

2019

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

CITY OF MELISSA, TEXAS
3411 Barker Avenue | Melissa, TX 75454
972.838.2338 | www.cityofmelissa.com

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Melissa, Texas

**For the Year Ended
September 30, 2019**

Prepared by:

Jason Little
City Manager

Gail Dansby
Director of Finance

City of Melissa, Texas

TABLE OF CONTENTS

September 30, 2019

INTRODUCTORY SECTION

Letter of Transmittal	i
Organizational Chart	viii
List of Elected and Appointed Officials	ix
GFOA Certificate of Achievement for Excellence in Financial Reporting	x

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	7

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	22
Statement of Activities	26

Fund Financial Statements

Governmental Funds:

Balance Sheet	28
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental funds	31
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35

Proprietary Funds:

Statement of Net Position	36
Statement of Revenues, Expenses, and Changes in Fund Net Position	38
Statement of Cash Flows	39

Notes to Financial Statements

41

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Fund	82
Schedule of Changes in Net Pension Liability and Related Ratios	84
Schedule of Employer Contributions to Pension Plan	86
Schedule of Changes in OPEB Liability and Related Ratios	88

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual:	
Debt Service Fund	90
TIF Fund	91
Balance Sheet – Discretely Presented Component Units	92
Reconciliation of Balance Sheet to the Statement of Net Position -	
Discretely Presented Component Units	93
Schedule of Revenues, Expenditures, and Changes in Fund Balances -	
Discretely Presented Component Units	94
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Discretely Presented Component Units to the Statement of Activities	95

STATISTICAL SECTION

Net Position by Component	98
Changes in Net Position	100
Fund Balances, Governmental Funds	104
Changes in Fund Balance, Governmental Funds	106
Assessed Value and Estimated Actual Value of Taxable Property	108
Property Tax Rates – Direct and Overlapping Governments	111
Principal Property Tax Payers	112
Property Tax Levies and Collections	115
Ratios of Outstanding Debt by Type	116
Ratio of General Bonded Debt Outstanding	118
Direct and Overlapping Governmental Activities Debt	119
Legal Debt Margin Information	120
Pledged-Revenue Coverage	122
Demographic and Economic Statistics	123
Principal Employers	125
Full-Time Equivalent City Employees by Function/Program	126
Operating Indicators by Function/Program	128
Capital Asset Statistics by Function/Program	130

INTRODUCTORY SECTION

(This page intentionally left blank.)



February 14, 2020

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, 2019. 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.

City of Melissa
3411 Barker Avenue
Melissa, TX 75454

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

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 BrooksWatson & Company, PLLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2019, 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 unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2019, 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 14,000. 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 2020 population estimate is approximately 14,000 residents. People continue to relocate to Melissa because it is a great place to live, attend quality schools, and raise a family, and the City has taken the initiative through comprehensive planning to define what it wants to look like in the face of the future growth.

The City continues to focus on the development of its infrastructure systems through a systematic and planned approach. The City felt that being prepared for the growth in the community will allow the City to grow at the pace and standards it wants. Beginning in 2006, the City adopted its first ever Comprehensive Plan to set the ground work for action planning in the future. In early 2007, staff began planning for the infrastructure that would be needed if the City grows at the pace the Comprehensive Plan anticipates. The City has since adopted Capital Improvement Programs (CIP's) for transportation, water/wastewater and parks/trails system. Both the Comprehensive Plan and CIP's were reviewed, updated and adopted in 2015 and look at the needs and priorities for the community for the next ten years.

The CIP models are built upon the projects that will be needed over the next ten year planning period if the assumed growth is consistent with the Comprehensive Plan projections. Projects are initiated by need or stress placed upon the system by growth. Examples of these triggers include the growth in the tax base or increased water customers. In addition to the tangible triggers, the City Council will also evaluate the subjective factors such as general economic conditions, leveraging of City funds with outside sources, and economic development opportunities. This data, both objective and subjective, are used by the City Council when initiating a project. The models are also built with flexibility in the project schedule. If the triggers do not materialize in a given year, 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.

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 FY20 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. The Comprehensive Plan was updated and adopted in 2015 and is available on the City's website at www.cityofmelissa.com. The Comprehensive Plan is reviewed for any implementation priorities during each budget cycle.

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. The FY 19 budget will provide funds to complete the 2007 Transportation Bond Program by allocating funds for the reconstruction of Melissa Road from SH 5 to SH 121. The FY 19 budget will also allocate funding for the construction of the City's second elevated water storage tank. The continued investment in the CIP's in future years will be evaluated at that time based on the growth and Council priorities.

Strategic Planning:

Overview: The City Council reconfirmed their Vision, Mission, and Strategic Priorities in January 2019. These guidelines direct staff on Council work priorities that address community needs and the implementation of new laws that were passed during the 86th State Legislative session.

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, September 30, 2011, September 30, 2012, September 30, 2013, September 30, 2014, September 30, 2015, September 30, 2016, September 30, 2017, September 30, 2018 and will be submitting the CAFR for the fiscal year ended September 30, 2019.

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, 2019. This is the eleventh 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 2020 will be submitted for the Distinguished Budget Award.

Acknowledgements:

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 BrooksWatson & Company, PLLC 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,



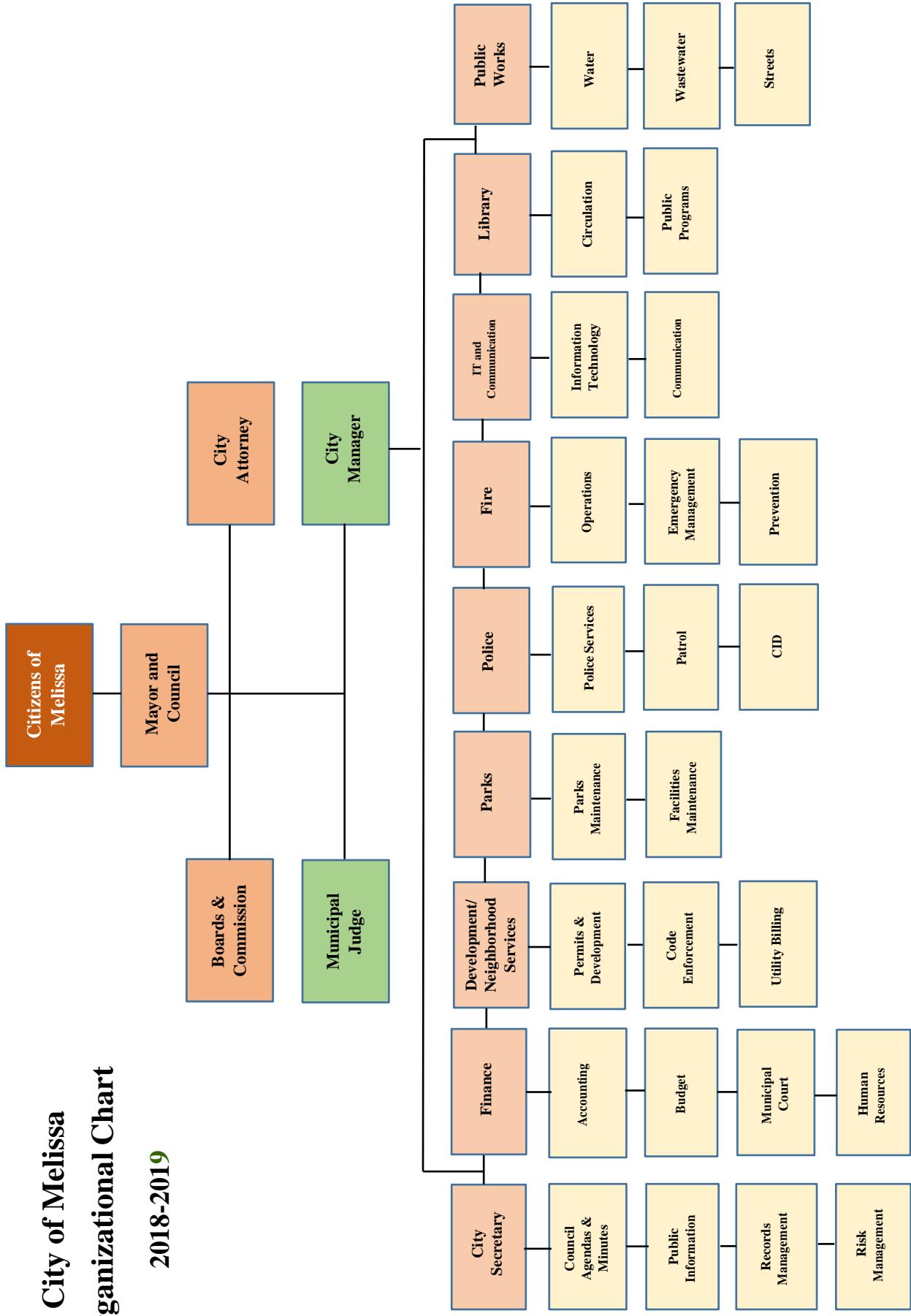
Jason Little, City Manager



Gail Dansby, Finance Director

Organizational Char City of Melissa

2018-2019



CITY OF MELISSA, TEXAS

List of Elected and Appointed Officials



FISCAL YEAR 2019

OCTOBER 1, 2018- SEPTEMBER 30, 2019

THE MAYOR AND THE CITY COUNCIL

**MAYOR
REED GREER**

**MAYOR PRO TEM
JAY NORTHCUT**

CITY COUNCIL MEMBERS

**NICCO WARREN
SHANNON SWEAT
STACY JACKSON
CHAD TAYLOR
CRAIG ACKERMAN**

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 – Tyler Brewer
City Librarian – Lorelei Perkins
Public Works Director – Jeff Cartwright
Human Resources Coordinator – Mitzi McCabe



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Melissa
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

(This page intentionally left blank.)



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Melissa, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's undivided interest in utility assets and liabilities, which represent 25 percent, 21 percent, and 34 percent, respectively, of the assets, liabilities and net position of the utility fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the undivided interest, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note IV.F to the financial statements, the City restated its beginning net position within business-type activities to recognize a contribution receivable not recorded in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and the schedule of changes in the other postemployment benefits liability and related ratios, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express

an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Brooks Watson & Co." The signature is fluid and cursive, with "Brooks" and "Watson" connected by a horizontal stroke, and "& Co." following in a smaller, separate flourish.

BrooksWatson & Co., PLLC

Certified Public Accountants

Houston, Texas

February 14, 2020

(This page intentionally left blank.)

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

(This page intentionally left blank.)

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

As management of the City of Melissa, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. 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 i-v of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2019 by \$48,834,489.
- The City's total net position increased by \$4,590,041. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$23,131,068 at September 30, 2019, a decrease of \$10,631,730 from the prior fiscal year; this includes an increase of \$552,631 in the general fund, an increase of \$282,097 in the debt service fund, a decrease of \$4,224,613 in the transportation construction fund, a decrease of \$7,423,292 in the park construction fund, and an increase of \$181,447 in the nonmajor fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,535,492 or 32% of total general fund operating expenditures.
- The City's outstanding bonds and certificates of obligation payable decreased by \$3,673,750 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$80,371,747, including premiums.
- The City's net pension liability totaled \$1,784,883 as of year end.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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 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 include general government, culture and recreation, community development, public safety, and public works. The business-type activities of the City include water and sewer, airport, and cemetery operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Melissa Economic Development Corporation and Community Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

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 maintains five individual 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, transportation construction, and park construction funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, special revenue, and utility funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 28-33 of this report.

Proprietary Funds

The City maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its public utilities operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements 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 and sewer fund since it is considered a major fund of the City.

The basic proprietary fund financial statements can be found on pages 36-40 of this report.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

Component Units

The City maintains the accounting and financial statements for two component units. The Melissa Community and Economic Development Corporations are discretely presented component units displayed on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire 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 41-80 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's changes in net pension liability and employer contributions to the plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Melissa, Texas, assets exceed liabilities by \$48,834,489 as of September 30, 2019, in the primary government.

The largest portion of the City's net position, \$27,737,415, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 assets themselves cannot be used to liquidate these liabilities.

City of Melissa, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2019

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 26,064,323	\$ 15,588,758	\$ 41,653,081	\$ 35,507,621	\$ 18,504,641	\$ 54,012,262
Capital assets, net	64,831,281	29,314,191	94,145,472	53,351,433	26,434,701	79,786,134
Total Assets	90,895,604	44,902,949	135,798,553	88,859,054	44,939,342	133,798,396
Deferred Outflows of Resources	1,003,163	137,967	1,141,130	892,324	128,299	1,020,623
Other liabilities	5,315,810	3,470,066	8,785,876	4,347,098	3,666,897	8,013,995
Long-term liabilities	51,779,589	27,527,043	79,306,632	53,473,947	28,978,056	82,452,003
Total Liabilities	57,095,399	30,997,109	88,092,508	57,821,045	32,644,953	90,465,998
Deferred Inflows of Resources	11,218	1,468	12,686	94,918	13,655	108,573
Net Position:						
Net investment in capital assets	22,148,391	5,589,024	27,737,415	21,080,680	4,654,886	25,735,566
Restricted	8,659,598	3,797,047	12,456,645	7,221,363	2,947,335	10,168,698
Unrestricted	3,984,161	4,656,268	8,640,429	3,533,372	4,806,812	8,340,184
Total Net Position	\$ 34,792,150	\$ 14,042,339	\$ 48,834,489	\$ 31,835,415	\$ 12,409,033	\$ 44,244,448

Governmental activities current assets decreased by \$9,443,298 due primarily to prior year bond money being spent on capital asset improvements in the current year. Governmental activities capital assets increased by \$11,479,848 due to the investment in several major ongoing capital projects. Other liabilities for governmental activities increased by \$968,712 primarily due to greater third party vendor payables and recognition of unearned grant revenue in the current year. Long-term liabilities for governmental activities decreased by \$1,694,358 due to current year principal payments. Long-term liabilities for business-type activities decreased by \$1,451,013 due to principal payments occurring in the current year. Deferred inflows of resources for the City decreased by \$95,887 when compared to the prior year. This decrease is attributable to pension investment earnings, which was classified as a deferred inflow in the prior year and is a deferred outflow in the current year.

