

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Melissa, Texas

**For the Year Ended
September 30, 2018**

Prepared by:

Jason Little
City Manager

Gail Dansby
Director of Finance

City of Melissa, Texas

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INTRODUCTORY SECTION

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February 21, 2019

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, 2018. 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.

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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, 2018, 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, 2018, 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 12,000. 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 2019 population estimate is approximately 12,000 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 FY19 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. Action Plans based on the implementation priorities are being drafted for consideration in the FY19 budget.

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. There are no plans for additional project implementation in FY18 unless an economic development opportunity presents itself. Transportation planning, design, and construction activities were incorporated into the FY 16 budget as a response to the growth in certain corridors within the City. Continued investment in the CIP's are likely in FY19 and will be evaluated at that time based on the growth and Council priorities. Roadways are a priority for FY19. The reconstruction of Davis Road, Fannin Road and Throckmorton Road are all expected to be completed in FY19.

Strategic Planning:

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

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

Accounting System and Budgetary Control

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

benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

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

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

Other Information

Certificate of Achievement:

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to cities for its comprehensive annual financial report (CAFR) based on certain criteria. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports. The City submitted and received this award for the CAFR for the fiscal years ended September 30, 2009, September 30, 2010, September 30, 2011, September 30, 2012, September 30, 2013, September 30, 2014, September 30, 2015, September 30, 2016, September 30, 2017 and will be submitting the CAFR for the fiscal year ended September 30, 2018.

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 tenth 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 2019 has been 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

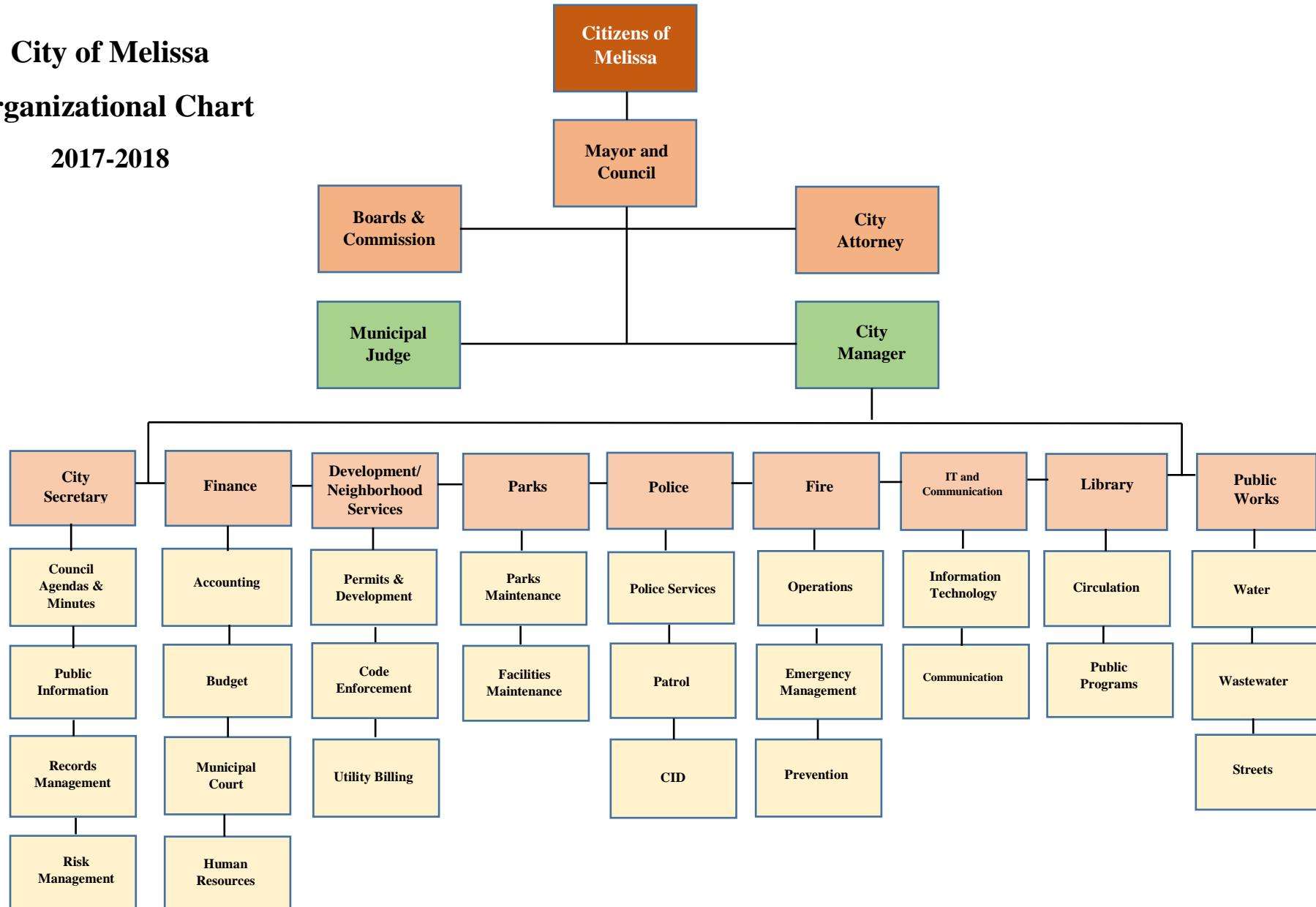


Gail Dansby, Finance Director

City of Melissa

Organizational Chart

2017-2018



CITY OF MELISSA, TEXAS

List of Elected and Appointed Officials



FISCAL YEAR 2018
OCTOBER 1, 2017- SEPTEMBER 30, 2018

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
IT & Communications Director – Erin Mynatt



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, 2017

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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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 aggregate 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, 2018, 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 27 percent, 20 percent, and 51 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, 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.E to the financial statements, due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. In addition, the City corrected an accounting error recorded in the prior year within business-type activities. Our opinion is not modified with respect to these matters.

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" on the first line and "Watson & Co." on the second line.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 21, 2019

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

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City of Melissa, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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, 2018. 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 of the City exceeded its liabilities (net position) at September 30, 2018 by \$40,724,448.
- The City's total net position increased by \$11,433,863. 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 \$33,762,798 at September 30, 2018, an increase of \$16,271,583 from the prior fiscal year; this includes an increase of \$4,002,064 in the general fund, an increase of \$232,551 in the debt service fund, an increase of \$4,030,590 in the transportation construction fund, an increase of \$7,924,416 in the park construction fund, and an increase of \$81,962 in the nonmajor fund.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,116,320 or 27% of total general fund operating expenditures.
- The City's outstanding bonds and certificates of obligation payable increased by \$18,707,618 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$84,251,185, including premiums.
- The City's net pension liability totaled \$1,434,554 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, 2018

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 Taylor Economic 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, 2018

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, and special revenue funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 26-33 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 34-38 of this report.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

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 39-76 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 \$40,724,448 as of September 30, 2018, in the primary government.

The largest portion of the City's net position, \$25,735,566, 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, 2018

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 35,507,621	\$ 14,984,641	\$ 50,492,262	\$ 19,579,023	6,679,087	\$ 26,258,110
Capital assets, net	53,351,433	26,434,701	79,786,134	47,279,946	25,873,738	73,153,684
Total Assets	88,859,054	41,419,342	130,278,396	66,858,969	32,552,825	99,411,794
Deferred Outflows of Resources	892,324	128,299	1,020,623	956,859	143,030	1,099,889
Other liabilities	4,347,098	3,666,897	8,013,995	4,190,934	3,376,549	7,567,483
Long-term liabilities	53,473,947	28,978,056	82,452,003	41,149,701	22,503,914	63,653,615
Total Liabilities	57,821,045	32,644,953	90,465,998	45,340,635	25,880,463	71,221,098
Deferred Inflows of Resources	94,918	13,655	108,573	-	-	-
Net Position:						
Net investment in capital assets	21,080,680	4,654,886	25,735,566	15,186,249	4,017,422	19,203,671
Restricted	7,221,363	2,947,335	10,168,698	4,285,243	1,743,306	6,028,549
Unrestricted	3,533,372	1,286,812	4,820,184	3,003,701	1,054,664	4,058,365
Total Net Position	\$ 31,835,415	\$ 8,889,033	\$ 40,724,448	\$ 22,475,193	\$ 6,815,392	\$ 29,290,585

Current assets of business-type activities were \$14,984,641 and \$6,679,087 as of September 30, 2018 and September 30, 2017, respectively. The increase of \$8,305,554 or 124% was primarily attributable to more cash reserves as the City issued certificates of obligation bonds in the current year. Governmental activities current assets also increased by \$15,928,598 due primarily to unspent bond proceeds resulting from two separate bond issuances in the current year. Governmental activities capital assets increased by \$6,071,487 due to the investment in several major ongoing capital projects. Long-term liabilities for governmental activities increased by \$12,324,246 due to two new debt issuances, as mentioned above. Long-term liabilities for business-type activities increased by \$6,474,142 due to one new debt issuance, as mentioned above.

City of Melissa, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2018

Statement of Activities:

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

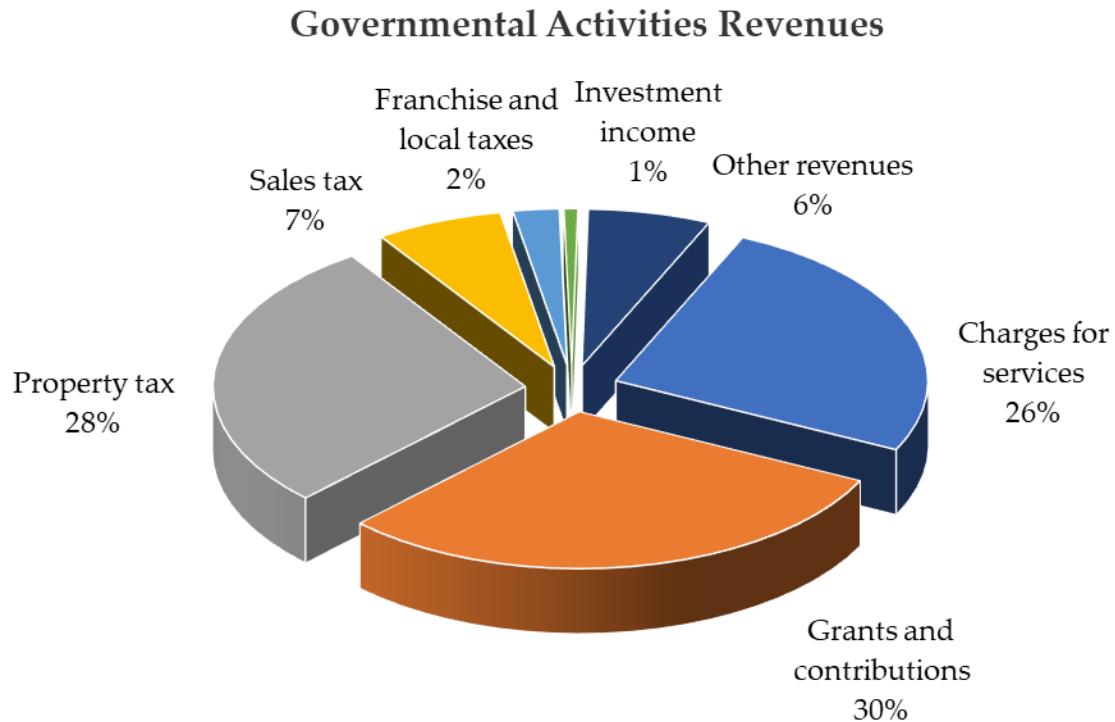
	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	Governmental Activities		Total Primary Government	Governmental Activities		Total Primary Government
	Business-Type Activities			Business-Type Activities		
Revenues						
Program revenues:						
Charges for services	\$ 5,149,682	\$ 7,961,904	\$ 13,111,586	\$ 3,324,468	6,520,093	\$ 9,844,561
Operating grants	1,140,732	228,288	1,369,020	230,211	-	230,211
Capital grants	4,935,000	320,000	5,255,000	3,910,323	228,532	4,138,855
General revenues:						
Property tax	5,679,005	-	5,679,005	4,489,186	-	4,489,186
Sales tax	1,324,418	-	1,324,418	1,164,060	-	1,164,060
Franchise and local taxes	479,301	-	479,301	381,507	-	381,507
Investment income	145,628	34,554	180,182	44,756	24,481	69,237
Other revenues	1,276,766	979,630	2,256,396	1,050,656	672,725	1,723,381
Total Revenues	20,130,532	9,524,376	29,654,908	14,595,167	7,445,831	22,040,998
Expenses						
General government	3,751,080	-	3,751,080	2,817,843	-	2,817,843
Public safety	3,413,863	-	3,413,863	2,608,103	-	2,608,103
Streets	1,500,213	-	1,500,213	1,368,464	-	1,368,464
Culture and recreation	1,001,834	-	1,001,834	758,386	-	758,386
Interest and fiscal charges	1,399,320	929,290	2,328,610	1,363,825	861,519	2,225,344
Water and sewer	-	5,807,140	5,807,140	-	4,767,385	4,767,385
Sanitation	-	418,305	418,305	-	381,319	381,319
Total Expenses	11,066,310	7,154,735	18,221,045	8,916,621	6,010,223	14,926,844
Change in Net Position						
Before Transfers	9,064,222	2,369,641	11,433,863	5,678,546	1,435,608	7,114,154
Transfers	296,000	(296,000)	-	1,842,121	(1,842,121)	-
Total	296,000	(296,000)	-	1,842,121	(1,842,121)	-
Change in Net Position	9,360,222	2,073,641	11,433,863	7,520,667	(406,513)	7,114,154
Beginning Net Position	22,475,193	6,815,392	29,290,585	14,954,526	7,221,905	22,176,431
Ending Net Position	\$ 31,835,415	\$ 8,889,033	\$ 40,724,448	\$ 22,475,193	\$ 6,815,392	\$ 29,290,585

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

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



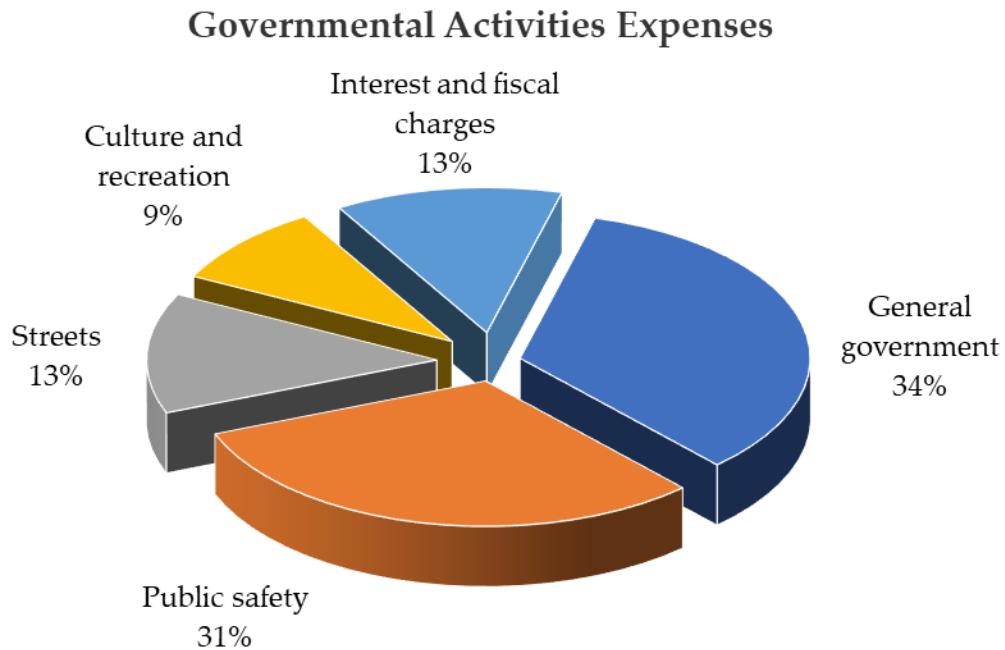
For the year ended September 30, 2018, revenues from governmental activities totaled \$20,130,532. Property tax, charges for services and grants were the City's largest general revenue sources. Overall revenue increased \$5,535,365 or 38% from the prior year. This increase is primarily due to an increase in property tax of \$1,189,819, an increase in charges for services of \$1,825,214, an increase in grants of \$1,935,198, and an increase in other revenues of \$226,110. Property tax revenue increased due to an increase in the overall taxable property values. Charges for services increased primarily as a result of increased city licenses and permits and addition road impact fees. Grants increased primarily due to a nonrecurring \$4,925,000 grant from Collin County for the purpose of road construction. Other revenues increased primarily as a result of increased park development fee revenues received in the current year. Sales tax and franchise tax revenue increased by \$160,358 and \$97,794, respectively primarily due to increase economic growth. Interest income increased by \$100,872 due primarily to greater interest-bearing cash accounts compared to the prior year.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2018, expenses for governmental activities totaled \$11,066,310. This represents an increase of \$2,149,689 or 24% from the prior year. The City's largest functional expense is general government totaling \$3,751,080. General government increased \$933,237 or 33% when compared to the prior year. The increase is mainly attributed to personnel, engineering, utilities, and computer maintenance expenses. Public safety increased \$805,760 or 31% due primarily from increased personnel costs and vehicle and building maintenance expenses. The City also changed the TMRS benefit to include 100% updated service credit. The effect was an increase in pension expense over \$500,000 for both the general government and public safety departments. Culture and recreation expenditures increased by \$243,448 or 32% primarily as a result of increased personnel and utilities expenditures. All remaining expenses remained relatively consistent with the previous year.

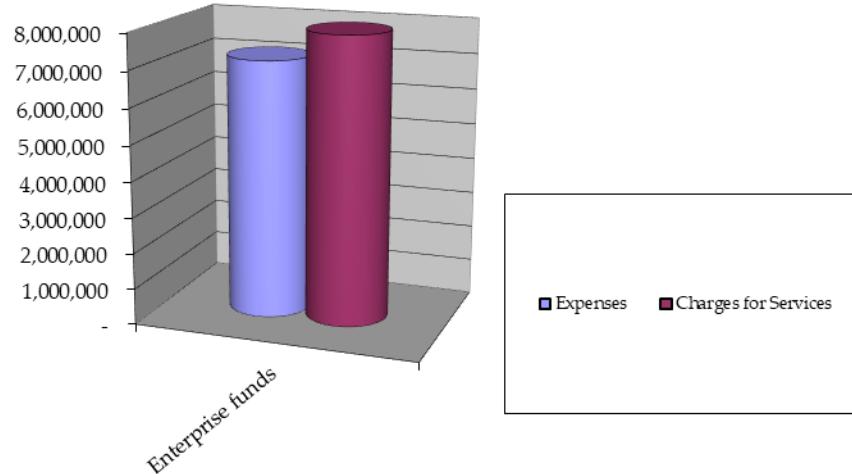
City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

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, 2018, charges for services by business-type activities totaled \$7,961,904. This is an increase of \$1,441,811 or 22% from the previous year. This increase directly relates to an increase in utility consumption and a growing customer base.

Total expenses increased \$1,144,512 or 19% to a total of \$7,154,735. This increase is primarily attributed to increased personnel, cost of water, water materials and supplies, and computer expenses. Water and sewer and interest expenses totaled \$6,736,430 and sanitation totaled \$418,305. Interest and fiscal charges increased by \$67,771 due to a new bond issuance occurring in the current year.

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, 2018, the City's governmental funds reported combined fund balances of \$33,762,798, an increase of \$16,271,583 in comparison with the prior year. Approximately 6% of this amount, \$2,116,320, 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 \$995, 2) assigned \$2,847,507 or 3) restricted for particular purposes \$28,797,976.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

September 30, 2018

As of the end of the year the general fund reflected a total fund balance of \$11,211,709. Of this, \$6,246,887 is considered restricted and \$2,116,320 is unassigned. General fund balance increased by \$4,002,064. This increase can be attributed to current year revenues exceeding expenditures and other financing uses.

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 \$2,116,320 is 30% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$878,259 as of year end. Total fund balance increased by \$232,551 from the prior year due to revenues and transfers in exceeding debt service expenditures.

The transportation construction fund had an ending fund balance of \$13,687,136 at September 30, 2018, an increase of \$4,030,590 when compared to the previous year. This increase was primarily the result of transfers in from other funds. During the year, the fund recorded total capital outlay of \$7,077,238 spent on various capital projects.

The park construction fund had an ending fund balance of \$7,889,477 at September 30, 2018, an increase of \$7,924,416 primarily due to transfers in from other funds.

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 \$8,889,033. Unrestricted net position at the close of the fiscal year amounted to \$1,286,812 and a total increase in net position of \$2,073,641 from the previous year. Total investment in capital assets, net of related debt of was \$4,654,886, and capital assets, net of depreciation totaled \$26,434,701.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$2,111,183 and increasing total revenues by \$2,054,183. The primary reasons for the budget revision were due to higher than expected revenue from sales taxes and permit revenue. Expenditures were increased to account for inspections and engineering on new developments. Total budgeted revenues of \$8,337,981 were less than actual revenues of \$12,234,289, resulting in a total positive revenue variance of \$3,896,308. Total budgeted expenditures of \$8,695,981 were more than actual expenditures of \$7,810,345, resulting in a total positive expenditure variance of \$885,636.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$53,351,433 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$26,434,701 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:

- Construction in progress additions of the following:

Throckmorton road	\$ 5,157,799
Telephone road	\$ 216,471
Davis road	\$ 1,188,182
Fannin road	\$ 88,554
Melissa road	\$ 141,065
Traffic signal	\$ 188,346
100 acre park	\$ 186,227

- Fire department vehicle and equipment purchases totaling \$108,169.
- Police department vehicle and equipment purchases totaling \$59,977.
- Park department equipment purchases totaling \$29,556.
- Purchase of new water department pump station generator of \$190,058.
- Stiff Creek sewer construction totaling \$793,801.
- Davis road sewer construction totaling \$96,143.
- Investment in north elevated storage tank totaling \$156,556.

