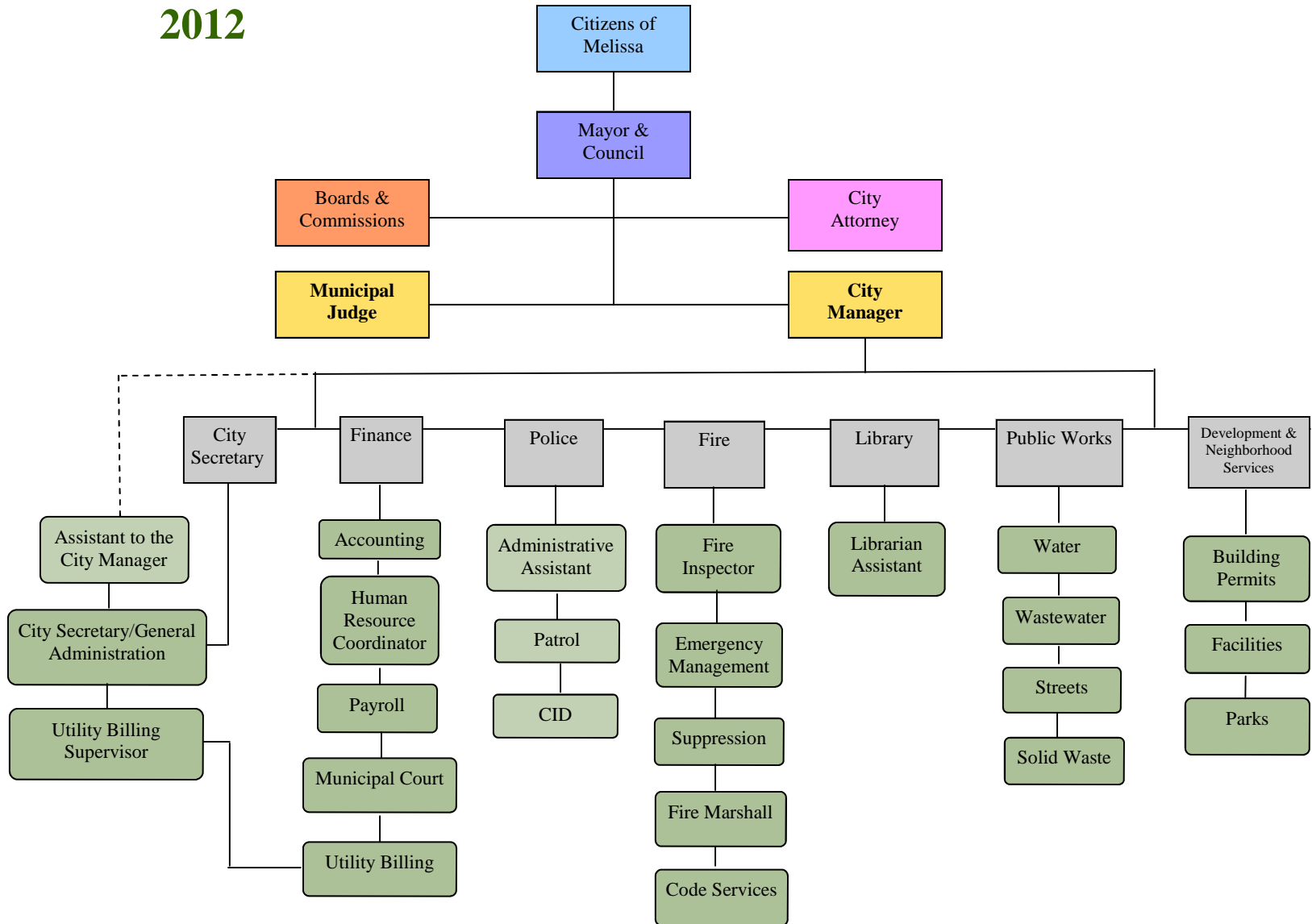
Christopher P. Moynell

President

Jeffrey R. Evers

Executive Director

City of Melissa Organizational Chart 2012



CITY OF MELISSA, TEXAS



List of Elected and Appointed Officials

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

THE MAYOR AND THE CITY COUNCIL

**MAYOR
REED GREER**

**MAYOR PRO TEM
SHARON WEIDEMAN**

CITY COUNCIL MEMBERS

**JULIE ANDERSON
WILLIAM FARMER
DICK HAYDEN
DAVID KASSON
NICCO WARREN**

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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EVANS, PINGLETON and HOWARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
8950 GARY BURNS DRIVE, SUITE D
FRISCO, TEXAS 75034
972-335-9754/FAX 972-335-9758

KIRK EVANS, CPA
ROBIN J. TURNBULL, CPA
BARBARA POLARINAKIS, CPA
KERI ROBERTON, CPA

TOM W. PINGLETON, CPA (RET.)
RANDY HOWARD, CPA (RET.)

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, 2012, 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, 2012, 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 19 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.

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.

Evans, Pingleton and Howard, PLLC

February 27, 2013

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Melissa exceeded its liabilities at the close of the most recent fiscal year by \$13,808,308 (net assets). Of this amount, \$3,793,631, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,148,834. This was due primarily to an increase in water sales due to the drought and capital grants for infrastructure.
- As of the close of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balances of \$2,720,862, a decrease of \$136,676 in comparison with the prior year. Most of the decrease is due to continued construction of streets. Of the fund balance, \$1,319,373 is available for spending at the government's discretion (*unassigned fund balance*), \$1,327,932 is restricted for construction, court, and debt service, \$16,436 is nonspendable, and \$57,121 is assigned for information technology.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,319,373 or 35 percent of total general fund expenditures.
- The City of Melissa's long-term debt increased by \$958,422 during the current fiscal year.
- The City of Melissa's net capital assets increased \$1,346,196 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 narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Melissa maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and two capital projects funds, all of which are considered to be major funds. Data from the other governmental fund is combined into a single, aggregated presentation.

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-72 of this report.

Other information. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. This schedule can be found on pages 74-75 of this report.

Government-wide Financial Analysis

As noted earlier, net 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 \$13,808,308 at the close of the most recent fiscal year.

A portion of the City of Melissa's net assets (62 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 (10 percent) represents resources that are subject to external restrictions on how they may be used. The board has assigned \$70,085 of net assets for future cost of informational technology. The remaining balance of *unrestricted net assets* \$3,793,631 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	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	5,660,758	5,269,698	4,073,270	2,871,808	9,734,028	8,141,506
Capital Assets	26,032,140	25,446,997	15,110,794	14,349,741	41,142,934	39,796,738
Total Assets	31,692,898	30,716,695	19,184,064	17,221,549	50,876,962	47,938,244
Long-Term Liabilities	19,047,115	18,993,244	13,560,949	12,656,398	32,608,064	31,649,642
Other Liabilities	2,925,233	2,484,906	1,535,357	1,144,222	4,460,590	3,629,128
Total Liabilities	21,972,348	21,478,150	15,096,306	13,800,620	37,068,654	35,278,770
Net Assets						
Investment in Capital Assets, Net of Related Debt	7,054,600	6,510,038	1,562,060	1,701,741	8,616,660	8,211,779
Restricted	1,327,932	1,510,208	-	-	1,327,932	1,510,208
Assigned: Information Technology	57,121	-	12,964	-	70,085	-
Unrestricted	1,280,897	1,218,299	2,512,734	1,719,188	3,793,631	2,937,487
Total Net Assets	9,720,550	9,238,545	4,087,758	3,420,929	13,808,308	12,659,474

CITY OF MELISSA - Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	995,302	773,089	3,430,704	3,065,888	4,426,006	3,838,977
Operating Grants and Contributions	99,786	91,402	-	-	99,786	91,402
Capital Grants and Contributions	1,007,595	29,268	-	-	1,007,595	29,268
General Revenues:						
Property Taxes	2,217,278	2,116,891	-	-	2,217,278	2,116,891
Other Taxes	887,615	688,550	-	-	887,615	688,550
Other	339,631	400,815	634,854	429,477	974,485	830,292
Total Revenues	5,547,207	4,100,015	4,065,558	3,495,365	9,612,765	7,595,380
Expenses:						
General Government	2,053,753	1,892,674	-	-	2,053,753	1,892,674
Public Safety	1,238,215	1,067,227	-	-	1,238,215	1,067,227
Streets	789,600	487,068	-	-	789,600	487,068
Sanitation	-	-	169,316	175,087	169,316	175,087
Culture and Recreation	440,640	444,537	-	-	440,640	444,537
Interest on Long-Term Debt	761,886	828,098	-	-	761,886	828,098
Water & Sewer	-	-	3,010,521	2,438,202	3,010,521	2,438,202
Total Expenses	5,284,094	4,719,604	3,179,837	2,613,289	8,463,931	7,332,893
Increase/(Decrease) in Net Assets Before Transfers	263,113	(619,589)	885,721	882,076	1,148,834	262,487
Transfers	218,892	119,764	(218,892)	(119,764)	-	-
Increase/(Decrease) in Net Assets	482,005	(499,825)	666,829	762,312	1,148,834	262,487
Net Assets - Beginning	9,238,545	9,738,370	3,420,929	2,658,617	12,659,474	12,396,987
Net Assets - Ending	9,720,550	9,238,545	4,087,758	3,420,929	13,808,308	12,659,474

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

Governmental Activities:

- Capital Grants increased by \$978,327 from the previous year.
- General Revenue increased \$238,268 (11 percent) during the year.

Business-type Activities

Business-type activities increased the City of Melissa's net assets by \$666,829.

- Charges for services increased by \$364,816 (12%).
- Expenses increased by \$566,548 (22%).