City of Melissa, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2019

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 3,733,989	\$ 8,474,164	\$ 12,208,153	\$ 5,149,682	\$ 7,961,904	\$ 13,111,586
Operating grants	1,220,513	227,850	1,448,363	1,140,732	228,288	1,369,020
Capital grants	700,000	-	700,000	4,935,000	3,840,000	8,775,000
General revenues:						
Property tax	6,559,400	-	6,559,400	5,679,005	-	5,679,005
Sales tax	1,392,863	-	1,392,863	1,324,418	-	1,324,418
Franchise and local taxes	568,368	-	568,368	479,301	-	479,301
Investment income	427,671	163,597	591,268	145,628	34,554	180,182
Other revenues	966,489	982,856	1,949,345	1,276,766	979,630	2,256,396
Total Revenues	15,569,293	9,848,467	25,417,760	20,130,532	13,044,376	33,174,908
Expenses						
General government	3,671,577	-	3,671,577	3,751,080	-	3,751,080
Public safety	3,346,265	-	3,346,265	3,413,863	-	3,413,863
Streets	2,505,395	-	2,505,395	1,500,213	-	1,500,213
Culture and recreation	1,523,189	-	1,523,189	1,001,834	-	1,001,834
Interest and fiscal charges	1,742,449	1,062,581	2,805,030	1,399,320	929,290	2,328,610
Water and sewer	-	6,496,769	6,496,769	-	5,807,140	5,807,140
Sanitation	-	479,494	479,494	-	418,305	418,305
Total Expenses	12,788,875	8,038,844	20,827,719	11,066,310	7,154,735	18,221,045
Change in Net Position						
Before Transfers	2,780,418	1,809,623	4,590,041	9,064,222	5,889,641	14,953,863
Transfers	176,317	(176,317)	-	296,000	(296,000)	-
Total	176,317	(176,317)	-	296,000	(296,000)	-
Change in Net Position	2,956,735	1,633,306	4,590,041	9,360,222	5,593,641	14,953,863
Beginning Net Position	31,835,415	12,409,033	44,244,448	22,475,193	6,815,392	29,290,585
Ending Net Position	\$ 34,792,150	\$ 14,042,339	\$ 48,834,489	\$ 31,835,415	\$ 12,409,033	\$ 44,244,448

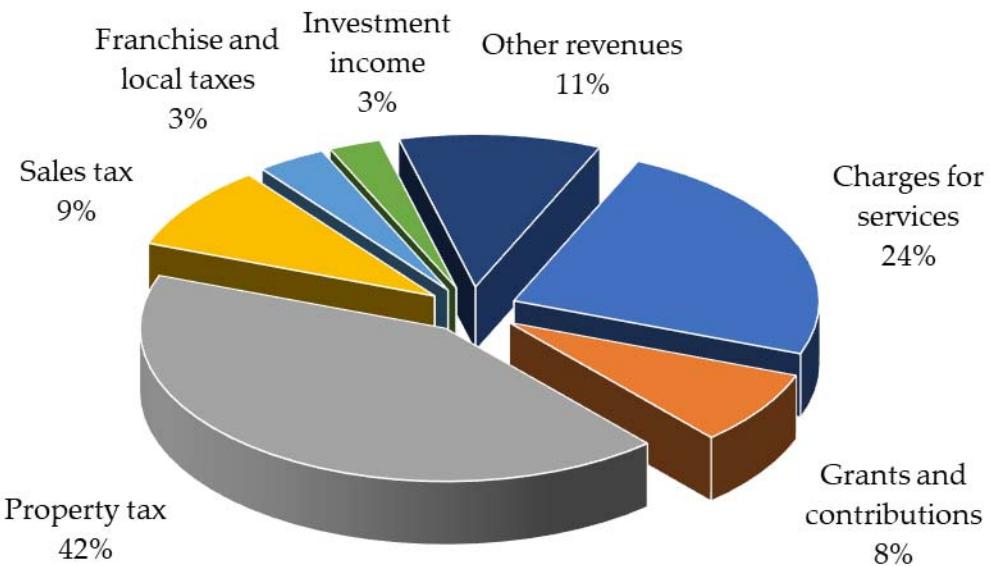
City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities Revenues



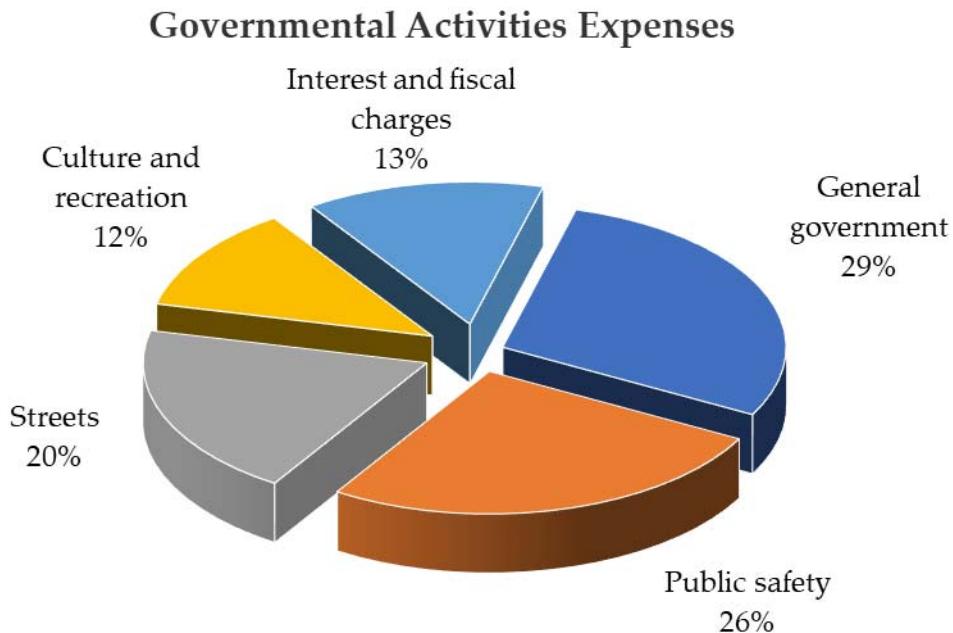
For the year ended September 30, 2019, revenues from governmental activities totaled \$15,569,293. Property tax, sales tax, and charges for services were the City's largest general revenue sources. Overall revenue decreased \$4,561,239 or 23% from the prior year. This decrease is primarily due to an overall decrease in grants of \$4,155,219. Grants decreased primarily due to a nonrecurring \$4,935,000 grant received from Collin County in the prior year for the purpose of road construction. Charges for services decreased by \$1,415,693 primarily as a result of decreased city licenses and permits and declining road impact fees. Property tax revenue increased by \$880,395 due to an increase in the overall taxable property values. Sales tax and franchise tax revenue increased by \$68,445 and \$89,067, respectively primarily due to increase economic growth. Investment income increased by \$282,043 due primarily to greater interest-bearing cash accounts compared to the prior year. Other revenue decreased by \$310,277 due to less park development fee revenue in the current year.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2019, expenses for governmental activities totaled \$12,788,875. This represents an increase of \$1,722,565 or 16% from the prior year. The City's largest functional expense is general government totaling \$3,671,577. General government decreased slightly by \$79,503 or 2% when compared to the prior year, which is considered minimal. Street expenditures increased by \$1,005,182 or 67% primarily due to increases in street maintenance expenditures and current year depreciation. Culture and recreation expenditures increased by \$521,355 or 52% primarily as a result of increased personnel, maintenance and park services contract expenses. Interest and fiscal charges increased by \$343,129 or 25% primarily due to the City making the first interest payment on the 2018 certificates of obligation in the current year. All remaining expenses remained relatively consistent with the previous year.

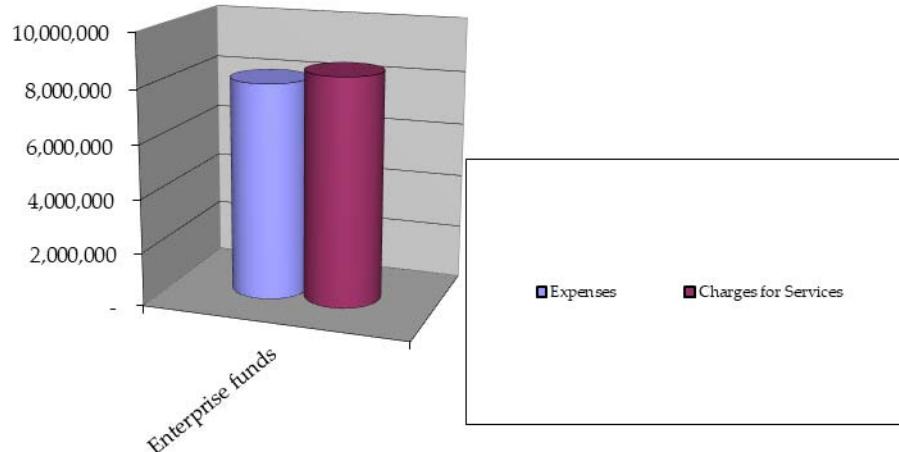
City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2019, charges for services by business-type activities totaled \$8,474,164. This is an increase of \$512,260 or 6% from the previous year. This increase directly relates to an increase in sewer and garbage consumption and a growing customer base.

Total expenses increased \$884,112 or 12% to a total of \$8,038,844. This increase is primarily attributed to increased cost of water and sewer services, sewer treatment services, and contract billing expenses. Water and sewer and interest expenses totaled \$7,559,350 and sanitation totaled \$479,494. Interest and fiscal charges increased by \$133,291 due to increases in the Greater Texoma Utility Authority bond interest requirements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

At September 30, 2019, the City's governmental funds reported combined fund balances of \$23,131,068, a decrease of \$10,631,730 in comparison with the prior year. Approximately 11% of this amount, \$2,535,492, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted or committed* to indicate that it is 1) not in spendable form \$966, 2) assigned \$2,909,828 or 3) restricted for particular purposes \$17,684,782.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

As of the end of the year the general fund reflected a total fund balance of \$11,764,340. Of this, \$6,318,054 is considered restricted and \$2,535,492 is unassigned. General fund balance increased by \$552,631. This increase can be attributed to greater than expected revenues received during the year.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$2,535,492 is 32% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$1,160,356 as of year end. Total fund balance increased by \$282,097 from the prior year due to greater than expected property taxes and intergovernmental revenues.

The transportation construction fund had an ending fund balance of \$9,462,523 at September 30, 2019, a decrease of \$4,224,613 when compared to the previous year. This decrease was a direct result of capital outlay expenditures not being offset with any revenue or transfers in.

The park construction fund had an ending fund balance of \$466,185 at September 30, 2019, a decrease of \$7,423,292 primarily due to significant capital outlay expenditures occurring during the year. Minimal revenues and transfers were received during the year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's only proprietary fund, the enterprise fund, totaled \$14,042,339. Unrestricted net position at the close of the fiscal year amounted to \$4,656,268 and a total increase in net position of \$1,633,306 from the previous year. Total investment in capital assets, net of related debt of was \$5,589,024, and capital assets, net of depreciation totaled \$29,314,191.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$1,168,317 and increasing total revenues by \$1,076,317. The primary reasons for the budget revision were due to higher than expected revenue from sales taxes, permit revenue, fines and forfeitures, and investment income. Budgeted expenditures were increased to account for inspections and engineering on new developments. As well as special projects, new capital outlay, unplanned repairs, and professional services. Total budgeted revenues of \$8,518,207 were less than actual revenues of \$11,569,265, resulting in a total positive revenue variance of \$3,051,058. The majority of this variance is a result of road impact fees not being included in the budget. In addition, actual intergovernmental and other revenues were significantly more than the budgeted amounts. Total budgeted expenditures of \$8,803,394 were less than actual expenditures of \$10,824,509, resulting in a total negative expenditure variance of \$2,021,115. This negative variance is primarily a result of capital outlay and debt services expenditures being over the budget appropriations.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$64,831,281 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$29,314,191 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

Major capital asset events during the current year include the following:

- Major construction in progress additions of the following:

100 Acre Park Phase II	\$ 5,301,089
Davis Road	\$ 3,305,838
Zadow Park upgrades	\$ 2,313,048
Melissa Road	\$ 513,782
City Hall	\$ 380,802
- 2019 Ferrara Pumper and related equipment purchased for \$634,768.
- Street and traffic equipment purchases totaling \$102,267.
- Country Ridge Park Phase I investments totaling \$257,179.
- New land purchases totaling \$711,862.
- Waterline improvements for \$254,942.
- Liberty Phase 5 offsite water improvements totaling \$92,128.
- Investment in north elevated storage tank totaling \$413,386.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

The City's outstanding bonds and certificates of obligation payable decreased by \$3,673,750 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$80,371,747, including premiums.

All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget document for Fiscal Year 2019 (FY19) was submitted to the Government Finance Officers Association of America (GFOA) Distinguished Budget Award committee and was awarded its eleventh Distinguished Budget Award. Comments submitted by the reviewers on items for improvement were addressed, and the document will be resubmitted for the FY 2020 award. The goal of the Distinguished Budget Award program is to evaluate the budget document in the context of it serving as a policy guide, operations guide, financial plan and communication document. These focus areas are intended to ensure the budget provides expanded information to anyone who reads the document, and at the same time, provides for a meaningful feedback tool to the departments and organization on how they are doing in the budget process as well.

The property tax revenue estimated for the Fiscal Year 2020 (FY20) budget is based on an ad valorem tax rate of \$.609541. In addition, a conservative collection rate of 98% of the tax rate is assumed, although the City historically collects in excess of 100% which includes delinquent taxes from previous years.

The FY19 assessed property value of the City of Melissa is approximately \$1.2 billion, an overall increase of \$176 million from the preceding year. Assessed property values have risen \$910 million since 2007. The top ten taxpayers for 2019 make up only 4.6% of the \$1.2 billion taxable appraised value compared to 9.51% in 2007.

Sales Tax is the second largest source of revenue to the City's General Fund, making up \$1,200,000 or 13% of total revenues.

The City Council remains committed to conduct an annual water rate study to ensure the rate structure pays for the debt and maintenance and operation of the water and wastewater systems. This planning effort is imperative in a community where investments in water and wastewater systems are critical to sustain the growth it is experiencing. The City receives surface water purchase from the North Texas Municipal Water District ("NTMWD") and supplements water supply with limited well water. The NTMWD delivers water to the City and treats its wastewater as well. Current wholesale rates were increased by NTMWD, and these increases are typically passed on to the customer. Volumetric rates were adjusted with data from the annual water rate study. The rates will be reviewed again next year.