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 increased by \$18,707,618 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$84,251,185, 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, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget document for Fiscal Year (FY) 2018 was submitted to the Government Finance Officers Association of America (GFOA) Distinguished Budget Award committee and was awarded its tenth Distinguished Budget Award. Comments submitted by the reviewers on items for improvement were addressed and the document has been resubmitted for the FY 2019 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 within the FY19 budget is based on an ad valorem tax rate of \$.609541. In addition, a conservative collection rate of 99% of the tax rate is assumed, although the City historically collects in excess of 100% which includes delinquent taxes from previous years.

The 2018 assessed property value of the City of Melissa is over \$1 billion, an overall increase of \$188 million from the preceding year. Assessed property values have risen \$734 million since 2007. The top ten taxpayers for 2018 make up only 4.99% of the \$1 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 \$1,100,000 or 15% 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 manages its water purchase contracts with the North Texas Municipal Water District (NTMWD) through limited well water and the contracted surface 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 to cover these delivery charges. The minimum bill was reduced for the second year in a row which makes Melissa very competitive with the area cities, also served by NTMWD. 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 now captured in the Transportation Construction Fund and the Utility Construction Fund respectfully. The ten-year planning program for the City's Water and Wastewater Capital Improvement Program will anticipate, plan, and construct the necessary improvements for the water and wastewater system.

All these factors were considered in preparing the City of Melissa's budget for the 2019 fiscal year.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2018

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 91 days at September 30, 2018. This exceeds the Council adopted financial policy of at least 90 days of operating expenses for the City's General Fund. The 2019 fiscal year 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.

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FINANCIAL STATEMENTS

City of Melissa, Texas

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government		
	Governmental Activities		Business-Type Activities
			Total
Assets			
Cash and cash equivalents	\$ 34,646,509	\$ 13,240,512	\$ 47,887,021
Receivables, net	414,057	1,146,139	1,560,196
Internal balances	446,060	(446,060)	-
Prepaid and other assets	995	1,044,050	1,045,045
	<u>35,507,621</u>	<u>14,984,641</u>	<u>50,492,262</u>
Capital assets:			
Non-depreciable	16,260,177	665,878	16,926,055
Net depreciable capital assets	37,091,256	25,768,823	62,860,079
	<u>53,351,433</u>	<u>26,434,701</u>	<u>79,786,134</u>
Total Assets	<u>88,859,054</u>	<u>41,419,342</u>	<u>130,278,396</u>
Deferred Outflows of Resources			
Deferred charge on refunding	595,239	85,560	680,799
Pension contributions	251,514	36,183	287,697
OPEB contributions	370	53	423
OPEB assumption changes	5,131	738	5,869
Pension assumption changes	40,070	5,765	45,835
Total Deferred Outflows of Resources	<u>892,324</u>	<u>128,299</u>	<u>1,020,623</u>
Liabilities			
Accounts payable and accrued liabilities	1,684,837	811,989	2,496,826
Customer deposits	-	574,918	574,918
Accrued interest payable	175,003	839,424	1,014,427
Long-term debt due within one year	2,487,258	1,440,566	3,927,824
	<u>4,347,098</u>	<u>3,666,897</u>	<u>8,013,995</u>
Noncurrent liabilities:			
Net pension liability	1,254,134	180,420	1,434,554
OPEB liability	75,202	10,818	86,020
Long-term debt due in more than one year	52,144,611	28,786,818	80,931,429
	<u>53,473,947</u>	<u>28,978,056</u>	<u>82,452,003</u>
Total Liabilities	<u>57,821,045</u>	<u>32,644,953</u>	<u>90,465,998</u>
Deferred Inflows of Resources			
Pension investment earnings	82,446	11,861	94,307
Pension (gains) losses	12,472	1,794	14,266
Total Deferred Inflows of Resources	<u>94,918</u>	<u>13,655</u>	<u>108,573</u>
Net Position			
Net investment in capital assets	21,080,680	4,654,886	25,735,566
Restricted for:			
Municipal court	84,404	-	84,404
Debt service	974,476	-	974,476
Capital projects	6,147,706	2,947,335	9,095,041
PEG Fees	14,777	-	14,777
Economic development	-	-	-
Unrestricted	3,533,372	1,286,812	4,820,184
Total Net Position	<u>\$ 31,835,415</u>	<u>\$ 8,889,033</u>	<u>\$ 40,724,448</u>

See Notes to Financial Statements.

Component Units	
Community Development	Economic Development
\$ 408,404	\$ 1,281,843
125,179	125,179
-	-
-	-
533,583	1,407,022
-	-
-	-
-	-
533,583	1,407,022
-	-
-	-
-	-
-	-
-	-
39	39
-	-
-	-
-	-
39	39
-	-
-	-
-	-
-	-
533,583	1,406,983
-	-
\$ 533,583	\$ 1,406,983

City of Melissa, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 3,751,080	\$ 2,253,639	\$ 133,740	\$ -
Public safety	3,413,863	423,997	192,246	-
Streets	1,500,213	2,472,046	141,916	4,935,000
Culture and recreation	1,001,834	-	672,830	-
Interest and fiscal charges	1,399,320	-	-	-
Total Governmental Activities	11,066,310	5,149,682	1,140,732	4,935,000
Business-Type Activities				
Water and sewer	6,736,430	7,452,565	228,288	320,000
Sanitation	418,305	509,339	-	-
Total Business-Type Activities	7,154,735	7,961,904	228,288	320,000
Total Primary Government	\$ 18,221,045	\$ 13,111,586	\$ 1,369,020	\$ 5,255,000
Component Units				
Community development	\$ 701,577	\$ -	\$ -	\$ -
Economic development	396,264	-	-	-
Total Component Units	\$ 1,097,841	\$ -	\$ -	\$ -
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	
\$ (1,363,701)	\$ -	\$ (1,363,701)	\$ -	\$ -	\$ -	
(2,797,620)	-	(2,797,620)		-	-	
6,048,749	-	6,048,749		-	-	
(329,004)	-	(329,004)		-	-	
(1,399,320)	-	(1,399,320)		-	-	
<u>159,104</u>	<u>-</u>	<u>159,104</u>		<u>-</u>	<u>-</u>	
	1,264,423	1,264,423		-	-	
	91,034	91,034		-	-	
	<u>1,355,457</u>	<u>1,355,457</u>		<u>-</u>	<u>-</u>	
<u>159,104</u>	<u>1,355,457</u>	<u>1,514,561</u>		<u>-</u>	<u>-</u>	
			(701,577)		-	
			-		(396,264)	
			<u>(701,577)</u>		<u>(396,264)</u>	
5,679,005	-	5,679,005		-	-	
1,324,418	-	1,324,418	661,305	661,305		
479,301	-	479,301	-	-	-	
145,628	34,554	180,182	1,011	8,299		
1,276,766	979,630	2,256,396	-	4,200		
296,000	(296,000)	-	-	-	-	
<u>9,201,118</u>	<u>718,184</u>	<u>9,919,302</u>	<u>662,316</u>		<u>673,804</u>	
9,360,222	2,073,641	11,433,863	(39,261)	277,540		
22,475,193	6,815,392	29,290,585	572,844	1,129,443		
<u>\$ 31,835,415</u>	<u>\$ 8,889,033</u>	<u>\$ 40,724,448</u>	<u>\$ 533,583</u>		<u>\$ 1,406,983</u>	

City of Melissa, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Transportation Construction</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 11,368,070	\$ 839,993	\$ 14,463,627
Receivables, net	408,057	-	6,000
Prepaid items	995	-	-
Due from other funds	336,042	38,266	120,143
Total Assets	<u>\$ 12,113,164</u>	<u>\$ 878,259</u>	<u>\$ 14,589,770</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 792,328	\$ -	\$ 892,509
Due to other funds	49,141	-	10,125
Total Liabilities	<u>841,469</u>	<u>-</u>	<u>902,634</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	<u>59,986</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>			
Nonspendable:			
Prepaid items	995	-	-
Restricted for:			
Municipal court	84,404	-	-
Debt service	-	878,259	-
Capital projects	6,147,706	-	13,687,136
PEG Fees	14,777	-	-
Assigned for:			
Information technology	83,546	-	-
City Hall maintenance	178,063	-	-
Capital projects	510,000	-	-
Special projects	2,010,479	-	-
Economic development	60,000	-	-
Body camera	5,419	-	-
Unassigned reported in:			
General fund	2,116,320	-	-
Total Fund Balances	<u>11,211,709</u>	<u>878,259</u>	<u>13,687,136</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 12,113,164</u>	<u>\$ 878,259</u>	<u>\$ 14,589,770</u>

See Notes to Financial Statements.

Park Construction	Nonmajor		Total Governmental Funds
	TIF Fund		
\$ 7,878,602	\$ 96,217	\$ 34,646,509	
-	-	414,057	
-	-	995	
10,875	-	505,326	
\$ 7,889,477	\$ 96,217	\$ 35,566,887	

\$ -	\$ -	\$ 1,684,837
-	-	59,266
-	-	1,744,103

-	-	59,986
----------	----------	---------------

-	-	995
-	-	84,404
-	96,217	974,476
7,889,477	-	27,724,319
-	-	14,777

-	-	83,546
-	-	178,063
-	-	510,000
-	-	2,010,479
-	-	60,000
-	-	5,419

-	-	2,116,320
7,889,477	\$ 96,217	\$ 33,762,798
\$ 7,889,477	\$ 96,217	\$ 35,566,887

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City of Melissa, Texas

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS**
September 30, 2018

Fund Balances - Total Governmental Funds		\$ 33,762,798
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		16,260,177
Capital assets - net depreciable		37,091,256
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
		59,986
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		595,239
Pension contributions		251,514
OPEB contributions		370
Pension assumption changes		40,070
OPEB assumption changes		5,131
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.		
Pension investment earnings		(82,446)
Pension (gains) losses		(12,472)
Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.		
Net pension liability		(1,254,134)
OPEB liability		(75,202)
Accrued interest		(175,003)
Bond premium		(1,696,897)
Non-current liabilities due in one year		(2,487,258)
Non-current liabilities due in more than one year		(50,447,714)
Net Position of Governmental Activities		\$ 31,835,415

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, 2018

	General	Debt Service	Transportation Construction
Revenues			
Property tax	\$ 3,520,703	\$ 1,400,803	\$ -
Sales tax	1,324,418	-	-
Franchise and local taxes	479,301	-	-
Road impact fees	2,472,046	-	-
License and permits	1,697,553	-	-
Charges for services	35,671	-	-
Fines and forfeitures	423,997	-	-
Platting and development	520,415	-	-
Intergovernmental	343,309	757,423	4,925,000
Lease revenue	98,898	-	-
Investment income	142,766	1,540	-
Other revenues	1,175,212	-	-
Total Revenues	12,234,289	2,159,766	4,925,000
Expenditures			
Administration	1,763,245	5,040	-
Planning and development	933,132	-	-
Code enforcement	86,600	-	-
Public library	242,295	-	-
Public safety	2,659,322	-	-
Streets	332,749	-	-
Municipal court	308,531	-	-
Building maintenance	88,796	-	-
Parks and recreation	466,665	-	-
Capital outlay	687,820	-	7,077,238
Debt service			
Principal	110,113	1,775,000	-
Interest	19,479	1,397,060	-
Bond issuance expense	111,598	-	-
Total Expenditures	7,810,345	3,177,100	7,077,238
Excess of Revenues Over (Under) Expenditures	4,423,944	(1,017,334)	(2,152,238)
Other Financing Sources (Uses)			
Transfers in	296,000	1,249,885	6,182,828
Transfers (out)	(14,806,763)	-	-
Sale of capital assets	57,088	-	-
Bond issuance	13,865,000	-	-
Lease proceeds	45,197	-	-
Bond premium	121,598	-	-
Total Other Financing Sources (Uses)	(421,880)	1,249,885	6,182,828
Net Change in Fund Balances	4,002,064	232,551	4,030,590
Beginning fund balances	7,209,645	645,708	9,656,546
Ending Fund Balances	\$ 11,211,709	\$ 878,259	\$ 13,687,136

See Notes to Financial Statements.