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 \$2,720,862, a decrease of \$136,676 from the prior year. The decrease is primarily due to continued construction of streets, totaling \$1,531,735. Of the current combined ending fund balance, \$1,319,373 is unassigned and \$895,652 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 \$1,319,373. Total unassigned fund balance represents 35% of total general fund expenditures.

The debt service fund has a total fund balance of \$116,405, all of which is restricted for payment of debt services. The increase in fund balance of \$19,287 is due to assessment and collection of penalties for delinquent property taxes.

The Transportation CPF has a total fund balance of \$870,057, all of which is restricted for street construction. The decrease in fund balance of \$84,162 represents current year expenditures for various street projects (\$1,531,735).

The City Hall CPF has a total fund balance of \$25,595, all of which is restricted for capital outlay. The decrease in fund balance of \$5,071 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 \$4,087,758. The total increase in net assets of the Enterprise Fund was \$666,829. 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 \$57,153 increase in unassigned general fund balance. The increase in unassigned general fund balance was actually \$61,633, an increase of \$4,480 from budget projections.

- In total, actual general fund revenues were \$140,965 greater than budget. Of that amount, grant and donation revenues were \$41,103 greater than budget.
- Overall, actual general fund expenditures were \$272,397 greater than budget. Of that amount, public safety expenditures were \$73,388 greater than budget due to purchases of vehicles during the year.

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, 2012, amounts to \$41,142,934 (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 \$1,531,735.
- Fire and Police vehicles purchased \$108,515.
- Various construction on water and sewer lines, of \$1,167,895, 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 \$32,063,750. This entire amount comprises debt backed by the full faith and credit of the City.

During the current fiscal year, the City of Melissa's long-term debt increased by \$958,422. This increase was due to 2012 Certificate of Obligation Bonds issued during the year totaling \$1,890,000.

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

Additional information on the City of Melissa's long-term debt can be found in note 3.G. on pages 53-67 of this report.

Economic Factors and Next Year's Budgets and Rates

The budget document for fiscal year 2012 was submitted to the Government Finance Officers Association (GFOA) Distinguished Budget Award committee and was awarded its fourth Distinguished Budget Award. Comments submitted by the reviewers on items for improvement were addressed and the document has been resubmitted for the FY 2013 award. The goal of such a program is for the budget to serve as a policy guide, operations guide, financial plan and communication document. These components focus the document by providing expanded information to anyone who reads the document, and at the same time, providing for a meaningful feedback tool to the departments and organization on how they are doing in the implementation of the budget.

The property tax revenue within the FY13 budget is based on an ad valorem tax rate of \$.61. This is the same rate since the FY 08 budget and was a result of debt issued for the first phase of the voter approved Transportation Program (2007).

The 2012 assessed property value of the City of Melissa is over \$363 million, an overall increase of \$11 million from the preceding year. Assessed property values have risen \$247 million since 2002. The top ten taxpayers for 2012 make up only 5.43% of the \$363 million taxable appraised value compared to 6.04% in 2011, 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 \$575,000 or 15.8% of total revenues. Sales Tax collections increased steadily throughout the FY 12 year, and the FY 13 budget reflected an increase in our anticipated collections from previous years.

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 FY13 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 FY 13, the tax base did not grow sufficient to fund any full transportation capital improvement projects; however, the City will be phasing a portion of the Milraney Lane (f/k/a CR 418) reconstruction. On the Water and Wastewater capital projects, the South Take Point Project, US 75 Utility Relocation Project, and the Davis Road Sewer Project. 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 perspective.

All these factors were considered in preparing the City of Melissa's budget for the 2013 fiscal year.

The City has reached the original goal of securing 90 days of Undesignated Fund Balance and will begin FY13 with approximately 120 days of operating undesignated fund balance. In the FY 13 budget, approximately \$17,000 is budgeted to be transferred to add to the Undesignated Fund Balance, and the City will end FY 12 with approximately 122 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 Manager, 3411 Barker Avenue, Melissa, Texas 75454.

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BASIC FINANCIAL STATEMENTS

CITY OF MELISSA
Statement of Net Assets
September 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,271,568	1,933,143	7,204,711
Receivables (Net of Allowance for Uncollectibles):			
Utility Bills	-	429,088	429,088
Property Taxes	76,488	-	76,488
Sales Tax	57,662	-	57,662
Other	249,641	28,312	277,953
Prepays	16,436	-	16,436
Due (to)/from Other Funds	(11,037)	11,037	-
Restricted Cash and Cash Equivalents		1,395,471	1,395,471
Bond Issuance Costs		276,219	276,219
Capital Assets Not Being Depreciated:			
Land	415,873	435,015	850,888
Construction in Progress	1,323,130	2,009,771	3,332,901
Capital Assets (Net of Accumulated Depreciation):			
Building and System	12,691,126	12,564,850	25,255,976
Equipment	1,116,920	101,158	1,218,078
Infrastructure	10,485,091	-	10,485,091
Total Assets	31,692,898	19,184,064	50,876,962
LIABILITIES			
Accounts Payable	947,722	681,207	1,628,929
Accrued Interest Payable	61,825	630,976	692,801
Deposits Payable		216,995	216,995
Due to Primary Government	(6,179)	6,179	-
Unearned Revenue	1,921,865	-	1,921,865
Noncurrent Liabilities:			
Due Within One Year	851,917	574,069	1,425,986
Due in More Than One Year	18,195,198	12,986,880	31,182,078
Total Liabilities	21,972,348	15,096,306	37,068,654
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,054,600	1,562,060	8,616,660
Restricted for:			
Construction	895,652		895,652
Court	64,367		64,367
Debt Service	367,913		367,913
Designated: Information Technology	57,121	12,964	70,085
Unrestricted	1,280,897	2,512,734	3,793,631
Total Net Assets	\$ 9,720,550	4,087,758	13,808,308

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

Component Units	
<u>Economic Development</u>	<u>Community Development</u>
208,053	71,220
-	-
-	-
28,831	28,831
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>236,884</u>	<u>100,051</u>
146	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>146</u>	<u>-</u>
-	-
-	-
-	-
-	-
-	-
<u>236,738</u>	<u>100,051</u>
<u>236,738</u>	<u>100,051</u>

CITY OF MELISSA
Statement of Activities
For the Fiscal Year Ended September 30, 2012

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 2,053,753	417,059	-	-
Public Safety	1,238,215	573,298	31,136	1,110
Streets	789,600	-	-	1,006,485
Culture and Recreation	440,640	4,945	68,650	-
Interest and Fiscal Charges	761,886	-	-	-
Total Governmental Activities	<u>5,284,094</u>	<u>995,302</u>	<u>99,786</u>	<u>1,007,595</u>
Business-Type Activities:				
Water and Sewer	3,010,521	3,196,239	-	-
Sanitation	169,316	234,465	-	-
Total Business-Type Activities	<u>3,179,837</u>	<u>3,430,704</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>8,463,931</u>	<u>4,426,006</u>	<u>99,786</u>	<u>1,007,595</u>
Component Units:				
Economic Development	301,569			
Community Development	225,225			
Total Component Units	<u>\$ 526,794</u>			

General Revenues:
 Property Taxes
 Sales Taxes
 Franchise Taxes
 Investment Earnings
 Grants & Contributions Not Restricted
 to Specific Programs
 Miscellaneous Revenue
 Gain/(Loss) on Sale of Capital Asset
 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		
Governmental Activities	Business-Type Activities	Total
(1,636,694)	-	(1,636,694)
(632,671)	-	(632,671)
216,885	-	216,885
(367,045)	-	(367,045)
(761,886)	-	(761,886)
<u>(3,181,411)</u>	<u>-</u>	<u>(3,181,411)</u>
-	185,718	185,718
-	65,149	65,149
<u>-</u>	<u>250,867</u>	<u>250,867</u>
<u>(3,181,411)</u>	<u>250,867</u>	<u>(2,930,544)</u>

Component Units	
Economic Development	Community Development
(301,569)	-
<u>-</u>	<u>(225,225)</u>
<u>(301,569)</u>	<u>(225,225)</u>
-	-
320,379	320,379
-	-
2,015	782
-	-
-	-
-	-
<u>322,394</u>	<u>321,161</u>
20,825	95,936
<u>215,913</u>	<u>4,115</u>
<u>236,738</u>	<u>100,051</u>

2,217,278	-	2,217,278
640,758	-	640,758
246,857	-	246,857
33,219	34,968	68,187
236,096	246,788	482,884
81,946	353,098	435,044
(11,630)	-	(11,630)
218,892	(218,892)	-
<u>3,663,416</u>	<u>415,962</u>	<u>4,079,378</u>
482,005	666,829	1,148,834
<u>9,238,545</u>	<u>3,420,929</u>	<u>12,659,474</u>
<u>9,720,550</u>	<u>4,087,758</u>	<u>13,808,308</u>

CITY OF MELISSA
Balance Sheet
Governmental Funds
September 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,191,915	116,031
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	76,488	-
Sales Tax	57,662	-
Other	15,371	-
Prepays	16,436	-
Due from Other Funds	42,572	374
Total Assets	<u><u>4,400,444</u></u>	<u><u>116,405</u></u>
 LIABILITIES & FUND BALANCES		
Liabilities:		
Accounts Payable	933,383	-
Due to Other Funds	11,411	-
Deferred Revenue	<u>1,998,353</u>	<u>-</u>
Total Liabilities	<u>2,943,147</u>	<u>-</u>
Fund Balanes:		
Nonspendable:		
Prepaid Items	16,436	-
Restricted:		
Construction	-	-
Court	64,367	-
Debt Service	-	116,405
Assigned		
Information Technology	57,121	-
Unassigned	<u>1,319,373</u>	<u>-</u>
Total Fund Balances	<u>1,457,297</u>	<u>116,405</u>
Total Liabilities & Fund Balances	<u><u>\$ 4,400,444</u></u>	<u><u>116,405</u></u>