Capital Improvement Planning projects and expenditures are captured in the Transportation Construction Fund and the Utility Construction Fund respectfully. The ten-year planning program for the City's Water and Wastewater Capital Improvement Program will anticipate, plan, and construct the necessary improvements for the water and wastewater system.

All these factors were considered in preparing the City of Melissa's FY20 budget.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2019

Continuing its conservative budget practice of keeping revenue forecast at least as low as the prior year and then spending any increases the next fiscal year, the City of Melissa is committed to increasing the contingency or unreserved general fund balance. The designated unreserved fund balance ended at 88 days at September 30, 2019. The Council adopted financial policy goal of at least 90 days of operating expenses for the City's General Fund. The FY 20 budget provides for an approximate increase of \$100,000 in the contingency or unreserved General Fund balance.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 3411 Barker Avenue Melissa, Texas 75454.

(This page intentionally left blank.)

FINANCIAL STATEMENTS

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2019

	Primary Government		
	Governmental Activities		Business-Type Activities
			Total
Assets			
Cash and cash equivalents	\$ 25,241,938	\$ 12,790,670	\$ 38,032,608
Receivables, net	788,179	1,713,326	2,501,505
Internal balances	33,240	(33,240)	-
Prepaid and other assets	966	1,118,002	1,118,968
	<u>26,064,323</u>	<u>15,588,758</u>	<u>41,653,081</u>
Contribution receivable, noncurrent	-	2,880,000	2,880,000
Capital assets:			
Non-depreciable	22,198,039	1,129,945	23,327,984
Net depreciable capital assets	42,633,242	25,304,246	67,937,488
Total Noncurrent Assets	<u>64,831,281</u>	<u>29,314,191</u>	<u>94,145,472</u>
Total Assets	<u>90,895,604</u>	<u>44,902,949</u>	<u>135,798,553</u>
Deferred Outflows of Resources			
Deferred charge on refunding	520,834	74,865	595,699
Pension contributions	285,254	37,319	322,573
OPEB contributions	435	57	492
Pension investment earnings	158,239	20,702	178,941
Pension (gains) losses	10,667	1,396	12,063
OPEB assumption changes	110	14	124
Pension assumption changes	27,624	3,614	31,238
Total Deferred Outflows of Resources	<u>1,003,163</u>	<u>137,967</u>	<u>1,141,130</u>

See Notes to Financial Statements.

Component Units	
Community Development	Economic Development
\$ 410,240	\$ 1,168,880
138,413	138,413
-	-
-	-
548,653	1,307,293
-	-
37,192	129,076
-	-
37,192	129,076
585,845	1,436,369
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2019

	Primary Government			Total	
	Governmental Activities	Business-Type Activities			
		Activities			
Liabilities					
Accounts payable and accrued liabilities	\$ 2,286,195	\$ 599,672	\$ 2,885,867		
Customer deposits	-	666,516	666,516		
Unearned revenue	250,000	-	250,000		
Accrued interest payable	226,308	761,848	988,156		
Compensated absences, current	142,225	10,780	153,005		
Long-term debt due within one year	2,411,082	1,431,250	3,842,332		
	<u>5,315,810</u>	<u>3,470,066</u>	<u>8,785,876</u>		
Noncurrent liabilities:					
Net pension liability	1,578,388	206,495	1,784,883		
OPEB liability	67,570	8,840	76,410		
Compensated absences, noncurrent	15,803	1,198	17,001		
Long-term debt due in more than one year	50,117,828	27,310,510	77,428,338		
	<u>51,779,589</u>	<u>27,527,043</u>	<u>79,306,632</u>		
Total Liabilities	<u>57,095,399</u>	<u>30,997,109</u>	<u>88,092,508</u>		
Deferred Inflows of Resources					
OPEB (gains) losses	11,218	1,468	12,686		
Total Deferred Inflows of Resources	<u>11,218</u>	<u>1,468</u>	<u>12,686</u>		
Net Position					
Net investment in capital assets	22,148,391	5,589,024	27,737,415		
Restricted for:					
Municipal court	84,489	-	84,489		
Debt service	1,438,020	-	1,438,020		
Capital projects	6,817,527	3,797,047	10,614,574		
PEG Fees	19,562	-	19,562		
Park improvements	300,000	-	300,000		
Economic development	-	-	-		
Unrestricted	3,984,161	4,656,268	8,640,429		
Total Net Position	<u>\$ 34,792,150</u>	<u>\$ 14,042,339</u>	<u>\$ 48,834,489</u>		

See Notes to Financial Statements.

Component Units		
Community Development	Economic Development	
\$ -	\$ 4,276	
-	-	
-	-	
-	-	
-	-	
-	-	
4,276		
-	-	
-	-	
-	-	
4,276		
-	-	
4,276		
37,192	129,076	
-	-	
-	-	
-	-	
-	-	
548,653	1,303,017	
\$ 585,845	\$ 1,432,093	

City of Melissa, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,671,577	\$ 1,795,613	\$ 395,493	\$ -
Public safety	3,346,265	434,946	96,185	-
Streets	2,505,395	1,503,430	138,889	-
Culture and recreation	1,523,189	-	589,946	700,000
Interest and fiscal charges	1,742,449	-	-	-
Total Governmental Activities	12,788,875	3,733,989	1,220,513	700,000
Business-Type Activities				
Water and sewer	7,559,350	7,903,504	227,850	-
Sanitation	479,494	570,660	-	-
Total Business-Type Activities	8,038,844	8,474,164	227,850	-
Total Primary Government	\$ 20,827,719	\$ 12,208,153	\$ 1,448,363	\$ 700,000
Component Units				
Community development	\$ 646,844	\$ -	\$ -	\$ -
Economic development	724,822	-	-	-
Total Component Units	\$ 1,371,666	\$ -	\$ -	\$ -

General Revenues:

Taxes
 Property tax
 Sales tax
 Franchise and local taxes
 Investment income
 Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Community Development	Economic Development	
\$ (1,480,471)	\$ -	\$ (1,480,471)	\$ -	\$ -	\$ -
(2,815,134)	-	(2,815,134)	-	-	-
(863,076)	-	(863,076)	-	-	-
(233,243)	-	(233,243)	-	-	-
(1,742,449)	-	(1,742,449)	-	-	-
<u>(7,134,373)</u>	<u>-</u>	<u>(7,134,373)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	572,004	572,004	-	-	-
-	91,166	91,166	-	-	-
-	663,170	663,170	-	-	-
<u>(7,134,373)</u>	<u>663,170</u>	<u>(6,471,203)</u>	<u>-</u>	<u>-</u>	<u>-</u>
			(646,844)	-	-
			-	(724,822)	
			<u>(646,844)</u>	<u>(724,822)</u>	
6,559,400	-	6,559,400	-	-	-
1,392,863	-	1,392,863	695,112	695,112	
568,368	-	568,368	-	-	-
427,671	163,597	591,268	3,994	17,096	
966,489	982,856	1,949,345	-	37,724	
176,317	(176,317)	-	-	-	-
<u>10,091,108</u>	<u>970,136</u>	<u>11,061,244</u>	<u>699,106</u>	<u>749,932</u>	
2,956,735	1,633,306	4,590,041	52,262	25,110	
31,835,415	12,409,033	44,244,448	533,583	1,406,983	
<u>\$ 34,792,150</u>	<u>\$ 14,042,339</u>	<u>\$ 48,834,489</u>	<u>\$ 585,845</u>	<u>\$ 1,432,093</u>	

City of Melissa, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Transportation Construction</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 12,745,849	\$ 1,161,308	\$ 10,257,018
Receivables, net	788,179	-	-
Prepaid items	966	-	-
Due from other funds	48,502	48	2,000
Total Assets	<u>\$ 13,583,496</u>	<u>\$ 1,161,356</u>	<u>\$ 10,259,018</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 1,172,048	\$ 1,000	\$ 779,233
Unearned grant revenue	250,000	-	-
Due to other funds	48	-	17,262
Total Liabilities	<u>1,422,096</u>	<u>1,000</u>	<u>796,495</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	97,060	-	-
Unavailable revenue - donations	300,000	-	-
Total Deferred Inflows of Resources	<u>397,060</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>			
Nonspendable:			
Prepaid items	966	-	-
Restricted for:			
Municipal court	84,489	-	-
Debt service	-	1,160,356	-
Capital projects	6,214,003	-	9,462,523
PEG Fees	19,562	-	-
Assigned for:			
Information technology	85,693	-	-
City Hall maintenance	193,063	-	-
Capital projects	510,000	-	-
Special projects	2,030,234	-	-
Economic development	80,000	-	-
Body camera	10,838	-	-
Unassigned reported in:			
General fund	2,535,492	-	-
Total Fund Balances	<u>11,764,340</u>	<u>1,160,356</u>	<u>9,462,523</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 13,283,496</u>	<u>\$ 1,161,356</u>	<u>\$ 10,259,018</u>

See Notes to Financial Statements.

Park Construction	Nonmajor		Total Governmental Funds
	TIF Fund		
\$ 800,099	\$ 277,664	\$ 25,241,938	
-	-	788,179	
-	-	966	
-	-	50,550	
\$ 800,099	\$ 277,664	\$ 26,081,633	
\$ 333,914	\$ -	\$ 2,286,195	
-	-	250,000	
-	-	17,310	
333,914	-	2,553,505	
-	-	97,060	
-	-	300,000	
-	-	397,060	
-	-	966	
-	-	84,489	
-	277,664	1,438,020	
466,185	-	16,142,711	
-	-	19,562	
-	-	85,693	
-	-	193,063	
-	-	510,000	
-	-	2,030,234	
-	-	80,000	
-	-	10,838	
-	-	2,535,492	
466,185	277,664	23,131,068	
\$ 800,099	\$ 277,664	\$ 25,781,633	

(Page intentionally left blank.)

City of Melissa, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2019

Fund Balances - Total Governmental Funds \$ 23,131,068

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	22,198,039
Capital assets - net depreciable	42,633,242

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property taxes	97,060
Donations	300,000

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.

Deferred charge on refunding	520,834
Pension contributions	285,254
OPEB contributions	435
Pension investment earnings	158,239
Pension (gains) losses	10,667
Pension assumption changes	27,624
OPEB assumption changes	110

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

OPEB (gains) losses (11,218)

Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.

Net pension liability	(1,578,388)
OPEB liability	(67,570)
Accrued interest	(226,308)
Bond premium	(1,534,987)
Compensated absences	(158,028)
Non-current liabilities due in one year	(2,411,082)
Non-current liabilities due in one year	(10,520,341)

See Notes to Financial Statements

City of Melissa, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	General	Debt Service	Transportation Construction
Revenues			
Property tax	\$ 3,766,254	\$ 1,763,199	\$ -
Sales tax	1,392,863	-	-
Franchise and local taxes	568,368	-	-
Road impact fees	1,503,430	-	-
License and permits	1,385,054	-	-
Charges for services	73,916	-	-
Fines and forfeitures	434,946	-	-
Platting and development	336,643	-	-
Intergovernmental	465,467	755,046	-
Lease revenue	99,885	-	-
Investment income	364,457	18,135	-
Other revenues	1,177,982	-	-
	Total Revenues	11,569,265	2,536,380
Expenditures			
Administration	2,061,935	-	-
Planning and development	878,005	-	-
Code enforcement	99,098	-	-
Public library	282,450	-	-
Public safety	2,972,207	-	-
Streets	303,488	-	-
Municipal court	315,862	-	-
Building maintenance	110,899	-	-
Parks and recreation	618,910	-	-
Capital outlay	2,995,806	-	4,224,613
Debt service			
Principal	168,974	2,250,000	-
Interest	16,875	1,761,774	-
	Total Expenditures	10,824,509	4,011,774
Excess of Revenues Over (Under) Expenditures	744,756	(1,475,394)	(4,224,613)
Other Financing Sources (Uses)			
Transfers in	176,317	1,757,491	-
Transfers (out)	(1,043,832)	-	-
Sale of capital assets	40,622	-	-
Lease proceeds	634,768	-	-
	Total Other Financing Sources (Uses)	(192,125)	1,757,491
Net Change in Fund Balances	552,631	282,097	(4,224,613)
Beginning fund balances	11,211,709	878,259	13,687,136
	Ending Fund Balances	\$ 11,764,340	\$ 1,160,356
See Notes to Financial Statements.			

Park Construction	Nonmajor		Total Governmental Funds
	TIF Fund		
\$ -	\$ 992,873	\$ 6,522,326	
-	-	1,392,863	
-	-	568,368	
-	-	1,503,430	
-	-	1,385,054	
-	-	73,916	
-	-	434,946	
-	-	336,643	
-	-	1,220,513	
-	-	99,885	
42,846	2,233	427,671	
48,000	-	1,225,982	
90,846	995,106	15,191,597	
-	-	2,061,935	
-	-	878,005	
-	-	99,098	
-	-	282,450	
-	-	2,972,207	
-	-	303,488	
-	-	315,862	
-	-	110,899	
-	-	618,910	
7,614,138	-	14,834,557	
-	-	2,418,974	
-	-	1,778,649	
7,614,138	-	26,675,034	
(7,523,292)	995,106	(11,483,437)	
100,000	-	2,033,808	
-	(813,659)	(1,857,491)	
-	-	40,622	
-	-	634,768	
100,000	(813,659)	851,707	
(7,423,292)	181,447	(10,631,730)	
7,889,477	96,217	33,762,798	
\$ 466,185	\$ 277,664	\$ 23,131,068	

(This page intentionally left blank.)

City of Melissa, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (10,631,730)
---	-----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	13,743,645
Depreciation expense	(2,263,797)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	37,074
Restricted donations	300,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(39,136)
OPEB expense	(8,542)
Compensated absences	(1,185)
Accrued interest	(51,305)
Amortization of deferred charges on refunding	(74,405)
Amortization of bond premium	161,910

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	2,418,974
Lease issuance	(634,768)
Change in Net Position of Governmental Activities	\$ 2,956,735

See Notes to Financial Statements.

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2019

	Utility Fund
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 12,790,670
Receivables, net	1,377,218
Contribution receivable, current	320,000
Other receivables	16,108
Prepays and other assets	1,118,002
	Total Current Assets
	15,621,998
<u>Noncurrent Assets</u>	
Contribution receivable, noncurrent	2,880,000
Capital assets:	
Non-depreciable	1,129,945
Net depreciable capital assets	25,304,246
	Total Noncurrent Assets
	29,314,191
	Total Assets
	44,936,189
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	74,865
Pension contributions	37,319
Pension investment earnings	20,702
OPEB contributions	57
OPEB assumption changes	14
Pension (gains) losses	1,396
Pension assumption changes	3,614
	Total Deferred Outflows of Resources
	137,967

See Notes to Financial Statements.