Park Construction	Nonmajor		Total Governmental Funds
	TIF Fund		
\$ -	\$ 777,233	\$ 5,698,739	
-	-	1,324,418	
-	-	479,301	
-	-	2,472,046	
-	-	1,697,553	
-	-	35,671	
-	-	423,997	
-	-	520,415	
40,000	-	6,065,732	
-	-	98,898	
643	679	145,628	
-	-	1,175,212	
40,643	777,912	20,137,610	
-	-	1,768,285	
-	-	933,132	
-	-	86,600	
-	-	242,295	
-	-	2,659,322	
-	-	332,749	
-	-	308,531	
-	-	88,796	
-	-	466,665	
186,227	-	7,951,285	
-	-	1,885,113	
-	-	1,416,539	
-	-	111,598	
186,227	-	18,250,910	
(145,584)	777,912	1,886,700	
8,070,000	-	15,798,713	
-	(695,950)	(15,502,713)	
-	-	57,088	
-	-	13,865,000	
-	-	45,197	
-	-	121,598	
8,070,000	(695,950)	14,384,883	
7,924,416	81,962	16,271,583	
(34,939)	14,255	17,491,215	
\$ 7,889,477	\$ 96,217	\$ 33,762,798	

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City of Melissa, Texas

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

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

Net changes in fund balances - total governmental funds \$ 16,271,583

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	7,617,972
Depreciation expense	(1,492,053)
Adjustment for disposals of capital assets	(54,432)

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

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	(878,521)
OPEB expense	(8,092)
Compensated absences	(58,636)
Accrued interest	46,175
Amortization of deferred charges on refunding	(74,405)
Amortization of bond premium	157,047

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	1,885,113
Bonds issued	(13,865,000)
Premiums on debt issued	(121,598)
Lease issuance	(45,197)

Change in Net Position of Governmental Activities

See Notes to Financial Statements.

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2018

	Utility Fund
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 13,240,512
Receivables, net	1,137,650
Other receivables	8,489
Prepays and other assets	1,044,050
	Total Current Assets
	15,430,701
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	665,878
Net depreciable capital assets	25,768,823
	Total Noncurrent Assets
	26,434,701
	Total Assets
	41,865,402
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	85,560
Pension contributions	36,183
OPEB contributions	53
OPEB assumption changes	738
Pension assumption changes	5,765
	Total Deferred Outflows of Resources
	128,299

City of Melissa, Texas

STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2018

	Utility Fund
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable	\$ 710,994
Accrued expenses	100,995
Customer deposits	574,918
Current maturities of long-term liabilities	1,440,566
Accrued interest	839,424
Due to other funds	446,060
	Total Current Liabilities
	4,112,957
<u>Noncurrent Liabilities</u>	
Long-term liabilities	28,786,818
Net pension liability	180,420
OPEB liability	10,818
	Total Liabilities
	33,091,013
<u>Deferred Inflows of Resources</u>	
Pension investment earnings	11,861
Pension (gains) losses	1,794
	Total Deferred Inflows of Resources
	13,655
<u>Net Position</u>	
Net investment in capital assets	4,654,886
Restricted for capital projects	2,947,335
Unrestricted	1,286,812
	Total Net Position
	\$ 8,889,033

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, 2018

	Utility Fund
<u>Operating Revenues</u>	
Water revenue	\$ 4,538,944
Sanitation revenue	509,339
Sewer revenue	2,196,724
Tap fees	416,000
Meter installations	177,894
Reconnect fees	123,003
Other revenue	979,630
	Total Operating Revenues
	8,941,534
<u>Operating Expenses</u>	
Personnel services - water	404,541
Personnel services - billing	234,861
Material and supplies - water	607,743
Material and supplies - sewer	3,275
Material and supplies - billing	39,202
Other services - water	2,282,842
Other services - sewer	1,292,747
Other services - sanitation	418,305
Other services - billing	264,149
Depreciation	677,780
	Total Operating Expenses
	6,225,445
	Operating Income (Loss)
	2,716,089
<u>Nonoperating Revenues (Expenses)</u>	
Intergovernmental	228,288
Investment income	34,554
Interest expense	(883,622)
Bond issuance costs	(45,668)
	Total Nonoperating Revenues (Expenses)
	(666,448)
	Income Before and Transfers
	2,049,641
<u>Capital Contributions and Transfers</u>	
Capital grants and contributions	320,000
Transfers (out)	(296,000)
	Change in Net Position
	2,073,641
Beginning net position	6,815,392
	Ending Net Position
	\$ 8,889,033

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, 2018

	Utility Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 9,034,532
Payments to suppliers and contractors	(4,632,603)
Payments to employees for salaries and benefits	(525,255)
Net Cash Provided (Used) by Operating Activities	3,876,674
<u>Cash Flows from Noncapital Financing Activities</u>	
Intergovernmental revenue	228,288
Transfer (out)	(296,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(67,712)
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of capital assets	(1,267,659)
Capital disposals	28,916
Capital contributions	320,000
Proceeds from capital debt	7,845,668
Principal paid on capital debt	(1,169,139)
Interest paid on capital debt	(918,566)
Bond issuance costs paid	(45,668)
Net Cash Provided (Used) by Capital and Related Financing Activities	4,793,552
<u>Cash Flows from Investing Activities</u>	
Interest on investments	34,554
Net Cash Provided by Investing Activities	34,554
Net Increase (Decrease) in Cash and Cash Equivalents	8,637,068
Beginning cash and cash equivalents	4,603,444
Ending Cash and Cash Equivalents	\$ 13,240,512

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, 2018

	Utility Fund
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 2,716,089
Adjustments to reconcile operating income to net cash provided (used):	
Depreciation	677,780
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	14,539
Due from other funds	58,179
Deferred Outflows of Resources:	
Pension contributions	(16,996)
OPEB contributions	(5)
Investment experience	25,540
Pension (gains) losses	7,191
Pension assumption changes	2,699
OPEB assumption changes	(738)
Increase (Decrease) in:	
Prepaid expenses	(162,286)
Accounts payable	(41,315)
Customer deposits	78,459
Compensated absences	(9,998)
Due to other funds	421,082
Net pension liability	104,547
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,876,674</u>

See Notes to Financial Statements.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018

impose its will on the MEDC and affect the day-to-day operations of the MEDC by removing appointed board members at will. The scope of public service of the MEDC benefits the City and its citizens by developing economic resources and is operated primarily within the geographic boundaries of the City.

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 impose its will on the MEDC and affect the day-to-day operations of the MEDC by removing appointed board members at will. The scope of public service of the MEDC benefits the City and its citizens by developing recreational resources and is operated primarily within the geographic boundaries of the City.

The MEDC and MCDC do not prepare separate financial statements; however, the presentations in the basic financial statements 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, 2018

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, 2018

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, 2018

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, 2018

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 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, 2018

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

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

amounts to report as restricted – net position and unrestricted – net position in the 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, 2018

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

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 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.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2018

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 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

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general and enterprise fund. 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. One supplemental budget appropriation was made during the year.

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, 2018, 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 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

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2018

and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2018, 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:

Primary Government					
	General	Transportation Construction	Utility Fund	Total	
Property taxes	\$ 59,986	\$ -	\$ -	\$ 59,986	
Sales tax	250,358	-	-		250,358
Franchise tax	93,005	-	-		93,005
Accounts, net	-	-	1,303,744		1,303,744
Other	4,708	6,000	8,489		19,197
Allowance	-	-	(166,094)		(166,094)
Total	\$ 408,057	\$ 6,000	\$ 1,146,139		\$ 1,560,196

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

Component Units					
	Community Development	Economic Development		Total	
Sales tax	\$ 125,179	\$ 125,179	\$ 250,358		
	\$ 125,179	\$ 125,179	\$ 250,358		

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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	\$ 7,960,950	\$ 45,527	\$ -	\$ 8,006,477
Construction in progress	15,129,373	7,263,465	(14,139,138)	8,253,700
Total capital assets not being depreciated	<u>23,090,323</u>	<u>7,308,992</u>	<u>(14,139,138)</u>	<u>16,260,177</u>
Capital assets, being depreciated:				
Buildings and improvements	13,876,865	-	-	13,876,865
Operating equipment	2,649,970	226,213	(128,951)	2,747,232
Infrastructure	16,901,514	82,767	14,139,138	31,123,419
Total capital assets being depreciated	<u>33,428,349</u>	<u>308,980</u>	<u>14,010,187</u>	<u>47,747,516</u>
Less accumulated depreciation				
Buildings and improvements	3,400,838	433,650	-	3,834,488
Operating equipment	1,423,888	245,538	(74,519)	1,594,907
Infrastructure	4,414,000	812,865	-	5,226,865
Total accumulated depreciation	<u>9,238,726</u>	<u>1,492,053</u>	<u>(74,519)</u>	<u>10,656,260</u>
Net capital assets being depreciated	24,189,623	(1,183,073)	14,084,706	37,091,256
Total Capital Assets	<u>\$ 47,279,946</u>	<u>\$ 6,125,919</u>	<u>\$ (54,432)</u>	<u>\$ 53,351,433</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 294,559
Public safety	205,091
Street	745,484
Parks and recreation	246,919
Total Governmental Activities Depreciation Expense	<u>\$ 1,492,053</u>

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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	\$ 442,095	\$ -	\$ (28,916)	\$ 413,179
Construction in progress	4,480,342	1,077,601	(5,305,244)	252,699
Total capital assets not being depreciated	<u>4,922,437</u>	<u>1,077,601</u>	<u>(5,334,160)</u>	<u>665,878</u>
Capital assets, being depreciated:				
Building and system	25,845,096	-	5,305,244	31,150,340
Equipment	404,435	190,058	(16,056)	578,437
Total capital assets being depreciated	<u>26,249,531</u>	<u>190,058</u>	<u>5,289,188</u>	<u>31,728,777</u>
Less accumulated depreciation				
Building and system	4,936,309	644,118	-	5,580,427
Equipment	361,921	33,662	(16,056)	379,527
Total accumulated depreciation	<u>5,298,230</u>	<u>677,780</u>	<u>(16,056)</u>	<u>5,959,954</u>
Net capital assets being depreciated	20,951,301	(487,722)	5,305,244	25,768,823
Total Capital Assets	<u>\$ 25,873,738</u>	<u>\$ 589,879</u>	<u>\$ (28,916)</u>	<u>\$ 26,434,701</u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 677,780
Total Business-type Activities Depreciation Expense	<u>\$ 677,780</u>