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

<u>Capital Projects Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Transportation Construction</u>	<u>City Hall Construction</u>		
686,519	25,603	251,500	5,271,568
-	-	-	76,488
-	-	-	57,662
234,270	-	-	249,641
-	-	-	16,436
6,179	-	8	49,133
<u>926,968</u>	<u>25,603</u>	<u>251,508</u>	<u>5,720,928</u>

14,339	-	-	947,722
42,572	8	-	53,991
-	-	-	<u>1,998,353</u>
<u>56,911</u>	<u>8</u>	<u>-</u>	<u>3,000,066</u>

-	-	-	16,436
870,057	25,595	-	895,652
-	-	-	64,367
-	-	251,508	367,913
-	-	-	57,121
-	-	-	<u>1,319,373</u>
<u>870,057</u>	<u>25,595</u>	<u>251,508</u>	<u>2,720,862</u>
<u>926,968</u>	<u>25,603</u>	<u>251,508</u>	<u>5,720,928</u>

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CITY OF MELISSA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2012

Total Fund Balances - Governmental Funds	\$ 2,720,862
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 \$27,775,398 and the accumulated depreciation was \$(2,328,401). In addition, long-term liabilities, including bonds payable of \$(18,530,000), note payable of \$(83,734), and capital leases of \$(323,225) 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.	6,510,038
Current year capital outlays of \$1,640,250 and long-term debt principal payments of \$567,934 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.	2,208,184
Current year bond proceeds of \$(500,000) and lease proceeds of \$(108,515) provided current financial resources in the fund financial statements, but they should be shown as an increase in long-term debt in the government-wide financial statements. The net effect of the new debt is a decrease to net assets.	(608,515)
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.	(61,825)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,016,080)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$76,488 of deferred revenue as revenue, recognizing the liability associated with compensated absences of \$(69,575) and adjusting the sale of capital asset proceeds to gain/(loss) on sale of assets by applying asset basis to proceeds \$(39,027). The net effect of these reclassifications is to decrease net assets.	<u>(32,114)</u>
Net Assets of Governmental Activities	<u><u>\$ 9,720,550</u></u>

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

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Taxes:		
Property	\$ 1,428,558	620,041
Sales	640,758	-
Franchise	246,857	-
License and Permits	390,024	-
Platting & Development	27,035	-
Charges for Services	5,531	-
Intergovernmental	86,452	149,644
Grants and Donations	143,800	-
Fines, Warrants and Seizures	572,712	-
Investment Income	29,486	955
Miscellaneous	81,946	-
Total Revenues	<u>3,653,159</u>	<u>770,640</u>
EXPENDITURES		
Current:		
General Government	1,716,637	-
Public Safety	1,120,892	-
Street	279,310	-
Culture and Recreation	353,296	-
Capital Outlay	108,515	-
Debt Service:		
Principal	167,934	400,000
Interest and Fiscal Charges	19,746	793,092
Total Expenditures	<u>3,766,330</u>	<u>1,193,092</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(113,171)</u>	<u>(422,452)</u>
OTHER FINANCIAL SOURCES (USES)		
Sale of Capital Assets	27,397	-
Bond Proceeds	-	-
Capital Lease Proceeds	108,515	-
Transfers In	218,892	443,363
Transfers Out	(180,000)	(1,624)
Total Other Financial Sources (Uses)	<u>174,804</u>	<u>441,739</u>
Net Change in Fund Balances	61,633	19,287
Fund Balances - Beginning	<u>1,395,664</u>	<u>97,118</u>
Fund Balances - Ending	<u><u>\$ 1,457,297</u></u>	<u><u>116,405</u></u>

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

<u>Capital Projects Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Transportation Construction</u>	<u>City Hall Construction</u>		
-	-	132,222	2,180,821
-	-	-	640,758
-	-	-	246,857
-	-	-	390,024
-	-	-	27,035
-	-	-	5,531
-	-	-	236,096
963,581	-	-	1,107,381
-	-	-	572,712
-	-	2,778	33,219
-	-	-	81,946
<u>963,581</u>	<u>-</u>	<u>135,000</u>	<u>5,522,380</u>
17,632	5,071	-	1,739,340
-	-	-	1,120,892
-	-	-	279,310
-	-	-	353,296
1,531,735	-	-	1,640,250
-	-	-	567,934
-	-	-	812,838
<u>1,549,367</u>	<u>5,071</u>	<u>-</u>	<u>6,513,860</u>
<u>(585,786)</u>	<u>(5,071)</u>	<u>135,000</u>	<u>(991,480)</u>
-	-	-	27,397
500,000	-	-	500,000
-	-	-	108,515
1,624	-	180,000	843,879
-	-	(443,363)	(624,987)
<u>501,624</u>	<u>-</u>	<u>(263,363)</u>	<u>854,804</u>
(84,162)	(5,071)	(128,363)	(136,676)
<u>954,219</u>	<u>30,666</u>	<u>379,871</u>	<u>2,857,538</u>
<u>870,057</u>	<u>25,595</u>	<u>251,508</u>	<u>2,720,862</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, 2012

Total Fund Balances - Governmental Funds	\$ (136,676)
Current year capital outlays of \$1,640,250 and long-term debt principal payments of \$567,934 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.	2,208,184
Current year bond proceeds of \$(500,000) and lease proceeds of \$(108,515) provide current financial resources in the fund financial statements, but the should be shown as an increase in long-term debt in the government-wide financial statements. The net effect of the new debt is a decrease to net assets.	(608,515)
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.	50,952
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,016,080)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$36,457 of deferred revenue as revenue, recognizing the liability associated with compensated absences of \$(13,290) and adjusting the sale of capital asset proceeds to gain/(loss) on sale of assets by applying asset basis to proceeds \$(39,027) . The net effect of these reclassifications is to decrease net assets.	<u>(15,860)</u>
Net Assets of Governmental Activities	<u><u>\$ 482,005</u></u>

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

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Property	\$ 1,485,646	1,432,646	1,428,558	(4,088)
Sales	420,000	630,000	640,758	10,758
Franchise	240,000	243,000	246,857	3,857
License & Permits	200,000	378,000	390,024	12,024
Platting & Development	18,150	27,034	27,035	1
Charges for Services:				
Police Reports	-	-	586	586
Park Fees	1,500	5,185	4,945	(240)
Grants and Donations:				
Library	16,000	19,895	19,890	(5)
Park Fees	44,921	49,800	48,760	(1,040)
Fire	15,000	31,902	31,136	(766)
Police	-	1,100	1,110	10
Streets	-	-	42,904	42,904
Intergovernmental	-	-	86,452	86,452
Fines, Warrants and Seizures	475,464	559,064	572,712	13,648
Investment Income	30,000	30,000	29,486	(514)
Miscellaneous	75,700	104,568	81,946	(22,622)
Total Revenues	<u>3,022,381</u>	<u>3,512,194</u>	<u>3,653,159</u>	<u>140,965</u>
EXPENDITURES:				
<u>General Government</u>				
City Administration:				
Personnel	424,832	424,832	389,183	35,649
Materials and Supplies	17,529	19,529	27,220	(7,691)
Other Services	422,335	530,250	511,106	19,144
Total City Administration	<u>864,696</u>	<u>974,611</u>	<u>927,509</u>	<u>47,102</u>
Development & Neighborhood Services:				
Personnel Services	150,865	150,865	152,139	(1,274)
Materials and Supplies	3,706	3,706	3,378	328
Other Services	130,861	231,461	227,105	4,356
Total Development & Neighborhood Services	<u>285,432</u>	<u>386,032</u>	<u>382,622</u>	<u>3,410</u>
Building Maintenance:				
Materials and Supplies	2,500	2,500	1,463	1,037
Other Services	44,762	50,762	49,248	1,514
Total Building Maintenance	<u>47,262</u>	<u>53,262</u>	<u>50,711</u>	<u>2,551</u>

-continued-

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2012
-continued-

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
<u>General Government (continued)</u>				
Municipal Court:				
Personnel Services	142,652	142,102	128,396	13,706
Materials and Supplies	9,385	15,385	16,197	(812)
Other Services	167,223	205,523	211,202	(5,679)
Total Municipal Court	<u>319,260</u>	<u>363,010</u>	<u>355,795</u>	<u>7,215</u>
 Total General Government	 <u>1,516,650</u>	 <u>1,776,915</u>	 <u>1,716,637</u>	 <u>60,278</u>
 <u>Public Safety</u>				
Police Department:				
Personnel Services	529,899	558,899	599,329	(40,430)
Materials and Supplies	35,096	42,596	42,728	(132)
Other Services	68,002	84,907	79,087	5,820
Total Police Department	<u>632,997</u>	<u>686,402</u>	<u>721,144</u>	<u>(34,742)</u>
 Fire Department:				
Personnel Services	130,691	129,191	143,950	(14,759)
Materials and Supplies	15,830	30,830	39,313	(8,483)
Other Services	146,981	201,081	216,485	(15,404)
Total Fire Department	<u>293,502</u>	<u>361,102</u>	<u>399,748</u>	<u>(38,646)</u>
 Total Public Safety	 <u>926,499</u>	 <u>1,047,504</u>	 <u>1,120,892</u>	 <u>(73,388)</u>
 <u>Street Department</u>				
Personnel Services	43,167	43,667	44,861	(1,194)
Materials and Supplies	6,600	6,600	9,755	(3,155)
Other Services	155,900	174,000	224,694	(50,694)
Total Street Department	<u>205,667</u>	<u>224,267</u>	<u>279,310</u>	<u>(55,043)</u>
 <u>Culture and Recreation</u>				
Parks and Grounds:				
Personnel Services	44,370	44,370	43,463	907
Materials and Supplies	16,000	19,000	12,090	6,910
Other Services	143,363	165,863	185,623	(19,760)
Total Parks and Grounds	<u>203,733</u>	<u>229,233</u>	<u>241,176</u>	<u>(11,943)</u>
 Library:				
Personnel Services	79,842	79,842	82,001	(2,159)
Materials and Supplies	16,146	22,146	19,069	3,077
Other Services	8,890	9,890	11,050	(1,160)
Total Library	<u>104,878</u>	<u>111,878</u>	<u>112,120</u>	<u>(242)</u>
 Total Culture and Recreation	 <u>308,611</u>	 <u>341,111</u>	 <u>353,296</u>	 <u>(12,185)</u>