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2019

	Utility Fund
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable	\$ 560,920
Accrued expenses	38,752
Customer deposits	666,516
Current maturities of long-term liabilities	1,431,250
Compensated absences, current	10,780
Accrued interest	761,848
Due to other funds	33,240
Total Current Liabilities	3,503,306
<u>Noncurrent Liabilities</u>	
Long-term liabilities	27,310,510
Compensated absences, noncurrent	1,198
Net pension liability	206,495
OPEB liability	8,840
Total Liabilities	31,030,349
<u>Deferred Inflows of Resources</u>	
OPEB (gains) losses	1,468
Total Deferred Inflows of Resources	1,468
<u>Net Position</u>	
Net investment in capital assets	5,589,024
Restricted for capital projects	3,797,047
Unrestricted	4,656,268
Total Net Position	\$ 14,042,339

See Notes to Financial Statements.

City of Melissa, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2019

	Utility Fund
<u>Operating Revenues</u>	
Water revenue	\$ 4,443,190
Sanitation revenue	570,660
Sewer revenue	2,596,980
Tap fees	624,637
Meter installations	111,689
Reconnect fees	127,008
Other revenue	982,856
	Total Operating Revenues
	9,457,020
<u>Operating Expenses</u>	
Personnel services - water	386,547
Personnel services - billing	150,376
Material and supplies - water	522,353
Material and supplies - sewer	7,343
Material and supplies - billing	44,030
Other services - water	2,501,145
Other services - sewer	1,718,153
Other services - sanitation	479,494
Other services - billing	335,128
Depreciation	831,694
	Total Operating Expenses
	6,976,263
	Operating Income (Loss)
	2,480,757
<u>Nonoperating Revenues (Expenses)</u>	
Intergovernmental	227,850
Investment income	163,597
Interest expense	(1,062,581)
	Total Nonoperating Revenues (Expenses)
	(671,134)
	Income Before and Transfers
	1,809,623
<u>Transfers</u>	
Transfers (out)	(176,317)
	Change in Net Position
	1,633,306
Beginning net position	12,409,033
	Ending Net Position
	\$ 14,042,339

See Notes to Financial Statements.

City of Melissa, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2019

	Utility Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 9,612,942
Payments to suppliers and contractors	(6,298,246)
Payments to employees for salaries and benefits	(546,195)
Net Cash Provided (Used) by Operating Activities	2,768,501
<u>Cash Flows from Noncapital Financing Activities</u>	
Intergovernmental revenue	227,850
Transfer (out)	(176,317)
Net Cash Provided (Used) by Noncapital Financing Activities	51,533
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of capital assets	(831,184)
Principal paid on capital debt	(1,429,049)
Interest paid on capital debt	(1,173,240)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,433,473)
<u>Cash Flows from Investing Activities</u>	
Interest on investments	163,597
Net Cash Provided by Investing Activities	163,597
Net Increase (Decrease) in Cash and Cash Equivalents	(449,842)
Beginning cash and cash equivalents	13,240,512
Ending Cash and Cash Equivalents	\$ 12,790,670

See Notes to Financial Statements.

City of Melissa, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2019

	Utility Fund
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 2,480,757
Adjustments to reconcile operating income to net cash provided (used):	
Depreciation	831,694
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(255,676)
Contribution receivable	320,000
Due from other funds	8,489
Deferred Outflows of Resources:	
Pension contributions	(1,136)
OPEB contributions	(4)
Investment experience	(32,563)
Pension (gains) losses	(3,190)
Pension assumption changes	2,151
OPEB assumption changes	724
Deferred Inflows of Resources:	
OPEB (gains) losses	1,468
Increase (Decrease) in:	
Prepaid expenses	(73,952)
Accounts payable and accrued expenses	(212,317)
Customer deposits	91,598
Compensated absences	(819)
Due to other funds	(412,820)
Net pension liability	26,075
Net Cash Provided (Used) by Operating Activities	\$ 2,768,501

See Notes to Financial Statements.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City of Melissa, Texas 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.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Melissa Economic Development Corporation

The Melissa Economic Development Corporation (the "MEDC") serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

remove 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 Board is not substantially the same as the City Council, and therefore, is discretely presented.

Melissa Community Development Corporation

The Melissa Community Development Corporation (the "MCDC") serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can remove appointed board members at will. The scope of public service of the MEDC benefits the City and its citizens by developing recreational resources and is operated primarily within the geographic boundaries of the City. The Board is not substantially the same as the City Council, and therefore, is discretely presented.

The MEDC and MCDC do not prepare separate financial statements; however, the presentations in the basic financial statements and the other supplementary information are a complete presentation.

C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions 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.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

The government reports the following major governmental funds:

General Fund

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. The principal sources of revenues include local property taxes, sales and franchise taxes, road impact fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and culture and recreation.

Debt Service Fund

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

Capital Projects Funds

The capital projects funds ("Transportation Construction" and "Park Construction") 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:

Utility 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 had 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.

Additionally, the government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the tax increment fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e.,

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Assets, Liabilities, Deferred Outflows / Inflows, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

2. Fair Value

The City has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. 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 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 their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 years
Machinery and equipment	5 to 10 years
Infrastructure	40 years
Buildings and improvements	40 years

6. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

The government has adopted a policy to maintain a minimum reserve of unassigned fund balance in the general fund at an amount equal to or greater than 25% of operating expenditures of that fund.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

12. Other Postemployment Benefits (“OPEB”)

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. 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.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Williamson County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

3. Compensated Absences

The City's policies permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City.

All vacation and qualifying sick leave 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 are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 public utility fund, airport fund, cemetery operating, and sanitation funds are charges to customers for sales and services. The public utility 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 and internal service 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 non-operating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, TIF, and enterprise funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. 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. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

A. Expenditures Over Appropriations

For the year ended September 30, 2019, total expenditures exceeded appropriations at the legal level of control in the general fund by \$2,021,115 and other financing sources and uses by \$677,312.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The primary government and its component units may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposits, 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.

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.

Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2019, the City did not maintain funds in any investment pools.

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. State statutes require that all

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2019

deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, the market values of pledged securities and FDIC exceeded bank balances.

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 investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	Utility		
	General	Fund	Total
Property tax	\$ 97,060	\$ -	\$ 97,060
Sales tax	276,826	-	276,826
Franchise tax	105,318	-	105,318
Other	8,975	3,216,108	3,225,083
Accounts, net	300,000	1,568,703	1,868,703
Allowance	-	(191,485)	(191,485)
Total	\$ 788,179	\$ 4,593,326	\$ 5,381,505

The following comprise receivable balances of the component units at year end:

	Component Units		
	Community		Economic
	Development	Development	
Sales tax	\$ 138,413	\$ 138,413	\$ 276,826
	\$ 138,413	\$ 138,413	\$ 276,826

Contribution receivable

In May 2016, the City entered into an Interlocal Agreement with North Texas Municipal Water District ("NTMWD"). The City and NTMWD determined a mutual need for the construction of a sanitary sewer line to serve the Stiff Creek basin. NTMWD owns and operates the 121 Regional Disposal Landfill Facility and would like to dispose of discharge by connecting the landfill to the Stiff Creek Sewer line. The agreement stipulates a

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

contribution to the City by NTMWD to offset a portion of the City's capital costs. The City is responsible for the design, construction and maintenance of the sewer line. Upon completion of the project and once the sewer line can service the landfill, the City is responsible to notify the NTMWD, which initiates the capital contribution. Upon completion and notification, the NTMWD is obligated to make payments bi-annually on the last day of June and December, in accordance with the following payment schedule. As of the September 30, 2019, the utility fund recorded a contribution receivable balance of \$3,200,000 on the statement of net position.

Payment Date	Amount
12/31/2019	\$ 160,000
6/30/2020	160,000
12/31/2020	160,000
6/30/2021	160,000
12/31/2021	160,000
6/30/2022	160,000
12/31/2022	149,333
6/30/2023	149,333
12/31/2023	138,667
6/30/2024	138,667
2024 - 2036	<u>1,664,000</u>
	<u><u>\$ 3,200,000</u></u>

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 8,006,477	\$ 711,862	\$ -	\$ 8,718,339
Construction in progress	8,253,700	11,980,770	(6,754,770)	13,479,700
Total capital assets not being depreciated	<u>16,260,177</u>	<u>12,692,632</u>	<u>(6,754,770)</u>	<u>22,198,039</u>
Capital assets, being depreciated:				
Buildings and improvements	13,876,865	-	-	13,876,865
Operating equipment	2,747,232	691,567	(37,854)	3,400,945
Infrastructure	31,123,419	359,446	6,754,770	38,237,635
Total capital assets being depreciated	<u>47,747,516</u>	<u>1,051,013</u>	<u>6,716,916</u>	<u>55,515,445</u>
Less accumulated depreciation				
Buildings and improvements	3,834,488	433,650	-	4,268,138
Operating equipment	1,594,907	287,371	(37,854)	1,844,424
Infrastructure	5,226,865	1,542,776	-	6,769,641
Total accumulated depreciation	<u>10,656,260</u>	<u>2,263,797</u>	<u>(37,854)</u>	<u>12,882,203</u>
Net capital assets being depreciated	37,091,256	(1,212,784)	6,754,770	42,633,242
Total Capital Assets	<u>\$ 53,351,433</u>	<u>\$ 11,479,848</u>	<u>\$ -</u>	<u>\$ 64,831,281</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 295,695
Public safety	243,807
Street	1,108,822
Parks and recreation	615,473
Total Governmental Activities Depreciation Expense	<u>\$ 2,263,797</u>

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 413,179	\$ 28,931	\$ -	\$ 442,110
Construction in progress	252,699	435,136	-	687,835
Total capital assets not being depreciated	<u>665,878</u>	<u>464,067</u>	<u>-</u>	<u>1,129,945</u>
Capital assets, being depreciated:				
Building and system	31,150,340	347,070	-	31,497,410
Equipment	578,437	20,047	-	598,484
Total capital assets being depreciated	<u>31,728,777</u>	<u>367,117</u>	<u>-</u>	<u>32,095,894</u>
Less accumulated depreciation				
Building and system	5,580,427	783,596	-	6,364,023
Equipment	379,527	48,098	-	427,625
Total accumulated depreciation	<u>5,959,954</u>	<u>831,694</u>	<u>-</u>	<u>6,791,648</u>
Net capital assets being depreciated	25,768,823	(464,577)	-	25,304,246
Total Capital Assets	<u>\$ 26,434,701</u>	<u>\$ (510)</u>	<u>\$ -</u>	<u>\$ 26,434,191</u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 831,694
Total Business-type Activities Depreciation Expense	<u>\$ 831,694</u>

A summary of changes in component-unit activities capital assets for the year end was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ -	\$ 129,076	\$ -	\$ 129,076
Construction in progress	-	37,192	-	37,192
Total capital assets not being depreciated	<u>-</u>	<u>166,268</u>	<u>-</u>	<u>166,268</u>
Total Capital Assets	<u>\$ -</u>	<u>\$ 166,268</u>	<u>\$ -</u>	<u>\$ 166,268</u>

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2019. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance		Additions		Payments		Ending Balance		Amounts Due Within One Year
Governmental Activities:									
Bonds, notes and other payables:									
Certificates of Obligation	\$ 28,135,000	\$	-	\$ (955,000)	\$	27,180,000	\$	950,000	
General Obligation Bonds	24,210,000		-	(1,295,000)		22,915,000		1,315,000	
Less deferred amounts:									
For premiums	1,696,897		-	(161,910)		1,534,987		-	
Total Bonds Payable	54,041,897		-	(2,411,910)		51,629,987		2,265,000	
Capital Leases	433,129		634,768		(168,974)		898,923		146,082
Total	\$ 54,475,026	\$ 634,768	\$ (2,580,884)	\$	52,528,910	\$	2,411,082		
Long-term liabilities due in more than one year									
					\$ 50,117,828	\$			
Business-Type Activities:									
Certificates of Obligation	\$ 20,865,000	\$	-	\$ (835,000)	\$	20,030,000	\$	825,000	
General Obligation Bonds	1,995,000		-	(270,000)		1,725,000		280,000	
Contract Revenue Bonds	6,712,500		-	(318,750)		6,393,750		326,250	
Less deferred amounts:									
For premiums	636,788		-	(43,778)		593,010		-	
Total Bonds Payable	30,209,288		-	(1,467,528)		28,741,760		1,431,250	
Capital Leases	5,299		-	(5,299)		-		-	
Total	\$ 30,214,587	\$ -	\$ (1,472,827)	\$	28,741,760	\$	1,431,250		
Long-term liabilities due in more than one year									
					\$ 27,310,510	\$			

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities. Long-term debt at year end was comprised of the following debt issues:

<u>Governmental Activities</u>	
Certificates of Obligation:	
2005A Certificates of Obligation issued December 30, 2005 due in annual installments through February 15, 2026, bearing interest rates at 4.05%, payable February 15 & August 15.	
	\$ 365,000
2015 Certificates of Obligation issued January 1, 2015 due in annual installments through February 15, 2040, bearing interest at rates ranging from 2.375% to 4%, payable February 15 & August 15.	7,705,000
2016 Certificates of Obligation issued October 13, 2016 due in annual installments through September 30 2036, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 & August 15	4,450,000
2017 Certificates of Obligation issued July 13, 2017 due in annual installments through September 30 2037, bearing interest rates ranging from 3.0 to 4.0%, payable February 15 & August 15	5,300,000
2018 Certificates of Obligation issued September 27, 2018 due in annual installments through September 30 2043, bearing interest rates ranging from 3.0 to 5.0%, payable February 15 & August 15	9,360,000
Total Certificates of Obligation	<u>\$ 27,180,000</u>