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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, 2018. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
Certificates of Obligation	\$ 19,485,000	\$ 9,640,000	\$ (990,000)	\$ 28,135,000	\$ 955,000
General Obligation Bonds	20,770,000	4,225,000	(785,000)	24,210,000	1,295,000
Less deferred amounts:					
For premiums	1,732,346	121,598	(157,047)	1,696,897	-
Total Bonds Payable	<u>41,987,346</u>	<u>13,986,598</u>	<u>(1,932,047)</u>	<u>54,041,897</u>	<u>2,250,000</u>
Capital Leases	498,045	45,197	(110,113)	433,129	96,100
Compensated Absences	98,207	147,022	(88,386)	156,843	141,158
Total	\$ 42,583,598	\$ 14,178,817	\$ (2,130,546)	\$ 54,631,869	\$ 2,487,258
Long-term liabilities due in more than one year					
<u>\$ 52,144,611</u>					
 Business-Type Activities:					
Certificates of Obligation	\$ 13,775,000	\$ 7,785,000	\$ (695,000)	\$ 20,865,000	\$ 835,000
General Obligation Bonds	2,145,000	-	(150,000)	1,995,000	270,000
Contract Revenue Bonds	7,018,750	-	(306,250)	6,712,500	318,750
Less deferred amounts:					
For premiums	617,471	60,668	(41,351)	636,788	-
Total Bonds Payable	<u>23,556,221</u>	<u>7,845,668</u>	<u>(1,192,601)</u>	<u>30,209,288</u>	<u>1,423,750</u>
Capital Leases	23,188	-	(17,889)	5,299	5,299
Compensated Absences	22,795	10,518	(20,516)	12,797	11,517
Total	<u>\$ 23,602,204</u>	<u>\$ 7,856,186</u>	<u>\$ (1,231,006)</u>	<u>\$ 30,227,384</u>	<u>\$ 1,440,566</u>
Long-term liabilities due in more than one year					
<u>\$ 28,786,818</u>					

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2018

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.		\$ 410,000
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.		7,940,000
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		4,630,000
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		5,515,000
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		9,640,000
Total Certificates of Obligation		\$ 28,135,000

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued *September 30, 2018*

		<u>Governmental Activities</u>
General Obligations:		
annual installments through February 15, 2032, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 & August 15.		\$ 380,000
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.		1,625,000
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.		1,940,000
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.		12,225,000
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.		3,815,000
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.		4,225,000
	Total General Obligation bonds	<u>\$ 24,210,000</u>
Less deferred amounts:		
Premiums		\$ 1,696,897
Capital Leases Payable:		433,129
Compensated Absences		156,843
	Total Long-term Debt	<u>\$ 54,631,869</u>

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued *September 30, 2018*

	Business - Type Activities
Certificates of Obligation:	
& August 15.	\$ 1,065,000
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.	3,695,000
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.	1,850,000
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.	\$ 1,605,000
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.	4,865,000
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.	7,785,000
Total Certificates of Obligation	\$ 20,865,000
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.	390,000
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.	1,605,000
Total General Obligation bonds	\$ 1,995,000

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued *September 30, 2018*

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.	\$ 405,000
2006 Contract Revenue Bonds issued July 15, 2006 due in annual installments through February 1, 2040, bearing interest rates of 5.68% to 5.83%, payable February 1.	2,168,750
2006 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.	855,000
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.	888,750
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.	660,000
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.	770,000
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.	965,000
Total Contract Revenue Bonds	<u>\$ 6,712,500</u>
Less deferred amounts:	
Premiums	\$ 636,788
Capital Leases Payable:	5,299
Compensated Absences	12,797
Total Long-term Debt	<u>\$ 30,227,384</u>

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued *September 30, 2018*

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
2019	\$ 955,000	\$ 931,135	\$ 835,000	\$ 667,153
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	631,346	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	\$ 28,135,000	\$ 11,717,745	\$ 20,865,000	\$ 8,158,053

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2018

General Obligation Bonds

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 1,295,000	\$ 824,523	\$ 270,000	\$ 70,200
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	\$ 24,210,000	\$ 7,997,106	\$ 1,995,000	\$ 337,850

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Contract Revenue Bonds

Business-type Activities			
	Principal	Interest	
2019	\$ 318,750	\$ 431,608	
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	<u>\$ 6,712,500</u>	<u>\$ 4,431,260</u>	

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2018

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		
2019	\$ 96,100	\$ 16,935		\$ 113,035
2020	91,244	13,103		104,347
2021	94,939	8,999		103,938
2022	65,665	5,554		71,219
2023	67,265	3,100		70,365
2024	17,916	587		18,503
Total	\$ 433,129	\$ 48,278		\$ 481,407

Year ending September 30,	Business-type Activities			Total
	Principal	Interest		
2019	5,299	598		5,897
Total	\$ 5,299	\$ 598		\$ 5,897

E. 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 \$595,239 and \$85,560, 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, 2018

G. Interfund Transactions

Transfers between the primary government funds during the 2018 year were as follows:

Transfer out:	Transfer In:					Total
	General	Transportation	Construction	Debt Service		
General	\$ -	6,182,828	8,070,000	553,935	\$ 14,806,763	
Non-Major Fund	-	-	-	695,950		695,950
Water & Sewer	296,000	-	-	-		296,000
Total	\$ 296,000	\$ 6,182,828	\$ 8,070,000	\$ 1,249,885	\$ 15,798,713	

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, 2018 were as follows:

Due from (receivable fund):	Due to (payable fund):				Total
	General	Transportation	Construction	Enterprise	
General	\$ -	\$ 10,125	\$ 325,917	\$ 336,042	
Transportation construction	-	-	120,143		120,143
Debt service	38,266	-	-		38,266
Park Construction	10,875	-	-		10,875
Total	\$ 49,141	\$ 10,125	\$ 446,060	\$ 505,326	

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

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

GTUA in connection with the bonds. Under terms of the contracts the City's obligation to 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, 2018

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	\$ 6,344,834	\$ 1,310,607
Melissa Road East/West	6,998,000	146,865	6,851,135
Fannin Road	1,690,778	724,249	966,529
Sports Park Phase e II / Zadow Park	8,000,000	113,928	7,886,072
Davis Road East	8,535,391	1,803,355	6,732,036
Liberty Way Link	400,000	3,554	396,446
Signalization	750,000	188,346	561,654
Downtown Overlay District Roadways	1,000,000	-	1,000,000
Business-Type Activities:			
Stiff Creek Sewer	4,445,432	3,733,918	711,514
North Elevated Storage Tank Water Tower	8,000,000	156,556	7,843,444
Total	\$ 47,475,042	\$ 13,215,605	\$ 34,259,437

D. Defined Benefit Pension Plans

1. Plan Description

The City of Melissa, Texas participates as one of 883 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, 2018

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 2017</u>	<u>Plan Year 2016</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, 2018

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	40
Active employees	50
Total	<u>104</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 7.19% and 13.59% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$343,590, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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, 2018

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 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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2018

Absolute Return	10.0%	3.75%
Private Equity	<u>5.0%</u>	7.50%
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.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/16	\$ 3,313,119	\$ 2,771,417	\$ 541,702
Changes for the year:			
Service cost	368,325	-	368,325
Interest	302,767	-	302,767
Change in benefit terms	1,037,592	-	1,037,592
Difference between expected and actual experience	(53,040)	-	(53,040)
Changes of assumptions	-	-	-
Contributions – employer	-	192,773	(192,773)
Contributions – employee	-	187,784	(187,784)
Net investment income	-	384,328	(384,328)
Benefit payments, including refunds of emp. contributions	(98,867)	(98,867)	-
Administrative expense	-	(1,991)	1,991
Other changes	-	(102)	102
Net changes	1,556,777	663,925	892,852
Balance at 12/31/17	\$ 4,869,896	\$ 3,435,342	\$ 1,434,554

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:

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
<u>\$ 2,236,523</u>	<u>\$ 1,434,554</u>	<u>\$ 783,828</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.

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

For the year ended September 30, 2018, the City recognized pension expense of \$1,344,983. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between projected and investment earnings	\$ -	\$ (94,307)
Changes in actuarial assumptions	45,835	-
Difference between expected and actual economic experience	-	(14,266)
Contributions subsequent to the measurement date	287,697	-
Total	<u>\$ 333,532</u>	<u>\$ (108,573)</u>

The City reported \$287,697 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2018

Year ended December 31:

2018	\$	9,061
2019		4,280
2020		(30,203)
2021		(41,840)
2022		(4,036)
Thereafter		-
	<u>\$</u>	<u>(62,738)</u>

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.

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 2017	Plan Year 2016
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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	5
Active employees	50
Total	66

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2018

The City's contributions to the TMRS SDBF for the years ended 2018, 2017 and 2016 were \$579, \$592 and \$848, 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
2016	0.03%	0.03%	100.0%
2017	0.02%	0.02%	100.0%
2018	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, 2017, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2017 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	3.31%
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.

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

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 3.31%, 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 (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease (2.31%)	Current Single Rate Assumption 3.31%	1% Increase (4.31%)
<u>\$ 103,367</u>	<u>\$ 86,020</u>	<u>\$ 72,565</u>

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/16	\$ 70,853
Changes for the year:	
Service Cost	6,170
Interest	2,785
Difference between expected and actual experience	6,749
Benefit payments	(537)
Net changes	<u>15,167</u>
Balance at 12/31/17	<u>\$ 86,020</u>

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$9,835

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

	Deferred Outflows of Resources
Changes in actuarial assumptions	\$ 5,869
Contributions subsequent to measurement date	423
Total	\$ 6,292

The City reported \$423 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, 2019.

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

Year ended December 31:	
2018	\$ 880
2019	880
2020	880
2021	880
2022	880
Thereafter	1,469
	\$ 5,869

E. Restatement

Due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government-wide level for both governmental and business-type activities. In addition, the City corrected a liability recorded in the prior year within business-type activities.

The below tables summarize the changes to net position/fund balance as a result of these changes.