-continued-

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2012
-continued-

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Capital Outlay	-	-	108,515	(108,515)
Debt Service:				
Principal Retirement	84,200	84,200	167,934	(83,734)
Interest	12,936	19,936	19,746	190
Total Debt Service	97,136	104,136	187,680	(83,544)
Total Expenditures	3,054,563	3,493,933	3,766,330	(272,397)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,182)	18,261	(113,171)	(131,432)
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	-	-	27,397	27,397
Lease Proceeds	-	-	108,515	108,515
Transfers Out	218,892	218,892	218,892	-
Transfers In	(150,000)	(180,000)	(180,000)	-
Total Other Financing Sources (Uses)	68,892	38,892	174,804	135,912
Net Change in Fund Balances	36,710	57,153	61,633	4,480
Fund Balances - Beginning	1,395,664	1,395,664	1,395,664	
Fund Balances - Ending	<u>\$ 1,432,374</u>	<u>1,452,817</u>	<u>1,457,297</u>	<u>4,480</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, 2012

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,933,143
Receivables (Net of Allowance of Uncollectibles):	
Utility Bills	429,088
Other	28,312
Restricted Cash and Cash Equivalents	1,395,471
Due from Other Funds	11,037
Total Current Assets	<u>3,797,051</u>

Noncurrent Assets:

Bond Issuance Costs (Net of Accumulated Depreciation)	<u>276,219</u>
---	----------------

Capital Assets:

Land	435,015
Buildings and Systems	14,941,572
Equipment	346,317
Construction in Progress	2,009,771
Less: Accumulated Depreciation	<u>(2,621,881)</u>
Total Capital Assets (Net of Depreciation)	<u>15,110,794</u>

Total Noncurrent Assets	<u>15,387,013</u>
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Total Assets	<u>19,184,064</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	681,207
Accrued Interest Payable	630,976
Due to Other Funds	6,179
Deposits	216,995
Compensated Absences Payable	9,161
Current Portion of Lease Payable	17,408
Current Portion on Bonds Payable	547,500
Total Current Liabilities	<u>2,109,426</u>

Noncurrent Liabilities:

Compensated Absences	3,054
Lease Payable	97,576
Bonds Payable	12,886,250
Total Noncurrent Liabilities	<u>12,986,880</u>

Total Liabilities	<u>15,096,306</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,562,060
Designated for Information Technology	12,964
Unrestricted	2,512,734
Total Net Assets	<u>\$ 4,087,758</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, 2012

OPERATING REVENUES

Water Sales	\$ 2,078,839
Sewer Charges	687,679
Sanitation	234,465
Tap Fees	378,500
Reconnect Fees	48,221
Meter Installation Fee	3,000
Miscellaneous	<u>353,098</u>

Total Operating Revenues	<u>3,783,802</u>
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OPERATING EXPENSES

Personnel Services	364,786
Materials and Supplies	230,047
Other Services	1,630,543
Amortization	19,012
Depreciation	<u>405,645</u>

Total Operating Expenses	<u>2,650,033</u>
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Operating Income (Loss)	<u>1,133,769</u>
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NONOPERATING REVENUES (EXPENSES)

Intergovernmental	246,788
Interest Income	34,968
Interest Expense	<u>(529,804)</u>

Total Nonoperating Revenues (Expenses)	<u>(248,048)</u>
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Net Income (Loss) Before Transfers	885,721
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TRANSFERS

Transfers In	-
Transfers (Out)	<u>(218,892)</u>

Change in Net Assets	666,829
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Net Assets - Beginning	<u>3,420,929</u>
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Net Assets - Ending	<u><u>\$ 4,087,758</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF MELISSA
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2012

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,813,832
Cash Payments to Suppliers	(1,537,466)
Cash Payments to Employees	<u>(167,863)</u>
Net Cash Provided/(Used) by Operating Activities	<u>2,108,503</u>
 Cash Flows from Noncapital Financing Activities:	
Transfers from Other Funds	-
Transfers to Other Funds	(218,892)
Advances to Other Funds	17,211
Advances from Other Funds	1,656
Advances from Component Unit	(20,000)
Subsidy from Other Governments	<u>246,788</u>
Net Cash Provided/(Used) for Noncapital Financing Activities	<u>26,763</u>
 Cash Flows from Capital & Related Financing Activities:	
Acquisition of Capital Assets	(1,167,895)
Loss on Disposal of Capital Assets	1,197
Proceeds from Capital Debt	1,390,000
Principal Paid on Bonds and Leases	(489,266)
Interest Paid on Debt	<u>(469,522)</u>
Net Cash Provided/(Used) for Capital & Related Financing Activities	<u>(735,486)</u>
 Cash Flows from Investing Activities:	
Interest on Deposits and Investments	<u>34,968</u>
Net Cash Provided/(Used) by Investing Activities	<u>34,968</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	1,434,748
 Cash and Cash Equivalents - Beginning	<u>1,893,866</u>
 Cash and Cash Equivalents - Ending	<u><u>\$ 3,328,614</u></u>

-continued-

CITY OF MELISSA
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2012
-continued-

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

Operating Income/(Loss)	<u>\$ 1,133,769</u>
Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) by Operating Activities	
Depreciation Expense	405,645
Amortization Expense	19,012
(Increase)/Decrease in Accounts Receivable	8,480
(Increase)/Decrease in Other Recievables	193,106
Increase/(Decrease) in Accounts Payable	323,124
Increase/(Decrease) in Compensated Absences	3,817
Increase/(Decrease) in Utility Deposits	<u>21,550</u>
Total Adjustments	<u>974,734</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 2,108,503</u></u>

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

CITY OF MELISSA
Notes to the Financial Statements
September 30, 2012

(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, 2012
-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, 2012
-continued-

(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, 2012
-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

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

2. Short-term Interfund Receivables/Payables

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

3. Restricted Assets

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities' columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

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

-continued-

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(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.

-continued-

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(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, 2012.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to whom the City Council delegates this authority.
- **Unassigned:** This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

As of September 30, 2012, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$ 16,436	-	-	-	16,436
Restricted:					
Construction	-	-	895,652	-	895,652
Court	64,367	-	-	-	64,367
Debt Service	-	116,405	-	251,508	367,913
Committed:	-	-	-	-	-
Assigned:					
Information Technology	57,121	-	-	-	57,121
Unassigned:	1,319,373	-	-	-	1,319,373
Total Fund Balances	<u>\$1,457,297</u>	<u>116,405</u>	<u>895,652</u>	<u>251,508</u>	<u>2,720,862</u>

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

1. Prior to September 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. One supplemental appropriation was made during the fiscal year.
6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from generally accepted accounting principles by not including depreciation and amortization in the approved budget. These amounts are reported at year end as part of the "actual" column. One supplemental appropriation was made during the fiscal year.
7. The Debt Service and Capital Projects Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The non-major governmental fund is not budgeted.

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

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(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)	\$ 4,512,415
Depreciation	(405,645)
Amortization	(19,012)
Net Assets (GAAP)	<u>\$ 4,087,758</u>

C. Excess of Expenditures/Expenses Over Appropriations

For the year ended September 30, 2012, expenditures exceeded appropriations in the General Fund by \$272,397. These over expenditures were funded by better than expected revenues and proceeds from sale of capital assets and lease proceeds.

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits 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, 2012, the City's carrying amount of deposits was \$8,600,182 and the bank balance was \$8,027,627. Of the bank balance, \$500,000 was covered by federal depository insurance and \$7,527,627 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 \$208,053 and the bank balance was \$208,053. 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 \$71,220 and the bank balance was \$71,220. 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:

-continued-

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(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 AAAM. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the City's investment in external investment pools is less than 60 days.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.
- f. **Concentration of Credit Risk -** This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the City's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The City is not exposed to concentration of credit risk.

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CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

Receivables at September 30, 2012 consisted of the following:

	General Fund	Enterprise Fund	Capital Projects Fund	Total
Receivables:				
Property Tax	\$ 76,488	-	-	76,488
Sales Tax	57,662	-	-	57,662
Other	15,371	28,312	234,270	277,953
Utility Bills	-	429,088	-	429,088
Net Receivables	<u>\$ 149,521</u>	<u>457,400</u>	<u>234,270</u>	<u>841,191</u>

No allowance for uncollectible accounts has been made.

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

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2011, upon which the 2011/2012 levy was based, was approximately \$352,667,585. The tax rate for fiscal year 2011/2012 was \$0.61 per \$100 of assessed valuation.

At September 30, 2012, the MEDC and MCDC each had sales tax receivable of \$28,831. No allowance for uncollectibles has been made.