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

	<u>Governmental Activities</u>
General Obligations:	
2012 General Obligation Bonds issued December 15, 2011 due in annual installments through February 15, 2032, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 & August 15.	\$ 360,000
2013 General Obligation Refunding & Improvement Bonds issued January 1, 2013 due in annual installments through February 15, 2032, bearing interest at rates ranging from 1.0% to 3.0%, payable February 15 & August 15.	1,435,000
2015 General Obligation Bonds issued January 15, 2015 due in annual installments through February 15, 2035, bearing interest at rates ranging from 2.3% to 4%, payable February 15 & August 15.	1,860,000
2016 General Obligation Bonds issued November 15, 2016 due in annual installments through February 15, 2036, bearing interest at rates ranging from 2% to 4%, payable February 15 & August 15.	11,490,000
2017 General Obligation Bonds issued July 13, 2017 due in annual installments through September 30, 2037, bearing interest at rates ranging from 3% to 4%, payable February 15 & August 15.	3,665,000
2018 General Obligation Bonds issued September 27, 2018 due in annual installments through September 30, 2043, bearing interest at rates ranging from 3% to 5%, payable February 15 & August 15.	4,105,000
Total General Obligation bonds	<u>\$ 22,915,000</u>
Less deferred amounts:	
Premiums	\$ 1,534,987
Capital Leases Payable:	898,923
Total Long-term Debt	<u>\$ 52,528,910</u>

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

	Business - Type Activities
Certificates of Obligation:	
2012 Certificates 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 & August 15.	\$ 1,005,000
2013 Certificates of Obligation issued February 12, 2013 due in annual installments through February 15, 2032, bearing interest rates from 2.0% to 3.0%, payable February 15 & August 15.	3,475,000
2014 Certificates of Obligation issued June 15, 2014 due in annual installments through February 15, 2034 bearing interest rates ranging from 2.0% to 3.75%, payable February 15 & August 15.	1,765,000
2015 Certificates of Obligation issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 & August 15.	1,555,000
2016 Certificates of Obligation issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 & August 15.	4,675,000
2018 Certificates of Obligation issued September 27, 2018 due in annual installments through September 30, 2043 bearing interest rates ranging from 3% to 5%, payable February 15 & August 15.	7,555,000
Total Certificates of Obligation	<u>\$ 20,030,000</u>
General Obligations:	
2010 General Obligation Refunding Bonds issued May 25, 2010 due in annual installments through August 15, 2021, bearing interest rates ranging from 2.00% to 3.50%, payable February 15 & August 15.	\$ 265,000
2016 General Obligation Bonds issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 & August 15.	1,460,000
Total General Obligation bonds	<u>\$ 1,725,000</u>

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Contract Revenue Bonds

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 & October 1.	\$ 373,750
2006 Contract Revenue Bonds issued July 15, 2006 due in annual installments through February 1, 2040, bearing interest rates of 5.68% to 5.83%, payable February 1.	2,168,750
2006 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 & December 1.	760,000
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 & April 1.	876,250
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 & June 1.	605,000
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 & December 1.	715,000
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 & December 1.	895,000
Total Contract Revenue Bonds	\$ 6,393,750
Less deferred amounts:	
Premiums	\$ 593,010
Total Long-term Debt	\$ 28,741,760

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

The annual requirements to amortize the City's long-term activities debt issues outstanding at year ending were as follows:

Certificates of Obligation

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 950,000	\$ 935,253	\$ 825,000	\$ 674,884
2021	985,000	899,079	850,000	649,396
2022	1,020,000	861,604	880,000	623,046
2023	1,060,000	822,704	915,000	595,534
2024	1,090,000	782,478	945,000	566,840
2025	1,130,000	742,250	980,000	536,834
2026	1,175,000	701,174	1,005,000	503,381
2027	1,160,000	658,913	1,055,000	466,123
2028	1,210,000	615,113	1,095,000	426,529
2029	1,255,000	572,163	1,135,000	387,783
2030	1,295,000	531,188	1,165,000	350,184
2031	1,355,000	488,353	1,215,000	310,038
2032	1,400,000	441,869	1,255,000	266,169
2033	1,455,000	393,266	880,000	227,369
2034	1,505,000	343,656	915,000	194,825
2035	1,565,000	291,431	790,000	163,566
2036	1,620,000	236,469	820,000	133,838
2037	1,310,000	186,413	465,000	110,656
2038	960,000	148,059	485,000	94,034
2039	995,000	114,159	500,000	76,494
2040	1,030,000	78,731	520,000	58,263
2041	530,000	51,106	430,000	41,175
2042	550,000	31,531	445,000	25,316
2043	575,000	10,781	460,000	8,625
Total	\$ 27,180,000	\$ 10,937,742	\$ 20,030,000	\$ 7,490,900

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

General Obligation Bonds

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,315,000	\$ 802,546	\$ 280,000	\$ 61,375
2021	1,360,000	752,190	285,000	50,825
2022	1,415,000	699,665	160,000	39,900
2023	1,470,000	653,465	165,000	35,050
2024	1,515,000	604,484	175,000	29,900
2025	1,440,000	547,403	180,000	22,800
2026	1,430,000	492,353	180,000	15,600
2027	1,365,000	438,528	145,000	9,100
2028	1,435,000	385,328	155,000	3,100
2029	1,105,000	338,903	-	-
2030	1,145,000	299,203	-	-
2031	1,195,000	257,878	-	-
2032	1,245,000	214,562	-	-
2033	1,200,000	170,812	-	-
2034	1,250,000	126,623	-	-
2035	640,000	93,813	-	-
2036	495,000	75,396	-	-
2037	470,000	59,133	-	-
2038	215,000	47,344	-	-
2039	225,000	39,644	-	-
2040	230,000	31,538	-	-
2041	240,000	23,019	-	-
2042	255,000	14,047	-	-
2043	260,000	4,713	-	-
Total	\$ 22,915,000	\$ 7,172,583	\$ 1,725,000	\$ 267,650

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Contract Revenue Bonds

Business-type Activities			
	Principal	Interest	
2020	\$ 326,250	\$ 420,148	
2021	343,750	408,096	
2022	356,250	394,602	
2023	380,000	380,402	
2024	392,500	381,697	
2025	420,000	368,443	
2026	533,750	250,648	
2027	432,500	229,873	
2028	458,750	178,589	
2029	377,500	190,465	
2030	193,750	134,141	
2031	203,750	123,017	
2032	216,250	111,323	
2033	227,500	98,882	
2034	241,250	85,732	
2035	253,750	71,795	
2036	270,000	57,109	
2037	176,250	44,584	
2038	185,000	34,397	
2039	197,500	23,612	
2040	207,500	12,097	
Total	\$ 6,393,750	\$ 3,999,652	

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

The annual requirements to amortize capital leases outstanding at year ending were as follows:

Capital Leases Payable

Year ending September 30,	Governmental Activities			Total
	Principal	Interest		
2020	\$ 146,082	\$ 31,139		\$ 177,221
2021	151,537	25,276		176,813
2022	124,079	20,014		144,093
2023	127,555	15,685		143,240
2024	80,142	11,236		91,378
2025	64,223	8,652		72,875
2026	66,284	6,590		72,875
2027	68,412	4,463		72,875
2028	70,609	2,267		72,876
Total	\$ 898,923	\$ 125,321		\$ 1,024,244

E. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and utility funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 156,843	\$ 1,185	\$ -	\$ 158,028	\$ 142,225
Total Governmental Activities	\$ 156,843	\$ 1,185	\$ -	\$ 158,028	\$ 142,225
Business-Type Activities:					
Compensated Absences	\$ 12,797	\$ -	\$ (819)	\$ 11,978	\$ 10,780
Total Business-Type Activities	\$ 12,797	\$ -	\$ (819)	\$ 11,978	\$ 10,780

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2016 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental and business-type activities totaled \$520,834 and \$74,865, respectively. Current year amortization expense for governmental and business-type activities totaled \$74,405 and \$10,695, respectively.

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

G. Interfund Transactions

Transfers between the primary government funds during the 2019 year were as follows:

Transfer out:	Transfer In:			Total	
	Park				
	General	Construction	Debt Service		
General	\$ -	100,000	943,832	\$ 1,043,832	
Nonmajor Fund	-	-	813,659	813,659	
Utility	176,317	-	-	176,317	
Total	\$ 176,317	\$ 100,000	\$ 1,757,491	\$ 2,033,808	

Transfers between funds were primarily to support construction projects, debt payments and operation of funds.

The compositions of interfund balances as of the year ended September 30, 2019 were as follows:

Due from (receivable fund):	Due to (payable fund):			
	Transportation			
	General	Construction	Utility	Total
General	\$ -	\$ 17,262	\$ 31,240	\$ 48,502
Transportation construction	-	-	2,000	2,000
Debt service	48	-	-	48
Total	\$ 48	\$ 17,262	\$ 33,240	\$ 50,550

Interfund receivables and payables are used to cover operational and capital expenditures. All balances are expected to be resolved in the subsequent year.

H. CONTRACTUAL OBLIGATIONS

Greater Texoma Utility Authority

Under the terms of the long-term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA bonds.

The City has a contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a reserve fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds. Under terms of the contracts the City's obligation to

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

make payments to GTUA, as well as GTUA's ownership interest in the facilities terminates, when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

Collin Grayson Municipal Alliance Transmission Water Pipeline

In 2004, the City, along with the City of Van Alstyne, Howe, and Anna, formed a group called the Collin Grayson Municipal Alliance ("COMA"). COMA entered into a long-term contractual obligation with GTUA for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to COMA cities. The cost of the pipeline is being funded in four phases.

Each CMGA city was required to make payments to GTUA in an amount equivalent to 25% of the total obligation to cover their portion of the cost of the obligation until the pipeline project was completed. As water continues to flow to each COMA city, the City shall be charged its percentage or fraction share of debt service on the obligation based upon the amount of water to be paid by the City under its water contract (i.e. the greater of its minimum take-or-pay amount or the actual amount of water taken) divided by the total amount of water to be paid by all COMA cities. The sum of the four (4) fractional amounts shall always equal 100% of the debt service on the contractual obligation with GTUA. The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs.

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Construction Commitments

Project	Contract Amount	Spent-to-Date	Remaining Commitment
Governmental Activities:			
Throckmorton Road	\$ 7,655,441	\$ 6,718,725	\$ 936,716
Melissa Road East/West	6,998,000	830,524	6,167,476
Fannin Road	1,690,778	793,398	897,380
Sports Park Phase e II / Zadow Park	8,000,000	7,511,032	488,968
Davis Road East	8,535,391	4,519,160	4,016,231
Liberty Way Link	400,000	36,944	363,056
Signalization	750,000	188,346	561,654
Downtown Overlay District Roadways	1,000,000	17,578	982,422
Business-Type Activities:			
Stiff Creek Sewer	4,445,432	3,733,918	711,514
North Elevated Storage Tank Water Tower	8,000,000	560,379	7,439,621
Total	<u>\$ 47,475,042</u>	<u>\$ 24,910,004</u>	<u>\$ 22,565,038</u>

D. Defined Benefit Pension Plans

1. Plan Description

The City of Melissa, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%, Transfers	0%, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI
Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	42
Active employees	<u>54</u>
Total	<u>109</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Melissa, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Melissa, Texas were 13.59% and 13.79% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$447,945, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0%
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	<u>5.0%</u>	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/17	\$ 4,869,896	\$ 3,435,342	\$ 1,434,554
Changes for the year:			
Service cost	495,439	-	495,439
Interest	342,747	-	342,747
Change in benefit terms	-	-	-
Difference between expected and actual experience	32,826	-	32,826
Changes of assumptions	-	-	-
Contributions – employer	-	413,069	(413,069)
Contributions – employee	-	212,765	(212,765)
Net investment income	-	(103,060)	103,060
Benefit payments, including refunds of emp. contributions	(79,754)	(79,754)	-
Administrative expense	-	(1,989)	1,989
Other changes	-	(102)	102
Net changes	791,258	440,929	350,329
Balance at 12/31/18	<u>\$ 5,661,154</u>	<u>\$ 3,876,271</u>	<u>\$ 1,784,883</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
<u>\$ 2,727,732</u>	<u>\$ 1,784,883</u>	<u>\$ 1,019,671</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$478,418.

At September 30, 2019, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between projected and investment earnings	\$ 178,941
Changes in actuarial assumptions	31,238
Difference between expected and actual economic experience	12,063
Contributions subsequent to the measurement date	322,573
Total	\$ 544,815

The City reported \$322,573 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 78,009
2020	43,526
2021	31,889
2022	68,818
2023	-
Thereafter	-
	\$ 222,242

Other Postemployment Benefits

The City 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 City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2019

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.

The City offers supplemental death to:	Plan Year 2018	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City 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.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	5
Active employees	54
Total	69

The City's contributions to the TMRS SDBF for the years ended 2019, 2018 and 2017 were \$676, \$579 and \$592, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2017	0.02%	0.02%	100.0%
2018	0.02%	0.02%	100.0%
2019	0.02%	0.02%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Single Rate Assumption 3.71%	1% Increase (4.71%)
\$ 91,262	\$ 76,410	\$ 64,878

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/17	\$ 86,020
Changes for the year:	
Service Cost	8,207
Interest	2,973
Difference between expected and actual experience	(14,588)
Changes of assumptions	(5,594)
Benefit payments	(608)
Net changes	(9,610)
Balance at 12/31/18	\$ 76,410

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of
Resources Related to Pensions**

For the year ended September 30, 2019, the City recognized OPEB expense of \$9,429.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 124	-
Difference between expected and actual experience	-	(12,686)
Contributions subsequent to measurement date	492	-
Total	\$ 616	\$ (12,686)

The City reported \$492 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2019

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2019	\$	(1,751)
2020		(1,751)
2021		(1,751)
2022		(1,751)
2023		(1,751)
Thereafter		(3,807)
	<hr/> <hr/>	<hr/> <hr/>
	\$	(12,562)

E. Tax Abatements

The City of Melissa negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with three entities as of September 30, 2019.

<u>Purpose</u>	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year Property Tax	Amount of Taxes Abated during the Fiscal Year Sales Tax
Building Materials - Sales tax directly paid to City	80%	\$ -	\$ 8,462
Developer Grant	55%/80%	10,791	6,193
Building Materials - Sales tax directly paid to City	80%	4,731	14,701
Total		<hr/> <hr/> \$ 15,522	<hr/> <hr/> \$ 29,356

Each agreement was negotiated under Article III, Section 52-a, Texas Constitution, and Chapter 380, Texas Local Gov't Code, stating that the City may establish and provide for the administration of a program for making loans and grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. The agreement is in accordance with Section 501.103, Texas Local Gov't Code. Taxes were abated through a rebate of taxes received. Recipients of the sales tax abatements agree to operate within the City limits through the term of their agreement.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities. The City has chosen to disclose information about its tax abatement agreements individually. It established a quantitative threshold of 100% percent of the total dollar amount of taxes abated during the year.