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2018

	Governmental Activities	Business-Type Activities	Enterprise Fund
Prior year ending net position/ fund balance as reported	\$ 22,536,802	\$ 7,043,834	\$ 7,043,834
Impact of implementation of GASB 75	(61,609)	(8,863)	(8,863)
Correction to liability	-	(219,579)	(219,579)
Restated beginning net position/fund balance	<u><u>\$ 22,475,193</u></u>	<u><u>\$ 6,815,392</u></u>	<u><u>\$ 6,815,392</u></u>

F. Subsequent Events

There were no material subsequent events through February 21, 2019, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Melissa, Texas

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 1 of 2)**
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 3,399,088	\$ 3,517,088	\$ 3,520,703	\$ 3,615
Sales tax	900,000	1,275,000	1,324,418	49,418
Franchise and local taxes	360,000	435,000	479,301	44,301
Road impact fees	-	-	2,472,046	2,472,046
License and permits	500,000	1,500,000	1,697,553	197,553
Charges for services	50,000	50,000	35,671	(14,329)
Fines and forfeitures	540,000	420,000	423,997	3,997
Platting and development	250,000	510,000	520,415	10,415
Intergovernmental	104,575	240,970	343,309	102,339
Lease revenue	97,560	97,560	98,898	1,338
Investment income	15,000	140,000	142,766	2,766
Other revenues	67,575	152,363	1,175,212	1,022,849
Total Revenues	6,283,798	8,337,981	12,234,289	3,896,308
Expenditures				
Current:				
Administration	1,471,280	2,244,307	1,763,245	481,062
Planning and development	697,786	1,383,286	933,132	450,154
Code enforcement	72,459	86,067	86,600	(533)
Public library	273,247	277,591	242,295	35,296
Public safety	2,506,192	2,859,548	2,659,322	200,226
Streets	228,982	251,132	332,749	(81,617)
Municipal court	352,303	297,403	308,531	(11,128)
Building maintenance	81,365	81,365	88,796	(7,431)
Parks and recreation	563,364	601,864	466,665	135,199
Capital outlay	208,228	372,228	687,820	(315,592)
Debt service				
Principal	110,113	110,113	110,113	-
Interest	19,479	19,479	19,479	-
Bond issuance expense	-	111,598	111,598	-
Total Expenditures	6,584,798	8,695,981	7,810,345	885,636
Expenditures	(301,000)	(358,000)	4,423,944	4,781,944

City of Melissa, Texas

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)**
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
				Positive (Negative)
Other Financing Sources (Uses)				
Transfers in	\$ 301,000	\$ 301,000	\$ 296,000	\$ (5,000)
Transfers (out)	-	-	(14,806,763)	(14,806,763)
Sale of capital assets	-	57,000	57,088	88
Bond issuance	-	-	13,865,000	13,865,000
Lease proceeds	-	-	45,197	45,197
Bond premium	-	-	121,598	121,598
Total Other Financing Sources (Uses)	301,000	358,000	(421,880)	(779,880)
Net Change in Fund Balance	\$ -	\$ -	4,002,064	\$ 4,002,064
Beginning fund balance			7,209,645	
Ending Fund Balance			\$ 11,211,709	

Notes to Financial Statement

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

City of Melissa, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2017	12/31/2016	12/31/2015
Total pension liability			
Service cost	\$ 368,325	\$ 325,842	\$ 273,760
Interest	302,767	198,997	171,825
Changes in benefit terms	1,037,592	-	-
Differences between expected and actual experience	(53,040)	33,857	(14,746)
Changes of assumptions	-	-	89,627
Benefit payments, including refunds of participant contributions	(98,867)	(61,534)	(44,530)
Net change in total pension liability	1,556,777	497,162	475,936
Total pension liability - beginning	3,313,119	2,815,957	2,340,021
Total pension liability - ending (a)	4,869,896	3,313,119	2,815,957
Plan fiduciary net position			
Contributions - employer	\$ 192,773	\$ 146,688	\$ 114,584
Contributions - members	187,784	165,883	144,519
Net investment income	384,328	159,684	3,169
Benefit payments, including refunds of participant contributions	(98,867)	(61,534)	(44,530)
Administrative expenses	(1,991)	(1,803)	(1,930)
Other	(102)	(96)	(95)
Net change in plan fiduciary net position	663,925	408,822	215,717
Plan fiduciary net position - beginning	2,771,417	2,362,595	2,146,878
Plan fiduciary net position - ending (b)	\$ 3,435,342	\$ 2,771,417	\$ 2,362,595
Fund's net pension liability - ending (a) - (b)	\$ 1,434,554	\$ 541,702	\$ 453,362
Plan fiduciary net position as a percentage of the total pension liability	70.54%	83.65%	83.90%
Payroll	\$ 2,682,628	\$ 2,369,763	\$ 2,064,559
Fund's net pension liability as a percentage of payroll	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>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially determined employer contributions	\$ 343,590	\$ 180,435	\$ 141,014	\$ 105,230
Contributions in relation to the actuarially determined contribution	<u>\$ 343,590</u>	<u>\$ 180,435</u>	<u>\$ 141,014</u>	<u>\$ 105,230</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual covered payroll	<u>\$ 2,894,355</u>	<u>\$ 2,607,147</u>	<u>\$ 2,826,657</u>	<u>\$ 1,942,041</u>
Employer contributions as a percentage of covered payroll	11.87%	6.92%	4.99%	5.42%

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	26 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	Adopted 100% repeating USC with transfer.
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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>12/31/2017</u>	1
Total OPEB liability		
Service cost	\$ 6,170	
Interest	2,785	
Changes in benefit terms	-	
Differences between expected and actual experience	6,749	
Changes of assumptions	-	
Benefit payments, including refunds of participant contributions	(537)	
Net change in total OPEB liability	<u>15,167</u>	
Total OPEB liability - beginning	<u>\$ 70,853</u>	
Total OPEB liability - ending (a)	<u>\$ 86,020</u>	2
 Covered payroll	 \$ 2,682,628	
City's total OPEB liability as a percentage of covered payroll	 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

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, 2018

	Original & Final Budget	Actual	Variance with Final Budget
			Positive (Negative)
Revenues			
Property taxes	\$ 1,173,128	\$ 1,400,803	\$ 227,675
Intergovernmental	-	757,423	757,423
Investment income	-	1,540	1,540
Total Revenues	1,173,128	2,159,766	986,638
Expenditures			
Administration	-	5,040	(5,040)
Debt service:			
Principal retirement	1,775,000	1,775,000	-
Interest and fiscal charges	1,405,435	1,397,060	8,375
Total Expenditures	3,180,435	3,177,100	3,335
Excess of Revenues Over (Under) Expenditures	(2,007,307)	(1,017,334)	989,973
Other Financing Sources (Uses)			
Transfers in	2,007,307	1,249,885	(757,422)
Total Other Financing Sources (Uses)	2,007,307	1,249,885	(757,422)
Net Change in Fund Balance	\$ -	232,551	\$ 232,551
Beginning fund balance		645,708	
Ending Fund Balance	\$ 878,259		

Notes to Required Supplementary Information

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

City of Melissa, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TIF FUND
For the Year Ended September 30, 2018

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
			Positive (Negative)
Revenues			
Property taxes	\$ 806,773	\$ 777,233	\$ (29,540)
Investment income	-	679	679
Total Revenues	806,773	777,912	(28,861)
Expenditures			
Debt service:			
Principal retirement	380,000	380,000	-
Interest and fiscal charges	315,950	315,950	-
Total Expenditures	695,950	695,950	-
Excess of Revenues			
Over (Under) Expenditures	110,823	81,962	(28,861)
Net Change in Fund Balance	\$ 110,823	81,962	\$ (28,861)
Beginning fund balance		14,255	
Ending Fund Balance		\$ 96,217	

Notes to Required Supplementary Information

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

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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	88
<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	98
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	104
<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	111
<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	114
<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)

	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	\$ 21,081	\$ 15,186	\$ 2,148	\$ 8,834
Restricted	7,221	4,285	503	440
Unrestricted	<u>3,533</u>	<u>3,004</u>	<u>12,304</u>	<u>1,484</u>
Total governmental activities net position	<u>\$ 31,835</u>	<u>\$ 22,475</u>	<u>\$ 14,955</u>	<u>\$ 10,758</u>
 Business-type activities				
Net investment in capital assets	\$ 4,655	\$ 4,017	\$ 3,460	\$ 1,350
Restricted	2,947	1,743	925	-
Unrestricted (Deficit)	<u>1,287</u>	<u>1,054</u>	<u>2,837</u>	<u>4,625</u>
Total business-type activities net position	<u>\$ 8,889</u>	<u>\$ 6,814</u>	<u>\$ 7,222</u>	<u>\$ 5,975</u>
 Primary government				
Net investment in capital assets	\$ 25,736	\$ 19,203	\$ 5,608	\$ 10,184
Restricted	10,168	6,028	503	440
Unrestricted	<u>4,820</u>	<u>4,058</u>	<u>15,141</u>	<u>6,109</u>
Total primary government net position	<u>\$ 40,724</u>	<u>\$ 29,289</u>	<u>\$ 21,252</u>	<u>\$ 16,733</u>

Source: City of Melissa, Texas

2014	2013	2012	2011	2010	2009
\$ 8,381	\$ 8,397	\$ 7,054	\$ 6,510	\$ 6,076	\$ 3,250
1,126	1,118	1,328	1,510	109	68
<u>1,381</u>	<u>713</u>	<u>1,338</u>	<u>1,218</u>	<u>3,553</u>	<u>4,528</u>
<u>\$ 10,888</u>	<u>\$ 10,228</u>	<u>\$ 9,720</u>	<u>\$ 9,238</u>	<u>\$ 9,738</u>	<u>\$ 7,846</u>
\$ 2,032	\$ 3,042	\$ 1,562	\$ 1,702	\$ 1,391	\$ 1,884
-	-	-	-	-	-
<u>3,195</u>	<u>1,385</u>	<u>2,513</u>	<u>1,719</u>	<u>1,268</u>	<u>697</u>
<u>\$ 5,227</u>	<u>\$ 4,427</u>	<u>\$ 4,075</u>	<u>\$ 3,421</u>	<u>\$ 2,659</u>	<u>\$ 2,581</u>
\$ 10,413	\$ 11,439	\$ 8,616	\$ 8,212	\$ 7,467	\$ 5,134
1,126	1,118	1,328	1,510	109	68
<u>4,576</u>	<u>2,098</u>	<u>3,864</u>	<u>2,937</u>	<u>4,821</u>	<u>5,225</u>
<u>\$ 16,115</u>	<u>\$ 14,655</u>	<u>\$ 13,808</u>	<u>\$ 12,659</u>	<u>\$ 12,397</u>	<u>\$ 10,427</u>

City of Melissa, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

(amounts expressed in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Expenses				
Governmental activities:				
General government	\$ 3,751	\$ 2,818	\$ 2,849	\$ 2,917
Public safety	3,414	2,608	2,135	1,726
Streets	1,500	1,368	1,010	909
Culture and Recreation	1,002	758	593	689
Interest on long-term debt	1,399	1,364	1,120	867
Total governmental activities	expenses	11,066	8,916	7,707
Business-type activities:				
Water & Sewer	6,736	5,629	5,779	4,178
Sanitation	418	381	338	233
Total business-type activities	expenses	7,154	6,010	6,117
Total primary government expenses	\$ 18,220	\$ 14,926	\$ 13,824	\$ 11,519
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,136	\$ 1,861	\$ 1,192	\$ 958
Public safety	424	466	546	560
Streets	2,589	998	157	22
Culture and Recreation	-	-	-	-
Operating grants and contributions	1,141	230	203	158
Capital grants and contributions	4,935	3,910	-	400
Total governmental activities	program revenues	11,225	7,465	2,098
Business-type activities:				
Charges for services:				
Water & Sewer	7,452	6,057	5,133	4,478
Sanitation	509	463	314	314
Grants and contributions	548	229	612	228
Total business-type activities	program revenues	8,509	6,749	6,059
Total primary government program revenues	\$ 19,734	\$ 14,214	\$ 8,157	\$ 7,118