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental Activities:			
Capital Assets Not Being Depreciated:			
Land	\$ 415,873	-	415,873
Construction in Progress	3,510,734	1,531,735	1,323,130
Total Capital Assets Not Being Depreciated	3,926,607	1,531,735	1,739,003
Capital Assets Being Depreciated:			
Building	14,156,244		14,154,244
Equipment	1,965,076	108,515	1,989,310
Infrastructure	7,727,471	3,719,339	11,446,810
Total Capital Assets Being Depreciated	23,848,791	3,827,854	27,590,364
Less Accumulated Depreciation for:			
Building	(1,089,369)	(375,749)	(1,463,118)
Equipment	(787,881)	(129,763)	(872,390)
Infrastructure	(451,151)	(510,568)	(961,719)
Total Accumulated Depreciation	(2,328,401)	(1,016,080)	(3,297,227)
Total Capital Assets Being Depreciated, Net	21,520,390	2,811,774	24,293,137
Governmental Activities Capital Assets, Net	\$ 25,446,997	4,343,509	26,032,140
	Beginning Balance	Additions	Ending Balance
Business-Type Activities:			
Capital Assets Not Being Depreciated:			
Land	\$ 435,015	-	435,015
Construction in Progress	1,032,461	1,167,895	2,009,771
Total Capital Assets Not Being Depreciated	1,467,476	1,167,895	2,444,786
Capital Assets Being Depreciated:			
Building and System	14,750,987	190,585	14,941,572
Equipment	402,362		346,317
Total Capital Assets Being Depreciated	15,153,349	190,585	15,287,889

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

	Beginning Balance	Additions	Retirements	Ending Balance
Less Accumulated Depreciation for:				
Building and System	(2,005,192)	(371,530)		(2,376,722)
Equipment	(265,892)	(34,115)	54,848	(245,159)
Total Accumulated Depreciation	<u>(2,271,084)</u>	<u>(405,645)</u>	<u>54,848</u>	<u>(2,621,881)</u>
 Total Capital Assets Being Depreciated, Net	 <u>12,882,265</u>	 <u>(215,060)</u>	 <u>(1,197)</u>	 <u>12,666,008</u>
 Business-Type Activities Capital Assets, Net	 <u>\$ 14,349,741</u>	 <u>952,835</u>	 <u>(191,782)</u>	 <u>15,110,794</u>

Interest expense of \$45,389 has been capitalized in construction in progress.

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

Government Activities:

General Government	\$ 304,407
Public Safety	113,823
Street	510,568
Culture and Recreation	87,282

Total Depreciation Expense - Governmental Activities	<u>\$ 1,016,080</u>
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Business Type Activities:

Water and Sewer	\$ 405,645
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Total Depreciation Expense - Business-Type Activities	<u>\$ 405,645</u>
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D. Construction Commitments

At September 30, 2012 the City had the following projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

Project Name	Schedule Completion Date	Contract Amount	Cost Incurred Through 9/30/2012
Business-Type Activities:			
Water Line and Road Rehab	11/13/2012	\$ 1,021,513	971,669

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables and Transfers:

Interfund balances at September 30, 2012 are as follows:

Due To/From Other Funds		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Transportation Construction	\$ 42,572
Debt Service Fund	General Fund	374
Transportation Construction	Proprietary Fund	6,179
Tax Inc. Fin. Zone	City Hall Construction	8
Proprietary Fund	General Fund	11,037

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>General Fund</u>	<u>Tax Inc. Fin. Zone</u>	<u>Debt Ser. Fund</u>	<u>Transportation Construction</u>	<u>Total</u>
Transfers Out:					
General Fund	\$ -	180,000	-	-	180,000
Debt Service Fund	\$ -	-	-	1,624	1,624
Tax Increment Fin. Zone	-	-	443,364	-	443,364
Proprietary Fund	218,892	-	-	-	218,892
Total	<u>\$ 218,892</u>	<u>180,000</u>	<u>443,364</u>	<u>1,624</u>	<u>843,880</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 proprietary fund to the general fund was to pay its share of administrative costs. The transfer from the debt service fund to the transportation construction fund was to correct deposit of bond issue proceeds.

F. Capital Leases

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2012, the equipment and vehicles leased under capital leases had a carrying value of \$414,328 which is included in the governmental activities and \$102,988 which is included in the business-type activities on the Statement of Net Assets. Capital lease expenditures for 2012 were \$123,200, of which \$22,050 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, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

F. Capital Leases (continued)

<u>Year Ending September 30.</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2013	\$ 91,687	21,803
2014	75,992	21,803
2015	65,318	21,803
2016	47,836	21,803
2017	40,938	21,803
Thereafter	<u>88,917</u>	<u>21,803</u>
Future Minimum Lease Payments	410,688	130,818
Less: Amount Representing Interest	<u>(63,148)</u>	<u>(15,835)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 347,540</u>	<u>114,983</u>

G. Long-term Debt

Long-term liability activity, for government activities for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital Leases	\$ 323,225	108,515	(84,200)	347,540	74,736
Note Payable	83,734	-	(83,734)	-	-
Bonds Payable	18,530,000	500,000	(400,000)	18,630,000	725,000
Compensated Absences	56,285	67,396	(54,106)	69,575	52,181
Totals	<u>\$ 18,993,244</u>	<u>675,911</u>	<u>(622,040)</u>	<u>19,047,115</u>	<u>851,917</u>

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

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

Bonds Payable at September 30, 2012 are comprised of the following individual issues for the governmental activities:

2004 Certificate of Obligation issued September 29, 2004 due in annual installments through February 15, 2024, bearing interest rates ranging from 2.2% to 4.69%, payable February 15 and August 15.	\$ 1,065,000
2005 Certificate of Obligation issued June 23, 2005 due in annual installments through February 15, 2025, bearing interest rates at 4.1%, payable February 15 and August 15.	705,000
2005A Certificate of Obligation issued December 30, 2005 due in annual installments through February 15, 2026, bearing interest rates at 4.05%, payable February 15 and August 15.	645,000
2006 Certificate of Obligation issued May 31, 2006 due in annual installments through February 15, 2026, bearing interest rates ranging from 4.35% to 6.0%, payable February 15 and August 15.	1,340,000
2008 Certificate of Obligation issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest rates at 4.65%, payable February 15 and August 15.	4,535,000
2009 Certificate of Obligation issued February 1, 2009 due in annual installments through September 30, 2034, bearing interest rates ranging from 3.0% to 4.625%, payable February 15 and August 15.	9,840,000
2012 Certificate of Obligation issued January 19, 2012 due in annual installments through February 15, 2032, bearing interest rates ranging from 2.0% to 4.0%, payable February 15	<u>500,000</u>
Combined Debt	<u><u>\$ 18,630,000</u></u>

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2012 are as follows:

2004 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	115,000	2,674	117,674
Total	<u>\$ 1,065,000</u>	<u>311,083</u>	<u>1,376,083</u>

2005 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	70,000	1,435	71,435
Total	<u>\$ 705,000</u>	<u>205,512</u>	<u>910,512</u>

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CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2005A Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	60,000	1,215	61,215
Total	<u>\$ 645,000</u>	<u>199,362</u>	<u>844,362</u>

2006 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	130,000	3,022	133,022
Total	<u>\$ 1,340,000</u>	<u>471,693</u>	<u>1,811,693</u>

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CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2008 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	395,000	9,480	404,480
Total	<u>\$ 4,535,000</u>	<u>1,898,741</u>	<u>6,433,741</u>

2009 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 300,000	396,619	696,619
2014	310,000	387,619	697,619
2015	320,000	378,319	698,319
2016	330,000	368,719	698,719
2017	340,000	358,819	698,819
2018	350,000	347,769	697,769
2019	360,000	335,519	695,519
2020	375,000	322,919	697,919
2021	385,000	309,325	694,325
2022	405,000	293,925	698,925
2023	420,000	277,725	697,725
2024	\$ 435,000	260,925	695,925

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CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2009 Certificates of Obligation (continued)

<u>Year Ending 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	665,000	30,756	695,756
Total	<u>\$ 9,840,000</u>	<u>5,491,516</u>	<u>15,331,516</u>

2012 General Obligation Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,000	17,000	37,000
2014	20,000	16,600	36,600
2015	20,000	16,200	36,200
2016	20,000	15,800	35,800
2017	20,000	15,400	35,400
2018	20,000	15,000	35,000
2019	20,000	14,600	34,600
2020	20,000	14,000	34,000
2021	25,000	13,100	38,100
2022	25,000	12,100	37,100
2023	25,000	11,100	36,100
2024	25,000	10,100	35,100
2025	25,000	9,100	34,100
2026	25,000	8,100	33,100
2027	30,000	7,000	37,000
2028	30,000	5,800	35,800
2029	30,000	4,600	34,600
2030	30,000	3,400	33,400
2031	35,000	2,100	37,100
2032	35,000	700	35,700
	<u>\$ 500,000</u>	<u>211,800</u>	<u>711,800</u>

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CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

During the year ended September 30, 2012, the following changes occurred in long-term liabilities reported in the Water and Sewer Fund:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities:					
Capital Leases	\$ 131,750	-	(16,766)	114,984	17,408
Bonds Payable	12,516,250	1,390,000	(472,500)	13,433,750	547,500
Compensated Absences	8,398	13,774	(9,957)	12,215	9,161
Totals	<u>\$ 12,656,398</u>	<u>1,403,774</u>	<u>(499,223)</u>	<u>13,560,949</u>	<u>574,069</u>

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

Bonds payable at September 30, 2012 are comprised of the following individual issues for the Water and Sewer Fund:

2005 Contract Revenue Bonds issued September 20, 2005 due in annual installments through October 1, 2028, bearing interest rates ranging from 2.29% to 5.74%, payable April 1 and October 1.	\$ 560,000
2006 Contract Revenue Bonds issued July 15, 2006 due in annual installments through February 1, 2040, bearing interest rates of 5.68% to 5.83%, payable February 1.	2,168,750
2006 Certificate of Obligation issued May 31, 2006, due in annual installments through February 15, 2026, bearing interest rates from 4.35% to 6.0%, payable February 15 and August 15.	490,000
2006 Contract Revenue Bonds issued November 1, 2006 due in annual installments through June 1, 2026, bearing interest rates ranging from 2.95% to 3.75%, payable June 1 and December 1.	1,350,000
2007 Contract Revenue Bonds issued February 20, 2007 due in annual installments through October 1, 2036, bearing interest rates from 2.67% to 5.62%, payable October 1 and April 1.	1,150,000

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2007A Contract Revenue Bonds issued February 7, 2008 due in annual installments through June 1, 2028, bearing interest rates ranging from 2.95% to 4.10%, payable December 1 and June 1.	950,000
2008 Certificate of Obligations issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest rates at 4.56%, payable February 15 and August 15.	1,940,000
2009A Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 1.55% to 5.4%, payable June 1 and December 1.	1,040,000
2009B Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 0.66% to 4.45%, payable June 1 and December 1.	1,335,000
2010 General Obligation Refunding Bonds issued June 29, 2010 due in annual installments through August 15, 2021, bearing interest rates ranging from 2.00% to 3.50%, payable February 15 and August 15.	1,060,000
2012 Certificate of Obligation issued January 19, 2012 due in annual installments through February 15, 2032, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 and August 15.	<u>1,390,000</u>
Combined Debt	<u><u>\$ 13,433,750</u></u>

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

The annual requirements to amortize the bonded debt outstanding for the proprietary activities as of September 30, 2012 are as follows:

2005 Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
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	51,250	2,942	54,192
Total	<u>560,000</u>	<u>297,624</u>	<u>857,624</u>

2006 Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
2013	\$ -	68,863	68,863
2014	-	87,644	87,644
2015	-	106,425	106,425
2016	-	125,207	125,207
2017	-	125,207	125,207
2018	-	125,207	125,207
2019	-	228,947	228,947
2020	-	228,947	228,947
2021	-	228,947	228,947
2022	\$ -	228,947	228,947

-continued-

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2006 Contract Revenue Bonds (continued)

<u>Year Ending 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>3,375,977</u>	<u>5,544,727</u>

2006 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 490,000</u>	<u>173,003</u>	<u>663,003</u>

-continued-

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2006 Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
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	120,000	4,500	124,500
	<u>\$ 1,350,000</u>	<u>396,363</u>	<u>1,746,363</u>

2007 Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
2013	\$ 45,000	61,317	106,317
2014	47,500	59,395	106,895
2015	50,000	57,296	107,296
2016	52,500	55,036	107,536
2017	55,000	52,584	107,584
2018	11,250	49,961	61,211
2019	12,500	49,413	61,913
2020	13,750	48,792	62,542
2021	13,750	48,101	61,851
2022	15,000	47,397	62,397
2023	16,250	46,614	62,864
2024	16,250	45,758	62,008
2025	26,250	44,885	71,135
2026	\$ 27,500	43,462	70,962

-continued-

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2007 Contract Revenue Bonds

<u>Year Ending 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	103,750	5,831	109,581
	<u>\$ 1,150,000</u>	<u>977,233</u>	<u>2,127,233</u>

2007A Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	80,000	3,280	83,280
Total	<u>\$ 950,000</u>	<u>346,090</u>	<u>1,296,090</u>

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CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2008 Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
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	170,000	4,080	174,080
	<u>\$ 1,940,000</u>	<u>799,343</u>	<u>2,739,343</u>

2009A Certificates of Obligation			
Year Ending September 30,	Principal	Interest	Total
2013	\$ 40,000	44,573	84,573
2014	40,000	43,632	83,632
2015	45,000	42,553	87,553
2016	45,000	41,247	86,247
2017	50,000	39,920	89,920
2018	50,000	38,320	88,320
2019	55,000	36,595	91,595
2020	55,000	34,588	89,588
2021	60,000	32,470	92,470
2022	60,000	29,920	89,920
2023	65,000	27,280	92,280
2024	70,000	24,322	94,322
2025	75,000	21,033	96,033
2026	75,000	17,432	92,432
2027	80,000	13,608	93,608
2028	85,000	9,407	94,407
2029	90,000	4,860	94,860
	<u>\$ 1,040,000</u>	<u>501,760</u>	<u>1,541,760</u>

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2009B Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	105,000	4,672	109,672
	<u>\$ 1,335,000</u>	<u>499,500</u>	<u>1,834,500</u>

2010 General Obligation Refunding Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	135,000	4,725	139,725
Total	<u>\$ 1,060,000</u>	<u>179,225</u>	<u>1,239,225</u>

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CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

G. Long-term Debt (continued)

2012 General Obligation Refunding Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,000	47,400	97,400
2014	55,000	46,350	101,350
2015	55,000	45,250	100,250
2016	55,000	44,150	99,150
2017	55,000	43,050	98,050
2018	55,000	41,950	96,950
2019	60,000	40,800	100,800
2020	60,000	39,000	99,000
2021	60,000	36,600	96,600
2022	65,000	34,100	99,100
2023	70,000	31,400	101,400
2024	70,000	28,600	98,600
2025	75,000	25,700	100,700
2026	75,000	22,700	97,700
2027	80,000	19,600	99,600
2028	85,000	16,300	101,300
2029	85,000	12,900	97,900
2030	90,000	9,400	99,400
2031	95,000	5,700	100,700
2032	95,000	1,900	96,900
Total	<u>\$ 1,390,000</u>	<u>592,850</u>	<u>1,982,850</u>

H. Restricted Assets

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

Customer Deposits	\$ 216,995
Accrued Interest Payable	630,976
Current Bonds Payable	<u>547,500</u>
Total Restricted Assets	<u>\$ 1,395,471</u>

-continued-

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(4) OTHER INFORMATION

A. Risk Management

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

B. Retirement System

Plan Description

The government provides pension benefits for all of its 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 2011</u>	<u>Plan Year 2012</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
Update Service Credit	0%	0%
Annuity Increase (to Retirees)	0% of CPI	0% of CPI

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(4) OTHER INFORMATION (continued)

B. Retirement System (continued)

Contributions:

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

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

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

<u>Three-Year Trend Information for TMRS</u>			
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2010	\$86,115	100%	\$0
9/30/2011	\$86,115	100%	\$0
9/30/2012	\$66,498	100%	\$0

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
 -continued-

(4) OTHER INFORMATION (continued)

B. Retirement System (continued)

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

<u>Valuation Date</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % Of Payroll	Level % Of Payroll	Level % Of Payroll
GASB 25 Equivalent Single Amortization Period	23.7 Years; Closed Period	22.7 Years; Closed Period	21.8 Years; Closed Period
Amortization Period for New Gains/Losses	25 Years	25 Years	25 Years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

Funded Status and Funding Progress

In June, 2012, 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, 2012 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, 2011 TMRS Comprehensive Annual Financial Report (CAFR).

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(4) OTHER INFORMATION (continued)

B. Retirement System (continued)

The funded status as of December 31, 2011, 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)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/08	\$ 596	721	125	88.50%	\$ 1,086	11.50%
12/31/09	\$ 831	1,041	210	79.90%	\$ 1,416	14.80%
12/31/10	\$ 1,051	1,301	250	80.80%	\$ 1,450	17.20%
12/31/11	\$ 1,286	1,515	229	84.90%	\$ 1,465	15.60%

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.

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.

CITY OF MELISSA
Notes to Financial Statements
September 30, 2012
-continued-

(4) OTHER INFORMATION (continued)

C. Supplemental Death Benefits Fund (continued)

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 2012, 2011 and 2010 were \$2,224, \$3,491 and \$2,835, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates:
(RETIREE - Only Portion of the Rate)**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
9/30/2010	0.20%	0.20%	100.0%
9/30/2011	0.24%	0.24%	100.0%
9/30/2012	0.14%	0.14%	100.0%

(5) EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 27, 2013, 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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES:				
Collections:				
Water	\$ 2,151,030	2,235,030	2,078,839	(156,191)
Sewer	702,162	702,162	687,679	(14,483)
Sanitation	164,615	174,000	234,465	60,465
Tap Fees	148,800	148,800	378,500	229,700
Reconnect Fees	45,000	45,000	48,221	3,221
Meter Installation Fees	-	-	3,000	3,000
Miscellaneous	306,516	380,972	353,098	(27,874)
Total Operating Revenues	<u>3,518,123</u>	<u>3,685,964</u>	<u>3,783,802</u>	<u>97,838</u>
 OPERATING EXPENSES:				
Water Department:				
Personnel Services	223,110	227,110	225,768	1,342
Materials and Supplies	187,091	174,791	152,245	22,546
Other Services	817,986	830,086	780,193	49,893
Total Water Department	<u>1,228,187</u>	<u>1,231,987</u>	<u>1,158,206</u>	<u>73,781</u>
 Sewer Department:				
Materials and Supplies	7,700	7,700	2,496	5,204
Other Services	787,497	1,011,532	673,838	337,694
Total Sewer Department	<u>795,197</u>	<u>1,019,232</u>	<u>676,334</u>	<u>342,898</u>
 Sanitation Department:				
Other Services	164,615	174,000	169,316	4,684
Total Sanitation Department	<u>164,615</u>	<u>174,000</u>	<u>169,316</u>	<u>4,684</u>
 Billing Department:				
Personnel Services	134,565	135,565	139,018	(3,453)
Materials and Supplies	57,851	68,351	75,306	(6,955)
Other Services	5,866	6,266	7,196	(930)
Total Billing Department	<u>198,282</u>	<u>210,182</u>	<u>221,520</u>	<u>(11,338)</u>
 Total Operating Expenses	<u>2,386,281</u>	<u>2,635,401</u>	<u>2,225,376</u>	<u>410,025</u>
 Operating Income (Loss)	<u>\$ 1,131,842</u>	<u>1,050,563</u>	<u>1,558,426</u>	<u>507,863</u>