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2019

F. Restatement

The City restated its beginning net position within business-type activities to recognize a contribution receivable not recorded in the prior year within business-type activities. The below tables summarize the changes to net position/fund balance as a result of this change.

	Business-Type Activities	Utility Fund
Prior year ending net position/ fund balance as reported	\$ 8,889,033	\$ 8,889,033
Recognition of contribution receivable	3,520,000	3,520,000
Restated beginning net position/fund balance	<u><u>\$ 12,409,033</u></u>	<u><u>\$ 12,409,033</u></u>

G. Subsequent Events

There were no material subsequent events through February 14, 2020, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Melissa, Texas

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 1 of 2)**
For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 3,858,290	\$ 3,763,290	\$ 3,766,254	\$ 2,964
Sales tax	1,100,000	1,275,000	1,392,863	117,863
Franchise and local taxes	400,000	520,000	568,368	48,368
Road impact fees	-	-	1,503,430	1,503,430
License and permits	1,015,000	1,367,800	1,385,054	17,254
Charges for services	86,600	102,570	73,916	(28,654)
Fines and forfeitures	325,000	422,000	434,946	12,946
Platting and development	250,000	300,000	336,643	36,643
Intergovernmental	49,000	49,000	465,467	416,467
Lease revenue	98,000	98,000	99,885	1,885
Investment income	120,000	365,000	364,457	(543)
Other revenues	140,000	255,547	1,177,982	922,435
Total Revenues	7,441,890	8,518,207	11,569,265	3,051,058
Expenditures				
Current:				
Administration	1,883,645	2,313,013	2,061,935	251,078
Planning and development	954,881	1,154,055	878,005	276,050
Code enforcement	77,810	99,660	99,098	562
Public library	270,841	280,624	282,450	(1,826)
Public safety	3,057,679	3,044,687	2,972,207	72,480
Streets	271,753	298,177	303,488	(5,311)
Municipal court	320,771	305,493	315,862	(10,369)
Building maintenance	95,042	107,042	110,899	(3,857)
Parks and recreation	476,287	564,637	618,910	(54,273)
Capital outlay	226,368	636,006	2,995,806	(2,359,800)
Debt service				
Principal	-	-	168,974	(168,974)
Interest	-	-	16,875	(16,875)
Total Expenditures	7,635,077	8,803,394	10,824,509	(2,021,115) *
Revenues Over (Under)	(193,187)	(285,187)	744,756	1,029,943

City of Melissa, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 193,187	\$ 450,565	\$ 176,317	\$ (274,248)
Transfers (out)	-	-	(1,043,832)	(1,043,832)
Sale of capital assets	-	34,622	40,622	6,000
Lease proceeds	-	-	634,768	634,768
Total Other Financing Sources (Uses)	<u>193,187</u>	<u>485,187</u>	<u>(192,125)</u>	<u>(677,312)</u> *
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 200,000</u>	<u>552,631</u>	<u>\$ 352,631</u>
Beginning fund balance			11,211,709	
Ending Fund Balance			<u>\$ 11,764,340</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

City of Melissa, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Total pension liability				
Service cost	\$ 495,439	\$ 368,325	\$ 325,842	\$ 273,760
Interest	342,747	302,767	198,997	171,825
Changes in benefit terms	-	1,037,592	-	-
Differences between expected and actual experience	32,826	(53,040)	33,857	(14,746)
Changes of assumptions	-	-	-	89,627
Benefit payments, including refunds of participant contributions	(79,754)	(98,867)	(61,534)	(44,530)
Net change in total pension liability	791,258	1,556,777	497,162	475,936
Total pension liability - beginning	4,869,896	3,313,119	2,815,957	2,340,021
Total pension liability - ending (a)	5,661,154	4,869,896	3,313,119	2,815,957
Plan fiduciary net position				
Contributions - employer	\$ 413,069	\$ 192,773	\$ 146,688	\$ 114,584
Contributions - members	212,765	187,784	165,883	144,519
Net investment income	(103,060)	384,328	159,684	3,169
Benefit payments, including refunds of participant contributions	(79,754)	(98,867)	(61,534)	(44,530)
Administrative expenses	(1,989)	(1,991)	(1,803)	(1,930)
Other	(102)	(102)	(96)	(95)
Net change in plan fiduciary net position	440,929	663,925	408,822	215,717
Plan fiduciary net position - beginning	3,435,342	2,771,417	2,362,595	2,146,878
Plan fiduciary net position - ending (b)	\$ 3,876,271	\$ 3,435,342	\$ 2,771,417	\$ 2,362,595
Fund's net pension liability - ending (a) - (b)	\$ 1,784,883	\$ 1,434,554	\$ 541,702	\$ 453,362
Plan fiduciary net position as a percentage of the total pension liability	68.47%	70.54%	83.65%	83.90%
Covered payroll	\$ 3,039,506	\$ 2,682,628	\$ 2,369,763	\$ 2,064,559
Fund's net pension liability as a percentage of covered payroll	58.72%	53.48%	22.86%	21.96%

Notes to schedule:

- 1) This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

12/31/2014 ¹

\$ 214,284
144,926

-
38,722

-
(42,295)
355,637
1,984,384
2,340,021

\$ 81,796
130,197
107,092

(42,295)
(1,118)
(92)
275,580
1,871,298
\$ 2,146,878
\$ 193,143

91.75%
\$ 1,859,951

10.38%

City of Melissa, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Last Ten Fiscal Years¹

	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Actuarially determined employer contributions	\$ 447,945	\$ 343,590	\$ 180,435	\$ 141,014
Contributions in relation to the actuarially determined contribution	<u>\$ 447,945</u>	<u>\$ 343,590</u>	<u>\$ 180,435</u>	<u>\$ 141,014</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual covered payroll	<u>\$ 3,380,237</u>	<u>\$ 2,894,355</u>	<u>\$ 2,607,147</u>	<u>\$ 2,826,657</u>
Employer contributions as a percentage of covered payroll	13.25%	11.87%	6.92%	4.99%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
-------	---

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014

Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
-----------	--

Other Information:

Notes	There were no benefit changes during the year.
-------	--

9/30/2015

\$ 105,230

\$	105,230
<hr/>	
\$	-
<hr/>	
\$	1,942,041

5.42%

City of Melissa, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS *TEXAS MUNICIPAL RETIREMENT SYSTEM* *SUPPLEMENTAL DEATH BENEFITS PLAN*

Years Ended:

	<u>12/31/2018</u>	<u>12/31/2017</u>	¹
Total OPEB liability			
Service cost	\$ 8,207	\$ 6,170	
Interest	2,973	2,785	
Changes in benefit terms	-	-	
Differences between expected and actual experience	(14,588)	6,749	
Changes of assumptions	(5,594)	-	
Benefit payments, including refunds of participant contributions	(608)	(537)	
Net change in total OPEB liability	(9,610)	15,167	
Total OPEB liability - beginning	\$ 86,020	\$ 70,853	
Total OPEB liability - ending (a)	\$ 76,410	\$ 86,020	²
 Covered payroll	 \$ 3,039,506	 \$ 2,682,628	
City's total OPEB liability as a percentage of covered payroll	2.51%	3.21%	

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits

OTHER SUPPLEMENTARY INFORMATION

City of Melissa, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2019

	Original & Final Budget	Actual	Variance with Final Budget
			Positive (Negative)
Revenues			
Property taxes	\$ 1,531,119	\$ 1,763,199	\$ 232,080
Intergovernmental	-	755,046	755,046
Investment income	-	18,135	18,135
	Total Revenues	1,531,119	2,536,380
			1,005,261
Expenditures			
Debt service:			
Principal retirement	2,255,000	2,250,000	5,000
Interest and fiscal charges	1,794,052	1,761,774	32,278
	Total Expenditures	4,049,052	4,011,774
			37,278
	Excess of Revenues Over (Under) Expenditures	(2,517,933)	(1,475,394)
			1,042,539
Other Financing Sources (Uses)			
Transfers in	2,518,632	1,757,491	(761,141)
	Total Other Financing Sources (Uses)	2,518,632	1,757,491
			(761,141)
	Net Change in Fund Balance	\$ 699	282,097
			\$ 281,398
Beginning fund balance			878,259
	Ending Fund Balance	\$ 1,160,356	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles

City of Melissa, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TIF FUND
For the Year Ended September 30, 2019

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
			Positive (Negative)
<u>Revenues</u>			
Property taxes	\$ 996,426	\$ 992,873	\$ (3,553)
Investment income	-	2,233	2,233
	Total Revenues	996,426	(1,320)
<u>Expenditures</u>			
Debt service:			
Principal retirement	450,000	450,000	-
Interest and fiscal charges	369,050	369,050	-
	Total Expenditures	819,050	-
	Excess of Revenues Over (Under) Expenditures	177,376	(1,320)
	Net Change in Fund Balance	\$ 177,376	\$ 4,071
Beginning fund balance		96,217	
	Ending Fund Balance	\$ 277,664	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles

City of Melissa, Texas
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2019

	Community Development	Economic Development	Total
Assets			
Cash and cash equivalents	\$ 410,240	\$ 1,168,880	\$ 1,579,120
Receivables, net	138,413	138,413	276,826
Total Assets	548,653	1,307,293	1,855,946
Liabilities			
Accounts payable and accrued liabilities	-	4,276	4,276
Total Liabilities	-	4,276	4,276
Fund Balances			
Restricted for:			
Community development	548,653	-	548,653
Economic development	-	1,303,017	1,303,017
Total Fund Balances	548,653	1,303,017	1,851,670
Total Liabilities and Fund Balances	\$ 548,653	\$ 1,307,293	\$ 1,855,946

See Notes to Financial Statements.

City of Melissa, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2019

Fund Balances	\$ 1,851,670
----------------------	--------------

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	166,268
----------------------------------	---------

Net Position of the Discretely Presented Component Units	\$ 2,017,938
---	---------------------

City of Melissa, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES DISCRETELY PRESENTED COMPONENT UNITS For the Year Ended September 30, 2019

	Community Development	Economic Development	Total
<u>Revenues</u>			
Sales taxes	\$ 695,112	\$ 695,112	\$ 1,390,224
Investment income	3,994	17,096	21,090
Other revenues	-	37,724	37,724
Total Revenues	699,106	749,932	1,449,038
<u>Expenditures</u>			
Park maintenance	29,998	-	29,998
Contractual services	-	84,524	84,524
Capital outlay	37,192	129,076	166,268
Total Expenditures	67,190	213,600	280,790
Excess of Revenues Over (Under) Expenditures	631,916	536,332	1,168,248
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	(616,846)	(640,298)	(1,257,144)
Total Other Financing Sources (Uses)	(616,846)	(640,298)	(1,257,144)
Net Change in Fund Balances	15,070	(103,966)	(88,896)
Beginning fund balances	533,583	1,406,983	1,940,566
Ending Fund Balances	\$ 548,653	\$ 1,303,017	\$ 1,851,670

See Notes to Financial Statements.

City of Melissa, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances	\$ (88,896)
------------------------------	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	166,268
----------------	---------

Change in Net Position of the Discretely Presented Component Units	<u>\$ 77,372</u>
---	-------------------------

(This page intentionally left blank.)

STATISTICAL SECTION

This part of the City's 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 City's overall financial health.

Contents	Page
Financial Trends	98
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	108
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	116
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	123
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	128
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

City of Melissa, Texas

NET POSITION BY COMPONENT

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

(amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental activities				
Net investment in capital assets	\$ 22,148	\$ 21,081	\$ 15,186	\$ 2,148
Restricted	8,660	7,221	4,285	503
Unrestricted	<u>3,984</u>	<u>3,533</u>	<u>3,004</u>	<u>12,304</u>
Total governmental activities net position	<u>\$ 34,792</u>	<u>\$ 31,835</u>	<u>\$ 22,475</u>	<u>\$ 14,955</u>
Business-type activities				
Net investment in capital assets	\$ 5,589	\$ 4,655	\$ 4,017	\$ 3,460
Restricted	3,797	2,947	1,743	925
Unrestricted	<u>4,656</u>	<u>4,807</u>	<u>1,054</u>	<u>2,837</u>
Total business-type activities net position	<u>\$ 14,042</u>	<u>\$ 12,409</u>	<u>\$ 6,814</u>	<u>\$ 7,222</u>
Primary government				
Net investment in capital assets	\$ 27,737	\$ 25,736	\$ 19,203	\$ 5,608
Restricted	12,457	10,168	6,028	503
Unrestricted	<u>8,640</u>	<u>8,340</u>	<u>4,058</u>	<u>15,141</u>
Total primary government net position	<u>\$ 48,834</u>	<u>\$ 44,244</u>	<u>\$ 29,289</u>	<u>\$ 21,252</u>

Source: City of Melissa, Texas Audited Financial Statements

2015	2014	2013	2012	2011	2010
\$ 8,834	\$ 8,381	\$ 8,397	\$ 7,054	\$ 6,510	\$ 6,076
440	1,126	1,118	1,328	1,510	109
<u>1,484</u>	<u>1,381</u>	<u>713</u>	<u>1,338</u>	<u>1,218</u>	<u>3,553</u>
<u><u>\$ 10,758</u></u>	<u><u>\$ 10,888</u></u>	<u><u>\$ 10,228</u></u>	<u><u>\$ 9,720</u></u>	<u><u>\$ 9,238</u></u>	<u><u>\$ 9,738</u></u>
\$ 1,350	\$ 2,032	\$ 3,042	\$ 1,562	\$ 1,702	\$ 1,391
-	-	-	-	-	-
<u>4,625</u>	<u>3,195</u>	<u>1,385</u>	<u>2,513</u>	<u>1,719</u>	<u>1,268</u>
<u><u>\$ 5,975</u></u>	<u><u>\$ 5,227</u></u>	<u><u>\$ 4,427</u></u>	<u><u>\$ 4,075</u></u>	<u><u>\$ 3,421</u></u>	<u><u>\$ 2,659</u></u>
\$ 10,184	\$ 10,413	\$ 11,439	\$ 8,616	\$ 8,212	\$ 7,467
440	1,126	1,118	1,328	1,510	109
<u>6,109</u>	<u>4,576</u>	<u>2,098</u>	<u>3,864</u>	<u>2,937</u>	<u>4,821</u>
<u><u>\$ 16,733</u></u>	<u><u>\$ 16,115</u></u>	<u><u>\$ 14,655</u></u>	<u><u>\$ 13,808</u></u>	<u><u>\$ 12,659</u></u>	<u><u>\$ 12,397</u></u>