2014		2013		2012		2011		2010		2009	
\$	2,253	\$	2,300	\$	2,054	\$	1,893	\$	1,661	\$	1,696
	1,483		1,377		1,238		1,067		1,055		990
	843		772		789		487		242		384
	487		469		441		445		397		371
	771		815		762		828		1,100		495
	<u>5,837</u>		<u>5,733</u>		<u>5,284</u>		<u>4,720</u>		<u>4,455</u>		<u>3,936</u>
	3,047		3,154		3,011		2,438		2,447		2,747
	211		194		169		175		166		194
	<u>3,258</u>		<u>3,348</u>		<u>3,180</u>		<u>2,613</u>		<u>2,613</u>		<u>2,941</u>
	<u>\$ 9,095</u>		<u>\$ 9,081</u>		<u>\$ 8,464</u>		<u>\$ 7,333</u>		<u>\$ 7,068</u>		<u>\$ 6,877</u>
	735	\$	549	\$	417	\$	247	\$	255	\$	248
	552		467		573		525		388		447
	-		-		-		-		-		-
	5		9		5		2		2		-
	309		282		100		91		112		67
	830		1,223		1,008		29		2,067		-
	<u>2,431</u>		<u>2,530</u>		<u>2,103</u>		<u>894</u>		<u>2,824</u>		<u>762</u>
	3,908		3,932		3,196		2,846		2,264		1,789
	281		260		234		220		210		199
	-		-		-		-		-		-
	<u>4,189</u>		<u>4,192</u>		<u>3,430</u>		<u>3,066</u>		<u>2,474</u>		<u>1,988</u>
	<u>\$ 6,620</u>		<u>\$ 6,722</u>		<u>\$ 5,533</u>		<u>\$ 3,960</u>		<u>\$ 5,298</u>		<u>\$ 2,750</u>

City of Melissa, Texas
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	2018	2017	2016	2015
Net (Expenses) Revenue				
Governmental activities	\$ 159	\$ (1,451)	\$ (5,609)	\$ (5,010)
Business-type activities	1,355	739	(58)	609
Total primary government net expense	\$ 1,514	\$ (712)	\$ (5,667)	\$ (4,401)

**General Revenues and Other
Changes in Net Position**

Governmental activities:

Taxes				
Property taxes	\$ 5,679	\$ 4,489	\$ 3,699	\$ 3,059
Sales taxes	1,324	1,164	1,129	822
Franchise and other taxes	479	382	339	306
Investment earnings	146	45	40	139
Miscellaneous	1,277	1,050	271	161
Gain on Sale of Capital Asset	-	-	-	-
Transfers	296	1,842	1,001	441
Total governmental activities	9,201	8,972	6,479	4,928

Business-type activities:

Investment earnings	35	24	17	27
Miscellaneous	980	673	34	167
Transfers	(296)	(1,842)	(194)	(441)
Total business-type activities	719	(1,145)	(143)	(247)
Total primary government	\$ 9,920	\$ 7,827	\$ 6,336	\$ 4,681

Change in Net Position

Governmental activities	\$ 9,360	\$ 7,521	\$ 870	\$ (82)
Business-type activities	2,074	(406)	(201)	362
Total primary government	\$ 11,434	\$ 7,115	\$ 669	\$ 280

Source: City of Melissa, Texas

2014		2013		2012		2011		2010		2009	
\$	(3,406)	\$	(3,203)	\$	(3,181)	\$	(3,826)	\$	(1,631)	\$	(3,174)
	931		844		250		453		(139)		(953)
\$	(2,475)	\$	(2,359)	\$	(2,931)	\$	(3,373)	\$	(1,770)	\$	(4,127)
<hr/>											
\$	2,561	\$	2,275	\$	2,217	\$	2,117	\$	2,143	\$	2,133
	830		704		641		472		406		507
	282		255		247		216		193		148
	11		20		33		36		258		301
	112		177		82		100		57		51
	2		44		(12)		-		-		11
	268		236		219		120		203		194
\$	4,066	\$	3,711	\$	3,427	\$	3,061	\$	3,260	\$	3,345
<hr/>											
	22		22		35		17		55		73
	6		145		353		207		135		21
	(268)		(236)		(219)		(120)		(203)		(194)
	(240)		(69)		169		104		(13)		(100)
\$	3,826	\$	3,642	\$	3,596	\$	3,165	\$	3,247	\$	3,245
<hr/>											
\$	660	\$	508	\$	246	\$	(765)	\$	1,629	\$	171
	691		775		419		557		(152)		(1,053)
\$	1,351	\$	1,283	\$	665	\$	(208)	\$	1,477	\$	(882)

City of Melissa, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS

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

	2018	2017	2016	2015
General Fund				
Nonspendable	\$ 1	\$ 52	\$ 55	\$ 38
Restricted	6,247	3,691	76	100
Assigned	2,848	1,665	420	414
Unassigned	2,116	1,802	2,022	1,404
Total general fund	\$ 11,212	\$ 7,210	\$ 2,573	\$ 1,956
All Other Governmental Funds				
Restricted	22,551	10,317	6,887	14,148
Unassigned	-	(35)	-	-
Total all other governmental funds	\$ 22,551	\$ 10,282	\$ 6,887	\$ 14,148

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

2014	2013	2012	2011	2010	2009
\$ 9	\$ 2	\$ 17	\$ 15	\$ -	\$ -
85	73	64	48	39	31
129	64	57	-	-	-
<u>1,370</u>	<u>1,355</u>	<u>1,319</u>	<u>1,333</u>	<u>1,353</u>	<u>1,281</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>	<u><u>\$ 1,312</u></u>
1,041	1,045	1,264	1,462	2,404	10,254
-	-	-	-	-	-
<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>	<u><u>\$ 10,254</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)

	2018	2017	2016	2015
Revenues				
Taxes	\$ 10,091	\$ 5,991	\$ 5,159	\$ 4,182
Licenses & Permits	1,581	2,854	1,342	976
Intergovernmental	6,066	4,140	-	400
Charges for Services	556	5	8	4
Fines	424	466	546	560
Investment earnings	146	45	40	140
Contributions	-	-	203	157
Miscellaneous	1,274	1,050	247	161
Total Revenues	20,138	14,551	7,545	6,580
Expenditures				
General government	3,156	2,475	2,515	2,489
Public safety	2,994	2,303	1,901	1,572
Streets	360	275	281	257
Culture & Recreation	709	526	511	600
Capital Outlay	7,618	19,620	4,901	909
Debt Service:				
Principal	1,885	1,555	994	971
Interest and fiscal charges	1,529	1,359	1,242	681
Total Expenditures	18,251	28,113	12,345	7,479
Excess of Revenues Over (Under) Expenditures	1,887	(13,562)	(4,800)	(899)
Other financing sources (uses)				
Transfers in	15,799	19,264	2,264	1,368
Transfers (out)	(15,503)	(17,422)	(1,262)	(927)
Note Issued	-	-	-	-
Bonds Issued	13,987	29,006	-	10,490
Insurance Recoveries	-	-	24	-
Capital Leases	45	-	341	229
Sale of Capital Assets	57	-	-	-
Payment to refunded escrow agent	-	(12,884)	-	-
Bond Issuance Cost	-	-	-	-
Total Other Financing Sources (Uses)	14,385	17,964	1,367	11,160
Net Change in Fund Balances	\$ 16,272	\$ 4,402	\$ (3,433)	\$ 10,261
Debt service as percentage of noncapital expenditures	32.1%	32.9%	30.0%	25.1%

2014	2013	2012	2011	2010	2009
\$ 3,646	\$ 3,275	\$ 3,068	\$ 2,802	\$ 2,766	\$ 2,781
1,201	549	417	235	245	206
511	546	236	307	2,303	313
6	10	6	2	2	2
551	466	573	524	387	445
11	20	33	36	258	301
163	959	1,107	91	149	67
112	177	82	100	58	51
<u>6,201</u>	<u>6,002</u>	<u>5,522</u>	<u>4,097</u>	<u>6,168</u>	<u>4,166</u>
1,864	1,974	1,740	1,585	1,564	1,662
1,342	1,256	1,121	924	903	859
248	230	279	232	213	355
405	376	353	355	306	280
982	1,874	1,640	677	9,592	4,713
900	803	568	549	537	497
743	735	813	833	1,073	487
<u>6,484</u>	<u>7,248</u>	<u>6,514</u>	<u>5,155</u>	<u>14,188</u>	<u>8,853</u>
<u>(283)</u>	<u>(1,246)</u>	<u>(992)</u>	<u>(1,058)</u>	<u>(8,020)</u>	<u>(4,687)</u>
1,710	1,898	844	803	-	-
(1,443)	(1,662)	(625)	(684)	-	-
-	-	-	-	-	-
-	2,430	500	-	-	-
-	-	-	-	-	-
108	38	109	-	-	-
2	48	27	-	-	-
-	(1,595)	-	-	-	-
-	(93)	-	-	-	-
<u>377</u>	<u>1,064</u>	<u>855</u>	<u>119</u>	<u>-</u>	<u>-</u>
<u>\$ 94</u>	<u>\$ (182)</u>	<u>\$ (137)</u>	<u>\$ (939)</u>	<u>\$ (8,020)</u>	<u>\$ (4,687)</u>
29.9%	28.6%	28.3%	30.9%	35.0%	23.8%

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	Total		Tax Rate
	Residential	Commercial		Assessed Value	Assessed Value	
	Assessed Value	Assessed Value	Real Property	Assessed Value	Assessed Value	
2009	\$ 277,679	\$ 75,976	\$ 17,097	\$ 336,558	\$ 336,558	0.61000
2010	283,842	87,460	29,637	341,665	341,665	0.61000
2011	289,495	84,077	31,807	341,765	341,765	0.61000
2012	299,967	84,719	32,018	352,668	352,668	0.61000
2013	310,017	88,489	35,219	363,287	363,287	0.61000
2014	420,978	101,533	41,884	480,627	480,627	0.61000
2015	428,704	128,724	125,900	431,528	431,528	0.61000
2016	663,465	105,965	74,304	695,126	695,126	0.61000
2017	670,504	118,120	79,280	709,344	709,344	0.61000
2018	813,674	147,038	95,478	865,234	865,234	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
\$ 336,558	100.0%
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%

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

Fiscal Year	CITY OF MELISSA			Melissa Independent		Collin County		Total Rate
	General	Debt Service	Total Rate	School District	Collin County	College District		
2009	\$ 0.459435	0.06057	0.520005	1.53500	\$ 0.24500	0.08698	2.386985	
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	

Source: Collin County Central Appraisal District

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

Taxpayer	2018			2009		
	Assessed Valuation	Rank	Percentage of Total City	Assessed Valuation	Rank	Percentage of Total City
			Assessed Valuation			Assessed Valuation
D.R. Horton- Texas LTD	10,908,487	1	1.26%	-	-	-
Buc-ees LTD	7,294,056	2	0.84%	-	-	-
Bloomfield Homes LP	6,840,240	3	0.79%	-	-	-
Liberty Phase 5 Project LLC	6,257,221	4	0.72%	-	-	-
HMH Auburndale Development Inc.	5,465,412	5	0.63%	-	-	-
ABC Supply Company	3,438,622	6	0.40%	-	-	-
Oak National Holdings	3,037,460	7	0.35%	-	-	-
Pacesetter Homes LLC	3,003,750	8	0.35%	-	-	-
Oncor Electric Delivery Company	2,864,160	9	0.33%	1,899,120	8	0.55%
Steel Fab Texas Inc.	2,857,689	10	0.33%	-	-	-
Hillwood RLD LP	-	-		3,265,810	1	0.95%
HFG VOM LP	-	-		2,162,000	2	0.63%
Alpha Industries Inc.	-	-		2,153,088	3	0.63%
McKinney Lumber Company LLC	-	-		2,087,836	4	0.61%
Zenith Finance and Construction Co.	-	-		2,047,724	5	0.59%
Engibous, Thomas J Etux	-	-		2,021,723	6	0.59%
First National Bank of Trenton	-	-		2,004,845	7	0.58%
Holigan Land Development	-	-		1,789,693	9	0.52%
Phillips Properties LTD	-	-		1,708,848	10	0.50%
Total	\$ 51,967,097		0.06	\$ 21,140,687		6.15%

Source: Collin County Central Appraisal District

Note: Information concerning principal tax payers is not available
for the period nine years prior to the current period.