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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, 2012
-continued-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	226,788	226,788	246,788	20,000
Interest Income	5,000	5,000	34,968	29,968
Interest Expense	<u>(596,464)</u>	<u>(568,964)</u>	<u>(529,804)</u>	<u>39,160</u>
Total Nonoperating Revenues (Expenses)	<u>(364,676)</u>	<u>(337,176)</u>	<u>(248,048)</u>	<u>89,128</u>
Net Income (Loss) Before Transfers	767,166	713,387	1,310,378	596,991
Transfers In	-	-	-	-
Transfers Out	<u>(218,892)</u>	<u>(218,892)</u>	<u>(218,892)</u>	<u>-</u>
Change in Net Assets	548,274	494,495	1,091,486	596,991
Net Assets - Beginning	<u>3,420,929</u>	<u>3,420,929</u>	<u>3,420,929</u>	<u>-</u>
Net Assets - Ending	<u><u>\$ 3,969,203</u></u>	<u><u>3,915,424</u></u>	<u><u>4,512,415</u></u>	<u><u>596,991</u></u>

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STATISTICAL SECTION

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

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Financial Trends	78
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity	85
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These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water & sewer revenues.

Debt Capacity	96
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information	104
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information.....	108
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 568	\$ 394	2,052	4,614
Restricted	-	1,435	3,507	751
Assigned	-	-	-	-
Unrestricted	1,282	375	251	1,556
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
Assigned	-	\$ -	-	-
Unrestricted	357	449	1,524	1,267
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
Assigned	-	-	-	-
Unrestricted	1,639	824	1,775	2,823
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>	<u>2012</u>
1,304	3,250	6,076	6,510	7,054
4,362	68	109	1,510	1,328
-	-	-	-	57
<u>1,738</u>	<u>4,528</u>	<u>3,553</u>	<u>1,218</u>	<u>1,281</u>
<u>7,404</u>	<u>7,846</u>	<u>9,738</u>	<u>9,238</u>	<u>9,720</u>

2,374	1,884	1,391	1,702	1,562
-	-	-	-	13
<u>1,261</u>	<u>697</u>	<u>1,268</u>	<u>1,719</u>	<u>2,513</u>
<u>3,635</u>	<u>2,581</u>	<u>2,659</u>	<u>3,421</u>	<u>4,088</u>

3,678	5,134	7,467	8,212	8,616
4,362	68	109	1,510	1,328
-	-	-	-	70
<u>2,999</u>	<u>5,225</u>	<u>4,821</u>	<u>2,937</u>	<u>3,794</u>
<u>11,039</u>	<u>10,427</u>	<u>12,397</u>	<u>12,659</u>	<u>13,808</u>

CITY OF MELISSA
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2004	2005	2006	2007
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	-	-	3,233	264
Total Governmental Activities	<u>986</u>	<u>1,461</u>	<u>4,649</u>	<u>1,555</u>
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	<u>1,210</u>	<u>1,632</u>	<u>2,264</u>	<u>1,989</u>
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>	<u>2012</u>
1,736	1,696	1,661	1,893	2,054
919	990	1,055	1,067	1,238
520	384	242	487	789
381	371	397	445	441
335	495	1,100	828	762
<u>3,891</u>	<u>3,936</u>	<u>4,455</u>	<u>4,720</u>	<u>5,284</u>
1,619	2,747	2,447	2,438	3,011
133	194	166	175	169
<u>1,752</u>	<u>2,941</u>	<u>2,613</u>	<u>2,613</u>	<u>3,180</u>
<u>5,643</u>	<u>6,877</u>	<u>7,068</u>	<u>7,333</u>	<u>8,464</u>
294	248	255	247	417
463	447	388	525	573
1	-	2	2	5
420	67	112	91	100
304	-	2,067	29	1,008
<u>1,482</u>	<u>762</u>	<u>2,824</u>	<u>894</u>	<u>2,103</u>
2,102	1,789	2,264	2,846	3,196
176	199	210	220	234
<u>2,278</u>	<u>1,988</u>	<u>2,474</u>	<u>3,066</u>	<u>3,430</u>
<u>3,760</u>	<u>2,750</u>	<u>5,298</u>	<u>3,960</u>	<u>5,533</u>
(2,409)	(3,174)	(1,631)	(3,826)	(3,181)
526	(953)	(139)	453	250
<u>(1,883)</u>	<u>(4,127)</u>	<u>(1,770)</u>	<u>(3,373)</u>	<u>(2,931)</u>

-continued-

CITY OF MELISSA
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)
-continued-

	Fiscal Year			
	2004	2005	2006	2007
GENERAL REVENUES & 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	142	133	175	170
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	(142)	(133)	(175)	(170)
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>	<u>2012</u>
1,617	2,133	2,143	2,117	2,217
672	507	406	472	641
132	147	193	216	247
1	1	-	-	-
134	301	258	36	33
-	271	263	265	236
141	51	57	100	82
1	11	-	-	(12)
195	194	203	120	219
<u>2,893</u>	<u>3,616</u>	<u>3,523</u>	<u>3,326</u>	<u>3,663</u>
126	73	55	17	35
-	-	230	206	247
2	21	135	207	353
21	-	-	-	-
(195)	(194)	(203)	(120)	(219)
<u>(46)</u>	<u>(100)</u>	<u>217</u>	<u>310</u>	<u>416</u>
<u>2,847</u>	<u>3,516</u>	<u>3,740</u>	<u>3,636</u>	<u>4,079</u>
484	442	1,892	(500)	482
<u>480</u>	<u>(1,053)</u>	<u>78</u>	<u>763</u>	<u>666</u>
<u>964</u>	<u>(611)</u>	<u>1,970</u>	<u>263</u>	<u>1,148</u>

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2005	\$ 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
2012	\$ 2,217	641	247	-	3,105

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal 2006</u>
General Fund				
Nonspendable	\$ -	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>113</u>	<u>292</u>	<u>240</u>	<u>254</u>
Total General Fund	<u><u>\$ 113</u></u>	<u><u>292</u></u>	<u><u>240</u></u>	<u><u>254</u></u>
All Other Governmental Funds				
Restricted	<u>\$ -</u>	<u>973</u>	<u>1,575</u>	<u>3,508</u>
Total All Other Governmental Funds	<u><u>\$ -</u></u>	<u><u>973</u></u>	<u><u>1,575</u></u>	<u><u>3,508</u></u>

Note:

- (1) The City of Melissa implemented Governmental Accounting Standards Board Statement Number 54 for the fiscal year ended September 30, 2011. Years 2003-2010 have been restated to comply with GASB Statement Number 54.

Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
-	-	-	-	15	17
-	16	31	39	48	64
-	-	-	-	-	57
<u>1,582</u>	<u>1,797</u>	<u>1,281</u>	<u>1,353</u>	<u>1,333</u>	<u>1,319</u>
<u>1,582</u>	<u>1,813</u>	<u>1,312</u>	<u>1,392</u>	<u>1,396</u>	<u>1,457</u>
<u>751</u>	<u>4,362</u>	<u>10,254</u>	<u>2,404</u>	<u>1,462</u>	<u>1,264</u>
<u>751</u>	<u>4,362</u>	<u>10,254</u>	<u>2,404</u>	<u>1,462</u>	<u>1,264</u>

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

	Fiscal			
	2003	2004	2005	2006
REVENUES				
Taxes	\$ 1,045	1,245	1,432	1,790
Licenses and Permits	280	518	508	671
Intergovernmental	179	137	522	-
Charges for Services	-	-	-	1
Fines	220	290	339	394
Investments Earnings	10	5	58	176
Contributions	40	40	92	3,584
Miscellaneous	76	17	144	212
Total Revenues	<u>1,850</u>	<u>2,252</u>	<u>3,095</u>	<u>6,828</u>
 EXPENDITURES				
General Government	950	1,212	1,587	4,210
Public Safety	509	500	628	691
Streets	284	91	144	181
Culture and Recreation	55	177	201	445
Capital Outlay	350	461	969	1,090
Debt Service:				
Principal	78	123	141	112
Interest	40	89	109	162
Total Expenditures	<u>2,266</u>	<u>2,653</u>	<u>3,779</u>	<u>6,891</u>
 Excess of Revenues Over/(Under) Expenditures	<u>(416)</u>	<u>(401)</u>	<u>(684)</u>	<u>(63)</u>
 OTHER FINANCING SOURCES (USES)				
Transfers In	267	142	133	175
Transfers Out	-	-	-	-
Note Issued	-	-	-	-
Bonds Issued	-	1,400	950	1,635
Insurance Recoveries	-	-	-	15
Capital Leases	-	27	145	182
Sale of Capital Assets	-	-	6	1
Total Other Financing Sources (Uses)	<u>267</u>	<u>1,569</u>	<u>1,234</u>	<u>2,008</u>
 Net Change in Fund Balances	<u>(149)</u>	<u>1,168</u>	<u>550</u>	<u>1,945</u>
 Debt Service as a Percentage of Noncapital Expenditures	5.7%	9.6%	8.8%	5.1%