City of Melissa, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

(amounts expressed in thousands)

	2019	2018	2017	2016
Expenses				
Governmental activities:				
General government	\$ 3,672	\$ 3,751	\$ 2,818	\$ 2,849
Public safety	3,346	3,414	2,608	2,135
Streets	2,505	1,500	1,368	1,010
Culture and Recreation	1,523	1,002	758	593
Interest on long-term debt	1,743	1,399	1,364	1,120
Total governmental activities expenses	12,789	11,066	8,916	7,707
Business-type activities:				
Water & Sewer	7,559	6,736	5,629	5,779
Sanitation	480	418	381	338
Total business-type activities expenses	8,039	7,154	6,010	6,117
Total primary government expenses	\$ 20,828	\$ 18,220	\$ 14,926	\$ 13,824
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,796	\$ 2,136	\$ 1,861	\$ 1,192
Public safety	435	424	466	546
Streets	1,503	2,589	998	157
Culture and Recreation	-	-	-	-
Operating grants and contributions	1,221	1,141	230	203
Capital grants and contributions	700	4,935	3,910	-
Total governmental activities program revenues	5,655	11,225	7,465	2,098
Business-type activities:				
Charges for services:				
Water & Sewer	7,903	7,452	6,057	5,133
Sanitation	571	509	463	314
Grants and contributions	228	4,068	229	612
Total business-type activities program revenues	8,702	12,029	6,749	6,059
Total primary government program revenues	\$ 14,357	\$ 23,254	\$ 14,214	\$ 8,157

2015	2014	2013	2012	2011	2010
\$ 2,917	\$ 2,253	\$ 2,300	\$ 2,054	\$ 1,893	\$ 1,661
1,726	1,483	1,377	1,238	1,067	1,055
909	843	772	789	487	242
689	487	469	441	445	397
867	771	815	762	828	1,100
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
7,108	5,837	5,733	5,284	4,720	4,455
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,178	3,047	3,154	3,011	2,438	2,447
233	211	194	169	175	166
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,411	3,258	3,348	3,180	2,613	2,613
<u>\$ 11,519</u>	<u>\$ 9,095</u>	<u>\$ 9,081</u>	<u>\$ 8,464</u>	<u>\$ 7,333</u>	<u>\$ 7,068</u>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 958	\$ 735	\$ 549	\$ 417	\$ 247	\$ 255
560	552	467	573	525	388
22	-	-	-	-	-
-	5	9	5	2	2
158	309	282	100	91	112
400	830	1,223	1,008	29	2,067
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2,098	2,431	2,530	2,103	894	2,824
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,478	3,908	3,932	3,196	2,846	2,264
314	281	260	234	220	210
228	-	-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
5,020	4,189	4,192	3,430	3,066	2,474
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 7,118</u>	<u>\$ 6,620</u>	<u>\$ 6,722</u>	<u>\$ 5,533</u>	<u>\$ 3,960</u>	<u>\$ 5,298</u>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

City of Melissa, Texas

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2019	2018	2017	2016
Net (Expenses) Revenue				
Governmental activities	\$ (7,134)	\$ 159	\$ (1,451)	\$ (5,609)
Business-type activities	663	4,875	739	(58)
Total primary government net expense	\$ (6,471)	\$ 5,034	\$ (712)	\$ (5,667)
 General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 6,559	\$ 5,679	\$ 4,489	\$ 3,699
Sales taxes	1,393	1,324	1,164	1,129
Franchise and other taxes	568	479	382	339
Investment earnings	428	146	45	40
Miscellaneous	967	1,277	1,050	271
Gain on Sale of Capital Asset	-	-	-	-
Transfers	176	296	1,842	1,001
Total governmental activities	10,091	9,201	8,972	6,479
Business-type activities:				
Investment earnings	163	35	24	17
Miscellaneous	983	980	673	34
Transfers	(176)	(296)	(1,842)	(194)
Total business-type activities	970	719	(1,145)	(143)
Total primary government	\$ 11,061	\$ 9,920	\$ 7,827	\$ 6,336
 Change in Net Position				
Governmental activities	\$ 2,957	\$ 9,360	\$ 7,521	\$ 870
Business-type activities	1,633	5,594	(406)	(201)
Total primary government	\$ 4,590	\$ 14,954	\$ 7,115	\$ 669

Source: City of Melissa, Texas Audited Financial Statements

2015	2014	2013	2012	2011	2010
\$ (5,010) 609	\$ (3,406) 931	\$ (3,203) 844	\$ (3,181) 250	\$ (3,826) 453	\$ (1,631) (139)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (4,401)	\$ (2,475)	\$ (2,359)	\$ (2,931)	\$ (3,373)	\$ (1,770)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 3,059	\$ 2,561	\$ 2,275	\$ 2,217	\$ 2,117	\$ 2,143
822	830	704	641	472	406
306	282	255	247	216	193
139	11	20	33	36	258
161	112	177	82	100	57
-	2	44	(12)	-	-
441	268	236	219	120	203
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,928	4,066	3,711	3,427	3,061	3,260
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
27	22	22	35	17	55
167	6	145	353	207	135
(441)	(268)	(236)	(219)	(120)	(203)
(247)	(240)	(69)	169	104	(13)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 4,681	\$ 3,826	\$ 3,642	\$ 3,596	\$ 3,165	\$ 3,247
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (82)	\$ 660	\$ 508	\$ 246	\$ (765)	\$ 1,629
362	691	775	419	557	(152)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 280	\$ 1,351	\$ 1,283	\$ 665	\$ (208)	\$ 1,477
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

City of Melissa, Texas

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	2019	2018	2017	2016
General Fund				
Nonspendable	\$ 1	\$ 1	\$ 52	\$ 55
Restricted	6,318	6,247	3,691	76
Assigned	2,910	2,848	1,665	420
Unassigned	2,535	2,116	1,802	2,022
Total general fund	<u>\$ 11,764</u>	<u>\$ 11,212</u>	<u>\$ 7,210</u>	<u>\$ 2,573</u>
All Other Governmental Funds				
Restricted	11,367	22,551	10,317	6,887
Unassigned	-	-	(35)	-
Total all other governmental funds	<u>\$ 11,367</u>	<u>\$ 22,551</u>	<u>\$ 10,282</u>	<u>\$ 6,887</u>

Notes: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

2015	2014	2013	2012	2011	2010
\$ 38	\$ 9	\$ 2	\$ 17	\$ 15	\$ -
100	85	73	64	48	39
414	129	64	57	-	-
<u>1,404</u>	<u>1,370</u>	<u>1,355</u>	<u>1,319</u>	<u>1,333</u>	<u>1,353</u>
<u><u>\$ 1,956</u></u>	<u><u>\$ 1,593</u></u>	<u><u>\$ 1,494</u></u>	<u><u>\$ 1,457</u></u>	<u><u>\$ 1,396</u></u>	<u><u>\$ 1,392</u></u>
14,148	1,041	1,045	1,264	1,462	2,404
-	-	-	-	-	-
<u><u>\$ 14,148</u></u>	<u><u>\$ 1,041</u></u>	<u><u>\$ 1,045</u></u>	<u><u>\$ 1,264</u></u>	<u><u>\$ 1,462</u></u>	<u><u>\$ 2,404</u></u>

City of Melissa, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2019	2018	2017	2016
Revenues				
Taxes	\$ 9,987	\$ 10,091	\$ 5,991	\$ 5,159
Licenses & Permits	1,385	1,581	2,854	1,342
Intergovernmental	1,220	6,066	4,140	-
Charges for Services	410	556	5	8
Fines	435	424	466	546
Investment earnings	428	146	45	40
Contributions	-	-	-	203
Miscellaneous	1,326	1,274	1,050	247
Total Revenues	15,191	20,138	14,551	7,545
Expenditures				
General government	3,798	3,156	2,475	2,515
Public safety	3,288	2,994	2,303	1,901
Streets	670	360	275	281
Culture & Recreation	986	709	526	511
Capital Outlay	13,734	7,618	19,620	4,901
Debt Service:				
Principal	2,419	1,885	1,555	994
Interest and fiscal charges	1,779	1,529	1,359	1,242
Total Expenditures	26,674	18,251	28,113	12,345
Excess of Revenues Over (Under)				
Expenditures	(11,483)	1,887	(13,562)	(4,800)
Other financing sources (uses)				
Transfers in	2,034	15,799	19,264	2,264
Transfers (out)	(1,858)	(15,503)	(17,422)	(1,262)
Bonds Issued	-	13,987	29,006	-
Insurance Recoveries	-	-	-	24
Capital Leases	635	45	-	341
Sale of Capital Assets	41	57	-	-
Payment to refunded escrow agent	-	-	(12,884)	-
Bond Issuance Cost	-	-	-	-
Total Other Financing Sources (Uses)	852	14,385	17,964	1,367
Net Change in Fund Balances	\$ (10,631)	\$ 16,272	\$ 4,402	\$ (3,433)
Debt service as percentage of noncapital expenditures	32.4%	32.1%	32.9%	30.0%

2015	2014	2013	2012	2011	2010
\$ 4,182	\$ 3,646	\$ 3,275	\$ 3,068	\$ 2,802	\$ 2,766
976	1,201	549	417	235	245
400	511	546	236	307	2,303
4	6	10	6	2	2
560	551	466	573	524	387
140	11	20	33	36	258
157	163	959	1,107	91	149
161	112	177	82	100	58
6,580	6,201	6,002	5,522	4,097	6,168
2,489	1,864	1,974	1,740	1,585	1,564
1,572	1,342	1,256	1,121	924	903
257	248	230	279	232	213
600	405	376	353	355	306
909	982	1,874	1,640	677	9,592
971	900	803	568	549	537
681	743	735	813	833	1,073
7,479	6,484	7,248	6,514	5,155	14,188
(899)	(283)	(1,246)	(992)	(1,058)	(8,020)
1,368	1,710	1,898	844	803	-
(927)	(1,443)	(1,662)	(625)	(684)	-
10,490	-	2,430	500	-	-
-	-	-	-	-	-
229	108	38	109	-	-
-	2	48	27	-	-
-	-	(1,595)	-	-	-
-	-	(93)	-	-	-
11,160	377	1,064	855	119	-
\$ 10,261	\$ 94	\$ (182)	\$ (137)	\$ (939)	\$ (8,020)
25.1%	29.9%	28.6%	28.3%	30.9%	35.0%

City of Melissa, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years (Unaudited) (amounts expressed in thousands)

Fiscal Year Ended Sept 30	Real Property		Less Exemptions Real Property	Total Assessed Value	Tax Rate
	Residential Assessed Value	Commercial Assessed Value			
2010	\$ 283,842	\$ 87,460	\$ 29,637	\$ 341,665	\$ 0.61000
2011	289,495	84,077	31,807	341,765	0.61000
2012	299,967	84,719	32,018	352,668	0.61000
2013	310,017	88,489	35,219	363,287	0.61000
2014	420,978	101,533	41,884	480,627	0.61000
2015	428,704	128,724	125,900	431,528	0.61000
2016	663,465	105,965	74,304	695,126	0.61000
2017	670,504	118,120	79,280	709,344	0.61000
2018	813,674	147,038	95,478	865,234	0.61000
2019	935,156	235,911	134,504	1,036,562	0.61000

Notes: The appraisal of property within the City is the responsibility of the Collin County Central Appraisal District. The Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal, and the market data comparison basis of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The value placed upon property within the Appraisal District is subject to review by a three member Appraisal Review Board.

Source: Collin County Central Appraisal District

Estimated Tax Value	Ratio of Total Assessed Value to Total Estimated Actual Value	
\$ 341,665		100.0%
341,765		100.0%
352,668		100.0%
363,287		100.0%
480,627		100.0%
431,528		100.0%
695,126		100.0%
709,344		100.0%
865,234		100.0%
1,036,562		100.0%

(This page intentionally left blank.)

City of Melissa, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years (Unaudited)

Fiscal Year	CITY OF MELISSA			Melissa Independent School District		Collin County College District		Total Rate
	General	Debt Service	Total Rate					
2010	\$ 0.436756	0.17324	0.610000	1.54000	\$ 0.24250	0.08649	2.478993	
2011	0.435000	0.17500	0.610000	1.54000	0.24250	0.08630	2.478800	
2012	0.431322	0.17868	0.610000	1.54000	0.24000	0.08630	2.476300	
2013	0.437740	0.17226	0.610000	1.54000	0.24000	0.08630	2.476300	
2014	0.441731	0.16827	0.610000	1.54000	0.23750	0.08364	2.471143	
2015	0.463642	0.14636	0.610000	1.54000	0.23500	0.08196	2.466960	
2016	0.478910	0.13109	0.610000	1.67000	0.22500	0.08196	2.586960	
2017	0.462173	0.14783	0.610000	1.67000	0.20840	0.08122	2.569617	
2018	0.457305	0.15270	0.610000	1.67000	0.19225	0.07981	2.552056	
2019	0.460931	0.14861	0.609541	1.56835	0.17495	0.08122	2.434061	

Source: Collin County Central Appraisal District

City of Melissa, Texas
PRINCIPAL PROPERTY TAX PAYERS
Current and Nine Years Ago (Unaudited)

Taxpayer	2019		Percentage of Total City Assessed Valuation
	Assessed Valuation	Rank	
Buc-ees LTD	\$ 11,658,561	1	1.12%
Liberty Phase 5 Project LLC	8,650,082	2	0.83%
D.R. Horton- Texas LTD	6,349,779	3	0.61%
Bloomfield Homes LP	5,411,893	4	0.52%
Provision at Melissa, LP	4,449,144	5	0.43%
Pacesetter Homes LLC	4,361,300	6	0.42%
Geehand Homes LTD	4,103,834	7	0.40%
Pulte Homes of Texas LP	4,086,851	8	0.39%
Oncor Electric Delivery Company	3,588,585	9	0.35%
Devco-Meadow Run, LLC	3,428,000	10	0.33%
Hillwood RLD LP	-	-	0.00%
HFG VOM LP	-	-	0.00%
Alpha Industries Inc.	-	-	0.00%
McKinney Lumber Company LLC	-	-	0.00%
Zenith Finance and Construction Co.	-	-	0.00%
Engibous, Thomas J Etux	-	-	0.00%
First National Bank of Trenton	-	-	0.00%
Holigan Land Development	-	-	0.00%
Phillips Properties LTD	-	-	0.00%
Total	\$ 56,088,029		5.41%

Source: Collin County Central Appraisal District

2010

Assessed Valuation	Rank	Percentage of Total City
		Assessed Valuation
\$ -	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,899,120	8	0.56%
-	-	-
3,265,810	1	0.96%
2,162,000	2	0.63%
2,153,088	3	0.63%
2,087,836	4	0.61%
2,047,724	5	0.60%
2,021,723	6	0.59%
2,004,845	7	0.59%
1,789,693	9	0.52%
1,708,848	10	0.50%
\$ 21,140,687		6.19%

(This page intentionally left blank.)