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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		Collections in Subsequent Years	Total Collections to Date			
		Fiscal year of the Levy			Amount	Percentage of Tax Levy	Amount	
		Amount	Percentage of Tax Levy					
2009	\$ 2,089,744	\$ 2,035,210	97.4%	\$ 53,105	\$ 2,088,315	99.93%		
2010	2,095,958	2,068,894	98.7%	24,943	2,093,837	99.9%		
2011	2,084,767	2,058,297	98.7%	26,331	2,084,628	99.99%		
2012	2,135,747	2,122,966	99.4%	11,267	2,134,233	99.93%		
2013	2,222,902	2,206,941	99.3%	9,824	2,216,765	99.7%		
2014	2,473,949	2,463,639	99.6%	5,697	2,469,336	99.8%		
2015	2,953,734	2,932,886	99.3%	13,532	2,946,418	99.8%		
2016	3,585,389	3,570,609	99.6%	6,926	3,577,535	99.8%		
2017	4,334,553	4,310,559	99.4%	21,117	4,331,676	99.9%		
2018	5,278,488	5,253,887	99.5%	-	5,253,887	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			
2009	\$ 19,450	\$ -	\$ 94	\$ 441		
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

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

Business-type Activities

Revenue Bonds	General			Total Primary Government	Percentage of Personal Income	Per Capita
	Obligation Bonds	Certificates of Obligation	Capital Leases			
\$ 10,666	\$ -	\$ -	\$ 163	\$ 30,814	15.61%	6,163
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

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			Total	Percentage of	
		Available in Debt	Service Fund			Actual Taxable Value ¹ of Property	Per Capita ²
2009	\$ 19,450	\$ 37	\$ 19,413		5.18%	3,883	
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	

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, 2018 (Unaudited)

(Amounts Expressed in Thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Melissa I.S.D.	\$ 123,404	79.55%	\$ 98,168
Collin County	352,380	0.53%	1,868
Collin County College District	246,415	0.53%	1,306
Total, overlapping debt			101,341
 City of Melissa Direct Debt	 54,475	 100%	 54,475
 Total direct and overlapping debt			 \$ 155,816

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.

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)

	2018	2017	2016	2015
Debt limit	\$ 96,071	\$ 88,783	\$ 76,943	\$ 54,166
Total net debt applicable to limit	<u>27,699</u>	<u>24,656</u>	<u>26,316</u>	<u>27,271</u>
Legal debt margin	<u><u>\$ 68,372</u></u>	<u><u>\$ 64,127</u></u>	<u><u>\$ 50,627</u></u>	<u><u>\$ 26,895</u></u>
Total net debt applicable to limit as a percentage of debt limit	28.83%	27.77%	34.20%	50.35%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 865,234
Add back: exempt real property	95,478
Total assessed value	<u>960,712</u>
Debt limit (10% of total assessed value)	96,071
Debt applicable to limit:	
General obligation	28,539
Less: Amount set aside for repayment of general obligation debt	<u>(840)</u>
Total net debt applicable to limit	<u>27,699</u>
Legal debt margin	<u><u>\$ 68,372</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

2014	2013	2012	2011	2010	2009
\$ 52,251	\$ 39,851	\$ 35,267	\$ 37,357	\$ 37,195	\$ 37,466
<u>17,687</u>	<u>27,271</u>	<u>18,514</u>	<u>18,433</u>	<u>18,934</u>	<u>19,413</u>
<u>\$ 34,564</u>	<u>\$ 12,580</u>	<u>\$ 16,753</u>	<u>\$ 18,924</u>	<u>\$ 18,261</u>	<u>\$ 18,053</u>

33.85%	68.43%	52.50%	49.34%	50.90%	51.81%
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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			Principal	Interest	Coverage	
2009	\$ 2,081	\$ 2,352	\$ (271)	\$ 308	\$ 469				-35%	
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	6,225	1,736	1,019	849				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	Expressed in Thousands)	Personal Income (Amounts)	Per Capita	(1)/(5) Average Age	(4) School Enrollment	(2) Unemployment Rate
			Personal Income	(2)			
2009	4,700	\$ 197,372	\$ 41,994	36.9	1,370	7.2%	
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%	

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

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City of Melissa, Texas

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2018			2009		
	No. Employees ¹	Rank	Percentage of Total City Employment	No. Employees ¹	Rank	Percentage of Total City Employment
Melissa ISD	400	1	12.8%	165	1	8.4%
Kirk Concrete Construction, Inc.	200	2	6.4%	75	3	3.8%
SteelFab Texas Fabricated						
Structural Steel	100	3	3.2%	-	-	-
Calhar Utility Contractors	100	4	3.2%	-	-	-
NTMWD Regional Disposal						
Activities	46	5	1.5%	-	-	-
City of Melissa	50	6	1.6%	30	5	1.5%
Sonic Drive-In	32	7	1.0%	25	7	1.3%
CMC Rebar	28	8	0.9%	15	10	0.8%
Mudpies & Lullabies	24	9	0.8%	-	-	-
Corner Store	9	10	0.3%	-	-	-
Calhar Utility Contractors	-	-	-	88	2	4.5%
Alpha Industries Fabricated Str	-	-	-	55	4	2.8%
McKinney Lumber	-	-	-	30	6	1.5%
Bee Builder Supply	-	-	-	23	8	1.2%
Mudpies & Lullabies	-	-	-	22	9	1.1%
Total	989		31.6%	528		26.8%

¹Source: City of Melissa

City of Melissa, Texas
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY
Last Ten Fiscal Years (Unaudited)

Function / Program	2018	2017	2016	2015	2014	2013
General Government	9.5	8.5	7.5	7.5	7.0	6.5
Public Safety:						
Police	13.0	12.0	11.0	11.0	10.0	9.0
Municipal Court	2.0	2.0	1.5	1.5	1.5	2.5
Fire	9.0	10.0	9.0	9.0	3.5	3.0
Code Enforcement	1.0	1.0	-	-	-	-
Streets	0.5	0.5	0.5	0.5	1.0	1.0
Culture & Recreation:						
Parks and recreation	3.0	2.0	2.0	2.0	1.0	1.0
Libraries	4.0	4.5	4.0	4.0	3.0	2.5
Water, Wastewater	4.5	4.5	4.5	4.5	4.0	4.0
Utility Adminstration	2.5	2.5	3.5	3.5	3.5	3.0
Total all governmental funds	49.0	47.5	43.5	43.5	34.5	32.5

Source: City of Melissa, Texas

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
6.5	6.0	6.0	6.0
9.0	9.5	9.5	9.5
2.5	2.5	2.5	2.5
2.0	2.0	1.5	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
2.0	2.0	2.0	2.0
4.0	4.0	4.0	4.0
<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
<u>32.0</u>	<u>32.0</u>	<u>31.5</u>	<u>31.5</u>

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

Function/Program	2018	2017	2016	2015
General government				
Building permits issued				
Commercial:				
Number Issued	4	20	23	4
Total Dollar Value of Permits Issued	21,024,377	33,274,421	3,641,774	3,425,350
Residential:	523	317	238	334
Number Issued	132,234,242	83,028,982	60,904,323	72,037,803
Total Dollar Value of Permits Issued				
Public Safety				
Police:				
Physical arrests	156	104	162	128
Accidents	304	211	259	234
Citations	3,116	2,905	2,799	3,461
Fire:				
Calls for Service- Fire & EMS	1,395	1,210	1,120	920
Number of Fire Safety Programs	24	5	30	30
Number of Calls Answered	1,395	1,210	1,120	950
Inspections	150	200	400	450
Fires Extinguished	97	85	95	150
Municipal Court				
Number of Cases Filed	2,966	2,639	3,382	3,461
Number of cases closed	2,616	2,603	2,933	3,077
Culture & Recreation:				
Parks & Recreation				
Athletic Field Reservations Issued	55	15	22	60
Park Facilities Reservations Issued	26	24	26	15
Public Works:				
Water & Sewer:				
New water connections	485	336	284	295
Average daily consumption of water (thousands of gallons)	1,695,406	1,755,863	835,180	915,316
Average daily treatment of wastewater (thousands of gallons)	469,471	734,400	1,395,918	1,557,289
Streets:				
Potholes Repaired (tons of material)	726	360	310	195
Concrete Streets repaired (yards)	109	6,857	13,028	0

Source: City of Melissa, Texas

Note: Only six years available at this time.

2014	2013	2012
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6	3	1
12,125,016	909,760	1,013,460
267	158	205
51,138,518	29,256,927	37,994,370

151	119	154
302	272	223
3,277	2,578	2,623

825	750	775
30	25	30
850	925	900
375	105	70
65	130	125

3,609	2,534	2,871
3,205	4,106	2,980

21	52	15
28	32	12

258	154	193
611,156	696,847	764,688
793,123	718,830	654,121

227	49	63
0	0	0

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

Function	2018	2017	2016	2015	2014
Public Safety					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Streets and Drainage:					
Streets (miles)	75.20	71.00	62.94	61.46	58.16
Storm Sewers (miles)	31.11	27.89	22.32	21.30	19.57
Culture and Recreation					
Parks Acreage	58	33	31	31	31
Melissa Sports Facility- Acreage	100	100	100	0	0
Water					
Water mains (miles)	76.68	70.97	61.54	57.50	54.31
Fire hydrants	655	618	515	478	439
Storage capacity (millions of gallons)	1,750	2	1,750	1,750	1,375
Sewer					
Sanitary sewer (miles)	69.54	65.11	52.78	50.60	47.24

Source: City of Melissa, Texas

Note: Only nine years available at this time.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
1	1	1	1	1
1	1	1	1	1
54.42	53.00	53.00	52.80	51.10
18.54	16.95	16.95	16.92	15.45
31	31	31	31	31
0	0	0	0	-
50.31	47.25	46.00	45.95	25.67
400	370	368	366	300
1,375	1,375	1,375	1,375	1375
44.75	42.94	42.94	42.94	36.49