Year					
2007	2008	2009	2010	2011	2012
1,966	2,440	2,781	2,766	2,802	3,068
392	294	206	245	235	417
300	505	313	2,303	307	236
2	1	2	2	2	6
476	463	445	387	524	573
205	134	301	258	36	33
385	218	67	149	91	1,107
43	124	51	58	100	82
<u>3,769</u>	<u>4,179</u>	<u>4,166</u>	<u>6,168</u>	<u>4,097</u>	<u>5,522</u>
1,556	1,631	1,662	1,564	1,585	1,740
735	804	859	903	924	1,121
150	258	355	213	232	279
208	290	280	306	355	353
2,883	2,511	4,713	9,592	677	1,640
289	310	497	537	549	568
277	311	487	1,073	833	813
<u>6,098</u>	<u>6,115</u>	<u>8,853</u>	<u>14,188</u>	<u>5,155</u>	<u>6,514</u>
<u>(2,329)</u>	<u>(1,936)</u>	<u>(4,687)</u>	<u>(8,020)</u>	<u>(1,058)</u>	<u>(992)</u>
170	195	1,094	983	803	844
-	-	(900)	(780)	(684)	(625)
105	-	-	-	-	-
-	5,230	9,840	-	-	500
9	17	-	-	-	-
-	331	34	39	-	109
696	3	11	8	-	27
<u>980</u>	<u>5,776</u>	<u>10,079</u>	<u>250</u>	<u>119</u>	<u>855</u>
<u>(1,349)</u>	<u>3,840</u>	<u>5,392</u>	<u>(7,770)</u>	<u>(939)</u>	<u>(137)</u>
17.5%	15.9%	23.9%	35.0%	30.9%	39.5%

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
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
2012	\$ 2,181	640	247	-	3,068

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

Fiscal Year Ended September 30	Real Property		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential	Commercial			
2003	N/A	N/A	N/A	116,165	0.430000
2004	N/A	N/A	N/A	130,272	0.437969
2005	N/A	N/A	N/A	150,556	0.490215
2006	N/A	N/A	N/A	197,354	0.520000
2007	189,676	61,481	14,650	236,507	0.520000
2008	253,408	71,814	17,033	308,189	0.520000
2009	277,679	75,976	17,097	336,558	0.610000
2010	283,842	87,460	29,637	341,665	0.610000
2011	289,495	84,077	31,807	341,765	0.610000
2012	\$ 299,967	84,719	32,018	352,668	0.610000

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

Fiscal Year	City of Melissa		Total	Melissa Independent School District	Collin County	Collin County College District	Total
	General Fund	Debt Service Fund					
2003	0.430000	0.000000	0.430000	1.695624	0.250000	0.091946	2.467570
2004	0.437969	0.000000	0.437969	1.878870	0.250000	0.091932	2.658771
2005	0.447532	0.042683	0.490215	1.990000	0.250000	0.090646	2.820861
2006	0.452110	0.067890	0.520000	1.910000	0.250000	0.089422	2.769422
2007	0.439795	0.080205	0.520000	1.780000	0.245000	0.087683	2.632683
2008	0.459435	0.060565	0.520000	1.535000	0.245000	0.086984	2.386984
2009	0.436756	0.173244	0.610000	1.540000	0.242500	0.086493	2.478993
2010	0.435000	0.175000	0.610000	1.540000	0.242500	0.086300	2.478800
2011	0.431322	0.178678	0.610000	1.540000	0.240000	0.086300	2.476300
2012	0.437740	0.172260	0.610000	1.540000	0.240000	0.086300	2.476300

Source: Collin County Central Appraisal District.

CITY OF MELISSA
Principal Property Taxpayers
September 30, 2012

<u>Taxpayer</u>	<u>2012</u>		<u>Percentage of Total Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	
Lattimore Materials Co, LP	\$ 2,535,288	1	0.70%
Hillwood RLD, LP	2,413,288	2	0.66%
Phillips Properties, LTD	2,243,937	3	0.62%
First National Bank of Trenton	2,104,819	4	0.58%
CMC Steel Fabricators, Inc.	1,960,585	5	0.54%
McKinney Lumber Company, LLC	1,919,496	6	0.53%
Oncor Electric Delivery Company	1,753,300	7	0.48%
HFG VOM, LP	1,655,680	8	0.46%
Alpha Industries, Inc.	1,578,372	9	0.43%
D R Horton - Texas Ltd.	<u>1,574,944</u>	10	<u>0.43%</u>
	<u>\$ 19,739,709</u>		<u>5.43%</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>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2003	2002	\$ 499,508	493,940	98.88%	\$ 5,568	499,508	100.00%
2004	2003	595,570	589,238	98.94%	6,332	595,570	100.00%
2005	2004	738,048	723,108	97.98%	6,081	729,189	98.80%
2006	2005	1,027,282	1,005,165	97.85%	10,326	1,015,491	98.85%
2007	2006	1,230,154	1,222,950	99.41%	7,204	1,230,154	100.00%
2008	2007	1,603,175	1,585,293	98.88%	17,882	1,603,175	100.00%
2009	2008	2,089,744	2,035,210	97.39%	42,800	2,078,010	99.44%
2010	2009	2,095,958	2,068,894	98.71%	27,064	2,095,958	100.00%
2011	2010	2,084,767	2,058,297	98.73%	30,679	2,088,976	98.73%
2012	2011	2,135,747	2,122,966	99.40%	-	2,122,966	99.40%

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>
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
2012	\$ 2,079	688	234	3,001

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	
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
2012	18,630	-	348	12,374	1,060	115	32,527

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 104 for personal income and population data.

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

Percentage of Personal Income¹	Per Capita¹
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
N/A	5,421

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Gross Property Value¹ of Property	Per Capita²
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	19,487	5.18%	3,883
2010	19,005	71	19,076	5.09%	3,641
2011	18,530	97	18,627	5.05%	3,351
2012	\$ 18,630	116	18,746	5.32%	3,124

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 91 for property value data

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

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

CITY OF MELISSA
Direct and Overlapping Governmental Activities Debt
As of September 30, 2012
(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.	\$ 37,908	77.09%	\$ 29,223
Collin County	393,210	0.46%	1,809
Collin County College District	40,210	0.46%	<u>185</u>
Total Overlapping Debt			31,217
City of Melissa Direct Debt			<u>7,640</u>
Total Direct and Overlapping Debt			<u><u>\$ 38,857</u></u>

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

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

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

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

	<u>Fiscal</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	N/A	N/A	N/A	N/A
Total Net Debt Applicable to Limit	N/A	N/A	N/A	N/A
Legal Debt Margin	N/A	N/A	N/A	N/A
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	N/A	N/A	N/A	N/A

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

N/A: Data not available for years 2002-2006 at the time of this publication.

Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 32,522	35,748	37,466	37,195	37,357	35,267
<u>5,035</u>	<u>10,020</u>	<u>19,413</u>	<u>18,934</u>	<u>18,433</u>	<u>18,514</u>
<u>\$ 27,487</u>	<u>25,728</u>	<u>18,053</u>	<u>18,261</u>	<u>18,924</u>	<u>16,753</u>
15.48%	28.03%	51.81%	50.90%	49.34%	52.50%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	\$ 352,668
Add Back: Exempt Real Property	<u>32,018</u>
Total Assessed Value	384,686
Debt Limit (10% of Total Assessed Value)	35,267
Debt Applicable to Limit:	
General Obligation Bonds	18,630
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>(116)</u>
Total Net Debt Applicable to Limit	<u>18,514</u>
Legal Debt Margin	<u>\$ 16,753</u>

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

<u>Fiscal Year</u>	<u>Water and Sewer Revenue Bonds</u>					
	<u>Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
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
2012	\$ 4,066	2,225	1,841	473	530	1.84

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CITY OF MELISSA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Estimated Population	Personal Income (Amounts Expressed in Thousands)	(2) Per Capita Personal Income	(1) Average Age	(4) School Enrollment	(3) Unemployment Rate
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	7.3%
2011	5,500	N/A	N/A	32.4	1,586	7.0%
2012	6,000	N/A	N/A	32.9	1,707	6.1%

Date Sources:

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

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

CITY OF MELISSA
Principal Employers
Current Year

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Melissa ISD	206	1	27.00%
Kirk Concrete Construction, Inc.	109	2	14.29%
Calhar Utility Contractors	88	3	11.53%
Alpha Industries Fabricated Structural Steel	59	4	7.73%
City of Melissa	41	5	5.37%
Sonic Drive-In	24	6	3.15%
Mudpies & Lullabies	23	7	3.01%
Bee Builde `	23	8	3.01%
McKinney Lumber	21	9	2.75%
Race Trac	<u>20</u>	10	<u>2.62%</u>
Total	<u><u>614</u></u>		<u><u>80.46%</u></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 Nine Fiscal Years

	Fiscal			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
FUNCTION				
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</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: Date for fiscal years 2002-2003 not available at the time of this publication.

Year				
2008	2009	2010	2011	2012
6.0	6.0	6.0	6.0	6.5
9.5	9.5	9.5	9.5	9.0
2.5	2.5	2.5	2.5	2.5
0.5	1.5	1.5	2.0	2.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
2.0	1.0	1.0	1.0	1.0
2.5	2.0	2.0	2.0	2.0
4.0	4.0	4.0	4.0	4.0
3.0	3.0	3.0	3.0	3.0
32.0	31.5	31.5	32.0	32.0

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

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

Sources: Various government departments

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

Year	
2011	2012
6	1
986,743	1,013,460
101	205
18,458,520	37,994,370
135	154
121	223
2,973	2,623
	-
300	775
3	30
521	900
50	70
70	125
2,932	2,871
8,538	2,980
8	15
19	12
71	193
609,694	764,688
665,422	654,121
60	63

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

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

Sources: Various city departments.

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

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

2012

1.00
1.00

53.00
16.95

31.00

47.25
370.00

1,375.00

42.94