City of Melissa, Texas
PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Total Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2010	\$ 2,095,958	\$ 2,068,894	98.7%	\$ 24,965	\$ 2,093,859	99.90%
2011	2,084,767	2,058,297	98.7%	26,378	2,084,675	100.00%
2012	2,135,747	2,122,966	99.4%	11,356	2,134,322	99.93%
2013	2,222,902	2,206,941	99.3%	14,463	2,221,404	99.9%
2014	2,473,949	2,463,639	99.6%	3,441	2,467,080	99.7%
2015	2,953,734	2,932,886	99.3%	6,571	2,939,457	99.5%
2016	3,585,389	3,570,609	99.6%	1,915	3,572,524	99.6%
2017	4,334,553	4,310,559	99.4%	16,650	4,327,209	99.8%
2018	5,278,488	5,253,887	99.5%	3,871	5,257,758	99.6%
2019	6,324,248	6,295,381	99.5%	-	6,295,381	99.5%

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

Source: Collin County Tax Assessor Collector.

City of Melissa, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years (Unaudited)
(Amounts Expressed In Thousands, Except per Capita Amount)

Fiscal Year	Governmental Activities					Capital Leases
	General Obligation Bonds	Certificates of Obligation	Notes			
2010	\$ 19,005	\$ -	\$ 89	\$		392
2011	18,530	-	84			323
2012	18,630	-	-			348
2013	18,740	-	-			308
2014	17,930	-	-			326
2015	27,575	-	-			429
2016	26,695	-	-			656
2017	22,502	19,485	-			498
2018	25,907	28,135	-			433
2019	24,450	27,180	-			899

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

Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Capital Leases				
\$ 11,644	\$ 1,255	\$ -	\$ 148	\$ 32,533	15.41%	6,256	
11,356	1,160	-	132	31,585	14.49%	5,743	
12,374	1,060	-	115	32,527	13.71%	5,421	
16,636	955	-	98	36,737	14.25%	5,652	
18,130	850	-	79	37,315	13.34%	5,330	
19,085	740	-	81	47,910	12.80%	5,323	
18,306	630	-	57	46,344	11.32%	5,323	
7,019	2,762	13,775	23	66,064	14.96%	6,292	
6,713	2,632	20,865	5	84,690	16.32%	7,058	
6,394	2,318	20,030	-	81,271	8.81%	5,805	

City of Melissa, Texas

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years (Unaudited)

(Amounts Expressed in Thousands, Except per Capita Amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt	Total	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
2010	\$ 20,260	\$ 71	\$ 20,189	5.09%	3,641
2011	19,690	97	19,593	5.05%	3,351
2012	19,690	116	19,574	5.32%	3,124
2013	19,695	197	19,498	4.65%	2,853
2014	18,780	243	18,537	3.68%	2,527
2015	28,315	304	28,011	4.74%	3,030
2016	27,325	379	26,946	4.74%	3,030
2017	25,264	608	24,656	3.48%	2,348
2018	28,539	840	27,699	3.20%	2,308
2019	26,768	1,161	25,607	2.47%	1,829

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

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

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

City of Melissa, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2019 (Unaudited)

(Amounts Expressed in Thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Melissa I.S.D.	\$ 109,455 *	79.55%	\$ 87,071
Collin County	392,565	0.53%	2,081
Collin County College District	256,488	0.53%	<u>1,359</u>
Total, overlapping debt			90,511
City of Melissa Direct Debt	52,529	100%	<u>52,529</u>
Total direct and overlapping debt			<u>\$ 143,040</u>

Notes: 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 by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability governments that is borne 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 the every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

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

*As of 8/31/2018

Source: Various entity financial statements as of the most recently issued financial statements.

City of Melissa, Texas
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years (Unaudited)
(amounts expressed in thousands)

	2019	2018	2017	2016
Debt limit	\$ 117,107	\$ 96,071	\$ 88,783	\$ 76,943
Total net debt applicable to limit	<u>25,607</u>	<u>27,699</u>	<u>24,656</u>	<u>26,316</u>
Legal debt margin	<u><u>\$ 91,500</u></u>	<u><u>\$ 68,372</u></u>	<u><u>\$ 64,127</u></u>	<u><u>\$ 50,627</u></u>
Total net debt applicable to limit as a percentage of debt limit	21.87%	28.83%	27.77%	34.20%
Legal Debt Margin Calculation for Fiscal Year 2019				
Assessed value			\$ 1,036,562	
Add back: exempt real property			134,504	
Total assessed value			<u>1,171,066</u>	
Debt limit (10% of total assessed value)			117,107	
Debt applicable to limit:				
General obligation			26,768	
Less: Amount set aside for repayment of general obligation debt			<u>(1,161)</u>	
Total net debt applicable to limit			<u>25,607</u>	
Legal debt margin	<u><u>\$ 91,500</u></u>			

Note: There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), that limits the maximum tax rate, for all city purposes, to \$2.50 per \$100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service.

Source: City of Melissa, Texas

2015	2014	2013	2012	2011	2010
\$ 54,166	\$ 52,251	\$ 39,851	\$ 35,267	\$ 37,357	\$ 37,195
<u>27,271</u>	<u>17,687</u>	<u>27,271</u>	<u>18,514</u>	<u>18,433</u>	<u>18,934</u>
<u><u>\$ 26,895</u></u>	<u><u>\$ 34,564</u></u>	<u><u>\$ 12,580</u></u>	<u><u>\$ 16,753</u></u>	<u><u>\$ 18,924</u></u>	<u><u>\$ 18,261</u></u>

50.35%	33.85%	68.43%	52.50%	49.34%	50.90%
--------	--------	--------	--------	--------	--------

City of Melissa, Texas
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years (Unaudited)
(Amounts Expressed in Thousands)

Fiscal Year	Water & Sewer Revenue Bonds									
	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service						Coverage
			Principal	Interest						
2010	\$ 2,894	\$ 1,989	\$ 905	\$ 308	\$ 418					125%
2011	3,495	1,896	1,599	288	430					223%
2012	4,066	2,225	1,841	473	530					184%
2013	3,950	2,822	1,128	548	525					105%
2014	4,217	2,564	1,653	761	695					114%
2015	5,214	3,228	1,986	850	739					125%
2016	6,110	3,932	2,178	889	1,550					89%
2017	6,520	4,911	1,609	862	765					99%
2018	7,961	5,547	2,414	1,019	849					129%
2019	8,474	6,144	2,330	1,429	1,063					93%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Melissa, Texas

City of Melissa, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (Unaudited)

Fiscal Year	(1) Population	Personal Income (Amounts Expressed in Thousands)	(2) Per Capita Personal Income		(1)/(5) Average Age	(4) School Enrollment	(2) Unemployment Rate
2010	5,200	\$ 211,068	\$ 40,590		33.7	1,453	7.3%
2011	5,500	218,031	39,642		32.4	1,586	7.0%
2012	6,000	237,264	39,544		32.9	1,707	6.1%
2013	6,500	257,745	39,653		32.9	1,895	5.5%
2014	7,000	279,671	39,953		32.4	1,921	4.4%
2015	9,000	374,364	41,596		31.0	2,159	4.4%
2016	10,000	409,230	40,923		31.1	2,399	4.4%
2017	10,500	441,630	42,060		32.7	2,624	3.6%
2018	12,000	518,976	43,248		36.5	3,216	3.1%
2019	14,000	922,236	65,874		36.5	3,400	2.9%

Data Sources:

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

(This page intentionally left blank.)

City of Melissa, Texas

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2019			2010		
	No. Employees ¹	Rank	Percentage of Total City Employment	No. Employees ¹	Rank	Percentage of Total City Employment
Melissa ISD	376	1	12.0%	186	1	26.7%
Buc-ee's	181	2	5.8%	-	-	0.0%
Kirk Concrete Construction, Inc.	180	3	5.8%	75	3	10.8%
Calhar Utility Contractors	75	4	2.4%	76	2	10.9%
City of Melissa	60	5	1.9%	32	5	4.6%
NTMWD Regional Disposal Activities	52	6	1.7%	-	-	0.0%
Sonic Drive-In	32	7	1.0%	25	7	3.6%
CMC Rebar	30	8	1.0%	-	-	0.0%
Mudpies & Lullabies	25	9	0.8%	26	6	3.7%
Corner Store	12	10	0.4%	-	-	0.0%
CMC Construction Services	-	-	-	21	8	3.0%
Alpha Industries Fabricated Structural Steel	-	-	-	57	4	8.2%
McKinney Lumber	-	-	-	20	9	2.9%
Bee Builder Supply	-	-	-	19	10	2.7%
Total	1,023		32.7%	537		77.2%

¹ Source: City of Melissa

City of Melissa, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM Last Ten Fiscal Years (Unaudited)

Function / Program	2019	2018	2017	2016	2015
General Government	9.5	9.5	8.5	7.5	7.5
Public Safety:					
Police	13.0	13.0	12.0	11.0	11.0
Municipal Court	2.0	2.0	2.0	1.5	1.5
Fire	10.5	9.0	10.0	9.0	9.0
Code Enforcement	1.0	1.0	1.0	-	-
Streets	0.5	0.5	0.5	0.5	0.5
Culture & Recreation:					
Parks and recreation	3.0	3.0	2.0	2.0	2.0
Libraries	4.5	4.0	4.5	4.0	4.0
Water, Wastewater	4.5	4.5	4.5	4.5	4.5
Utility Adminstration	2.5	2.5	2.5	3.5	3.5
Total all governmental funds	51.0	49.0	47.5	43.5	43.5

Source: City of Melissa, Texas

2014	2013	2012	2011	2010
7.0	6.5	6.5	6.0	6.0
10.0	9.0	9.0	9.5	9.5
1.5	2.5	2.5	2.5	2.5
3.5	3.0	2.0	2.0	1.5
-	-	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
3.0	2.5	2.0	2.0	2.0
4.0	4.0	4.0	4.0	4.0
3.5	3.0	3.0	3.0	3.0
34.5	32.5	32.0	32.0	31.5

City of Melissa, Texas
OPERATING INDICATORS BY FUNCTIONS/PROGRAM
Last Eight Fiscal Years

Function/Program	2019	2018	2017	2016
General government				
Building permits issued				
Commercial:				
Number Issued	5	4	20	23
Total Dollar Value of Permits Issued	3,960,162	21,024,377	33,274,421	3,641,774
Residential:				
Number Issued	482	523	317	238
Total Dollar Value of Permits Issued	124,537,435	132,234,242	83,028,982	60,904,323
Public Safety				
Police:				
Physical arrests	218	156	104	162
Accidents	217	304	211	259
Citations	1,934	3,116	2,905	2,799
Fire:				
Calls for Service- Fire & EMS	1,376	1,395	1,210	1,120
Number of Fire Safety Programs	26	24	5	30
Number of Calls Answered	1,376	1,395	1,210	1,120
Inspections	425	150	200	400
Fires Extinguished	71	97	85	95
Municipal Court				
Number of Cases Filed	2,402	2,966	2,639	3,382
Number of cases closed	2,450	2,616	2,603	2,933
Culture & Recreation:				
Parks & Recreation				
Athletic Field Reservations Issued	689	55	15	22
Park Facilities Reservations Issued	34	26	24	26
Weekend Tournaments (Ave 3 days)	26	28	0	0
Public Works:				
Water & Sewer:				
New water connections	586	485	336	284
Average daily consumption of water (thousands of gallons)	1,484,737	1,695,406	1,755,863	835,180
Average daily treatment of wastewater (thousands of gallons)	553,804	469,471	734,400	1,395,918
Streets:				
Potholes Repaired (tons of material)	319	726	360	310
Concrete Streets repaired (yards)	59	109	6,857	13,028

Source: City of Melissa, Texas

Note: Only eight years available at this time.

2015	2014	2013	2012
4	6	3	1
3,425,350	12,125,016	909,760	1,013,460
334	267	158	205
72,037,803	51,138,518	29,256,927	37,994,370
128	151	119	154
234	302	272	223
3,461	3,277	2,578	2,623
920	825	750	775
30	30	25	30
950	850	925	900
450	375	105	70
150	65	130	125
3,461	3,609	2,534	2,871
3,077	3,205	4,106	2,980
60	21	52	15
15	28	32	12
0	0	0	0
295	258	154	193
915,316	611,156	696,847	764,688
1,557,289	793,123	718,830	654,121
195	227	49	63
0	0	0	0

City of Melissa, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function	2019	2018	2017	2016	2015
Public Safety					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Streets and Drainage:					
Streets (miles)	73.02	75.20	71.00	62.94	61.46
Storm Sewers (miles)	28.28	31.11	27.89	22.32	21.30
Culture and Recreation					
Parks Acreage	58	58	33	31	31
Melissa Sports Facility- Acreage	100	100	100	100	0
Water					
Water mains (miles)	90.17	76.68	70.97	61.54	57.50
Fire hydrants	789	655	618	515	478
Storage capacity (millions of gallons)	1,500	1,750	1,750	1,750	1,750
Sewer					
Sanitary sewer (miles)	77.34	69.54	65.11	52.78	50.60

Source: City of Melissa, Texas

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
1 1	1 1	1 1	1 1	1 1
58.16 19.57	54.42 18.54	53.00 16.95	53.00 16.95	52.80 16.92
31 0	31 0	31 0	31 0	31 0
54.31 439	50.31 400	47.25 370	46.00 368	45.95 366
1,375	1,375	1,375	1,375	1,375
47.24	44.75	42.94	42.94	42.94